The CPG CEO of the Future

Insight into the Transformation of CPG Leadership

The very nature of the consumer goods industry is changing, with the world's leading CPG companies disrupted by evolving shopping habits and increasing pressure to demonstrate a purpose beyond profit. Digital technologies, high consumer expectations of customization and personalization, and the abundance of data all affect how CPG companies adapt and compete — and how their leaders lead.

For a decade, CPG companies have been working diligently to transform themselves in response to the rapidly changing face of the consumer goods industry. Now, the next generation of CPG leadership must anticipate how to better connect with consumers, invest in the right technologies and business models, and use culture to spark innovation and growth. In the war for talent, in tandem with increasing AI-driven automation, they'll be tasked with building teams and cultures that can adapt and thrive in a quickly evolving environment.

For this article, Spencer Stuart interviewed 15 global leaders to understand the challenges they face, the changes they've made and their projections for what it will take to be a world-class CPG leader by the year 2025. Here is what we learned.

SAFE IS NOW RISKY: CPG COMPANIES MUST EMBRACE DISRUPTION

Traditionally, big CPG companies have been great at mitigating risk and increasing efficiency with data, but not so great at using it for agility. They tended to launch safe solutions versus bold category disruptors. But "safe" has become too risky. CPG companies must focus on innovation, driven by more agile development processes and faster prototyping to mimic startups. The sheer scale of established CPG companies can be an advantage here, because of the resources at their disposal, but only if they leverage customer data and predictive analytics to pinpoint new opportunities and marketing ideas.

Some large CPG companies now have a different approach to innovation. Jorge Mesquita, former executive vice president and worldwide chairman of Johnson & Johnson, deployed innovation squads called "black ops groups" to specific regions to explore trends, find out what local consumers were looking for and uncover ideas small competing players were nurturing. He explains the need to innovate how the company competes on a local level: "Startups tend to be single-country companies, so they feel intensely local, very on-trend and immersed in the culture and folklore of the country. If you have a global brand, each market needs to feel like the brand belongs there and nowhere else."

Old innovation models took 18 to 24 months from concept to launch, but reaching niche audiences has a speed component. Jean-Marc Duvoisin, CEO of Nespresso, reveals, "If you are not fast, the trend could be dead by the time you get to market." Data-driven innovation can speed the process of getting to market. Ram Krishnan, president and CEO, PepsiCo, Greater China region, says, "You need really rapid innovation enabled by a very flexible supply chain. That is completely getting disrupted with data-driven innovation."

Javier Ferran, chairman of the board at Diageo, weighs in on how leaders must react to compete against and even emulate startups: "The key is to have the agility, speed and entrepreneurship to assemble things yourself. You want to be able to move quickly when you see your competitor move." The biggest benefit startups have is the ability to execute fast. CEOs who can put in place mechanisms to move just as quickly in large CPG companies will be at an advantage.

David Taylor, president and CEO of Procter & Gamble (P&G) describes how his company emulates a startup ethos in specific regions from R&D to marketing: "P&G scientists work in labs in multiple places. Then we show up locally with an organization that's empowered to develop local ad copy and local programs to connect the brand with consumers. Connecting to consumers locally, we're seeing 20 percent growth on some brands that were not growing before."

PORTFOLIOS ARE EXPANDING TO BOOST REVENUES AND STAY RELEVANT

Some large CPG companies are diversifying their product lines in order to boost revenues. Mars has moved boldy into all facets of pet health services, Danone into plant-based nutrition and Coca-Cola into coffee as part of its total beverage strategy. But if you're going to turn a business model on its head, make sure you're offering products with sticking power.

Unilever's recent acquisition of Dollar Shave Club has been a "great acquisition," according to CEO Alan Jope, because its growing rapidly in double digits, driven by a steady increase in subscriptions and a growing basket size, as well as providing valuable learning for the broader business. But Jope warns against a fixation on acquisitions: "They're the icing. The cake remains our core business. If we adopted an attitude that 'core brands are doomed' and compensated by buying 100 million-dollar brands, that would be the path to absolute disaster."

Consumers want fresh, new and innovative, and they want their favorite trustworthy brands. Everything else, they can do without. James Quincey, chairman and CEO of Coca-Cola, says, "The big are getting bigger, and the small are becoming in aggregate bigger, and it's the middle that's getting squeezed. If you're going to do something new, it needs to turn into a leader brand. You're in the innovation game."

M&A TACTICS MUST BE AGGRESSIVE, YET THOUGHTFUL

When you can't beat them, sometimes, the smart move is to join them — or rather, acquire them, like Unilever did with Dollar Shave Club. For big companies, engaging in M&A makes it easier to compete on a niche level and provides a symbiosis that smaller companies and startups also benefit from.

Hans Van Bylen, CEO of Henkel, describes how this symbiosis plays out optimally: "Startups can create small businesses incredibly fast, but creating a billion-dollar business, that's a big step. However, in scaling up multinational consumer goods companies can play a decisive role. Today, successful companies will be those that can manage both: small niche brands, acquired or built from scratch, and big brands. This holds even more true in an increasingly digitalized world."

Acquisitions enable a big brand with one revenue stream to enter another quickly and with practiced expertise, as when Coca-Cola recently acquired the coffee brand Costa Limited, which included thousands of up-and-running retail outlets. Now, the beverage giant has an "experience" to offer, which is important in a time when CPG companies are trying to find ways of engaging consumers through experiences.

But Yiannis Petrides, former chairman of the board of Refresco, warns against trying to absorb smaller companies too thoroughly into the larger organization: "Let them do their work. Otherwise, you bring them into this large bureaucratic organization and destroy the *raison d'etre* that made them successful in the first place." For CPG leaders, having the vision to bring in smaller brands with diversified products must be balanced with the maturity and wisdom to let them remain somewhat culturally independent.

INTERVIEW PARTICIPANTS

As part of our research for this article, we interviewed current and former CEOs, board chairs and other senior executives of leading consumer packaged goods companies around the world.

- **Stefan Bomhard**, Group CEO, Inchcape
- **Jean-Marc Duvoisin**, CEO, Nespresso
- **Javier Ferran**, Chairman of the Board, Diageo
- **João Paulo Ferreira**, Chief Executive Officer, Natura Cosmeticos
- **Alan Jope**, CEO, Unilever
- **Ram Krishnan**, President & CEO, Pepsico, greater China Region
- **Jean-Claude Le Grand**, Executive Vice President Human Relations, L'Oréal
- **Jorge Mesquita**, former Executive Vice President and Worldwide Chairman, Johnson & Johnson
- **Yiannis Petrides**, former Chairman of the Board, Refresco, former President Europe, Pepsi Bottling Group
- **James Quincey**, Chairman and CEO, Coca-Cola
- **Grant Reid**, President and CEO, Mars
- **Aditya Sehgal**, COO, RB Health
- **David Taylor**, President and CEO, Procter & Gamble
- **Hans Van Bylen**, CEO, Henkel
- **Jan Zijderveld**, CEO, Avon

VALUES AND PURPOSE ARE MOVING TO CENTER STAGE

The biggest CPG companies have built billion-dollar brands and nurtured them over years. Traditional brand-building tactics aren't going away, but CPG companies must recognize and remember that purpose is critical. Younger shoppers, with their distinct preference for novelty, relevance and authenticity, use their dollars to vote for products they perceive as meaningful, from healthy brands to born-digital boutique lines.

Grant Reid, president and CEO of Mars, acknowledges, "I've seen a big shift around the level of transparency that consumers want. There's a quest for authenticity and for a product as straightforward as a candy bar to have a backstory." Businesses should listen to that need and recognize that there is a huge opportunity for purposeful business to create a better future by how they do business. The values a company holds now take a prominent role in how it's perceived. For many established CPG companies, this is a new phenomenon; customers have never asked where the product comes from. This is why a lot of owner-led companies are better equipped to draw people in through narrative. To resonate with consumers who look for purpose in every purchasing decision, companies and brands must express believable values.

Defining the purpose so that it encompasses the breadth of a large company's offerings can be a challenge. One food company executive we spoke with talks about the company purpose as "unlocking the power of food." Under this definition of the company's purpose, there's real brand value in offering both traditionally indulgent chocolate chip cookies, which pack an emotional punch when dipped in a glass of milk, and bespoke food brands like those that help consumers regulate their individual biomes. He says: "There's a place for both of them, but you must have a CEO who has a very high-level, articulate vision for the company. They must be able to give that clear mission to attract and retain leadership, and then design an organization that fits that purpose."

Sustainability also remains a theme for CEOs today. If leaders are merely paying lip service to sustainability, they won't be successful. Instead, they must step forward to become authentic leaders in this movement, making decisions that set their companies apart from competitors in terms of proactive and innovative sustainability initiatives. Winning companies — those that win with consumers, in financial markets, and with employees — will thrive at the intersection where culture and purpose meet. Companies that deliver against that blend will perform better in the market and attract the best talent.

LEADERS MUST HAVE BOTH GLOBAL AND LOCAL EXPERIENCE

The ability to "think small and local" must be balanced with global vision in a large CPG company. Leaders on the fast-track to CEO may come from varied backgrounds, but more and more, having both regional general manager tenures and experience in global category management leaves them better equipped to lead global CPG companies.

Here is Reid's take: "The CEO of the future is going to have much broader experience than the current CEO. At Mars, we are looking for leaders who are equally comfortable being a GM, running a factory, understanding key raw materials origins and working in different functions and geographies. Agility is key. Future CEOs will also need to be able to build authentic relationships with all stakeholders and be able to create value for the business and society."

> "There is a cultural and geographic shift in where leaders of the future come from. Young talent from China, Southeast Asia and India bring disruptive skills even though markets like Europe are far more established."
>
> **ADITYA SEHGAL**
> COO, RB HEALTH

FLATTER, MORE AGILE ORGANIZATIONS WILL BE MORE SUCCESSFUL

Siloed, bureaucratic, matrixed organizations don't lend themselves to a nimble, startup-like mindset. The bigger the company, the more distant executives become from marketplace realities and the consumer. At Johnson & Johnson, Mesquita describes a model of "working squads" to break down the company's $5 billion U.S. business into smaller teams. A group of people enabled to work "end to end and function directly together are a lot less bureaucratic, a lot less complex. We have to change our work processes and push decision-making down, with smaller teams that operate more like startups."

When every decision must come from the top, it becomes challenging to tap into innovative ideas that can actually come from anywhere in the organization. Jope puts it this way: "We're getting to the end of the useful life of the conventional models of organization defined by hierarchies, boxes and fixed rules. We're already experimenting with, and seeing great results from, different ways of working where people assemble around problems based on talent and skills. They solve the problem in a finite period of time with tremendous focus, then disband and move on."

LEADERS MUST BE DIGITAL, DISRUPTIVE THINKERS

The nature of work is changing rapidly. Gartner reports that by 2025, smart robots and drones will take over a third of jobs. As Quincey puts it, "The digital question gets oversimplified into 'what percentage of your sales are e-commerce,' but that tremendously oversimplifies how fundamentally digital will transform everything around us." Today, digital is impacting everything from customer service to the supply chain, which is why he says, "Digital stops being a thing to measure, because it is the business. Digital success now becomes business success."

CPG leaders must be very comfortable thinking digitally, but also creatively and on their feet. The latter is perhaps more important. "Even if digital savviness is not there, if you have the right CEO, they know where to go and how to get it," says Petrides. "But you can't just bring in a great digital guy as CEO. Instead, look to what extent they have changed the paradigm in their business decisions in the past, and done things that were totally new and disruptive." That ability to change the paradigm, quickly, will differentiate the CPG CEO of the future.

> "The ability to mobilize people means having managers who are not just smart and see the future, but can actually bring the people with them. The nature of leadership is changing in our lifetime."
>
> **JAMES QUINCEY**
> CHAIRMAN AND CEO
> COCA-COLA

Still, while the ability to see the big picture and evolve ideas quickly is important to leadership, functional expertise will remain essential. Jan Zijderveld, CEO of Avon, says: "I need people in the swimming pool who can swim. I don't have time to help them learn. Functional expertise remains really critical. Leaders need to be agile in their thinking of how the world is changing, or how the delivery of what they're doing is changing due to technology."

It's highly likely that next-gen CEOs will require both the technological backbone and innate creativity to lead something transformational. CEOs must have the curiosity and courage to take charge of enacting change.

COMPANY CULTURE MUST BECOME MORE FLEXIBLE AND OPEN TO CHANGE

Circling back to the idea of "thinking like a startup," nothing is more important than the culture that leaders foster. That culture must welcome agility, stripped as much as possible of the bureaucracy that is no longer an asset to any enterprise.

One executive describes the importance of getting culture right this way: "You must be willing to manage, inspire and reward employees in a way that's meaningful versus one-size-fits-all, dumbed-down bureaucracy. That should be the most important thing to a CEO, because at the end of the day, that's the difference."

Culture is highly influenced by leadership, but culture change is going to be more effective if it's organic. In the words of Jope: "I have this dilemma, which is that I want to transform the culture, but I don't want a culture-transformation program. I believe that culture comes out of your deeds, not your words." Jope hopes to lead Unilever so it's "held up as the role model for diversity and inclusion, way beyond gender, way beyond race. I hope we can become famous for becoming the most diverse and inclusive culture of any organization, period. That would be part of a culture I think we'll need to win in the future."

> "Culture has to be translated into processes, symbols, metrics and rituals, and we are catching all of those to reshape our culture. If we succeed, then we have a chance of being one of the incumbents that will transform into the new world. If we fail, we're going to run the risk of being disrupted."
>
> **JOÃO PAULO FERREIRA**
> CHIEF EXECUTIVE OFFICER, NATURA COSMETICOS

LEADERSHIP "MUST-HAVES" FOR TOMORROW'S CPG CEO

When asked what elements of leadership he sees as critical to the future of P&G, Taylor says: "As a company with a broad multinational enterprise across many categories, we have to become much more engaged with our employees, much more agile in structures and operations, and on-the-ground accountability needs to be increased."

That ground-level attention and agility in operations must also be met with an eye "in the cloud" — meaning that the CPG CEO of the future is digitally savvy, capable of using data to take the company in the direction the consumer is going. The role of a CPG CEO has always required a deep curiosity about consumers. With a focus on thoughtful use of data and technology, balanced with an agile startup mindset and a more open culture of collaboration, the new CPG CEO will have both the foresight and insight to speak to consumers on a highly personal level.

As the nature of CPG companies evolves to adapt to more sophisticated consumer expectations, advancing digital and data technologies, and increased competition from startups and smaller companies, tomorrow's leaders will be feet-on-the-ground disruptors with both the vision and skills to see beyond traditional product and organization archetypes.

10 characteristics that will define the CPG CEO of tomorrow

1 **Entrepreneurial**
Capable of thinking like an entrepreneur of a startup

2 **Growth-oriented**
A champion of growth and finding new occasions for consumption, but not overly focused on fast-growth, high-trend products to the detriment of the core product line

3 **Emphatic about value**
Possessing clarity of purpose, with the ability to move it to the center of brand-building tactics and across all activities to connect more deeply with consumers

4 **Globally minded, locally connected**
Globally minded in terms of both vision and, if possible, experience — but also tapped into local markets and closely in touch with consumer needs

5 **Inclusive**
Comfortable empowering others, not stuck in a hierarchical mentality

6 **Disruptive**
Transformative beyond simply innovative, with a proven history of showing a willingness to expand thinking and go beyond the dominant paradigm

7 **Data-driven**
Digitally savvy and a student of data — but not obsessed with data

8 **Experimental and curious**
Eager to try new things and embrace the learnings from failure

9 **Agile**
Welcoming of ambiguity, with a dynamic, flexible approach to strategic planning; able to course-correct easily and communicate with different groups in different ways

10 **Transformational**
Able to inspire organic change and transform culture without a playbook

"It's not a 'big brand' versus 'small brand' battle. It's a 'relevant' versus 'irrelevant' battle. The brands that serve customers best win. But to do that you need to be close to your consumers, super agile and faster than anyone else."

JAN ZIJDERVELD
CEO OF AVON

SpencerStuart

AUTHORS

Frank Birkel (Munich), **Jim Citrin** (Stamford), **Philiep Dedrijvere** (Brussels), **Massimo Di Dia** (Zurich), **Angeles Garcia-Poveda** (Paris), **Jonathan Harper** (London), **Joe Kopsick** (Miami), **Eric Leventhal** (Stamford), **Antonio Maturo** (Geneva), **Ricardo Rocco** (Miami), **Heidi Sandreuter** (New York) and **Jwee San Tan** (Singapore)

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