



## MEETING THE DEMAND FOR A BEST-IN-CLASS SUPPLY CHAIN TEAM

Supply chain's long-standing image problem has at times masked the true importance of the function. Those who oversimplified the function as merely a means to transport products and parts from point A to point B often overlooked its strategic significance. As organizations today have become more complex and global, supply chain management has been charged with keeping pace. From R&D and product innovation to M&A and customer development, supply chain can touch nearly every aspect of the business. In light of the growing demands of the function and its rising prominence in global organizations, the game has been raised for supply chain leaders and their teams.

The increased demand for talented supply chain leaders has revealed some gaps in the talent pool. The most effective supply chain leaders are increasing their focus on building agile teams with the broad capabilities needed to manage an end-to-end supply chain. To do this, supply chain leaders (and their organizations) must commit to hiring and developing well-rounded supply chain executives with strategic orientation, business savvy, analytical skills, financial acumen, global perspective and broad knowledge of the organization. Leaders may need to look outside their industries to selectively add capabilities from best-in-class sectors and organizations, and also work to attract and retain the best and brightest young people into the function.

Dave Allen, former senior vice president of supply chain and operations at Del Monte Foods, noted that each function (including supply chain) has operated historically by solely focusing on itself. In a more global, complex world, that unilateral approach is no longer enough. As the aspirations for the function continue to grow, supply chain leaders' capabilities must also evolve to meet those goals.

"At HP, the supply chain is crucial to the company's earnings," said Benoit Fagart, vice president of supply chain for Europe, the Middle East and Asia for Hewlett-Packard Company. "It is more and more a central control tower. Most operations are outsourced and, thus, supply chain plays a central coordination role." Roberto Seibel, director of operations for Philip Morris, echoes the sentiment: "Supply chain is the heart of operations. At some point, everything goes through or touches some segment of the supply chain function."

## The new skill inventory

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As the reach and influence of the supply chain function grows, expectations for its leaders are increasing as well. To reach the highest levels of supply chain leadership, executives must bring a range of skills to bear, from strategic ability to collaboration.

### ■ Strategic orientation and global perspective

The economic downturn tested the mettle of many organizations and demanded a more holistic, collaborative approach to weather the storm. In turn, management began to lean more heavily on supply chain leaders, drawing on their mix of short-term and long-term planning abilities and ideas to cut costs. Strategic business savvy and global perspective emerged as more essential characteristics for supply chain leaders. Executives say this combination is in short supply.

"Having a good understanding of how markets work in terms of local processes and trade policy is one of the bigger talent issues that we find when we think of the global supply chain," said Robert Ware, vice president of global supply chain logistics at Applied Materials.

According to Allen, it can be especially challenging to effect the scale of change needed if current supply chain leaders are more manufacturing-oriented than business-minded or if their long tenure with a company renders them averse to the transformational and strategic change required to evolve the function. Additionally, Amit Chakraborty, senior vice president and general manager of Hasbro Far East, noted that executives in successful companies may be entrenched in the mindset of "how we've always done things," rather than periodically assessing the strategic fit of their supply chains in light of changing business needs. He also observed that these executives may not be as agile in adapting to new technologies in today's globally collaborative supply chains, or inculcating cultures of continuous improvement and break-through ways of thinking.

Washington Munetsi, head of operations, supply chain, R&D and IT for Nestlé Group, reinforced the importance of a global perspective, noting, "For a true multinational where cross-border trading is high, it is essential for our supply chain leaders to be strategic and understand the global impact of their processes: what should be made where — both from a material supply and best service perspective — and how to get it there."

### ■ Customer development ability

A testament to the increasingly strategic nature of the function, many supply chain executives we spoke with named customer development as a key priority for the year ahead. "There is still too much capacity in the industry, so we are all fighting to get the customers' demand to fill our capacity — that is our biggest challenge," said Didier Chennevau, president of Asia Pacific for logistics company Ceva.

“I think in CPG supply chains, the most important organizational imperative is to get teams to really focus on the customer,” said Allen. “Supply chain people should be part of those overall business teams and they have to come to the party so they know what customers value.” His supply chain team regularly takes the pulse of customers by holding quarterly reviews with top retail customers.

For companies undergoing significant change, customer insight is especially critical. “Huawei is transforming itself from an equipment manufacturer to a telecom infrastructure solution provider — a service company,” said Anders Karlborg, vice president of supply chain management at Huawei Technologies. “Supply chain has a key role to play in this transformation. We need to instill in our team that ‘supply chain excellence is not a goal, it’s a must!’ People development is another priority for us. We want to train our team to continue the drive for customer-centricity and further deepen our customer relationships.” Huawei has been well on its way of achieving this goal — a global call center has been implemented within the supply chain team and customer care programs have been established for major customers.

## ■ Collaboration and mutual understanding across functions

Before enacting any supply chain change, small or large, the first step is often educating the organization. “The words ‘supply chain’ mean different things to different people,” said Rob Scholte, vice president of supply chain for Europe, the Middle East and Asia at Goodyear. “I think the very first job of any supply chain leader is to make sure that the understanding of supply chain is synchronized between the function itself and the organization’s senior leadership.”

Internal education can help foster collaboration among the supply chain function and various departments for a better end-to-end process that is aligned with the strategic goals of the organization. “It’s important that

supply chain leaders know how to work with commercial, finance and management to learn together how to reduce the cost of the product overall and make more profit, building a focus on business results,” said Ramesh Bichara, logistics and commercial processes director of Coca-Cola in Brazil. “In addition, these leaders must also take part in bringing innovation to the value chain, not only optimizing the main flow of materials, but also looking at new ways of developing the business.”

Tony Fernandez, executive vice president of supply chain for Pinnacle Foods, was tasked with integrating all the company’s manufacturing units under one head, as well as creating new roles to interact with various business units. “We’ve been in that structure since January and it is definitely paying much bigger dividends in terms of us being able to make decisions faster, focus the business units on driving the top line and managing the profitability side from a pricing strategy standpoint. We have supply chain managing costs, service and helping the business units understand the various trade-offs so that we can make the most effective decisions and ensure we’re all focused on where we can add the most value to the organization,” Fernandez said.

According to Munetsi, Nestlé’s supply chain group plays a leading role in cross-functional integration, aligning expectations for long-term demand with marketing, capacity requirements with manufacturing and material supply with procurement. In addition, supply chain must coordinate supply production with the company’s more than 400 factories and more than 1,000 co-manufacturers, as well as customer integration and execution through close collaboration with sales.

## ■ Soft skills

Although many current supply chain leaders come from strong technical disciplines such as engineering, business administration and finance, Bichara argued in favor of placing creative individuals in leadership roles who have the ability to balance the external needs of the function with the internal vision of efficiency.

Universal across backgrounds, skill-sets and geographies is the imperative that supply chain leaders fit the organization's culture. Munetsi noted the importance of supply chain leaders being skilled beyond their functional areas of expertise — managing risk and uncertainty while motivating people within and outside their direct reporting sphere are core requirements of Nestlé's culture.

Richard Gurney, executive director of regional supply chain planning for Avon in Brazil, said the cosmetics company is rethinking the necessary competencies of its executives, with an emphasis on relationship-building in today's technology-driven world. "Avon has enforced participation in social media and other groups of reference," said Gurney. "This is a relationship-based business, so people need to participate in these forums."

## Sources of talent

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Finding supply chain executives who possess the full range of in-demand skills may require searching a broader range of sources, including exploring other industries and considering atypical candidates.

### ■ Key geographies

Just as markets must be viewed at times through a geographic lens, so does talent, especially as the function rises to global importance and demands understanding of nuances across markets. "I find a lot of supply chain talent having a good skill-set covering what I like to call the triangle between India, Australia and Japan," said Ware. "The challenge is finding those who also have good working knowledge of supply chains within Latin America, the U.S. and broader Europe."

To help meet the enormous demand for supply chain talent in China, with its burgeoning manufacturing base, Chennevau said his company has hired supply chain leaders for posts in places like Singapore after honing

their skills in India. HP is recruiting in emerging markets where it can find young talent, such as Czech Republic, Romania and India.

Huawei has the additional problem of attracting top talent as the company expands outside of China. "Since we are a Chinese company, it is not easy to attract local talent to join us in the overseas market," says Karlborg. "Even in our headquarters, we find it challenging to hire and retain high-caliber foreign supply chain professionals. To help us attract and keep these top foreign supply chain professionals, we developed and implemented a cultural assimilation program at our headquarters for non-Chinese managers to get them acquainted with our management philosophy."

Once a strong supply chain function is built, talent can then be dispatched to other areas. "In general, Danone has built a strong talent pool in supply chain and, in fact, exports supply chain talent to other parts of the group, different business activities and geographies and other functions," said Evelyne Llauro-Barres, operations people development director at Danone. "Not only are the supply chain managers experts at their subject, but they also have leadership skills and remain very connected and close to all other parts of the business. However, the situation is different by region." Yan-Gael Rio, Danone's vice president of supply chain for the Europe dairy division, notes there is a clear shortage of talent in Russia and Asia.

### ■ External industries and resources

Certain industries, such as fast-moving consumer goods, technology and automotive, prove fertile grounds for finding supply chain talent with project management skills and other key capabilities. In addition to parity of supply chain skills, this talent can invigorate the function with new expertise and perspective from their respective sectors.

"Sometimes it's pretty helpful to get people from other industries and, particularly in our case, I have learned that there are other best practices out there and we can learn a lot from what other industries are doing," said Scholte.

In some situations, executive search can be helpful in finding the right fit. “The market is changing rapidly and big companies are not always able to develop resources to meet all their needs,” said Valmir Gazzoli, Americas planning and manufacturing vice president of ice cream at Unilever. “These companies are looking for talent able to handle the complexity and scope of work related to their unique businesses wherever they operate. The hiring of executive search firms has become useful and efficient in these situations.”

## ■ Internal candidates

Companies themselves can be a hotbed of talent. For some, the main approach is to build talent from the inside. With some foresight and investment in training, recruiting at a slightly lower level provides a viable alternative to bringing in a more seasoned external executive. Allen advised, “Find a functional leader a level down from the head of supply chain. I think those are more available and you can find people who are developing in their early 40s and can take on more and build more breadth in their experience.”

In addition, Munetsi said Nestlé has a strong internal succession-planning program, which emphasizes the key ingredients for success at the company: understanding the culture and providing a clear career path for talent.

## ■ Unconventional choices

It can also be worthwhile to take a chance on someone who may not be an ideal match on paper. Allen found great success bringing in an individual with a commodity trading background to head procurement. “I took him down to Frito Lay and he met with the head of procurement and we built our model, based on Frito’s current approach and his understanding of the commodity markets,” he recalled. “He was hugely successful — he saved \$40 million in one year. I think you do have to take a bet on people. Do they have the intellectual horsepower and the intensity to learn about an area that they may not have had experience in?”

Scholte takes a similar approach to hiring talent: “I don’t look at jobs or positions for people to fill them. I look for people who are able to grow into the job after the job.”

Gurney said Avon has explored talent from less conventional disciplines to reinvigorate the supply chain function. “Usually talent in supply chain comes from an engineering background and these individuals tend to have a more Cartesian and linear thinking process,” he said. “These individuals could be successful in other settings or another time in the world, but not today, not in Brazil. These professionals need to do more open-minded projects, to start understanding why the business is looking for more flexibility and agility. At Avon, we have been rethinking the supply chain talent we are hiring, getting talent from other backgrounds, such as psychology, sociology, commercial and finance. We see this is a way of bringing a refreshed view to the teams.”

## Developing supply chain talent

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Although aptitude and previous experience can go a long way, organizations and their management must commit to providing the development plans that will build the skills necessary for the next generation of supply chain talent. The most important elements include rotating talent into different roles and geographies, exposing them to senior leadership and providing them with tangible tools for success.

## ■ Rotation

To help develop strategic orientation and broaden perspectives, many supply chain executives attested to the importance of rotating high performers into various disciplines and throughout the function itself. Ware suggested that introducing young leaders in Asia to global matrix programs will help them develop a broader and more global perspective.

“A strategic orientation can be obtained by letting managers gain experience in the different areas of the supply chain,” said Stefano Pietroni, group supply

chain, network design planning and sourcing director at Barilla. “An experience in a sales and operations structure is also very important. The company must therefore work on people and career planning. We give priority to job rotation in the company overall and especially in supply chain. For example, we aimed to have five percent of our managers change jobs in this area last year.”

In addition to gaining exposure to different areas and disciplines, supply chain talent must also obtain firsthand experience seeing a project through from beginning to end while working with other functional teams. Besides putting supply chain talent on cross-functional project teams, Fernandez has given members of his supply chain team opportunities to present to executive leadership and participate in strategy discussions so that they more fully understand scenario planning, financial analysis and strategic implications.

## ■ Visibility among leadership

Increasing the visibility of supply chain talent can help to groom future leaders. However, leaders must ensure supply chain talent is prepared to interact at such a high level in the organization. “We are doing our young managers a disservice if we are not creating the opportunities for them to speak up at events with — and to work on activities involving — senior executives,” said Ware.

## ■ Programs, tools and metrics

Providing programs and tools and defining expectations are vital for shifting potential into performance. For instance, Danone has a training program for all of its managers to help them translate the company’s values into managerial behavior and also promotes a culture of supply chain excellence that is practiced on a daily basis by the company’s top 150 supply chain leaders.

Nestlé invests in both internal and external courses for all levels of supply chain management, provides coaching for supply chain experts to learn managerial skills and promotes networking within the wider supply chain community. Avon offers an internal referral program so that employees can recommend colleagues when vacancies arise, which, in turn, empowers and motivates its workforce.

“In many companies, supply chain professionals have evolved into their positions from non-supply chain backgrounds,” said Chakraborty of Hasbro Far East. “This provides a natural understanding and collaboration with complementary functions like sales because of past experiences. But the influx into the supply chain community should be a conscious career move supplemented by formal supply chain training programs to foster deep understanding of the tools and metrics that govern the function.”

However, training and development can only go so far, especially if hires lack a strong foundation in supply chain. Chennevau cautioned that companies must fully vet talent in this function. “You have a lot of talent in the marketplace who pretend to have the logistics and the supply chain qualifications,” he said. “I think there is a lot of quantity coming out, but I am not sure there is always a lot of quality. We really have to do the screening.”

Setting clear expectations and measuring progress also are critical. As Euterio Quagliarini, COO of Lavazza, pointed out: “It is important to exactly define roles and responsibilities and recognize talent with market benchmarks. Goals must be aligned with clear management-by-objectives programs in order to consider individual approach.” He also recommended challenging talent to spur growth. “We give responsibility and leadership outside the technical comfort zone of the supply chain, letting the manager get used to exchanges of different views.”

## Combating supply chain's image problem

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Long-held misconceptions about the function have contributed to supply chain's recruiting challenges, especially when trying to attract the younger generation. As Chennevau observed, "I operate in areas that have low unemployment for professionals and where people have multiple options rather than working in what is perceived as a blue-collar, dirty-fingernail type of industry. As soon as you say 'logistics,' people think of workers in blue overalls."

Before talent even reaches the interview stage, those misconceptions can be challenged and dispelled. Many supply chain leaders acknowledged the need for support from educational institutions to elevate the status of the role and prepare students for a career in the function.

"Universities have some responsibility to underline the importance of business decision-making in the supply chain function," Allen said, noting that some schools, such as Georgia Tech and U.C. Davis, are already in the process of building a supply chain and operational

knowledge base. Other companies have taken an active role in supporting the education of young talent. "Nestlé has a partnership with several universities around the world that provide a strong source of graduates into the group," said Munetsi.

Interestingly, it is not only outsiders who hold certain perceptions about supply chain — internal departments can also overlook the function. Fagart noted that many human resources departments will not instinctively think of supply chain as a viable talent resource when looking for a new general manager, but also indicated change is gradually happening.

### ■ Making the function more attractive

Organizations can take steps to make the supply chain more appealing to younger talent.

> **Convey the powerful reach of supply chain.** "Today, the person who is going to work in supply chain realizes he or she has the possibility to guide the function in a very strategic way and will have more influence on business decisions," said Pietroni.

## Path to the Top: Tips for Supply Chain Executives

The supply chain experts we spoke with outlined some key steps for professionals who aspire to lead the function.

- **Build a supply chain foundation.** Early exposure to parts of the business that deal with a certain leg of the function, such as warehouse management or supplier negotiations. Demonstrate leadership growth within these roles.
- **Broaden your experience.** Supply chain experience alone will not be enough. Diversify your background by working in other functional areas, such as sales, manufacturing or general management.
- **Gain international perspective.** As many supply chain leaders noted, there is no substitute for international experience. Engage in the cultures of the organization(s) for which you plan to work.
- **Understand the big picture.** In order to excel in an increasingly strategic role, it is vital to understand the business and cultural expectations from the board and C-suite.
- **Develop interpersonal savvy.** Get in the habit of acting as a catalyst of relevant conversations, establishing rapport quickly to help develop influence and building your network.

> **Communicate success stories to highlight the function as a path to the top.** “The CEO of Apple, Tim Cook, was the former supply chain officer,” noted Chennevau. “We need more examples like these where people have very successfully risen to the top of the company coming through operations and logistics.”

> **Deliver on the promise of advancement.** “The person understands that we expect something more of him, but that we are also credible in our value proposition to that individual and will help them grow beyond the job,” said Scholte. Bachara also recommended giving more value to the function, both via compensation and recognition, to level the playing field with other functions.

## ■ Retention

The economic landscape yields yet another obstacle in attracting and retaining talent within certain geographies. Providing recognition and compensation on par with other functional areas can help retain top talent. However, Ware

cautioned that even once a company hires great young talent, it must continue to provide a well-rounded set of opportunities to keep them. “I find that university graduates want to be well-rounded and that’s what we should offer these employees: a set of rotational challenges with multiple development objectives,” he said.

## Building for the future

As Gazzoli pointed out, “There is enormous pressure for all functions to perform with excellence and add value, and supply chain is no exception.” However, unlike other seemingly more glamorous functions, the supply chain function has had to elevate its perception among its own organizations and most importantly, within the talent pool, while grappling with a talent shortage. Current supply chain leaders must continue to demonstrate the strategic importance of the function and develop the next generation of talent so that they, too, can strengthen the connection between supply chain and organizational success.

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