Leadership of post-COVID supply chains in the consumer industry

By Benjamin Lüpschen and Hugo Nanninga

Even before COVID-19 ravaged the world, consumer goods supply chains were in the midst of transformation, wrestling with the need to show resilience and agility as digitization progressed. Those trends have only accelerated as the crisis disrupted economies, health care systems, and social norms, having a huge and possibly lasting impact on Consumer Goods companies and their supply chain operations.

We spoke with many global supply chain leaders during the crisis. What we learned is that while the speed of change has increased (with, for example, investments in innovation and localisation), priorities seem to not have massively shifted. What COVID-19 has underscored, however, is the even greater need for supply chain leaders to adapt their organizational culture, their leadership style and how they hire and develop supply chain talent.

Supply chain trends, pre-COVID-19

Even before the COVID-19 crisis, Consumer Goods companies were forced to transform their supply chain operations to meet customer demands in an ever-changing, complex and competitive environment. Companies' needs to bring

products to market quickly and efficiently, combined with rising customer expectations and the digital revolution, put the supply chain at the center of a company's strategy.

A survey of 103 global supply chain leaders published by Egon Zehnder in 2020 showed that meeting customer expectations cost-effectively was the primary objective for supply chain and operational leaders in the FMCG industry. Consequently, global corporations put their resources toward tightly integrated global networks and very lean operating models. This happened even as shifts in consumer demands increased the complexity of global supply chains, requiring that they be simultaneously time-critical, flexible and dynamic.

Unsurprisingly, the biggest external challenges identified in our survey and the many recent conversations with supply chain leaders are increasing cost pressures and global economic uncertainty. Equally important were the main internal challenges identified: talent shortages and the organizational culture, highlighting the need for a different type of supply chain leadership and talent development to cope with uncertainty and ambiguity. Said one Chief Supply Chain Officer at a European non-food retailer: "The change in leadership generations creates a culture shift from hierarchical, directive style to people wanting more freedom, purpose, belonging. That's very challenging."

Impact of COVID-19

COVID-19 has further increased the pressure on the supply chain and has shown its vulnerability. Networks designed purely for low-cost and minimal inventory pose a major risk, and will unlikely fit consumer demands in the future, with customers expecting shorter delivery times and high product availability. Although disruption in this sector has lagged other consumer sub-segments like media, telco and retail, we think it will further accelerate after COVID-19 in the following ways:

- Consumer adoption and behavior shifts to a world where customers will shop much more online. As a result we expect "technical mastery" will play a critical role when it comes to social commerce, direct-to-consumer, smart packaging, etc.

- Return of scale: After a decade of low topline growth for many established global players, scale advantage is now returning as smaller companies are challenged by cash shortages, range reductions, supply chain interdependencies and retailer relationships.

- Innovation acceleration and focus on growth: Long perceived barriers to change have been removed, providing an opportunity for a wave of creativity while continuing to balance upfront investment with retaining cash.

- Supply chain transformation: To cope with disruption, companies will need to reinvent and refocus their supply chains and their purpose, focusing more on robustness and resilience instead of global sourcing, low cost and high service.

Implications for supply chain leadership, organisation and talent

The human factor becomes particularly critical in volatile supply chains when unexpected events make mathematical models unusable. Humans need technology to support their decisionmaking, but decisionmaking in times of uncertainty cannot be left to technology. While having the ability to manage costs and improve operational efficiency will no doubt remain at the heart of any consumer goods supply chain organization, COVID-19 has accelerated the need to leverage technology and create more agile and resilient supply chains.

This starts with setting the tone from the top. Post-COVID-19, supply chain leaders will be expected to become even greater enterprise leaders, creating better cross-functional alignment, possessing a greater ability to link the objectives of the supply chain to the overall company value proposition, and ensuring their organizations are flexible and agile enough to respond to the ever-changing market demands.

Beyond supply chain leaders, consumer companies must recruit and develop talent that is able to create and lead a supply chain in an uncertain and technology-driven world. The global war for talent that preceded COVID-19 will continue: Companies must start thinking more aggressively and creatively about developing the right talent and leadership. Key focus areas will include:

- Hiring more "non-traditional" supply chain backgrounds (focusing on **potential** versus past experience) with resilience as a key characteristic. Says one SVP, Supply Chain at a multinational food company: "Key to making an organization more innovative is diversity. You need to find a common ground and win people's hearts and minds, though."

- Improving **collaboration** and teamwork will be more important than ever, which means setting the right goals but also training people to become team players and hire new employees who are capable of working across functions, fully embracing the opportunities of remote work.

- Building a **culture** that embraces change and innovation. It's about 'sense and respond' and enabling the organization to self-manage instead of managing from the top and setting targets. "To decontrol is very hard," says the SVP of Manufacturing at a consumer electronics company. "But you will find that people learn and develop themselves and the organization at a very fast pace."

For more information, contact:

Benjamin Lüpschen
Düsseldorf
benjamin.luepschen@egonzehnder.com

Benjamin Lüpschen co-leads the European Supply Chain Practice of Egon Zehnder. Besides working in supply chain and operations, his work focuses on executive search and succession planning in general management, sales/marketing and digital, and on working with management teams on building purposeful cultures and organizations.

Hugo Nanninga
London
hugo.nanninga@egonzehnder.com

Hugo Nanninga is a key member of Egon Zehnder's Consumer practice group, working closely with clients on services ranging from executive and board search to executive assessment and development across Europe and the UK.

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Synthesis

Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: click here for further details.

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Our more than 500 Consultants in 68 offices and 40 countries form one powerful, collaborative team. Our services include: leadership development, individual, team and organizational effectiveness, CEO search and succession, executive search and assessment, Board advisory, and cultural transformation.

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