

HEIDRICK & STRUGGLES

The new breed of CEOs in Mexico

What will define them and
where will they come from?

by **Jose J Ruiz**, Principal

The new breed of CEOs in Mexico

The CEOs who lead the top 100 companies in Mexico's 'Expansion 500' list not only impact the economy, they also populate the financial and social pages of newspapers and magazines. They routinely make decisions that affect millions of people, influencing economic, social and environmental outcomes.

As the country continues to change rapidly, what are the common characteristics of today's CEOs and how will the new breed of CEOs be defined? How do these CEOs compare to their peers outside of Mexico?

To find out, we built on previous research undertaken by the UK Board practice of Heidrick & Struggles. In 2007, the backgrounds of CEOs in the FTSE 100 Companies were analyzed against CEO profiles of the Fortune 100 Index, exploring a transatlantic comparison of top business leaders¹. In 2009, we extended this comparison further by developing similar data for CEOs in Mexico.

To investigate further the characteristics of the new breed of CEOs, we split our data into two groups. The first group is made up of the CEOs of the top 100 companies in Mexico and the second group is made up of those CEOs who have five or less years in the job – 47 in total. This group we have named "Mexico Newest".

From the analysis emerges a compelling snapshot of the new breed of CEOs in Mexico.

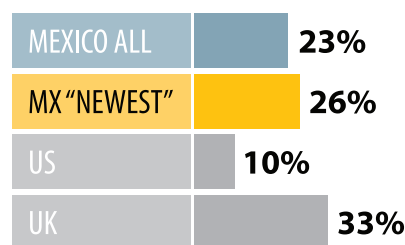


figure 1 – Foreign nationality

MX "Newest" refers to CEOs who have five or less years in the job

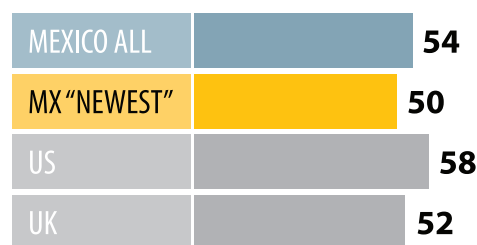


figure 2 – Average age



figure 3 – Internally promoted

¹ Route to the Top – a Transatlantic Comparison of Top Business Leaders, Heidrick & Struggles, 2007

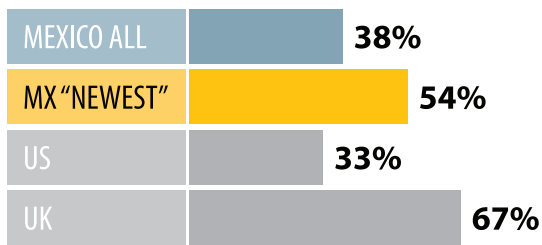


figure 4 – International experience

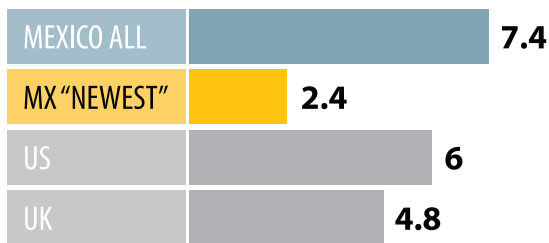


figure 5 – Average tenure (Years)

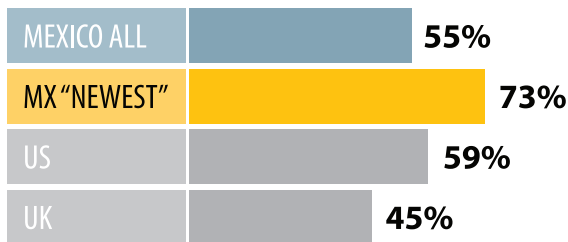


figure 6 – Advanced degree

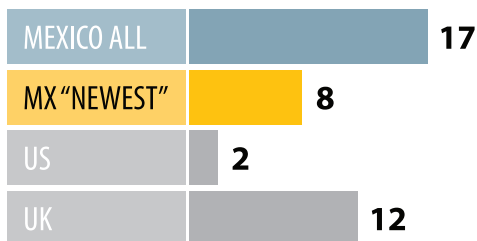


figure 7 – Super CEOs (45 or younger)

Broad Market and Industry Trends

In the past few years we have seen dramatic market and economics-driven changes in the strategic direction of many organizations. The great recession and intense competition have forced many companies to focus on vertical industries in order to increase their level of innovation as well as product and market expertise. Greater complexity due to global integration is on the minds of most CEOs. Francisco Garza Egloff, CEO of Embotelladoras Arca believes innovation and aggressive investments in technology are required to create product differentiation and compete long term. “We are in a transition in Mexico. Definitely concentrating on less businesses but investing more in them” Garza said. “It’s the only way we are going to stay competitive”.

This trend has brought consolidation into many industries and there is a need to increase global reach in order to achieve the volumes required to provide competitive prices as well as their ability to drive and fund innovation. Eugenio Clariond, retired Chairman of the Board of Directors of Group IMSA, S.A. and current director of Navistar International Corporation does not see this level of focus as optional. “...last century the goal was to be the best in Mexico, today you have to be the best in the world and that has brought consolidation. In some cases it has been led by Mexican capital (cement, bread products, dairy and others) and in other cases led by foreign capital (steel, beer, automotive batteries and others)”.

These changes have shifted the focus from regions to industries, demanding executive talent with specific industry and product expertise that can perform across borders (fig 4). There are already instances of foreign companies in the Expansion 500 that no longer have a country managing director and, instead, have leaders for specific business units reporting directly into regional or global heads.

“The great recession and intense competition have forced many companies to focus on vertical industries in order to increase their level of innovation as well as product and market expertise.”

Talent Trends

These broad trends are reflected in the results of our study and translate into current and future talent and leadership requirements for executives in Mexico.

From family business to institution

The number of CEOs that are members of the controlling families of the top 100 companies in the Expansion 500, is declining (*fig 8*). In some cases, it’s just a consequence of a business being sold or merged with an international conglomerate. In other cases, the keys to the kingdom are simply being handed to professional management, with family members maintaining a strong presence in the board room.



figure 8 – Family member CEO

Global executives

The term globalization has been thrown around for decades but it has never applied as much as it has in recent years as organizations become more focused and specialized within a specific industry or product, and reach beyond their traditional regions of business. Globalization has evolved from being a commercial exchange to a multifaceted integration of many aspects of the business. This trend has created a need for strong leaders who can manage a complex environment with a high level of interdependence. Merely looking at the number of foreign CEOs can be a bit misleading. One can assume that the increase in foreign nationals running the top 100 companies is a sign of Mexican nationals losing control (*fig 1*). However, it is clear that the new breed of CEOs and executives in Mexico is better prepared and better educated within a global environment than ever before. Fifty-four percent of the newest CEOs have performed assignments outside of Mexico and 53% hold Master’s degrees from institutions outside of Mexico. But Robert Grosse, Dean of EGADE Business School, cautions: “overseas experience is not the same as overseas business experience...Mexican executives could still benefit from more overseas experience in business activities”.

Executives who have been successful in international assignments have usually excelled in understanding the environment, leading visionary change and results, as well as mastering complex business problems. These competencies, coupled with already acquired industry expertise, translate into a small learning curve and quick results.

Senior executives are a more diverse group than ever before and the impact goes beyond the leadership teams. Middle managers and staff members are being exposed to global management techniques, metric-driven environments and matrix organizations that are preparing them to be the next generation of leaders in or outside of Mexico.

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Increased focus on key industry and market expertise

One of the most surprising trends is the increased number of CEOs in Mexico that are being promoted from within the company, with great importance given to company culture, industry-specific experience and the leadership skills that are acquired while working abroad (fig 3). It is important to note that internal promotions don't necessarily mean internal to Mexico or the region.

The 2007 study published in the UK suggests that:

“...the FTSE 100 Companies in the UK and Fortune 100 Companies in the US take a very different approach to CEO selection. Whereas Fortune 100 Companies seem to value wisdom, develop better internal grooming and succession planning and have higher educated CEOs, FTSE 100 Companies put greater focus on international experience, welcome foreign talent and give ‘young guns’ a chance.”

Our additional data suggests that the top 100 companies in Mexico combine the approaches of the FTSE 100 and Fortune 100 companies. A high value on wisdom is evidenced by an average tenure higher than both the Fortune 100 and the FTSE 100 companies (fig 5). Strong internal grooming and succession planning begins early and includes elite foreign education and opportunities to gain international experience.

Eduardo Garza T, Founder and President of Frisa Industries is convinced that family business or not, a good succession plan is important. “Most companies will prefer to find the next CEO inside the company; you know the person, they know the business and they know the culture”.

The Expansion 100 companies have more Super CEOs (45 and younger) than both the Fortune 100 and the FTSE 100 combined, but they have been well groomed and prepared for succession (fig 7).

“There is still a high number of family owned companies in Mexico that are developing, preparing and training a family member to become CEO” said Eduardo Garza T.

Elite education playing a big role

Undeniably, advanced degrees from foreign institutions play a large role in the development of the new breed of CEOs. Sixty percent of the newest CEOs hold Master's degrees or PhDs from foreign universities. The surprising trend is the rise of the doctorate-holding CEO. All of the CEOs with a PhD are part of the newest CEOs group (fig 9).

Rogelio Zambrano Lozano, member of the boards of directors of CEMEX, Carza, S.A. de C.V., Plaza Sesamo, S.A. de C.V., Hospital San Jose, and ITESM, believes executives seek more than just the academic side of attending an elite institution. “The relationship capital plays a big role” says Zambrano.

When asked about the trend, Gabriel Hidalgo, Director of IPADEs full time MBA program in Monterrey said that the number of executives with advanced degrees will continue to rise. “Executive programs are making it easier to obtain advanced degrees from good institutions without interrupting your career”.

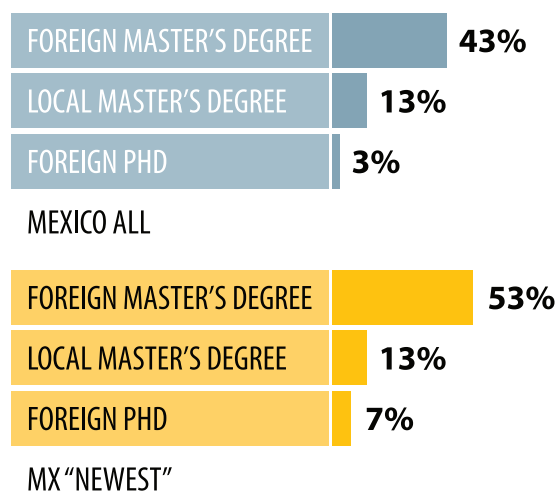


figure 9 – Foreign advanced degrees

When asked about the weight of an MBA in a promotion and the career advancement of executives in their organizations most of the CEOs agreed that it was an important consideration (fig 6). They concluded that in most cases promotions and advancements were not a product of an MBA, but rather, a support for an MBA was the product of previous promotions and proven career advancement.

“Sixty percent of the newest CEOs hold Master’s degrees or PhDs from foreign universities.”

Women on the rise

Perhaps the common trait in the US, UK and Mexico is the one to boast about the least – a very small number of women occupy the top job (fig 10). In Mexico, only Nicole Reich (Scotiabank Inverlat), Carmina Abad (Metlife) and Grace D Lieblein (General Motors) make the distinguished list in the Expansion 100, but Paula Santilli (PepsiCo Beverages) is close behind. Women are on the rise and while the numbers remain very low the trend is positive. All four were internally promoted and all four have extensive international experience, with strong ties to Latin America.

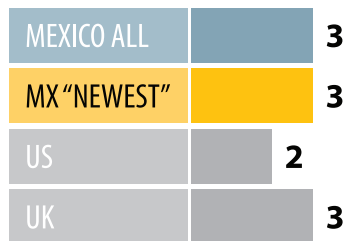


figure 10 – Women CEOs

Preparing for the future

As companies in Mexico continue to grow, we believe that they will need to embrace the findings that have emerged from this research and should use these trends and their implications to develop their leadership strategy.

Companies must initiate a succession planning program to find, hire and nurture talented leaders: who can perform across borders; who can manage a complex environment with a high level of interdependence; who have had business success overseas; and who have gained tremendous industry-specific expertise. Whatever decisions companies make, these and other emerging trends will change the face of successful companies in the future. ■

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La nueva generación de directores generales en México

Los CEOs que lideran las 100 mayores empresas de Expansión México 500 están en las páginas financieras y sociales de los periódicos y revistas en todo el país y habitualmente toman decisiones que afectan a millones de personas, influyen en los resultados económicos, sociales y ambientales de la nación.

Mientras el país continúa cambiando rápidamente, ¿cuáles son las características comunes de los directores ejecutivos de hoy y cómo será la nueva generación? ¿Cómo comparar estos ejecutivos a sus compañeros afuera de México?

Para investigarlo, usamos como base un estudio previo hecho por la práctica de Board Members de Heidrick & Struggles en el Reino Unido. Se analizaron los perfiles de los CEOs de las empresas FTSE100 contra los perfiles de los CEOs del listado de la Fortune 100 Index, haciendo una comparación transatlántica de líderes empresariales. Hemos ampliado esta comparación aún más, al desarrollar datos similares para los CEOs en México.

Mercado amplio y las tendencias de la industria

En los últimos años hemos visto cambios dramáticos en la orientación estratégica de muchas organizaciones por razones económicas y de mercado. La recesión y una competencia creciente ha obligado a muchas empresas a centrarse en industrias verticales con el fin de aumentar a su nivel de innovación, así como de conocimiento en los productos y en el mercado. La mayor complejidad generada por la integración global está en la mente de la mayoría de los CEOs.

Esta tendencia ha llevado a la consolidación en muchas industrias y hay una necesidad de aumentar el alcance global con el fin de alcanzar los volúmenes necesarios para ofrecer precios competitivos, así como la capacidad para costear y conducir la innovación. Al mismo tiempo, se cambió el enfoque de las regiones a las industrias, lo que pasó a requerir del liderazgo ejecutivo un conocimiento de industria y productos aún más específicos de manera a poder actuar en varias partes del mundo.

Tendencias de los Talentos

- El número de CEOs que son miembros de las familias controladoras de las 100 mayores empresas de Expansión 500 está disminuyendo.
- La globalización ha creado la necesidad de líderes fuertes capaces de gestionar un entorno complejo con un alto nivel de interdependencia.
- Los ejecutivos que han tenido éxito en proyectos internacionales por lo general han se destacado en la comprensión del medio ambiente, el liderazgo del cambio visionario y de los resultados, así como el dominio de los problemas de negocios complejos.
- Una de las tendencias más sorprendente es el aumento del número de directores generales en México que se están promoviendo desde el interior de la empresa, con gran importancia dada a la cultura de la empresa, la experiencia específica de la industria y la capacidad de liderazgo adquirida al trabajar en el extranjero.
- Sin duda, la educación avanzada y ejecutiva en instituciones extranjeras juegan un papel importante en el desarrollo de la nueva generación de directores generales. El sesenta por ciento de los nuevos directores generales tienen títulos de maestría o doctorados de universidades extranjeras. La tendencia sorprendente es el aumento del CEO con doctorado. Todos los directores ejecutivos con un PhD integran el grupo que llamamos de “newest CEOs”.
- Tal vez una tendencia que es la de presumir de lo menos – un número muy pequeño de mujeres ocupan el cargo más alto. Las mujeres están en aumento y mientras que los números siguen siendo muy bajos la tendencia es positiva.

Prepararse para el futuro

En la medida que siguen creciendo, las empresas en México deben iniciar un programa de planificación de la sucesión y encontrar, contratar y formar a sus líderes talentosos. Como indican las tendencias de esta investigación, las decisiones que tomen las empresas hoy acerca de sus estrategias de liderazgo, cambiarán la cara de las empresas exitosas en el futuro.

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