



The next generation of retail CEOs

We present insights from current leaders on the most important leadership traits as retail resets.

There's little doubt that the events of recent months will have a lasting impact on the retail sector, and it's clear how deeply the human side of the COVID-19 pandemic has permeated the consciousness of its leaders. We spoke to CEOs of some of the biggest retailers in the United Kingdom and the United States in May 2020, and it was striking how immediately and consistently they emphasized the importance of grounding their leadership in their organization's values as they lead through the crisis and stressed the need for leaders who put people first. This need will define great leadership in the next generation.

Sustained pressure for racial justice and equality will also define what good leadership entails, changing how organizations support and develop talent, choose their leaders, and develop their cultures. Future leaders, today's leaders say, must better represent and serve all their stakeholders, employees, customers, and communities. Additionally, future leaders will have to grapple with ongoing disruption in the retail industry, including the continued evolution of digital platforms and e-commerce, shifting consumer demands, and increased competition. Store closures, disrupted supply chains, and increased online shopping due to the pandemic will also influence how the industry progresses and who will lead it.

There will be much for retail boards to bear in mind as they evaluate current CEO performance and review their succession plans. Our discussions reveal the need for a truly multifaceted CEO, one who will need to integrate strengths in seven areas ranging from the traditional, such as strategy, to the newer, such as authenticity. All rely on strong purpose and values to reset organizations for resilience:

- **The authentic leader:** Values-driven, people-focused attributes form the foundation of effective leadership.
- **The agile decision maker:** Operational and financial expertise matter, but agility, driven by the organization's values, matters even more.
- **The culture shaper:** CEOs who focus on building a strong organizational culture, shaped by unifying values, strengthen the single biggest driver of organizational success.
- **The chief communicator:** Clarity, candor, and visibility are essential in allaying fears and anxieties for all stakeholders and can make even those working in big businesses feel connected, included, and trusted.
- **The strategist:** Preparing for an unknown future is more important than ever; connection with consumers and defining strategy through the lens of purpose can provide a compass when the unimaginable is just around the corner.
- **The digital transformer:** Understanding and utilizing digital tools is only the beginning. Leading the mindset changes that will transform digital experiences and improve lives while promoting equality and trust will help leaders truly integrate their companies and communities into the new digital reality.
- **The talent champion:** Retailers will need to attract new people as well as help existing employees work in entirely new ways; tapping the power of purpose and company culture will help.

The authentic leader

In an environment of volatility and uncertainty, operational and financial skills are crucial, but far from enough. CEOs must also be able to inspire and mobilize the people around them. Authentic leaders achieve this by being values-driven, self-aware, genuine, open, and empowering.¹

These attributes are not only helping today's leaders get through a crisis: our interviews make it clear that they are the bedrock upon which the next generation must build their success, whatever the future holds.

Authentic leadership starts with strong core values, which help leaders make important decisions under pressure. For Roger Whiteside, CEO of UK food-on-the-go retailer Greggs, it's about making trade-offs among his responsibilities to protect employees, customers, brand reputation, and financial position. "Where you position yourself on that line is all about your values," he says.

Leaders who also use their values to judge themselves and who understand how others see them have self-awareness and accountability. They're able to modulate their emotions, attitudes, and behaviors, and appreciate their impact on other people. And understanding others' perspectives breeds empathy, something Chris Kempczinski, CEO of McDonald's, feels is essential when navigating the "morally ambiguous phase" of safely reopening while COVID-19 is still a threat.

Genuine leaders are also unafraid to show others their true selves, including their vulnerability. "One of the necessary parts of leading has been having a sense of humility," says Kempczinski. "Sometimes people look for CEOs and presidents to have the answer—in this case, no one knows."

Having a connection to one's self and others, a connection grounded in strong values, in turn drives openness, honesty, and transparency—all critical for building a collaborative and productive culture. "It's important to align the team around clear objectives that are feasible, tangible, and doable—what we are trying to achieve and what we don't want to do; be clear on roles; and communicate this with great clarity," observes Mark Tritton, CEO of domestic merchandise retailer Bed Bath & Beyond. Authentic leadership is needed, particularly in tough times, to encourage the right behaviors through communication, empathy, and recognition.

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CEO, McDonald's

¹ Rose Gailley, "Leading through the crisis by counting on purpose and values," Heidrick & Struggles, March 31, 2020, heidrick.com.

The agile decision maker

Operational expertise is still a vital skill in times like these, whether it is gained from experience within the same industry or a related one. Joe DePinto, CEO of convenience-store chain 7-Eleven, points to the consumer-packaged-goods sector as providing highly relevant experience for retail sector work, since its leaders are accustomed to dealing with distribution centers, frontline workers, and multisite networks across large geographic areas. Solid financial expertise is also undoubtedly a plus, particularly in liquidity and balance-sheet management.

However, most leaders we spoke with didn't see a lack of strong industry experience or financial skills as necessarily a handicap. One reason is that leaders can rely on their teams. 7-Eleven's DePinto believes that a strong head of operations can substitute for lack of multisite experience in the CEO. McDonald's Kempczinski, meanwhile, thinks a really good CFO can make up for weaker financial skills—and credits a stable, established team for his successful transition from the packaged-goods sector.

The second reason is that, for the CEO, it is agility that matters more. When it became clear how rapidly COVID-19 was spreading, for example, McDonald's had to figure out how to close 12,000 restaurants and modify another 26,000 for drive-through. Online fashion retailer ASOS saw "5 to 10 years of innovation in just 10 weeks," according to CEO Nick Beighton. As retailers open for business again, they will need to remain flexible in the face of constantly changing regulations and deep economic and political uncertainties.

For Mike Coupe, who recently retired as CEO of UK supermarket chain Sainsbury's, values-based leadership, aligned with corporate purpose, is key to fostering agility. "You are running a machine that has to be optimized for efficiency but also have flexibility," he says. "As a leader, things are moving fast, so you have to delegate through the organization—but within a very clear framework. This is why an organization's sense of purpose and values are so important."

Ultimately, having a leader who is honest, resilient, and willing to be vulnerable can help foster an agile work environment and allow teams to experiment and learn.² This is critical as retailers adapt and evolve in the face of future challenges.

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CEO, ASOS

The culture shaper

Retailers by their nature have widespread and diverse workforces, and the ability of a CEO to harness their power can make or break an organization. Ongoing work by Heidrick & Struggles has shown time and again that what sets high-performing companies apart is their people's ability to adapt faster than their competitors—and that company culture is crucial to this.³ Building an effective culture starts with clarity of purpose, which helps to shape a strong set of values, which in turn serves as a behavioral compass. Retailers that confronted the pandemic with a strong culture already in place found that their people knew what to do, even without a playbook.

But desired behaviors must be continuously shaped and reinforced by aligning employee responsibilities, ways of working, training and development, performance evaluation, and reward strategies with the organization's purpose, value proposition, strategy, and business model. As conditions change, whether they allow for reopening physical stores under entirely new regulations or demand increased attention to diversity and inclusion and racial justice, leaders must assess which behaviors they need to encourage and which they need to discourage in order to maintain a strong and productive culture. Through the changes implemented during the pandemic (such as remote working), retailers are reimagining what working and their cultures will look like. "In terms of our culture, now our meetings start on time and more focused conversations are taking place," says Sainsbury's Coupe. "Communication has gone up dramatically, and we have found that shorter, more frequent updates with teams work better."

How leaders manage the transition back to the workplace and ethical considerations will have important cultural implications. "Companies are going to be confronted with new, difficult questions: Do we have the right to do temperature checks? Will we require vaccinations?" says McDonald's Kempczinski. "How one answers these questions may change the employer-employee relationship. There will be a tension between protecting the workforce and employees' right to privacy."

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Former CEO, Sainsbury's

² Steven Krupp, "From blame to gain: Leading with agility in a crisis," Heidrick & Struggles, April 2, 2020, heidrick.com.

³ Alice Breeden, Becky Hogan, and TA Mitchell, "Bringing your organization up to speed," Heidrick & Struggles, September 12, 2019, heidrick.com.

The chief communicator

In recent months, CEOs have had to engage with every stakeholder group, using multiple channels and formats, often speaking to thousands of people at a time. “The amount of communication you need to do right now is unbelievable,” says McDonald’s Kempczinski. “You need someone who is comfortable communicating with the system and being out in front. Someone who is an introvert and wants to think and deliberate—the current environment isn’t conducive for that type of profile.”

How leaders communicate is just as important as how much they do it. Many we spoke with advocated having a radically simple, clear, and consistent set of core messages. They espoused the need to be honest and transparent, while also being empathetic and inspirational—expressing gratitude, reminding people of the importance of their work, and sharing stories about how colleagues are using organizational values to lead in their communities. This type of robust engagement will be essential for future leaders in both good and bad times. “It is really important to have a simple, clear message for colleagues,” Alex Baldock, CEO of European technology retailer Dixons Carphone, says. “With our transformation program, we were already really clear on our plan, and everyone understood it. With COVID-19, we immediately simplified our agenda even more: keep colleagues safe, help customers, and secure the business’s future. If you lead with clarity, and explain why you are doing something, then you have a license to operate.”

CEOs are also leveraging and improving stakeholder relationships in other ways. “Instead of seeing our big suppliers once a year, I am now spending a day once a month with them. We are having much shorter, more frequent, digital encounters,” Baldock says. “It means I have transformed my reach as a leader, both internally and externally.” Sainsbury’s Coupe, meanwhile, highlights the role of communicating with the public sector: “There is a social and political dynamic to this crisis. Having those relationships within government, building those personal relationships and having that informal network, is really important as a CEO.”

The strategist

The post-pandemic recovery will be very long, and the uncertainty that lies ahead is hard to overemphasize. A strategic mindset, with the ability to manage ambiguity, solve complex problems, and develop creative solutions, will be more essential than ever for retail leaders, who were already dealing with e-commerce and economic uncertainty. Resilience is key, and innovative collaborations, for example, will be helpful. Leaders must have a “deep understanding of the value of partnerships,” believes 7-Eleven’s DePinto. CEOs will also have to question long-held beliefs. “Digital and delivery are likely going to stay elevated,” says McDonald’s Kempczinski. “What does that mean for our dine-in presence? The conventional view has always been that you built your brand through the dine-in experience, but maybe you can have a distinctive brand relationship without dine-in in some cases.”

Changes in consumer behaviors will in turn change business strategies. In-store safety will continue to affect store layouts, restocking procedures, food packaging, and checkout processes. Grocery trends, meanwhile, have reversed. Smaller, more frequent shopping trips have given way to the weekly, pre-planned bulk buying last seen in the 1980s. Demand for to-go food has given way to take-home items and home cooking. But retailers are also aware that they must remain flexible, catering to a range of shopping habits. “I believe omnichannel is the way forward—so customers can interact with your brand in any way they choose,” says Greggs’ Whiteside. “Businesses should know their customers’ names, whether it is through a physical or digital interaction, and it should be frictionless.”

There are also signs of a continued public sentiment toward considered purchasing rather than impulse shopping. “Simplicity and home-is-hearth are really big ideas,” says Bed Bath & Beyond’s Tritton. “The quality of the purchase is becoming more important. People are thinking about sustainability (and) longevity of a purchase.” Tritton sees a different type of customer relationship evolving, one built around life milestones and the use of data to track and engage people through those transitions.

Yet, the CEOs we talked with also noted the huge lines that formed outside fast-fashion stores when they first reopened. That could point to conflicting sentiments, or perhaps just an eagerness to get out after months of lockdown. Cash-strapped consumers may also be unable to pay more for sustainable goods. Greggs’ Whiteside thinks this may be the case and also foresees a reversal in some sharing-economy trends for health reasons.

Retail leaders will have to unpick these and many more signals, filtering out the noise, understanding the nuances between demographic groups—and appreciating their own power to shape consumer attitudes and purchasing behaviors.

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The digital transformer

One trend that requires no unpicking is the huge increase in digital retail in recent months. The online share of grocery shopping in the United Kingdom, for example, nearly doubled, to 13%, in the four weeks prior to May 16, 2020, compared to 7% at the same time last year.⁴ Many leaders think the trend is here to stay, though likely at lower levels.

And it isn't just standard e-commerce where digital is driving significant change. Sainsbury's saw in-store sales using its mobile checkout app rise from 15% to 40%, and Coupe predicts many users will never go back to the till. Dixons Carphone, meanwhile, launched its ShopLive service, giving customers an in-store experience by connecting them to employees via video link. ASOS changed how it works with models, who now connect with stylists on FaceTime and send photos in; in some cases, the retailer is also using augmented reality instead of models.

The digital leap has been a big wake-up call for many retailers, but for them, as for most leaders driving digital transformation, the biggest challenge isn't the technology—it's the mindset change.⁵ Customers care less about the tools they use than how those tools will enhance their experiences and improve their lives, and employees need to learn new skills and new ways to interact as a result.

"Who does digital best, how they build loyalty with digital customers—those businesses are going to be the winners in the future," says Greggs' Whiteside.

The acceleration of digital-first behaviors means it's no longer enough for retailers to be tech-enabled; they must be tech-driven. Bed Bath & Beyond, which Tritton describes as having been a bricks-and-mortar company prior to the pandemic, has embraced this philosophy: "How we market, fulfill, manage inventory, build loyalty, price and promote, and communicate with the customer has all become a digital-first mindset."

As CEOs seek to develop a digital culture and move away from just a transactional digital presence, those with largely outsourced digital capabilities are debating the extent to which they should bring those skills in-house. There's likely to be growth in partnerships and collaborative ecosystems as M&A activity slows, but brands continue to diversify and experiment with ways to reach customers.

The ultimate aim for retailers is to create personalized, immersive, and engaging experiences that can have the same positive effect on brands as traditional in-store retail. McDonald's is looking at how younger generations spend their time online and is exploring app-based gamification for social media and promotions like Monopoly. 7-Eleven is looking at how digital technology can enhance in-store experiences. It piloted a cashierless store concept in February 2020 and is scaling its Evolution Store concept, which allows customers to try innovative store formats.⁶

What is ordered, of course, must also be delivered—something Greggs' Whiteside sees as the "Achilles' heel" for retailers now that people are no longer necessarily at home to receive parcels. "The market will determine whether the solution is premium pricing—for some customers that will be the preferred option; for others, it will be a subscription model, like Amazon Prime," he says.

Retailers, however, are also cognizant that the pandemic has exacerbated digital inequalities. During the lockdown, supermarkets in the United Kingdom, for example, stayed away from lucrative pricing for delivery slots, recognizing that this would unfairly disadvantage the vulnerable, sick, elderly, and poor. Other tools such as queue management apps were also seen in the same light by some retailers. Digital accessibility, ethical behavior, and issues of trust are certain to remain on the radar for leaders, alongside cybersecurity. Once again, purpose and values will help retail leaders manage these concerns.

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CEO, Bed Bath & Beyond

⁴ James Davey and Alexander Smith, "Online UK grocery spending hits record in lockdown shopping spree," Reuters, May 27, 2020, reuters.com.

⁵ Shaloo Kulkarni, Scott Snyder, and Eric Skoritowski, "Achieving digital (re)acceleration," Heidrick & Struggles, May 14, 2020, heidrick.com.

⁶ 7-Eleven, "7-Eleven pilots cashierless store concept," press release, February 5, 2020; "7-Eleven expands evolution store concept to Washington, DC, and San Diego," press release, February 26, 2020, corp.7-eleven.com.

The talent champion

As processes change and workers are deployed in new ways, the new digital agenda is transforming talent needs and objectives, as well as organizational structures. Digital skills won't be all that are needed, of course—supply chain and logistics specialists, for example, will certainly be in big demand—but virtually all roles will become more dependent than ever on digital capabilities.

But for the retail industry to be more attractive to the digital experts it needs, CEOs understand that they must change their employee value propositions. “We rebranded our tech and digital offer in order to attract data scientists and software engineers,” says Sainsbury's Coupe. But retailers face big challenges, from compensation structures to the question of how to create a digital culture, making it more difficult not only to attract talent but also to retain it.

Coupe sees a holistic proposition as the answer. “Money does play a part,” he says, “but so too does encouraging innovation, giving independence, having hackathons, and training.” He also highlights the importance of understanding the values of younger generations, which supply much of the digital talent pool. “Becoming a net-zero company⁷ by 2040 is part of our sell to younger talent.”

7-Eleven has repositioned itself on multiple fronts to attract digital talent. It renovated an entire floor at its headquarters to create a dedicated digital space, for example, and its R&D center, 7-Next, is right across the street and rolling out a steady stream of innovations.

Along with attracting digital talent, leaders must also work to reskill and train current employees to adapt to the new working world. Developing existing talent that can respond to emerging needs such as digital or logistics encourages a culture of learning and helps employees be more agile in the face of new challenges.

Ultimately, becoming an employer of choice, for digital or any other type of talent, means understanding what makes people tick—something authentic leaders excel at.

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The future for retail CEOs will undeniably be challenging but also offers promise. The aftershocks of the pandemic will be felt for years to come, and another crisis of this magnitude is more than a possibility. But the past few months have also been a catalyst for great innovation in the sector, a refocusing on values, and an opportunity to demonstrate greater compassion and social responsibility. The companies that emerge the strongest and most resilient will be those that are reinventing themselves while remaining true to their values. Retail CEOs who can authentically communicate a strong purpose and core values for their organizations and use them as a compass to guide strategy, talent, culture, and operational decisions will be the most able to lead their organizations to a thriving future.

⁷ A net-zero company is one that has no net emissions from its production or operations.

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Consumer Markets Practice

As consumers demand more transparency, brand engagement, and sustainability, Heidrick & Struggles' Consumer Markets Practice is at the forefront of industry trends to provide cutting-edge counsel to clients in a wide variety of consumer sectors.

Competition among consumer companies has never been fiercer. Customers are shopping in new and sometimes nontraditional ways, as mass market retailers offer designer goods, brick-and-mortar staples are available online, and venerable brands spin off agile brand extensions. Consumer companies are also keen to capitalize on the potential of emerging and high-growth markets. This means having the right leadership in place is critical. With broad global presence and deep sector expertise, we anticipate future needs to help clients successfully secure the right leaders who will enhance innovation within their organization.

Backed by a team of passionate experts, we counsel clients in a variety of consumer sectors to clearly assess and identify the competencies needed for success. From building powerful brands and streamlining supply chain operations to penetrating new markets and delivering financial objectives, we are focused on helping companies realize their investment in talent for today and the future.

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