Do you have the right C-Suite?

Tough questions CEOs today are asking

Heidrick & Struggles Global Functional Practices
Today’s CEOs face challenges that continue to evolve with unprecedented speed. Unstable markets, greater regulation, heightened public pressure, impact of social media, new technology, and data security, to name a few, all create new areas of risk and opportunity. More traditional challenges – supply chain optimization and the evolution of shared services, technology, globalization, and the war for talent – show no signs of easing. Competition remains fierce and customers are more demanding than ever, putting pressure on CEOs and their C-suite teams.

Assembling the right team has also grown more challenging. Based on a recent study conducted by Harvard Business School in conjunction with Heidrick & Struggles and Women Corporate Directors, only a small percentage of boards rate CEOs ‘high’ on talent selection and development. The study also shows that boards place talent management, development and selection as one of the top responsibilities for CEOs. Historically C-suite roles, particularly functional roles, were concrete and contained from the standpoint of required skills. However today, the skills and competencies for C-suite roles are no longer so clear. Not only do they vary from organization to organization, but responsibilities and thus competencies for the roles themselves are starting to bleed into one another. For example:

- Chief Financial Officers (CFOs) are no longer just bean counters – they play a major role in helping manage a wide range of risks. The best are valued strategic partners to the CEO.
- Chief Information Officers (CIOs) are no longer focused primarily on pipes and plumbing: they are integral to strategy, security and risk management, and how companies and customers interact.
- The Chief Human Resources Officer (CHRO) is no longer an administrative role. Top human capital leaders are required to have deep understanding of the business and its strategic objectives to anticipate talent requirements for the future at every level of the organization as the supply decreases and the complexity of managing a five-generation workforce increases.
- A good Chief Marketing Officer (CMO) needs to have a solid grasp of new e-commerce technologies and a strong grounding in analytics.
- A Chief Supply Chain Officer (CSCO) needs the financial skills to understand price fluctuations, hedging, and forecasting, a firm understanding of the ever-changing regulatory environment to deal with sustainability issues, and the savvy to turn sustainability to business advantage.

Today, the requirements for all members of the Executive team are that they understand the business, the competitive environment, financials, and how the company generates value. They must understand how their particular area of responsibility impacts the organization and be able to reach across their functional silos to find the right solutions for the company as a whole. Corporate Executives (CXOs) must be focused on driving both top and bottom line value and demonstrate return on investment for the functional activities they oversee, especially in an era of extreme cost-consciousness.

Finally, all of this ambiguity about roles and responsibilities means that everyone in the C-suite must be a consummate communicator who can succinctly articulate how the company’s strategy translates into specific actions. People skills are critical, and CXOs must be team builders and mentors, focused on assembling the talent that can ultimately succeed them.

Many CEOs who build nimble and highly collaborative executive teams note that the strength of the team interaction, as well as each individual’s specific capability, is a critical contributor to their and the company’s success. But pulling together this kind of talent takes considerable attention and vigilance. In this paper we explore what questions CEOs should be asking each of six ‘chiefs’ – CFOs, CIOs, CHROs, CMOs, General Counsels and CSCOs – to ensure they are building an executive team that is prepared to meet not only today’s challenges, but those that are looming over the horizon.
What should CEOs be asking their chief financial officers today?

Few roles have expanded as extensively over the past decade as that of CFO. In addition to being a rigorous financial strategist and steward, today’s CFO provides direction on everything from capital structure and tax positions to acquisitions and entering new markets, helps drive innovation through new business models, continually analyzes the deployment of capital and considers operational changes to enable growth, manages an increasingly wide range of risks, and communicates more often and more effectively with investors. At the same time, the CFO must maintain the appropriate level of independence in order to deliver the hard-nosed, objective advice the CEO needs. A CFO who can strike the right balance – acting as a commercially-oriented strategic advisor without sacrificing exceptional financial oversight – can be a game-changer for the organization and an invaluable asset for the CEO.

Today, that collaboration calls for answers to questions given new urgency by a turbulent global economy, new growth opportunities in emerging markets, endangered profitability in developed markets, and widely varying challenges in business environments, regulatory regimes, and talent distribution. A few of the most pressing questions include the following.

What are we doing to enable growth in a stalled economy without taking on unacceptable levels of risk?

Today’s CFOs are risk managers in the truest sense. While still exercising careful financial judgment, they must be comfortable with some level of risk in order to facilitate value creation in an economy and operating environment that have made growth extremely challenging. If the CFO considers an opportunity too risky, just saying no is not sufficient. Instead, CFOs should be prepared to propose alternative ways of deploying capital for competitive advantage. In the allocation of capital, they must balance rapid growth opportunities in emerging markets against the imperative to protect the company’s position in slow-growth developed markets. They must provide internal and external stakeholders with rigorous and transparent business cases for such decisions. And they must do so in the face of a genuinely global playing field where
risk is inherent and opportunities involve complex challenges from disruptive innovation to cultural differences to unforeseen competition.

All of this requires of CFOs an unprecedented degree of commercial savvy, from business model innovation to careful assessment of organic, operationally-driven growth versus growth through acquisition, to the creative use of analytics to help strengthen customer relationships. At the same time, along with the CEO, the CFO must be able to assure the board that the entire enterprise is being run soundly, that it is maintaining cost-effective access to capital, carefully managing continually changing risk profiles, and satisfying various classes of investors.

**How do we prudently grow in emerging markets?**

As CEOs increasingly look to emerging markets for growth opportunities, they will need to be sure that their companies have rigorous controls in place. Financial, regulatory, or legal missteps in any market can do great damage – to a company’s reputation, its stock price, and its ability to continue to grow in a market where it has stumbled. Companies may be especially vulnerable to such missteps in markets where accounting standards, business practices, and the regulatory environment differ from those in developed markets. The CFO must reach across the organization and not only establish effective controls in all geographic regions but also communicate the strategic and operational relevance of those controls.

**Are we telling a compelling story to the investment community?**

With the investment community, it is no longer just about the numbers. The best CFOs are able to speak commercially about strategy, business opportunities, and authentically tell the company’s story – how it makes money, deploys capital, and pursues its strategic objectives. They are able to identify and explain risks and go beyond reporting requirements to provide investors with a coherent narrative of the company’s performance and prospects. To build stakeholder confidence, they report more frequently and communicate more often with investors. They effectively complement the CEO’s telling of the company story while finding the right balance between representing the company and seeing the company through an investor’s lens.

**Have geographical investments in talent been factored into our long-term strategic plans?**

As dramatic shifts in the distribution, availability, and nature of talent occur unevenly around the world, finance executives will need to be as well-versed in talent developments worldwide as they are in interest rates and raw material costs. CFOs who can rethink the workforce in terms of the geography of talent as well as the geography of cost make more informed financial decisions, achieve more nuanced long-term planning, and provide the real strategic value that CEOs have come to expect of them.

**Conclusion**

As both a strategic partner to the CEO and as a careful steward and architect of the company’s financial resources, the CFO must be able to make complex judgments, marshal data as well as bring business acumen to bear, and achieve a fine balance of risk and opportunity. In fact, as the answers to today’s most pressing questions suggest, the CFO can best achieve that balance by thoroughly integrating the two aspects of the chief finance role, with strategy informing stewardship and stewardship advancing strategy. CEOs expect no less.
What should CEOs be asking their chief information officers?

Compared to even 10 years ago, the impact of technology and of data has changed dramatically. Technology today is the lifeblood of many businesses. Working well, it can help drive revenue, business operations and even culture. Working poorly, it can ultimately put a company out of business. The speed of entrance into the digital age has put tremendous strain on IT organizations and the systems themselves. Many organizations are challenged to keep up with expectation while protecting the quality and integrity of the systems themselves.

When it comes to understanding how information technology can transform organizational processes, create customer intimacy, make employees more productive and establish competitive advantage, the CEO turns to one member of the executive suite: the CIO. Given the enormous operational and strategic importance of IT today, CEOs need a top IT advisor who understands the business as well as the technology and can answer these critical questions.

Are our data and information systems truly secure?

With more and more sensitive information – financial, health, and personal – being transmitted electronically, companies are at the mercy of the latest hacker or malicious virus. The risks are multiplied by social media, cloud computing, mobile devices and increasing employee needs for access to company data from any location. A computer breach has the potential to take down an enterprise, cause substantial financial and productivity losses, and damage the company’s reputation. According to PwC’s Global State of Information Security Survey 2013, 52% of executives said that they had lost customers due to inadequate information security. Clearly, CIOs need to ensure that technology and processes are in place to protect customer data and all intellectual assets, to guard against cyber-attacks, and to prevent failures in mission-critical and customer-centric applications.
Are we doing everything we can to use technology to enhance the customer experience?

As the executive who oversees more customer touchpoints – from e-commerce, social, mobile and websites to customer data collection to back-end order processing – than any other executive, today’s CIO should partner closely with the Chief Marketing Officer. CEOs are looking for CIOs who embrace the customer-centric nature of the role and can proactively offer new ideas for everything from improving customer analytics to enhancing the company’s customer relationship management system to implementing technologies that support customer intimacy.

Are we focusing on deploying IT resources efficiently?

At a time when the appetite of all functions for IT outstrips the resources for delivering it, the CIO’s ability to prioritize is crucial. The CEO needs a CIO who can make go/no-go decisions based on a broad understanding of business objectives, coupled with rigorous ROI analysis. For those businesses whose projects don’t make the cut, a CIO needs to be able to both explain the rationale for the decision and to propose alternate solutions.

There may also be opportunities to either outsource IT-intensive areas such as data centers, call centers, or back office processing or to move certain functions to the cloud. The CIO must understand which areas are critical to the company’s mission, act as a trusted advisor to the CEO to help assess the trade-offs, security risks, and business advantages of outsourcing and be able to make the business case for a particular deployment of IT-intensive activities.

Are we missing opportunities to integrate our systems?

Few organizations have avoided the problem of legacy systems developed within functional or geographic silos that now need to communicate with one another but can’t. Add to that the challenge of integrating diverse platforms inherited through mergers and acquisitions, and the CIO faces a task of enormous complexity. Integrating, upgrading, or replacing IT systems means more than just swapping out one technology for a new one. Such initiatives call for major process changes that tend to be underestimated by the business. It is up to the CIO to anticipate the type and magnitude of these changes and to serve as a change management coach to business leaders – preparing them, advising them, and helping them develop new processes. Through an understanding of business needs and how people work, the CIO can also stay one step ahead by proposing ways to build flexibility into new systems.

How can we harness IT to help grow the business?

Many of the most successful companies recognize IT as a commercial advantage when entering new markets, launching new businesses, and delivering products and services more effectively. Recently, we have seen a number of companies replace long-standing CIOs with individuals who are visionaries rather than order-takers and who understand how technology can serve as a growth engine. CEOs who do not view their IT organization as a business enabler are increasingly on the lookout for leaders who can quickly lead them forward.
Where are we vulnerable?

Business history is littered with extinct companies that were swept away by new technologies that enabled innovative business models and lowered barriers to entry. Examples abound: the disintermediation of travel agents by the Internet, the upending of the music industry by iTunes, and the revolutionizing of bookselling, publishing and, ultimately, all of retail by Amazon. Today’s CIO must be able to see technology-enabled threats on the horizon and bring together the resources to brainstorm new and innovative ways that the company can turn a threat into an opportunity and disrupt the disrupter.

Conclusion

As these questions suggest, the CIO’s responsibilities are vast. They have changed dramatically in the last 10 years and this shows no signs of abating.

To master it all today’s CIO must bring to the table not only business and IT savvy, but also strong communications and collaboration skills, a global mindset, innovative thinking, and an ability to manage and champion change. Above all, the CIO serves as the company’s resident futurist, delivering a unique perspective on how information technology is changing the world and how it can be harnessed to yield both value and competitive advantage.
What should CEOs be asking their chief human resources officer?

As companies recognize that talent is the most powerful lever for achieving competitive advantage, no role in the C-suite has been transformed more and has delivered more impact on the business than the Chief Human Resources Officer (CHRO). Like the CFO, today’s CHRO plays a pivotal role in driving the CEO’s agenda. Responsible for what is often the company’s biggest investment – its people – the CHRO works at the intersection of strategy and the means to execute it, anticipating where the business is going and making sure that the organization has the talent to take it there. As the CEO’s trusted advisor, the CHRO needs to artfully balance this expectation with their role in supporting the board’s compensation, nominating and governance committee around total rewards, succession planning and talent risk management.

The skill set needed today in top CHROs is broader and more strategic than in the past. CEOs who understand that talent can be the ultimate make-or-break factor in their success are asking CHROs a new set of questions.

What are we doing to ensure that we have the right talent as our strategy and business objectives evolve?

Hard data demonstrates the magnitude of the talent challenge CHROs and their organizations will face in the next several years. The supply of top talent capable of assuming key global leadership opportunities is dwindling due to changing demographics, while the demand for new skill sets is increasing. With the lack of investment in talent development in recent years due to budget constraints across many industries, access to specific talent pools, particularly with developed leadership skills, is significantly more competitive. In addition, demand for top talent with global experience is increasing as Asian conglomerates now compete with Western multinationals for outstanding people and private equity and venture challenge corporate behemoths for innovative leaders. An open talent economy is also developing in which workers are increasingly choosing a work style convenient for them. In this volatile and uncertain environment, many companies want to have more control over their strategic talent needs, making development,
retention, and engagement more critical than ever. CHROs have to drive these internal capabilities while competing successfully for strategic hires in an increasingly difficult market. As a result, the CHRO must demonstrate a strong business acumen to engage deeply and proactively with strategy and deliver high-impact, genuinely strategic talent management. While increasingly many CHROs describe themselves as business people first, the CEO should test the CHRO’s level of true business acumen. Does the CHRO start the conversation with the strategic objectives? Though it is often said that the CHRO should be a strategic partner, those that have truly demonstrated this capability remain the minority.

What are we doing to ensure that our talent management practices drive desired business outcomes?

Outstanding CHROs integrate all of the elements of talent management – recruitment and talent acquisition, training and leadership development, performance management, total rewards, retention strategies, succession planning – into a talent management architecture designed at every point to further the objectives of the business, now and in the future. An integrated, strategic talent management system aligns key activities with each other, the business, and the internal and external markets for talent and supports the business with the right internal and external talent, at the right place, at the right time, in order to translate strategy into effective action. The CHRO must engage every leader, especially the CEO, as a part of the talent management cycle to continuously assess business dynamics, outcomes and future strategies in the context of talent.

Do we really know what drives the high-performance, high-engagement culture we need to compete as an organization?

As creators and custodians of the culture, the CEO and CHRO need to exemplify the hallmarks of the desired values and objectives of the business. Reputation and brand are being impacted by social media, further driving the importance of alignment about what is said and what is done. The CEO and CHRO need to be sure that performance, engagement, the employee brand and other elements of an integrated talent strategy are measured and managed in a way that best promotes the desired culture. Given the multi-generational workforce and the increasing global nature of business, there are also increased complexities around building a common culture in this diverse world. There are few other areas in HR that are in greater flux today than this work of culture shaping, which impacts the competition for talent, as well as the drivers of engagement and retention. Cutting edge CHROs are introducing analytics and diving into ‘Big Data’ to determine with as much precision and depth what motivates, engages, and inspires their employees. At the same time, they are applying the insights of social science to put that deeper understanding of their people to work throughout the organization. And they are returning to, and refining, the face-to-face, personal management of performance that was displaced in recent years by online performance management systems. CHROs who have mastered these rapidly advancing and potentially revolutionary disciplines will achieve synergies of culture and strategy that will make less sophisticated HR operations look as quaint as the Personnel Departments of yesteryear.
Are we identifying and addressing the multiple risks associated with human capital?

Because HR is at the center of many of today’s hottest governance issues – executive compensation, compliance, and succession planning – today’s CHRO must be a knowledgeable and trusted advisor to the CEO and to the board. In that capacity, the CHRO must increasingly understand and address risks related to those issues – the risk of falling behind in needed talent, the risk of non-compliance in an environment of escalating regulation and external scrutiny, and the business risk in sub-optimal workforce and succession planning, compensation practices, and corporate governance. Vigilant CHROs clearly identify such risks, proactively advise and mitigate them, and seek to create the infrastructure, processes and procedures that will provide needed information and data while ensuring culture that minimizes these risks.

What are we doing to manage diversity, including diversity of thought and the innovation it generates, in a global and demographically diverse workforce?

Diversity is no longer a numbers game focused on optics or even compliance, but an urgent operational and strategic challenge. How does a company that faces a five-generation workforce, a global business environment, constant technological transformations, instant communications, and/ or disruptive innovation from any corner ensure success? Developing and executing a people strategy in such a complex environment requires a broad appreciation of these issues. CHROs must not only bring business acumen, but also cultural sensitivity toward generations and geographical differences, a firm grasp of global operating models and the knowledge of international employment laws and regulations. They must understand that the technologies that enable working across time and space impact culture and work style. They should also see that ‘business as usual’ will not be the norm of the future, valuing diversity of thought in the service of creativity and innovation. These capabilities will be critical in creating a corporate culture that generates the maximum business advantage over the long term.

Conclusion

With so much riding on the quality of increasingly scarce talent, CEOs need their CHRO partner to have skills and competencies much like their own: business acumen, strategic insight, market savvy, and the ability to lead and manage change in this increasingly complex environment. With this dynamic environment as the ‘new normal,’ talent becomes the most critical element in business success. The HR executive stands at this intersection of strategy and execution to provide the leadership in driving critical business activities in the areas of building organizational capability, scaling for operational efficiency, achieving alignment and affiliation, and managing human capital risk, integrating fully into every aspect of business operations to drive performance.
What should CEOs be asking their marketing and sales leaders?

The competitive playing field changes almost yearly, and if CEOs cannot ensure that their marketing and sales leadership changes with it, they will see their company rapidly outpaced in the marketplace. From digital to mobile to ‘Big Data,’ new technologies and new marketing and sales disciplines emerge with bewildering speed. Yesterday’s cutting edge quickly becomes tomorrow’s price of entry. CEOs need to be sure that their commercial leadership puts them at a competitive advantage in this volatile world, that marketing and sales are demonstrably creating shareholder value, and that they are prepared to bet the company on their prowess. They can begin by asking one fundamental question.

Do we have the right mix of marketing and sales for the new world that continues to emerge?

In many industries, and according to whether a company was B2C or B2B, enterprises have been primarily marketing-driven, sales-driven, or in some cases balanced. But with economic uncertainty, new technologies and channels, and globalization’s annihilation of time and space, every company must newly question where on the marketing-sales spectrum it should be positioned. New realities have overturned old marketing models as well as old sales models. What worked yesterday in a company or an industry may not work tomorrow. CEOs must consider carefully whether their organizations have the right orientation and, if not, whether their commercial leadership is equipped to lead marketing and sales in new directions.

Depending on how CEOs assess where their companies are – and should be – on the marketing-sales spectrum, their subsequent focus will vary. For marketing-driven enterprises, critical questions include the following.
How can we be sure that marketing is driving shareholder value?

With the rise of multiple new media and the eclipsing of the mass advertising model, marketing leaders face vastly more complex challenges. They must be able to allocate marketing spend in a far more sophisticated way. They must know how to target and reach customers in many media. And they must be able to measure the return on investment of all of these disparate elements and draw a straight line to shareholder value. CEOs must insist that their marketing leadership be capable of connecting those dots.

The increased demand for analytical, strategic marketing leaders represents a major shift from the days of leaders focused only on branding, advertising, and the other creative aspects of marketing. Does the CMO think only like a marketer or more like an officer of the company?

Do we really know how to put market and customer insight to work?

Traditionally, companies that could excel at one of three tasks – innovation, efficient operations, or customer intimacy – could prosper. But because innovations today can be almost immediately imitated and most companies operate as leanly as possible, the real differentiator has become customer intimacy. Leveraging the unprecedented amounts of customer data now available, companies must get to know their customers and prospective customers as never before. Does the marketing leader know how the customers define value? How to quarry actionable customer insights from customer tracking, social media, and ‘Big Data?’ How to help translate insights into products and services that raise barriers to competition and help retain current customers and attract new ones? Most importantly, how can a company be sure that it is genuinely achieving that intimacy?

Where do we stand relative to our competitors?

The ability to track and understand the moves of rivals, to scan the horizon for potential new entrants, and to foresee and address market disruptions have become indispensable weapons in the arsenal of today’s CMO. The CMO must build a robust competitor tracking capability that both informs the strategic planning process and directs marketing and sales initiatives. These initiatives must in turn be flexible enough to shift gears when new information surfaces – often in real time, rather than in the annual marketing planning cycle. CEOs must ask how vigilant and, just as importantly, how agile their marketing leadership is.

The economic turbulence that took us into the second decade of the 21st century, coupled with the rise of new technologies and channels, dramatically changed the sales-driven model. Gone are the days of glad-handing, of the ‘shoeshine and the smile’ of the old-style sales rep. For companies that are primarily sales-driven, today’s critical questions include:

How well prepared is my sales organization to deliver what is needed to achieve our strategic goals?

Over the past two decades, the electronic disintermediation of sales people, the professionalization of purchasing departments, and a multiplicity of sales channels have eroded the old uniform sales force model. Economic uncertainty completed the process, leading companies to seek sales leaders who are far more strategic in orientation and who bring the skills of general management to the role. They are expected to pull sales out of its silo and to manage sales as a portfolio of channels: electronic, mobile, inside sales team, call centers, and third-party distributors. It is critical that
companies have the right portfolio relative to their strategies, and that the sales leader demonstrates how that mix will generate the growth the company is seeking.

**How effective is my sales leadership in making the sales function a repeatable process and not a collection of individual relationship managers?**

Sales has been transformed from an art dependent on individual star power on the front lines into a science requiring more analytic and strategic competency at the top. Instead of riding herd on a collection of sales superstars, today’s sales leader establishes repeatable processes – from onboarding new team members to analyzing sales results – that make sales success scalable throughout the organization. Has the sales organization embedded repeatable processes throughout its operations or does it rely on outmoded processes that depend on individuals?

**When we win, why do we win? When we lose, why do we lose and to whom?**

Because a sale creates the fastest ROI, companies understandably rely on the function to deliver profitable growth. But CEOs cannot systematically grow their businesses unless they know why they won or lost. How did your sales & marketing team convert a prospect into a customer? Why did the team lose a long-time customer? Why are sales declining in one geography and growing elsewhere? The too-easy answer is almost always price – an unacceptable response unless a company accepts the death spiral toward lowest-cost provider. CEOs need real answers, not rationalizations. Sales leadership must provide deep insight – through sales analytics, the voice of the customer, and market and competitor analysis behind wins and losses. Do they generate actionable information that enables the company to refine its value proposition, grow sales and margins, improve sales forecasting, smooth demand planning and – most importantly – compete on value instead of price?

**Conclusion**

Having made a conscious choice about where a company should be on the marketing/sales spectrum and having then asked the relevant questions, the CEO should have a clear idea of whether or not the right commercial leadership is in place. If it is, the company is well prepared for a future in which customers will wield more power and choice than ever. If a company lacks the right commercial leadership, however, CEOs should be aware that on both the marketing and the sales side the demand for analytic, strategic leaders far outstrips supply. The factors that have upended old marketing and sales models have emerged so recently that many senior leaders are handicapped from having grown up with the old models. Meanwhile, some of today’s most talented commercial officers are moving out of the function and into general management and even CEO roles. Despite these difficulties in filling commercial leadership roles, no company can afford to get it wrong.
What should CEOs be asking their general counsels?

The role of the General Counsel (GC) has evolved dramatically in the past decade, now attracting some of the best and the brightest in the legal profession. At the same time, CEOs have come to rely more heavily than ever on their GCs for support and guidance in the face of increasing regulation, shareholder activism, and government and public scrutiny. Boards have started paying attention as well: where once only the CEO was involved in recruitment of the GC, today it is unusual for candidates not to be interviewed by at least one or two members of the board. With so much riding on the GC’s effectiveness, CEOs understandably expect answers to the following questions.

How can the GC play a role in the overall success of the company?

CEOs are looking for someone who can not only act as a trusted legal advisor of impeccable integrity, but also act as a valued business partner. In addition, the GC should be able to work collaboratively with the senior executive team to achieve business goals – thinking like a principal, not an agent, as outside counsel might – and contribute to company success both as a technical legal expert and as a business generalist.

The GC can play a particularly valuable role in company success when it comes to the many risks organizations face – legal, regulatory, reputational, financial, and operational – not only in the home country but around the world. Today’s GC needs to be able to help determine where the company faces the greatest risks, how multiple risks interact, and how those risks can be mitigated. Instead of simply controlling every risk at the expense of the organization’s mission, the business-savvy GC operates within a framework of acceptable risk, helping the CEO weigh the benefits and drawbacks of different courses of action and when obstacles arise, helping develop alternatives that advance business goals.
Recognizing also that behavior need not be illegal to be unethical or the wrong business decision, the GC must go beyond ‘Is this legal?’ to ask ‘Is this right?’ He or she must have the professional judgment to advise the CEO and the board about gray areas, with an eye toward how business practices will actually be perceived and how they may affect the company’s reputation.

What is the status of our relationships with regulators?

Much of the GC’s time is spent developing solid relationships with regulators and industry watchdogs – entities like the Department of Justice, the Financial Industry Regulatory Authority, and the Securities and Exchange Commission. The ability to navigate Washington and to work with state governments is especially important in heavily regulated industries like healthcare, financial services, and energy but is also increasingly relevant to GCs in more lightly regulated industries as well.

The GC needs to be familiar with an ever-increasing body of regulations and counsel the CEO and the board about compliance issues. It is also essential for the GC to stay abreast of any pending legislation – domestic and global – so that the company can develop compliance strategies well in advance. The genuinely government-savvy GC not only knows how to interact with policy makers and deal adroitly with regulators, but also how to proactively translate government policy into business implications for the company.

Is our IP sufficiently protected?

In a knowledge-based economy, protecting intellectual property (IP) is a key way GCs deliver value to their organizations. But challenges abound. For example, IP theft is a common. The explosion of electronic communication places competitive knowledge at the mercy of industrial hackers or even the inadvertent email of a careless employee. Today it is not uncommon for employees to change jobs every few years and take intellectual property and corporate secrets with them. While IP protection has always been a part of the GC’s job – whether it is filing patents, drafting air-tight contracts, reviewing partnership and outsourcing deals or simply educating employees about protection practices – the stakes today are higher than ever.

Are we keeping our legal costs under control?

The trend of outsourcing the most important legal work has begun to reverse. Costs have escalated to the point that executives and boards are questioning how to contain outside legal spend. Further, GCs are starting to assemble in-house teams of specialists who are often better-equipped to handle the work. As a result, the GC must possess outstanding management skills, including the ability to develop talent, plan for succession, and direct a global team.

GCs are not only building strong in-house legal teams, but they are also negotiating lower fees from the outside firms they engage. Corporate legal teams are saying no to time-based billing and negotiating alternative payment arrangements that discourage inefficient work practices. Others have become even more creative, developing strategic alliances with outside firms and establishing financial incentives based on value and quality of work delivered.
Conclusion

For the General Counsel, who must have a strong working relationship with the CEO but whose client is ultimately the company, these new expectations require a delicate balancing act as well as a wide range of leadership abilities. But if the position has become more demanding, it has also become more interesting to the best and the brightest legal practitioners, who are increasingly drawn to a role that allows them to exercise the full range of their competencies and make significant contributions to the success of the business.
What should CEOs be asking their chief supply chain officers?

The Chief Supply Chain Officer (CSCO) combines abilities rarely found in a single executive. Today’s CSCO oversees planning, procurement, manufacturing operations, and logistics. The best of them are business-focused strategic thinkers who also live and breathe process, master systems thinking, and manage complexity while seeking to reduce it. They also collaborate across functional and geographic areas and develop mutually beneficial relationships with suppliers and customers alike. As strategists they wring costs out of the supply chain and help to grow the top line.

What should we manufacture and where?

This question goes to the heart of the CSCO’s role, and the answer is far from simple. A decade or so ago many companies moved to outsource production and sourcing to countries with low-cost labor. But today such a decision may be ill-advised because of the many factors at play, including the business climate and business practices in supplier countries, quality issues, delivery times, and incentives to manufacture goods in-country. Driven by the need to have supply alternatives, many companies have begun to diversify their supply and manufacturing locations. Thus, the CSCO must present an optimal mix and location of outsourcing, near-shoring, and in-house manufacturing options to the board, CEO, and the rest of the executive leadership team.

What externalities will most likely affect our supply chain and how are we planning for them?

As the 2011 earthquake in Japan and floods in Thailand demonstrated, external events can seriously disrupt supply chains and threaten entire industries. In Japan the auto industry suffered huge production disruptions, while the Thai floods affected numerous suppliers in the electronics and automotive industries, causing delivery delays of
parts for up to two months. While CSCOs can hardly predict these disasters, supply chain disruptions highlight the need for CSCOs to identify alternative sources for parts and raw materials.

Not every business disruption is unpredictable, however. Vigilant CSCOs stay on top of information from around the globe – from political unrest, material shortages, fluctuations in commodity prices, industry takeovers to new taxes and regulations. They can then determine how these developments might affect the supply chain and ensure that it remains agile when major disruptions occur.

Are we leveraging both cost reduction and top-line growth opportunities in the supply chain?

For most companies, the cost of goods is the biggest contributor to total costs. Focusing on lean and efficient operations, top-performing organizations are reducing waste, conserving resources, lowering processing costs, reducing inventory and achieving higher asset utilization. The result: decreased cost-of-goods-sold and higher margins.

But CEOs want CSCOs to take this one step further and identify ways to use the supply chain as a strategic weapon. Companies can command a distinct competitive advantage if they are able to create a fully integrated end-to-end supply chain that gets goods into the hands of customers faster. This works not only for perishable products like groceries, but also for products with a short life cycle or price-sensitive demand especially in industries susceptible to imitation like fast-fashion retail giants.

Are we responding quickly enough to the needs of our customers?

Companies that focus only on cutting operating costs will likely fall behind savvier competitors whose CSCOs understand that customers are calling the shots. Customers want the very latest in products and services – now. Responding to the ‘voice’ of the increasingly demanding customer was once the exclusive responsibility of the Chief Marketing Officer. It has now become part of the CSCO’s job as well.

Outstanding CSCOs work tirelessly to shorten the cycle time needed to get products into the hands of customers. They implement technologies to monitor supply chain effectiveness and to track product delivery. They employ today’s unparalleled information visibility to increase efficiency, reduce waste, and achieve greater response time reliability for customers. They know also that improved lead time reliability requires the right distribution and logistics partners, the right level of safety inventory, and highly reliable manufacturing processes.

While technology facilitates customer choice and customer collaboration, it has also added complexity to the supply chain and presented CSCOs with additional headaches. However, CSCOs who design and implement customer-centric supply chains can reap substantial benefits in the form of increased market share.

Are our supply chain practices consistent with today’s best practices in sustainability?

Pursuing sustainability, social responsibility, and ‘green’ practices in the supply chain can reduce waste, satisfy regulators, enhance the brand, and win over customers. It can also attract investors who increasingly view sustainability as an issue of the
sustainability of the company itself. Many companies are not only adopting best practices, but urging their suppliers to do the same. The CSCO must therefore not only understand the complex dynamics and business benefits of sustainability, but also be able to communicate them to supply chain partners.

**Conclusion**

Complex, global time-sensitive supply chains and their increasing strategic importance have raised the bar for CSCOs everywhere. Across industries, they must create supply networks that can respond to changing markets and conditions with agility, improved quality, and be able to penetrate new channels as well as increased velocity of products and services to customers. At the same time, they must stay on the cutting edge of new advances in supply chain methods and technology solutions, using them not only to cut costs but to increase value. Companies with Chief Supply Chain Officers who can achieve and maintain that demanding balance – driving operational efficiencies while exceeding the relentless demands of customers and consumers – can greatly outshine their industry peers and provide significant value.
Do you have the right C-Suite?
TOUGH QUESTIONS CEOs TODAY ARE ASKING

Conclusion – A higher bar

Top management teams and their members are like no other group in the organization. They have overarching strategic responsibility for the enterprise; they must drive results while also managing change and promulgating corporate culture. Individual team members must maintain a complex balance between enterprise and functional concerns.

They must both work as corporate citizens to drive enterprise success, and lead teams that have more narrowly defined missions. They must represent their areas’ interests at the top table, and also drive alignment through their areas as a result of top-down direction-setting. They must provide the CEO with multiple perspectives – on markets, mitigating risk, customers, suppliers, partners, employees, regulators, governments, and local and global communities. Above all, they must be leaders.

In our recent work with CEOs in recruiting and developing effective executive teams, we have seen the bar rise dramatically for these critical roles – with broader responsibilities, more exacting disciplines, and far more complex internal and external challenges. Not surprisingly, the demand for these increasingly multi-talented leaders far exceeds the supply. Fortunately, however, we have also worked with many CXOs who have thoroughly grasped the new world in which they must operate and have kept themselves well ahead of today’s steep learning curve.

Unhampered by functional blinders, they are adept at capturing business value in all of their activities, communicating across the enterprise, and providing the CEO with real strategic partnership. CEOs who have assembled teams that meet these stringent new standards can rest assured that their backs are covered and that they can sleep easier as a result.
Global Functional Practices

Do you have the right C-Suite? Tough questions CEOs today are asking
Our Global Functional Practice team harnesses the collective expertise and insight of over 40 dedicated consultants globally to provide exceptional executive talent and assessment within the C-suite.

Executive management roles including Finance / CFO, Human Resources / CHRO, Information Technology / CIO, Legal, Risk, Compliance & Government Affairs; Marketing, Sales & Strategy; and Supply Chain & Operations. We seamlessly combine our unparalleled search resources with a deeply consultative approach to best understand our clients’ hiring needs and to develop ideal candidate profiles against an organization’s unique competitive challenges, business objectives, and leadership culture. Our work and services have earned us outstanding client satisfaction ratings and created long-standing relationships marked by the trust we develop and the results we deliver with every unique engagement.

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