Fast facts
Disrupt or be disrupted and Paradigm Shift identified the following key findings around talent management in the consumer products sector:

- Executives identified talent and capabilities as the most significant barriers to executing strategy.
- The skills and competencies required by future business leaders are changing.
- Just 20% say that they are very good at attracting and optimizing talent and resources.
- Just 45% say that they are investing adequately in talent management to meet financial targets.
- Companies continue to grow their international footprint. The proportion with more than 40% of employees in a country other than the corporate headquarters will rise from 34% today to 50% in three years’ time.
- Only 43% of respondents think that their organization has a strong pipeline of future leadership talent in place.

Key challenges

- Consumer products companies face an imminent leadership crisis. Spiraling complexity and an accelerating pace of change are placing ever-greater demands on business leaders, and yet the processes to develop the next generation of top-executives have not kept pace with this changing environment.
- The skills and competencies required by future business leaders are changing. Although deep industry knowledge is a critical foundation of the leadership toolkit, it is not enough. There is now greater-than-ever need for the softer side of leadership, and the ability to engage and motivate stakeholders from a hugely diverse range of backgrounds, cultures and perspectives.
- Not enough is being done to embed mobility across geographies and organizational boundaries. Despite the importance of international experience to the leadership toolkit, consumer products companies are failing behind in putting in place the talent management processes that enable effective mobility.

Business implications and responses

- Rethink leadership development programs to ensure that they are equipping future business leaders with the right skills, experience and mindset.
- Assess regularly the next generation of business leaders to ensure that there is good “bench strength” in place.
- Encourage movement between functions to develop increased diversity of thinking.
- Rethink approaches to international mobility – and re-integration.
- Take a long-term approach to developing the next generation of leaders.
- Provide greater autonomy to local managers, but within a clear framework so that decisions take place within certain parameters and are aligned with the long-term vision of the company.
- Help managers develop the skills of the “herd” – so that they are aware of a common purpose, and can sense both risk and opportunity – and respond accordingly.

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For further insights:
- Paradigm shift, building a new talent management model to boost growth
  www.ey.com/growingbeyond
- Disrupt or be disrupted, creating value in the consumer products brand new order
  www.ey.com/brandneworder

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Our recent report “Disrupt or be disrupted” highlighted how the environment for consumer goods companies has changed dramatically. Although it remains a sector of considerable opportunity, future success will depend on companies challenging accepted ways of thinking and adopting a highly disruptive approach to managing almost every aspect of their business.

Talent is no exception. Consumer products executives tell us that talent is the most significant barrier to executing strategy. And, as EY’s Growing Beyond report Paradigm shift: building a new talent management model to boost growth shows, there are real concerns about the future of business leadership in the sector.

Faced with spiraling complexity and a constantly accelerating pace of change, consumer products companies need to rethink their approach to talent development to ensure that future leaders are equipped with the right skills and experience.

This will require disruptive thinking. Companies need to rethink tried-and-tested models for talent management by emphasizing the need for mobility across organizational and geographical boundaries and by thinking more broadly about the types of individuals who can lead their organizations in such complex, uncertain times. They must strengthen their approach to succession planning, looking both inside and outside the organization for individuals who can lead in today’s highly challenging environment. And they must also rethink the nature of leadership, by placing greater focus on autonomy and facilitation, rather than a command-and-control approach.

About this survey
In July 2012, the Economist Intelligence Unit conducted a survey of 596 senior business executives from a range of sectors around the world. Of those, 54 represented consumer companies in the consumer products sector. This publication is based on an analysis of those 54 responses, along with further insights from Disrupt or be disrupted or the disrupted: creating value in the consumer products brand new order, an EY report published in June 2012 based on further insights from 285 leaders in the sector.

Profile of respondents
Of the 54 respondents from the consumer products sector, 46% were C-level executives, with the remainder at senior vice president, head of business unit or head of department level. 57% were based in Asia-Pacific, 24% in the Americas and around 19% in Europe, the Middle East and Africa.

Facing a leadership cliff

Consumer products companies are facing an imminent leadership crisis. For now, 82% of respondents from the sector agree that their current crop of leaders has the right attributes and experience to lead their organizations. But asked about the next generation of leaders, confidence drops dramatically, with only 43% saying that their organization has a strong pipeline of future leadership talent in place. There are also deep concerns about processes for identifying the next generation, with just 43% agreeing that their company has robust succession plans in place for identifying key leadership roles.

Part of the problem is that the experience and capabilities required for leadership positions are changing. Consumer products companies today want C-level executives with broad experience of different markets and business environments, and yet this is something that few companies seem able to develop. Among respondents from the sector, just 39% think that they have future leaders with sufficiently diverse experience and backgrounds.

Yet industry experience alone is not enough in an environment where many tried-and-tested ways of creating value are no longer clear. Business leaders also need to navigate uncertainty, tolerate and reconcile ambiguity and develop a more facilitating, enabling style of management. Also essential, according to respondents, is the ability to lead effectively in an international business environment. This raises important questions about mobility and talent development – and emphasizes the need for companies to ensure that high-potential executives have the opportunity to spend time in a variety of different markets to broaden their perspective.

Defining the leadership capabilities for the brand new order

Consumer products companies operate in a brand new order of continuous, accelerating change and spiraling complexity. At one level, business leaders in these companies need deep industry expertise to be able to navigate such significant challenges. Indeed, respondents say that this is the most important attribute of all for C-level leaders. This contrasts sharply with other sectors, where industry expertise lags behind most other attributes as a necessary asset.

Greater mobility of talent across functional and organizational boundaries is one of the few areas where consumer products companies are more likely to say that their organization has the right leadership models to deal with complexity and change in the business environment.

Building ‘bench strength’

The need to revamp leadership development and succession planning is becoming increasingly pressing, given concerns about the weakness of management bench strength, and the pace of change and complexity. Respondents from consumer products companies recognize the urgency – compared with their peers in other sectors – and are much more likely to say that their organization must increase its focus on mentoring and coaching, place greater focus on developing leaders from rapid-growth markets and be more willing to bring in managers from other sectors and backgrounds.

In fact, the only two areas where consumer products respondents say that there is less need for action than other sectors are in exposing high-potential managers to a broader range of challenges and embedding greater mobility of talent across functional and organisational boundaries. The latter is particularly surprising. Given the need for business leaders to have highly developed cultural awareness and the ability to lead in an international business environment, mobility across geographical borders should be seen as an essential part of high-potential talent development. Managers from rapid-growth markets, in particular, should be rotated and nurtured for future leadership roles.

And mobility between functions can help to broaden capabilities at a time when a fresh perspective is becoming increasingly valuable.

Chart 1. To what extent do you agree that your organization has the following aspects of leadership development in place?

| Current crop of leaders with the right attributes and experience | 62% |
| A strong pipeline of future leadership talent | 43% |
| Robust succession plans for key leadership roles | 42% |
| Future leaders with sufficiently diverse experience and backgrounds | 43% |
| A clear set of qualification metrics for leadership candidates | 35% |

Percentage of respondents selecting ‘Strongly agree’/‘Somewhat agree’. Base: Consumer Products (54), All respondents (596)

Source: EY analysis of Economic Intelligence Unit research for Paradigm shift: building a new talent management model to boost growth

Chart 2. What do you consider to be the three most important attributes for potential C-level leaders of your organization?

- Industry expertise
- Can lead effectively in an international business environment
- Can articulate and embody the values and culture of the organization
- Has strong grasp of financials
- Can strike the right balance between risk-taking and caution
- Is a good risk manager

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<thead>
<tr>
<th>Consumer products</th>
<th>All respondents</th>
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<tbody>
<tr>
<td>Industry expertise</td>
<td>44%</td>
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<tr>
<td>Can lead effectively in an international business environment</td>
<td>39%</td>
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<tr>
<td>Can articulate and embody the values and culture of the organization</td>
<td>33%</td>
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<tr>
<td>Has strong grasp of financials</td>
<td>29%</td>
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<tr>
<td>Can strike the right balance between risk-taking and caution</td>
<td>26%</td>
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<tr>
<td>Is a good risk manager</td>
<td>13%</td>
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Source: EY analysis of Economic Intelligence Unit research for Paradigm shift: building a new talent management model to boost growth

Chart 3. Which of the following actions does your organization need to take to ensure that it has the right leadership models to deal with complexity and change in the business environment?

- Greater focus on developing leaders from rapid-growth markets
- Greater willingness to bring in managers from other sectors and backgrounds
- Exposing high-potential managers to a broader range of stakeholders
- Exposing high-potential managers to a broader range of challenges
- Developing a management team that is global in outlook and background
- Identifying and developing future leaders early in their careers
- Greater mobility of talent across functional and organisational boundaries

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<td>Developing a management team that is global in outlook and background</td>
<td>56%</td>
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<tr>
<td>Identifying and developing future leaders early in their careers</td>
<td>52%</td>
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<tr>
<td>Greater mobility of talent across functional and organizational boundaries</td>
<td>60%</td>
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Source: EY analysis of Economic Intelligence Unit research for Paradigm shift: building a new talent management model to boost growth