

Driving Performance in CPG: A New Playbook for CEOs

The past few years have been uncertain and demanding for leaders of the world's largest consumer packaged goods (CPG) companies. The good news is many have not merely weathered the storm but thrived. The bad news? The hard work may have only just begun.

The pace of change continues to accelerate thanks to advancements in data and digital technologies, faster product cycles, an “always on” information environment and a broader set of demanding, and often vocal, stakeholders. CEOs face a constant pressure to monitor and make sense of changing conditions and discern what matters to their business and whether and how to act. Today, the consumer products sector needs to pivot to growth led by sales volumes and product shifts, doing so while confronting a host of challenges from ongoing supply chain disruptions to emerging competitors, calls for greater sustainability and the impact of generative artificial intelligence. Tomorrow, CPG leaders will face a different mix of challenges and opportunities.



What does this volatile landscape demand of leaders? To find out, we spoke with the CEOs of some of the world's largest and most well-known CPG companies. We found senior executives acutely aware of the challenges ahead but confident about what it takes to succeed: an evolving set of leadership skills centered around agility, humility and a sense of perspective, balancing financial objectives with a deep sense of purpose infusing the entire organization.

"It's just not about growth, it's about responsible growth," Mars CEO Poul Weihrauch said. "And while I think it's very fashionable to say everything changes, some things don't: we need to set the vision and ambition for our people, show them the path, and hold ourselves and the organization accountable."

A changing consumer landscape

All companies faced challenges in recent years from major external events, from the pandemic and its effect on global supply chains to geopolitical events which introduced uncertainty and inflationary pressure. These forces, as well as the rise of a 24/7 ultra-networked and multistakeholder world, and generational shifts in viewpoints about the purpose of work are radically changing how business gets done — and the pace at which leaders must operate. Increasingly, disruptions and opportunity can come from anywhere, at any time.

For CPG companies, recent years have largely been marked by steep rises in input costs and changing consumer behavior. The sector's response was almost universal: in the U.S. and Europe, price increases drove about 95 percent of retail sales value growth in 2022-23. Now, CPG leaders must navigate to a new set of challenges as consumers increasingly become unwilling to pay more and the pricing lever appears at its limit. CEOs and their teams will have to pivot, shifting strategies to innovate, increase sales volume and adjust product mixes. Other megatrends also are reshaping the sector for the future, from environmental, social and governance demands to the emergence of generative AI, ongoing supply chain disruption, pressure to innovate and competition from disruptive brands (see exhibit on page 3).

In this changing context for leaders, adaptability, resilience and the ability to deftly win over the hearts and minds of their team and workforce through purpose, a clearly articulated strategy and empowering leadership is critical.



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POUL WEIHRAUCH
CEO, MARS



Megatrends reshaping the consumer products sector

Innovation

CPG companies look to increase sales through an innovative and more profitable product mix. They also are responding to consumer desire for “clean” products by redeveloping products, eliminating certain ingredients and innovating pure, yet effective products.

Data & Artificial Intelligence

Retailers use AI-driven solutions to analyze data, identify patterns and make predictions leading to business decisions that are more informed with timely and accurate details.

Sustainability

Consumers prioritize ESG more than ever. 76% are willing to stop supporting companies that treat the environment, employees or community poorly. 60% would pay more for a product with sustainable packaging.

Supply Chain

As supply chain disruptions persist and with the potential for future regional instability, supply chains need to be adaptable to meet consumer demands.

Profitable Volume

High costs have led to unprecedented prices in the past few years. Continued price increasing is not sustainable and companies are looking for new ways to grow volume.

Challenger Brands

More than ever, CPG companies are faced with competition from challenger brands. Traditional CPGs are competing by acquiring smaller brands or launching new in-house brands.

The new playbook for CPG leaders

It's no secret the CEO playbook has changed. Across all industries, the job of the CEO has become more complex and challenging, and past performance is no guarantee of future success. Our previously published article, [“Leadership for a Complex World: Planning for the CEO of the Future,”](#) explored the changing nature of the role, with lessons that apply universally (see sidebar, “New attributes for CEO success”).

New attributes for CEO success

The CEO of the future must engage in a balancing act: taking risks and being prudent; moving forward and pausing; consulting and providing direction; speaking and staying silent; hunkering and making changes. Here are five attributes critical to CEO excellence identified in our recent article, "[Leadership for a Complex World: Planning for the CEO of the Future.](#)"

1. **Systems thinking.** Systems thinkers recognize and embrace the interconnectedness of everything and think beyond traditional lines to develop bold ideas. Strategy is now tied to the courage to take smart risks, catalyze a transformation or stay the course in the face of skepticism; the prudence to go slow when others are charging ahead; and a solid grounding in values and ethics to guide tough decisions.
2. **Self-reflection and adaptability.** The CEO of the future is inquisitive, agile and flexible, inviting information, learning from it and adjusting without the need to appear to have all the answers or be the smartest person in the room.
3. **Blending confidence and accountability with empathy, inclusivity and social intelligence.** CEOs must find ways to relate to others, whoever they are, and be seen as caring for people while driving business results.
4. **Communication with the head and heart, infused with realism.** Leaders who excel in this area articulate the company vision and purpose with realistic optimism.
5. **Resilience.** The CEO of the future has prepared mentally, emotionally and physically for the stress of the job and the focus it requires. They understand maintaining an edge in these areas is critical for peak performance.

There are [things CEOs must generally get right](#), from defining success in a new way to engaging and inspiring stakeholders, building and using a diverse ecosystem of talents and resources, moving toward a collaborative rather than directive leadership style, and staying current and alert. Yet leaders of CPG companies also face unique industry and organizational dynamics. It's a disruptive environment that Mondelēz Chairman and CEO Dirk Van de Put said demanded leaders not "be too prescriptive — give the team two or three bigger priorities to deliver and then leave the rest to them. Keep it simple."



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DIRK VAN DE PUT
CHAIRMAN AND CEO, MONDELÉZ

Balance purpose with financial objectives

Of all leadership priorities, CEOs of the world's leading CPG companies said the most critical was the need to chart a clear long-term path grounded in the company's purpose — its reason for being — balanced with financial imperatives. When the context is constantly changing, a company's purpose provides a North Star to inspire and align employees and engender customer and investor loyalty. As The Coca-Cola Company Chairman and CEO James Quincey said: "It's very difficult to have success if no one knows where they're going. It's all very well empowering people, but if they don't head in the same broad direction, it may look like anarchy."

Amid so much volatility, CEOs play a critical role in making sense of outside forces impacting their organization and translating them for the business. "CEOs have to be insatiably curious to broadly understand the many external forces around us right now," said Colgate-Palmolive CEO Noel Wallace. "And then you have to connect the dots and apply it back to your business in ways that don't overwhelm the organization. Good CEOs have the ability to see what's happening around them, put people in place with subject matter expertise when needed, be naturally curious in probing on the implications, and connect the dots into a narrative that the company can act on. Gen AI is a perfect example. I by no means consider myself to be an expert in generative AI, but I understand the importance of helping the organization see the art of the possible and how it can advance elements of our strategy."

Drive results using agile, empowered leadership

Navigating an industry beset by uncertainty and volatility demands agile leadership — and the confidence to empower people and teams to act boldly. Leaders who do this well build trust and create the conditions for people and teams to operate more fluidly and interdependently. In these organizations, people are aligned on the big picture and collaborate closely so they can make progress on key objectives even as problems arise or conditions change. "If one looks at the big CPG companies, we've all been set in our ways," Mondelēz Chairman and CEO Van de Put said. "Accept that's not going to be the case anymore and you need to constantly, with your people, adapt and change the way you do things. You need a CEO that embraces that."



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JAMES QUINCEY
CHAIRMAN AND CEO, THE COCA-COLA COMPANY



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NOEL WALLACE
CEO, COLGATE-PALMOLIVE

Coca-Cola's Quincey said leaders need to know where they're going with a clear purpose while fostering a highly adaptable company culture. "The more successful you are, the more you kind of get a gravitational effect because you get so large you turn inwards," he said. "The CEO needs to be the number one person resisting that temptation. If you give in, get sucked into the gravity, then the organization will quickly follow you. The CEO needs to be the counterforce to challenge and foster debate in decisions with a longer view in mind."



Lead firmly by providing direction and purpose, but stepping back from execution to focus on building great, diverse teams that will set their own direction."

JACOB AARUP-ANDERSEN
CEO, CARLSBERG

Recognize your limitations

While no one expects CEOs to do everything, it takes humility for senior leaders to accept their limitations. By building a broad ecosystem of internal talent and external resources, CEOs are able to draw on a richer, more diverse set of inputs and better anticipate and respond to emerging developments. Haleon CEO Brian McNamara argues he and fellow CEOs are uniquely responsible for three things: strategy, culture and talent. "Those are the things you just have to get right, and people also have to believe you can do it right," McNamara said. The rest? That's where leadership systems come into play. Carlsberg CEO Jacob Aarup-Andersen said it was essential to "lead firmly by providing direction and purpose, but stepping

back from execution to focus on building great, diverse teams that will set their own direction." The result? An inclusive environment where creativity thrives and decision making is accelerated.

Embrace technology as a growth enabler

Increasingly, companies must leverage technology to remake business models, accelerate product innovation, expand their market reach and better understand customer aspirations, or they will fall behind. CPG leaders, and CEOs in particular, must appreciate the business applications of emerging technology, including the unfolding reality of generative AI, and its implications for strategy, ethics, business models, workforce management, competitive pressure, etc.

As companies lean into technology as a business enabler, leaders need to clearly communicate its value and its place in the business strategy. When Colgate-Palmolive CEO Noel Wallace and team committed to transforming the company digitally, they emphasized the power of technology and data to drive efficiencies and productivity and improve decision making. They also were willing to articulate what activities would no longer be a priority. "We made highly visible moves that reinforced our purpose and delivered against the strategy. There were choices for and against, and I think that's where any CEO can fall into a terrible trap of trying to do everything. If you don't make choices, you won't get the focus. You want to show the organization that you're willing to make tough choices in order to move forward."



Communicate with empathy

Effective CEOs motivate from up close and afar, in small or large groups, virtually or in person, in the boardroom or on a factory floor, with or without prepared scripts. Leaders who are unable to effectively engage the organization, win over hearts and minds, and instill confidence risk losing followership and stakeholder support. “Authenticity is more critical than ever, especially with younger generations,” McNamara said. “Plain speaking. Telling people how it is. Having courage, humility and empathy, and the ability to go make big moves and bold moves. Putting out an ambition that you don’t necessarily know how to get to. You want to inspire the organization, with a bit of a head and heart and empathy.” It’s an approach that applies not only to senior leaders. Carlsberg is “changing our approach to everything from how we develop our younger talent to our most senior leaders, building around four key traits of values, compassion, positive energy and ambition,” Aarup-Andersen said. “We want to create versatile, resilient, open-minded, purpose-driven leaders with a high positive performance drive, on behalf of the team, not just themselves,” he said. “This is a multiyear journey as we need to de-learn and re-learn some elements and at the same time also gradually nudge our culture towards similar traits and behaviors.”



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BRIAN MCNAMARA
CEO, HALEON

Executive Intelligence: What underlies the new CPG CEO attributes

The core aptitudes underlying systems thinking, open-mindedness, a desire to learn and supportive leadership are measured by [Spencer Stuart’s Executive Intelligence® evaluation](#). It assesses executives across three primary dimensions:

- » **Critical and conceptual thinking:** analytical problem-solving skills and big-picture, long-range thinking
- » **Self-evaluation and adjustment:** flexibility and willingness to adapt based on new or differing information and perspectives
- » **Interpersonal and social awareness:** ability to navigate small-group and complex multi-stakeholder interactions

That's why systems are becoming increasingly important: CEOs need to be able to leverage the collective intelligence of their board, C-suite, workforce and external expertise to create an environment where success flourishes.

Conclusion

The demands on CEOs only seem to be increasing, and leaders in the CPG sector are no exception. That's why systems are becoming increasingly important: CEOs need to be able to leverage the collective intelligence of their board, C-suite, workforce and external expertise to create an environment where success flourishes. Such an approach places greater pressure on companies to attract, retain and develop a talent ecosystem with the capabilities, mindsets and diverse perspectives to outperform over time. Amid an intense war for talent — in which consumer products companies find themselves competing against technology companies and fast-growing startups in addition to their traditional rivals for talent in the financial services and management consulting sectors — it will be critical for CEOs and their teams to articulate a compelling employee value proposition. “Demand for talent is huge and you need to find what makes you unique,” Haleon’s McNamara said. “And it’s also different. Many people are now looking for two, three, four, five years. And that’s okay. They get incredible experience and move on to the next thing. If that’s what people want to do I think you need to be more open to that.” Mars’ Weihrauch believes consumer product companies have an inherent advantage when it comes to attracting talent: “The beauty is that the products we sell are so easy to understand,” he said. “We are in a very good spot to attract people into the company and our job is to develop and retain them as leaders for the future.”



Interview participants

- » **Jacob Aarup-Andersen**, CEO, Carlsberg
- » **Brian McNamara**, CEO, Haleon
- » **James Quincey**, Chairman and CEO, The Coca-Cola Company
- » **Dirk Van de Put**, Chairman and CEO, Mondelēz
- » **Noel Wallace**, CEO, Colgate-Palmolive Company
- » **Poul Weihrauch**, CEO, Mars





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