

Analysis: The new route to retail CEO

In the rapidly changing world of retail, what are the skills that a future chief executive needs and what roles are desirable as they make their way to the hot seat?

The route to the retail boardroom has never been a one-size-fits-all journey. From those who have climbed up from the shop floor, such as Morrisons chief executive Dave Potts, to those who gained their experience in different sectors, like Shop Direct boss Henry Birch, who rose through the ranks in the gambling industry, the journey to the top of retail can be a varied one.

However, as retail changes rapidly and becomes increasingly complex, the need for a diverse set of experiences is vital.

Executive search firm Anthony Gregg Partnership's chief executive Tony Gregg says: "The role of the chief executive has become much broader so you need to be much more cross-functional and show you understand the whole business on your way to the top – and to do that you need a really diverse set of skills."

We take a look at the new blueprint to prepare for retail's top job. Of course, not all CEOs need to follow this route, but it is indicative of the skills and roles that are valued to navigate today's retail landscape.



Step 1: University

The first rung on the career ladder for many retail bosses used to be working on the shop floor. However, the growing complexity of retail operations makes this an increasingly rare occurrence.

Gregg says: "Nowadays you need to be a graduate to get on and be trusted in a retail business, particularly if your ambition is to climb the ranks quickly."

"I don't think it is overly important what degree you do, but having that proof of intellect from the outset is important in today's retail landscape."

Barracuda Search partner Victoria Nightingale concurs: "Before people could work from the shop floor upwards [without further qualifications], but I'm not sure that's what people want now."

Nightingale says fundamentally you need to be seen "to have brains and an eye for business" right from the beginning of your career and a degree in a core subject

such as English literature, maths or science, or a commerce-focussed degree like business studies or marketing, to demonstrate an aptitude for retail.

Gregg adds that having a university degree also has the added benefit of giving access to a retailer's graduate scheme which, as John Lewis boss Paula Nickolds has demonstrated, can be an effective way of ascending the retail ranks.



Step 2: Management consultancy

From Dixons Carphone chief executive Alex Baldock to Dunelm boss Nick Wilkinson, there is an increasing number of retail executives who have put in a stint at a management consultancy early in their careers.

While the traditional route to the top tier in retail was often based in climbing the ranks within retail directly, time at a consultancy is increasingly recognised as a valuable way to gain insight into the challenges facing a suite of retailers of different sizes and sectors in a short period of time.

Talent management firm Eric Salmon & Partners consultant Nina Glass says: “Now the dynamism and pace of change [in retail] means people who will climb the ranks are increasingly exposed to both the operational and strategic points of working in retail earlier in their careers.”

Because of this, Glass says working across the retail sector within a management consultancy can offer a future chief executive good insight into both the strategy and execution required to run a retail business efficiently and successfully.

She adds that taking a pit stop at a management consultancy at the start of their career can help a budding future chief executive hone the analytical capabilities needed to tackle the issues facing retailers, as well as gain a bird's eye view of the challenges facing a variety of different types of businesses, from incumbents to disruptors.

Nightingale agrees working for a consultancy can be of value but stresses that it needs to be combined with hands-on experience, not just theoretical strategy.

She says: “There's quite a lot of businesses that take staff from Bain and McKinsey, that are digital-savvy and know all about algorithms and detail and numbers – but if there's not a gut instinct for consumer and product then it doesn't make for a different experience at the end of it.”

Because of this, Nightingale believes the best management consultants will have “done stints in-house at a retailer, getting into the nitty-gritty of tackling the issue they are advising on rather than lecturing from a distance”.



Step 3: Head of strategy at a retailer

This need to combine analytical thinking with hands-on experience makes a head of strategy role at a retailer the ideal next step on the new route to CEO.

This role is critical because it combines a burgeoning chief executive’s skills in crafting a relevant business strategy with the people skills to motivate staff and departments.

Moira Benigson, founder of headhunter the MBS Group, says: “You have to a strategic thinker to run a retailer now otherwise you’ll be left behind.”

She adds that while hands-on operational experience was once a mainstay on the route to the top in retail, today making successful business decisions “starts with thinking rather than doing”.

“You need to combine strategy with action and surround yourself with the very best executors,” she adds.

Nightingale adds that a strategy role earlier in a developing executive’s career is important because it will help them get to grips with the pace of change in the sector.

“The day of the five-year plan is still relevant but more and more businesses are starting to look at one- or two-year plans,” she explains. This makes understanding how to tweak and manoeuvre a strategy so it stays in step with a business’ priorities an important string to a developing CEO’s bow.



Step 4: A role in FMCG

From Tesco boss Dave Lewis to Dunelm’s Nick Wilkinson, the top brass at many retailers and brands come from an FMCG background.

Glass believes to be a successful retail chief executive today, a level of experience outside of the sector, in an area like FMCG, is vital.

“To be effective you need to bring a breadth of experience and not only in retail. It’s about range, cutting through the traditional and digital and being focused on the customer throughout,” she says.

“The more exposure the better because customers’ interests and demands are changing, so experience in an adjacent sector that gives you insight on that can only be a good thing.”

Nightingale points out that consumer goods firms such as Unilever and P&G “move people around a bit” and “aren’t so deadset on career progression in a specific area early doors”. She says this differs from the sometimes rigid career development plan at many retailers.

Nightingale says the “commonality” between retail and FMCG is the consumer focus, adding that “as long as you’ve got experience in a multisite business and you understand how people work” your skills are relevant for a retail boardroom.

Benigson concurs and says there are areas of focus in retail boardrooms today that FMCG businesses are already ahead on.

“[FMCG businesses] lead the pack on sustainability. When it comes to saving the planet and running a business well, the best people are at Unilever,” she says, pointing out ex-Unilever executive Lewis’ success on both fronts at Tesco.

Furthermore, Benigson says retail executives in waiting can learn a variety of highly relevant skills from an FMCG background, including “marketing, relationship building, deal making and packaging, all of which you learn in spades”.



Step 5: Work for a disruptor

From direct-to-consumer brands to the likes of Deliveroo in grocery, the number of start-ups and disruptors taking market share from established players is on the rise. Whether a future leader is vying for the top spot at a legacy or less-established business, the value of working in a disruptor is significant, both for understanding competition and more modern ways of working.

“When I look at the composition of leadership teams across the UK today, we are not at the point where we see people around those board tables who grew up in a largely digital world and have a true understanding of it, and that needs to change,” says Glass.

Debbie Hewitt, chair of businesses including White Stuff, Visa Europe, CompareTheMarket.com owner BGL and Wagamama owner the Restaurant Group, concurs: “It is increasingly important to have curiosity and ideally capability around analytics. You need a fluency of understanding and interest because digitalisation impacts every part of the business. It’s pretty difficult to be a successful chief executive and a Luddite nowadays.”

She adds that a stint at a disruptor, as well as providing a level of understanding of digital and technology that is crucial to running a successful retail operation, also enhances your ability to lead a boardroom by “bringing different ways of thinking” to the top level of the business.



Step 6: Trading or product director

The final stint before taking the top job at a retailer is a director-level role that combines strategic thinking with the nitty-gritty of leading a business division day to day.

Gregg believes a trading director role is an essential one for an incoming retail CEO to have under their belt as it is “closest to the consumer [and] also requires you to work with your suppliers”.

Benigson echoes this view: “Trading directors work at the nerve centre of the business. Negotiation, running big teams, supply chain, buying, marketing, pricing – all of the most important things come under trading.”

Benigson points to Sainsbury’s boss Mike Coupe as an example of a former trading director who went on to be chief executive, appointed by his predecessor Justin King, who “knew he needed the best”.

Hewitt, by contrast, believes a product director role is essential grounding for an incoming chief executive.

“I would always look for a chief executive to have an affinity with the product – everything starts and ends there,” she says.

Hewitt believes this product affinity is important whether you are helming a fashion business or an electricals retailer, using Alex Baldock’s appointment at the helm of Dixons Carphone as an example due to his background with online retail and credit.



However, she believes this product affinity needs to be supplemented with a good understanding of the more analytical side of leading a business.

“Creative chief executives are very good, particularly aligned with product, but they also need to understand a balance sheet and analytics,” she says.

“[White Stuff chief executive] Jo Jenkins is a good example because she is a product person but she really gets in the guts of understanding customer data.”

Whatever director role an incoming chief executive holds prior to taking the helm, a singular focus on the way to the boardroom is no longer enough – it takes a broad church of capabilities, both in and outside of the sector, to lead a retail business today.