

CPG: A Chance For True Change

For much of the past decade, growth in the Consumer Products industry (CPG) has come from small companies. As a result, several of the large manufacturers have tried to act more like their smaller rivals by, say, creating internal incubators or implementing “agile” work processes.

Then COVID-19 hit. One major result of the pandemic has been the resurgence of big CPG companies as they again see the [benefits of scale](#). Yet at the same time, these large companies have been forced to operate more quickly and in a genuinely agile way, having to change how they make decisions, partner with retailers, manage employees and respond to consumers. From conversations moderated by Egon Zehnder with more than 1,000 CPG industry leaders over the past few months, we have learned how they have adapted their work processes to manage through the crisis. Examples include daily executive leadership team meetings to make real-time decisions, more frequent and transparent updates to employees, and supply chain changes such as greater localization and SKU rationalization. Decisions that previously would have taken months of scenario-planning and analysis are resulting in market changes within weeks. Most of the leaders we have spoken with are

incredibly proud of the resilience and speed their organizations have demonstrated, and many have told us that they have never seen their teams move so quickly.

Will this last? How will CPG companies take these learnings and operate differently after COVID? While no one can predict how the future will evolve, a vast majority of the leaders we have spoken with are certain that organizations will look and behave differently than they did in the past. These leaders are tackling important questions, many of which have no “right” answer, such as:

- Which of our recently-adopted processes and tools serve us and our vision for the future? What should we *stop* doing or *continue* doing?
- Are we ready to quickly meet evolving consumer needs? To partner with a rapidly evolving customer and channel landscape?
- Are we able to scale up or shrink down when needed?
- How do we keep company culture alive amid sudden organizational changes and the rise of remote working?

Based on our conversations, we believe that the best leaders will learn from this crisis and evolve how their organizations operate based on where they are *today*, not, say, last year. They will **make decisions** more quickly and with fewer layers. They will **innovate** with a greater risk appetite and a greater sense of urgency. They will foster a **culture** that supports the organization’s mission and values. And they will implement a **performance management** structure that supports their business objectives and cultural aspirations.

Below, we share how some leading organizations are adapting and paving their own paths through the crisis.

Decision-making

To respond to an almost overnight six-fold surge in demand as a result of the pandemic, one prominent Middle Eastern retailer created a “nerve center” team to centralize data capture, insights and decisions. The nerve center cascaded consistent messages across the organization to provide clarity and avoid confusion and hearsay. The same retailer also separated strategic from tactical decision-making to allow it to make changes from the top while still moving at full speed in the trenches. This alignment empowered the lower levels of the organization to respond more quickly. It took the same retailer just a few days to convert an operational store

to a dark room to fulfill heightened online orders. The same decision in a normal situation would have probably required months of analyses and approvals.

Innovation

Several organizations were able to identify and fast-track product innovations to quickly meet new consumer needs. As early as March, Heineken, ABInbev, Bacardi, and many craft breweries and distilleries were producing and distributing hand sanitizer. None of these companies compete in the personal care or household care categories, and hand sanitizer certainly hadn't been on their five-year innovation roadmaps. However, when a clear and urgent consumer (and employee) need emerged, they were able to quickly seize the opportunity, driven not only by commercial interests, but also by the desire to do the right thing for their communities and employees. Intuition and action replaced BASES tests and focus groups. A common refrain in our conversations with CPG executives was that they achieved in weeks what would normally take months or years.

Culture

Managing employees through the pandemic has been a challenge, but some companies have actually strengthened employee engagement. The key has been a strong commitment to organizational mission. Americold Logistics manages the temperature-controlled food supply chain for a large number of food manufacturers. Recognizing their essential role in getting groceries on store shelves, Americold launched an internal campaign called "Americold Proud" that celebrated their workers as everyday heroes. "Proud to Feed our Communities" has become their rallying cry, and teams across the company are recording near perfect attendance and increased engagement during this time of uncertainty.

Performance management

Performance management has also transformed as a result of COVID-19. 2020 targets have become irrelevant, and forecasting 2021 is challenging at best. COVID has spurred discussions about whether performance management systems should transform in the future. Should management move to monthly targets or cancel them altogether? Should discretionary raises go disproportionately to frontline employees rather than senior management? Are annual merit increases an antiquated concept?

There are several examples of executives reducing or temporarily adjusting their own pay in order to protect hourly workers. We have also seen some companies start exploring a shorter budget cycle to account for volatility, and several may switch to quarterly incentives rather than annual targets in the future.

An Action Plan for the “New Normal”

Stop Doing:

Step back from the details. During the early days of COVID-19, choices needed to be made very quickly, and executives often got involved in minutia to enable rapid decision-making. While the crisis is still very real, the need for “command & control” decision-making has largely passed. Leaders have seen that their teams are resilient and able to make difficult decisions under pressure. Now is the time to move away from many of the day-to-day details that demanded your attention and action during the early days of COVID. Empower your teams now and hold them accountable in order to preserve the pace and sense of urgency they have developed over the last six months.

Keep doing:

Take risks. “Imperfect action over perfect inaction” is a common aspiration, but it usually requires trade-offs and a willingness to accept risks. Out of necessity, during the early days of COVID, many organizations embraced risk and chose speed over precision. With the empirical evidence emerging that moving quickly and imperfectly can result in positive outcomes, our hope is that CPG companies will continue to be willing to accept calculated risks.

Create a sense of urgency. In response to the global pandemic, teams had no choice but to act quickly. Without a crisis to provoke focus and intensity, leaders can instill a sense of urgency by creating other burning platforms aligned with the company’s mission, establishing interim deadlines and creating clear accountability.

Start doing:

Clearly articulate your mission and values. As we emerge from the crisis, your teams need a “North Star” to guide decision-making. A compelling and clear mission shared by each of your team members is the best and the most consistent compass, enabling greater empowerment and, ultimately, speed. After all, true “agility” is

about having a strong and stable core and backbone with highly dynamic processes, allowing for rapid response. Teams and organizations following the mission rather than the targets will be the most resilient in the world of uncertainty and change.

Rethink how to identify high-potential employees. We've heard from many executives that unexpected leaders have emerged through the crisis. (If your organization uses a traditional nine-box tool to assess high-potentials, were the stars who emerged *only* your nines and eights, or were there surprises?) Identifying true high-potentials requires more than historical performance and a predominantly subjective potential assessment. Modern and quantitative tools are required to assess and predict future potential, including identifying those able to consistently perform at a high level during a crisis. These "new" leaders are your best weapon in the new world.

Leaders have many difficult decisions to make in this era of uncertainty and great change. As we prepare for 2021 and beyond, do you return to the past, or do you embrace this opportunity to move forward?

We look forward to continuing the conversation.

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Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

About Egon Zehnder

Egon Zehnder is the world's preeminent leadership consulting firm, sharing one goal: to help people and organizations transform. We know what great leaders can do and are passionate about delivering the best solutions for our clients.

Our more than 500 Consultants in 68 offices and 40 countries form one powerful, collaborative team. Our services include: leadership development, individual, team and organizational effectiveness, CEO search and succession, executive search and assessment, Board advisory, and cultural transformation.

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