



**WORLD RETAIL
CONGRESS**

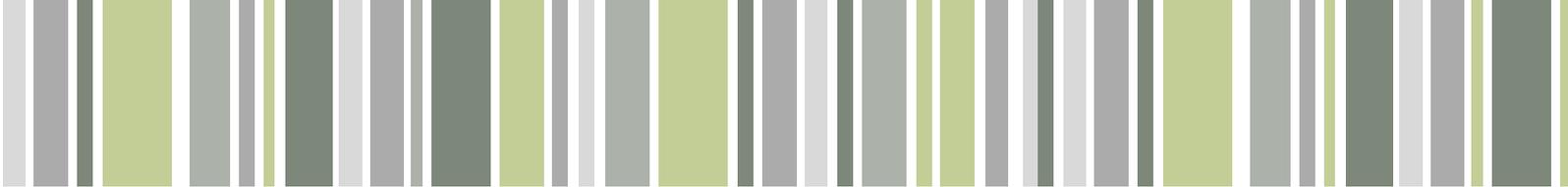
green park
SEARCH. INTERIM & ADVISORY

THE DNA OF THE FUTURE RETAIL CEO



In association with:





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CHAIRMAN'S REMARKS

I am delighted to be writing these opening remarks to *"The DNA of the Future Retail CEO"* at a crucial moment for retailers worldwide. The sector is changing rapidly and for those with legacy operating models in particular this means a great deal of change and upheaval, with significant investments required today before revenues, let alone significant profits, come tomorrow. The onus is now on retailers everywhere to be omni-channel, far more brand aware and service driven, against the backcloth of rapid technological change.

The modern retail CEO is facing a wide-array of challenges, but I believe strongly that with all challenges come opportunities. And with this in mind, *"The DNA of the Future Retail CEO"* arrives at exactly the right time. A thought-provoking report from Green Park and the World Retail Congress, it maps out the necessary transition from today's skill sets among senior retailers to those required by the year 2020. It assesses the major challenges facing the retail sector today, benchmarks the suitability of current and future CEOs to meet these challenges and concludes by prioritising, measuring and assessing what ambitious retailers and their boards need to do next to make sure that CEOs will be fit for the future.

The strength of this report lies in the opinions and comments of the highly influential peer group of senior global retailers who cooperated with its conception and delivery. Based on a comprehensive survey and in-depth interviews with over 100 Chairs, CEOs and senior executives from the retail sector across the world, this report seeks to set out what is their vision for the DNA of a perfect modern retail CEO, effectively a "job description" for what the role requires.

The two main findings from this research could make for uncomfortable reading for many.

Firstly, it is clear from the research that, in the eyes of our global panel, many incumbent CEOs simply don't match up to their job description. It is clear that many retail CEOs

are not seen as "fit-for-purpose", particularly when it comes to their lack of mastery of digital and data-driven skills. This skills deficit – and question marks over the willingness of today's CEOs to adapt – is a major concern for the sector. This is a serious worldwide challenge for current leaders.

The obvious follow up question therefore is: will the new generation be better suited to the role by 2020, than their predecessors? Aspiring CEOs are going through a welcome evolution in terms of their backgrounds and breadth of experience more suited for the challenges ahead, but consumers are moving faster – they are in a state of revolution in terms of their expectations and behaviours. **The second finding of this report therefore is that, as things stand, aspiring retail CEOs will still face a substantial deficit of online, digital and data skills by 2020, as well as requiring a far stronger understanding of customer behaviour than had been previously envisaged.**

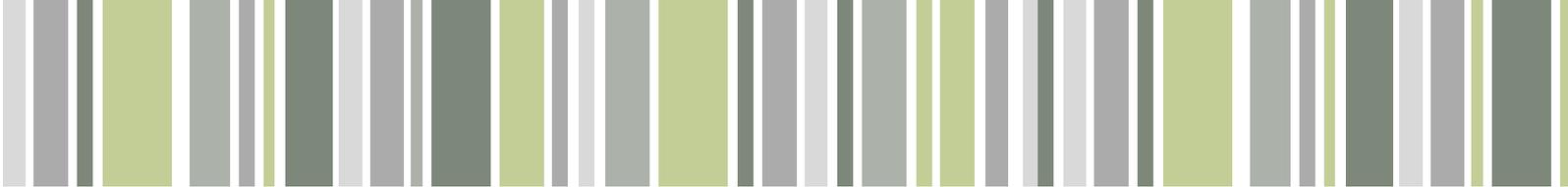
What can be done to turn this particular set of challenges into opportunity? Two sets of stakeholders in particular can get to work on the implications in this report. Firstly, those individuals aspiring to be retail CEOs have a framework against which to benchmark themselves; a blend of skills that they must cultivate through concrete development plans. Secondly, retail boards must have well focused succession planning processes for the CEO role and the requirements for the role in the year 2020.

The onus now is on retail boards and aspiring CEOs themselves to urgently address this issue. Time is short – and there is much that needs to be done.



A handwritten signature in black ink, appearing to read 'I Cheshire', with a long horizontal flourish extending to the right.

Sir Ian Cheshire
Chairman for Debenhams;
Senior Independent
Director, Whitbread;
UK Government Lead
Non-Executive



INTRODUCTION

There are many challenges facing CEOs in the retail sector, not least the need to continually reassess a rapidly changing global marketplace. The skills needed to make these judgements are also changing fast; retail CEOs will need a very different blend of talents at their disposal to find answers to the challenges of tomorrow.

“The DNA of the Future Retail CEO” is intended as a thought-provoking and comprehensive report from Green Park and the World Retail Congress, mapping out a necessary transition from today’s skill sets amongst senior retailers to those required in the year 2020.

Although commissioned by Green Park and the World Retail Congress, the strength of this report lies in the opinions and comments of the highly influential peer group of senior global retailers who cooperated with its conception and delivery. Based on a comprehensive survey and in-depth interviews with over 100 Chairs, CEOs and senior executives from the retail sector across the world (our global panel), this report:

- Assesses the major challenges facing the retail sector today, including digital sales, changing customer behaviour, advances in technology, globalisation and data-driven decision making.
- Benchmarks the suitability of current CEOs against present-day challenges. Which skills are already in place and where are the gaps?
- Highlights the skill sets that CEOs of the future will need if their market proposition is to remain relevant.

We surveyed and interviewed retailers, large and small, across several sub-sectors in the UK and around the world in order to harness the best possible insights into current and future skills challenges. We have also invited views from private equity and retail analysts, as well as leading academics. It is this wide-ranging set of perspectives on the global retail sector today that we hope will provide the springboard for spirited debate of the challenges and solutions in the search for the next generation of retail leaders.

Steve Baggi
Co-Founder
Green Park Interim & Executive Search

Ian McGarrigle
Chairman
World Retail Congress





THE RETAIL SECTOR IN 2016

Across the world, the retail sector is in a bewildering state of flux. Incumbent business models are, in many sub-sectors and territories, struggling to adapt to rapid and irreversible changes in consumption patterns, most obviously the expansion of digital possibilities for consumers. Consumption choices are increasing and retailers face a constant struggle to remain relevant. Conversely, for retailers able to configure their propositions and business processes appropriately, the opportunities have arguably never been greater.

At the macroeconomic level, the most significant development in the global economy in the past 18 months has been the dramatic fall in the price of oil and other commodities. This has, naturally, had a destabilising effect on the economies of commodity-producing countries and regions. However, it has also provided a boost to the spending power of consumers in other areas.

In turn, monetary policy around the world, which had appeared likely to begin a process of normalisation (albeit gradually), now seems certain to remain extremely accommodative. Deflation, and its tendency to stifle consumption, is now the prospect which central banks fear most. At the global level, the recovery from the financial crisis in 2008/09 is facing another significant obstacle in 2016.

As a net consumer rather than producer of commodities, conditions in the UK appear likely to remain broadly supportive in 2016. Following an arduous period of recovery from the financial crisis-induced recession in 2008/09, there is now evidence that consumption behaviour has re-established an expansionary trajectory.

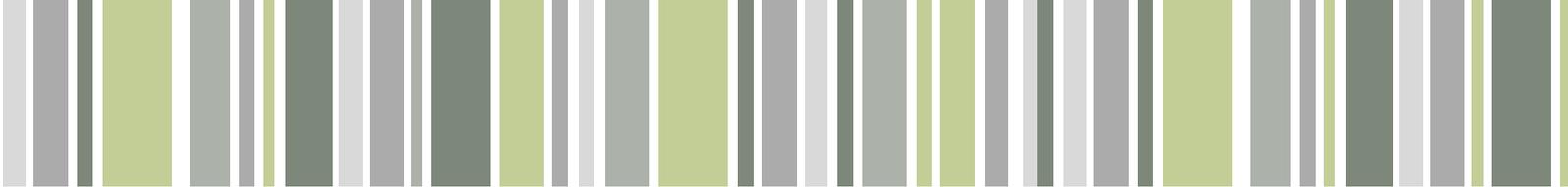
As the labour market has strengthened in the recent past, as evidenced by historically high levels of employment, upwards pressure on wages has resumed, albeit at levels below pre-crisis trends. Meanwhile the dramatic falls in key commodity markets (notably oil and food) have resulted in headline inflation dropping to minimal levels. This is most pertinent in certain, key areas of household spending including utilities, petrol and food. Simultaneously, borrowing costs have,

on average, continued to fall as the prospect of a further, sustained period of unusually low policy rates has increased in likelihood. Connected to this there is also firm evidence that consumer credit (excluding the supply of mortgage financing) is also, once again, in a growth phase after a period of retrenchment following the financial crisis.

UK consumers, particularly those with a mortgage, are benefiting from solid household cash flow dynamics and this has been reflected in recent spending patterns. Spending on discretionary items has been expanding at an attractive rate (+6-7%) in the last 12 months with 'big ticket', credit-linked purchases (for example cars, durables and, to a lesser extent, holidays) showing particular strength.

Looking ahead, the core positive dynamics driving the recent improvement in household finances appear likely to persist in 2016. However, threats remain, most notably the evidence of a moderation in growth in global economic activity (as witnessed most obviously by China and other emerging markets), while uncertainty around the UK's position within the EU also has the scope to undermine currently robust levels of consumer confidence.

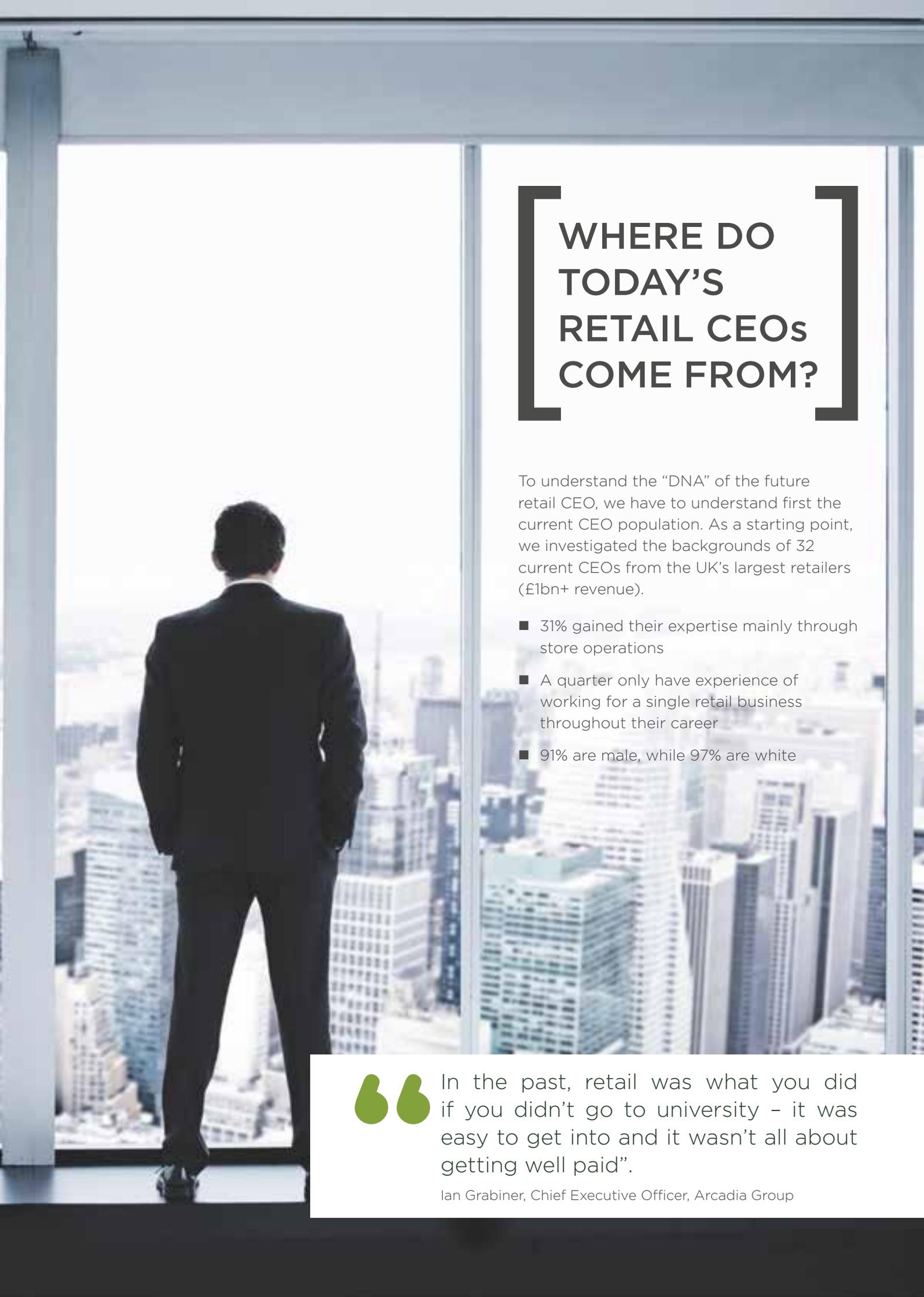
Within this broadly positive environment, however, secular changes in consumer behaviour, primarily but not exclusively related to the expansion of digitally-enabled commerce, will continue to present challenges and opportunities to retailers in 2016. The enthusiasm with which UK consumers have embraced online shopping in recent years makes the market an important test-bed of retail innovation; quite simply for retailers around the world, the UK provides the most plausible vision of the development of omni-channel retail. Omni-channel operations are, when delivered seamlessly to consumers, emerging as the preeminent retail business model. Traditional retail 'seasons' are becoming blurred as rapid-response supply chains are developed and consumer behaviour evolves in response to imported promotional periods such as Black Friday, threatening to undermine the long-established margin and stock clearance dynamics of domestic retailers.



Alongside the ongoing digital developments within retail, a number of identifiable medium term trends will also continue to develop. Convenience shopping, whether directly through local stores or via accessible collection points, should be understood as more than simply the transient response of consumers to more straitened financial circumstances following 2008/09. Health trends, particularly amongst younger demographics, as demonstrated by higher participation in exercise/sport and lower levels of consumption of alcohol and tobacco, will also continue to impact a range of sub-sectors including food/nutrition and sport/leisure. Meanwhile the expansion of an increasingly digitally-aware and financially secure group of older consumers (the so-called 'Silver Surfers') will offer myriad opportunities to retailers able to refine and target their offerings to a previously underserved segment of the population.

It is within this context, in which traditional and emerging retailers are subject to an unprecedented pace and scale of change, that this research seeks

to lay out a blueprint for organisations to adapt their leadership structures for the new age of retail. Successful retail strategies over the coming decade will anticipate and embrace the changing dynamics of consumer behaviour. They will also harness the newly available data and technologies which can deliver the insights and efficiencies which will be required to thrive. Organisational structures capable of capturing, interpreting and acting upon the expanding pool of retail-relevant data will, it seems inevitably, outperform those reliant on managerial instinct. Drawing on historical experience, in a rapidly changing world, does not always confer benefits. The results of our analysis, set out in this report, may in some cases make for uncomfortable reading but we hope will provide a framework for debate about retail leadership in 2020 and beyond.



WHERE DO TODAY'S RETAIL CEOs COME FROM?

To understand the “DNA” of the future retail CEO, we have to understand first the current CEO population. As a starting point, we investigated the backgrounds of 32 current CEOs from the UK's largest retailers (£1bn+ revenue).

- 31% gained their expertise mainly through store operations
- A quarter only have experience of working for a single retail business throughout their career
- 91% are male, while 97% are white



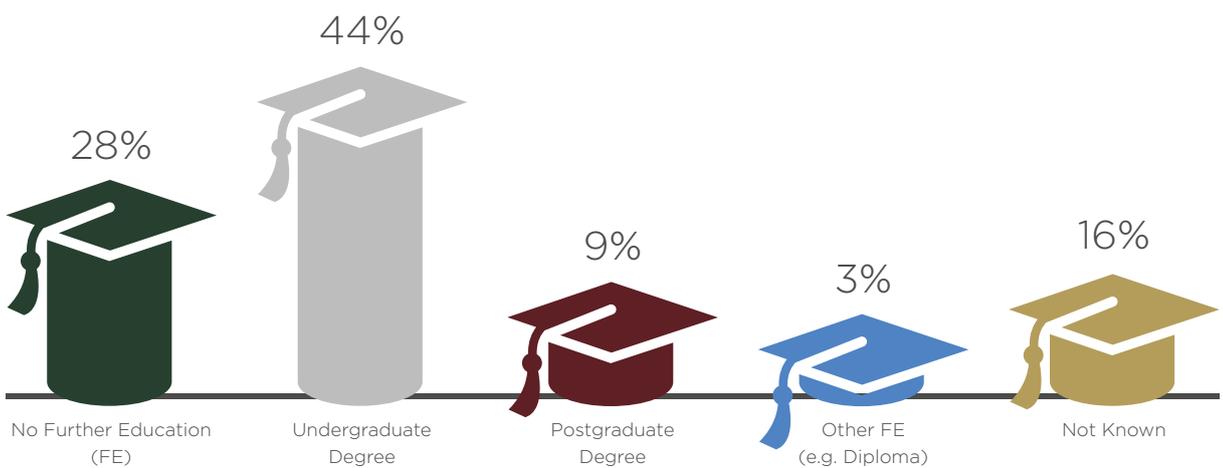
In the past, retail was what you did if you didn't go to university – it was easy to get into and it wasn't all about getting well paid”.

Ian Grabiner, Chief Executive Officer, Arcadia Group

EDUCATION & EXPERIENCE

We established that of our sample of UK retail CEOs, 53% enjoyed further education to degree level or above. However, a significant proportion (28%) did not.

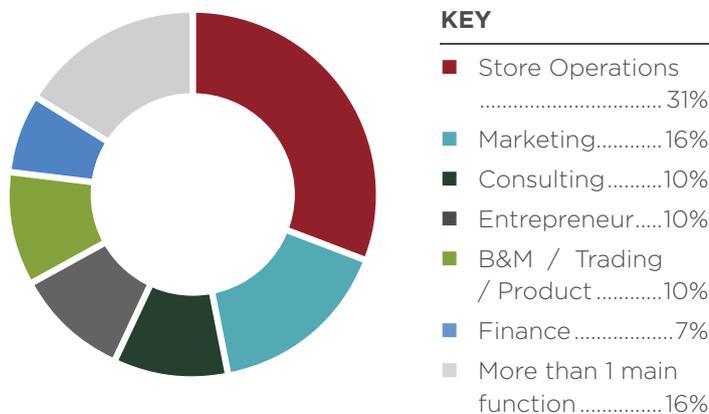
Retail CEO Education



According to one recent analysis by Swedish software and business intelligence company, Qlik, a fifth of FTSE 100 bosses are Oxbridge educated, while a third have an MBA or PhD. Given that only 10% of FTSE 100 and FTSE 250 CEOs did not attend university, retail CEOs have lower levels of participation in further education than their peers in other sectors!

In terms of their functional experience, many of the current crop of UK retail CEOs started their retail careers early - with nearly a third working their way up through store operations.

Main functional background of today's retail CEO



The current dominance of a store operations background is evident - approximately twice as many of our sample of current CEOs developed their experience in this area than those who made the grade through any other route. Given their backgrounds, it's perhaps not surprising that many current CEOs place a premium on this area of experience. **As one major UK retail investor states: "A large number of retail CEOs have worked their way up through store operations. They are likely to be traditional in their views."**

ONCE A RETAILER...

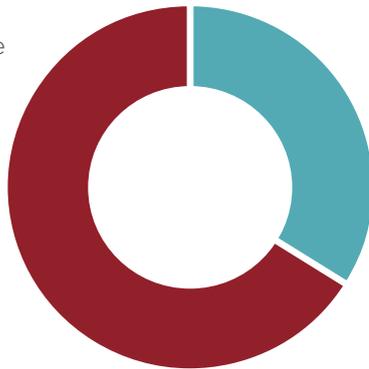
We also discovered that once our current CEOs entered the retail sector, they were likely to stay within. Nearly two-thirds have no experience of working outside the sector with a quarter working for a single retail business throughout their career.

Experience: Does the retail CEO have....?

Experience of working outside of the retail sector (% of total)

KEY

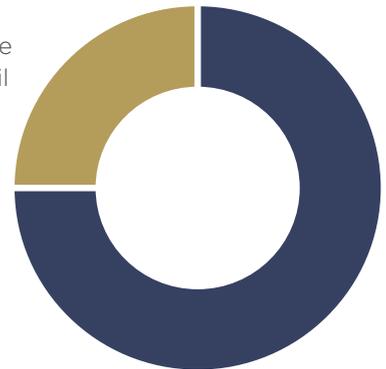
- Yes34%
- No.....66%



Experience of working outside of a single retail business (% of total)*

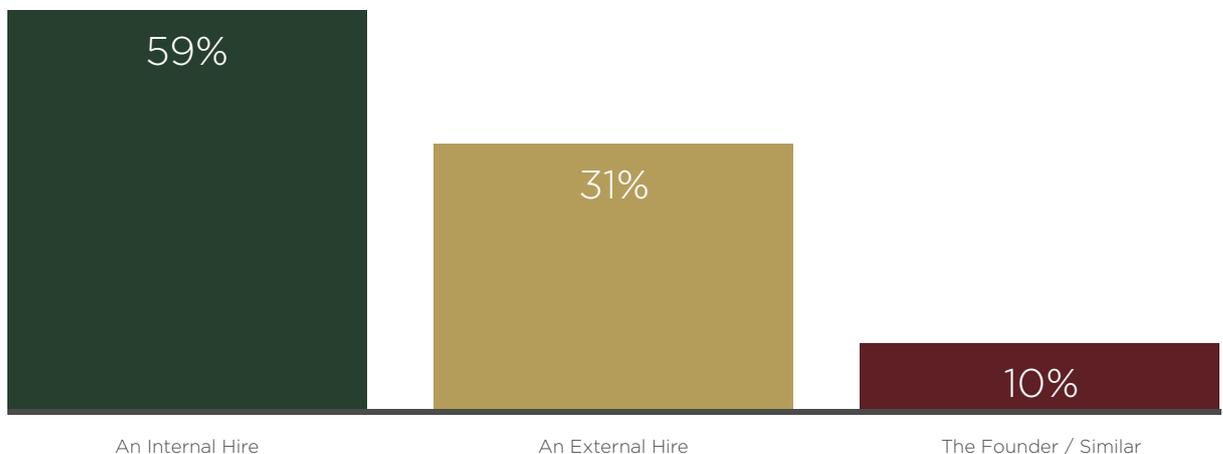
KEY

- Yes 75%
- No.....25%



This lack of mobility has been good news for the retail CEOs themselves. Their loyalty to the sector and, in many cases, to a particular organisation, left them in a good position to be rewarded when the top roles became available. Our research shows that nearly six in 10 CEOs were hired internally. **One overseas CEO of a retailing organisation confirms this tendency of 'stick with who you know' is an international challenge: "Retail businesses need to move people around but I'm not seeing a lot of that in many sectors here. They need very high exposure to lots of things - they need outside perspective."**

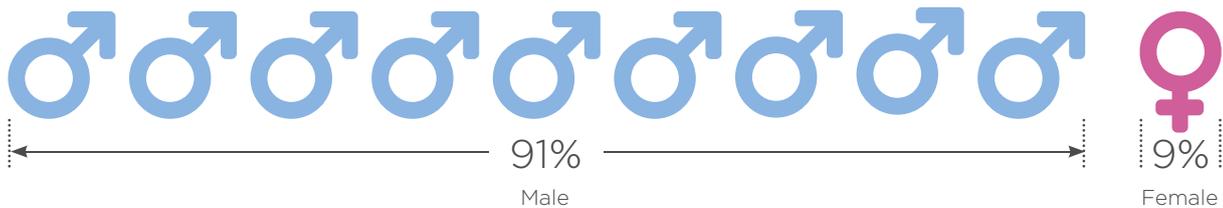
Was the CEO...?



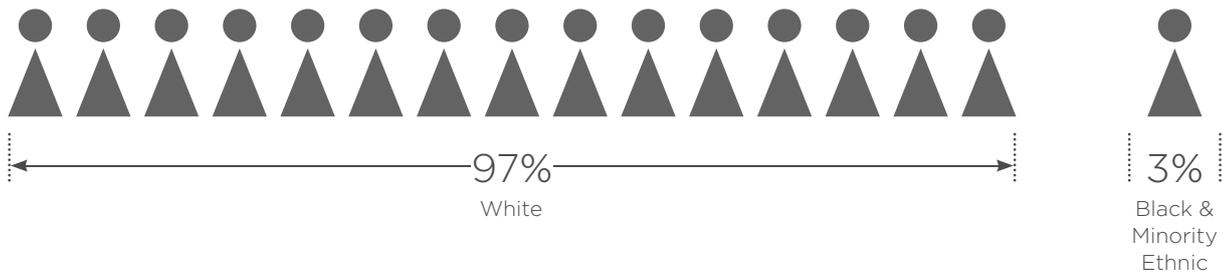
*Excludes entrepreneurs

The Current CEO is...

By Gender



By Ethnicity



Our sample of UK CEOs shows a broadly similar trend to our findings in the Green Park Leadership 10,000 study², an annual 'root and branch' analysis of the diversity of the 10,000 most senior employees operating within the FTSE 100, by gender, ethnicity and cultural background. One of the key findings of this study was that while the proportion of women in executive positions has increased steadily, the percentage of those appointed to the CEO position has not. The number of black and minority ethnic (BAME) CEOs remains extremely low and not reflective of the 10% of BAMEs in the UK working population and 14% overall.

This then is the broad profile of the CEOs in post in 2016. The key question is whether this classic model - the internally hired white, male CEO, probably with a predominantly store operations background and limited (if any) experience outside of the sector, is suitably equipped to triumph in the current retailing environment and address the many challenges faced.

What is the DNA of today's perfect retail CEO?



THE DNA OF TODAY'S PERFECT RETAIL CEO

Our model of today's retail CEOs is a relatively straightforward one because our extensive research and interviews overseas reveal many similar profiles for CEOs worldwide. But does this retailing background match the current demands of the role? What does the role of the CEO require of today's perfect candidate?

We asked our global panel which key skills were needed if they were to choose a new CEO today.

Clear requirements of the role quickly emerged.

Key skills for today's CEO

- Change Agent
- Customer Driven
- Collaborative Leadership
- Product Knowledge
- Store Operations
- Digital and Data



Retail CEOs are going to have to demonstrate an endless thirst for knowledge. The digital economy is not a specific challenge - it's not about age as some say. I know Octogenarian retailers who have a relentless desire to learn”.

Andrew Higginson, Chairman, Morrisons and N Brown

PERSONAL TRAITS - THE EMERGENCE OF THE “3Cs”

The personal traits displayed by any modern retail CEO are fundamental to his or her success in the role. We asked our global panel to prioritise seven stated personal traits necessary for current retail CEOs to prosper.

Personal traits required of today's CEO (%)

Personal Trait (in order of priority)*	% ranking this trait 1st	% ranking it in top 3
1. Clear vision / change agent	48	89
2. Customer-led approach	20	62
3. Collaborative approach to leadership	17	38
4. Emotional Intelligence	3	42
5. Active employee engagement and communication	5	22
6. Strong Personal Values	5	22
7. Bravery at pace	3	26

*Ordered by weighted ranking system

Three essential personal traits emerged ahead of the rest. Today's retail CEO needs to have the “3Cs” in their DNA. They need to be:-

- **Change agent** – a clear vision as to how the retailing strategy will be delivered is always required of a CEO. However, a clear vision on its own is not enough. The rapid evolution of the retail environment means that there is now an imperative to find leaders who can implement and manage change agendas and appreciate the complexity involved.
- **Customer champion** – a sharp antennae for customer needs has always been a key element of the CEO role. But it is a more radical response to unprecedented changes in consumer behaviour and the technologies which alter or measure this that is now urgently needed.
- **Collaborative in leadership** – a harmonious, well-led team is a necessary, but no longer a sufficient, condition for success. Retailing is ever more complex, with a broad new range of skills to master. No leader, however talented and experienced, can even hope to reach full potential without a highly collaborative leadership environment.

1. CHANGE AGENT

Our survey clearly shows the need for the CEO to be a change agent with a clear vision. Nearly half of our respondents put this quality first on their list of priorities - and almost nine in 10 placed it in their top three of personal traits. To be a change agent requires both a mindset for change and a proven track record for its execution across the business. For example, a change towards an omni-channel view of the customer requires change across disparate fields of a retail organisation, such as talent, organisational development, culture, brand and top-level strategy. Much of the change which retailers are requested to implement is being driven by the digital economy and customers, resulting in rapid changes in behaviour. There is a very good reason for a sense of urgency within the sector. Bain & Company reports that many retailer's most financially valuable customers are engaging with them across all channels, across store, mobile, social and online³. Some, its analysis suggests, "find that these omni-channel customers spend two to five times more than customers who buy in only one channel."

Of course, execution of a clear business vision sometimes requires difficult conversations and bruised egos. Some of our respondents emphasised the need for greater and immediate

courage in their CEO. One experienced FTSE 250 HR Director put it well: "The CEO today needs to be someone who is prepared to "break eggs" - and not be protective of the status quo. [He or she] needs to "think the unthinkable", collaborating with once fierce competitors, for example."

For others, change is now less a question of courage and more one of execution.

In particular, it is about not letting short term tactical decisions crowd out the potential for a clear vision. A former Chair of a major U.S. retailer decries the lack of strategic thinking in a changing US retailing market: **"Too many retailers still have tactics, not strategy. It is all about the anniversary - sales today versus last year. If they're 1% up on last year they're in a great mood - 1% down and they're in a bad mood.**

It's all about the latest results. Retailers need to be trained in strategy and vision, but few are."

The role of change agent, in terms of the thoroughness of execution as much as through the inspiration of rhetoric, is clearly an essential part of the armoury for today's perfect retail CEO. But how change-ready are the retailing organisations they lead for what such a character would bring?

"How will retail organisations deal with change? 20% will embrace, 20% will resist - and the rest will sit on the fence."

Stephen Sadove,
Board Director, J.C. Penney and
former CEO & Chairman,
Saks Fifth Avenue

2. CUSTOMER CHAMPION

Given much of the necessary change demanded within the retail sector revolves around the changing behaviour of the customer, the need for a far greater customer-focused CEO should not be a surprise. Over half of our survey respondents rank this in the top three of personal traits required. The speed, agility and extent of the transformation now required is one of the defining features of the new retail age.

The biggest challenge is the accelerating pace of consumer change in behaviours and expectations; the harsh reality is that the mindset of today's retail CEOs appear to be struggling to adjust. Unfortunately, some retailing businesses seem to be viewing current consumer challenges as just another marketing exercise or worse, as a transient phase. The power shift in favour of consumers has left many retailers struggling to differentiate themselves even in basic areas of their proposition, such as product range and price, let alone move on what is required in

terms of the delivery of a consistent customer experience across channels. This latter stage is essentially a hard-wiring of CEOs to modern customer needs is paramount. The Founder of one major international retailing organisation, based in India, confirms: **“The customer has moved very fast. The mindset of many current CEOs, however, is not quite moving at the same pace. Customer centricity cannot happen without the CEO understanding the social changes taking place at the moment.”**

“The pace at which consumer shopping habits are changing is extraordinary. It’s fast and it’s furious out there.”

Jim McCarthy,
CEO,
Poundland

Social changes are even redefining the whole sense of what the retail “sector” actually means today. A major UK retail investor highlights the big impact this is also having not just on the marketplace, but on the skills needed within the marketplace: “The boundaries are blurring between retail, technology and media - a reflection of how consumers are behaving - and this must have a knock-on effect on sourcing talent.”

3. COLLABORATIVE IN LEADERSHIP

Of all the personal traits of the ideal CEO that we covered with our interviewees, a more collaborative approach to leadership provoked the greatest diversity of reactions. As many as one in five highlighted “collaborative leadership” as the highest priority for today’s retail CEO. Others doubted, however, that given the highly competitive nature of the sector, whether retailing CEOs could or even should adjust.

The argument in favour of a more collaborative approach to leadership is that while “traditional” CEOs succeed in creating a centrally controlled vision for the business, the role has become too complex for any single central figure to master. The range of skills required is widening rapidly: this dictates the need for a collaborative environment requiring higher levels of trust and devolved decisions across the organisation, with those closest to understanding modern customer behaviour (insight, data, omni-channel, online) playing a more significant role than before.

For others, however, there was a sense that there were natural limits to collaborative leadership in retail, due to the instincts of those working in the sector. Research from DDI and The Conference Board found that only 27% of leaders reported they were “very prepared” to be the leader who empowers a workplace⁴. Part of the reason is probably a (mistaken) perception that

“collaboration” and “consensus” are one and the same. One Advisory Board member to a number of leading high street retailers in the UK sums up the reticence to change: “A leader needs to listen but they also need to be decisive. Collaboration is not the same as consensus – the latter is something you rarely find and when you do, it risks resulting in a “fluffy” decision.”

“It’s a very competitive business. Even in a great team, people want to be pushing the boundaries. It’s my job to make sure that when you hire six Cristiano Ronaldos, you still have a goalkeeper and a midfielder.”

Philip Mountford, CEO,
Hunkemöller
International BV

Perhaps another reason lies within the DNA of the current crop of retailing leaders. One leading industry commentator in the US is sceptical whether retailing leopards will ever change their spots: “Let’s not forget that retailers as a rule are super-competitive people. As a species, they don’t readily admit there are things they don’t know. It’s hard for them to do this. We still need our retail CEOs to be leaders, but we do need them very soon to be smarter in recognising that they need to bring out the skills of others in their top teams.”

Andrew Jennings, Chairman of HEMA and Non-Executive Director for Ted Baker, is clear on this point: “A CEO shouldn’t sleep soundly until they have the right team - the new CEO needs to make tough people decisions quickly, as you often need new people with new energy and attitudes to move faster.”

THE ROLE OF EMOTIONAL INTELLIGENCE

Fourth in our rankings and with 42% of those surveyed placing among their top three, is Emotional Intelligence (EI). Along with our 3Cs – Change Agent, Customer Champion and Collaborator-in-Chief, this forms the fourth part of the Personal Traits in our Green Park Retail Leadership Index™. Emotional Intelligence, as a personal trait in a CEO, clearly cuts across our 3Cs and needs to be viewed in its own right, not least because of a common misconception around the rise of the emotionally intelligent CEO.

Dr. Travis Bradberry, Co-author of Emotional Intelligence 2.0 and President at Talent Smart in the USA, in 2015 reported his analysis of the EI profiles of over one million workers from the frontline to CEOs. He found that emotional intelligence scores (EQ) climbed from the bottom of an organisation up towards middle ranking managers, but then dropped sharply in the final ascent of the corporate ladder to board level and beyond. **CEOs on average, he discovered, in fact have the lowest EQ scores in the workplace⁵.**

One explanation is that as leaders rise through

the organisation, they risk losing sight of how their emotional states impact those around them – perhaps it is no wonder why it gets lonely at the top. Even so, Bradberry's survey also shows that **the best performing CEOs, are consistently those with the highest EQ scores.**

“CEOs, on average, have the lowest EQ scores in the workplace”

Dr. Travis Bradberry,
Co-Author Emotional Intelligence 2.0
and President at Talent Smart

For many of those we interviewed, the need for a more emotionally intelligent leadership style has become a clear prerequisite for success in the role. This is harder to find than it may sound, especially among established CEOs. One HR Director at a major international retailer confirms that not every CEO takes kindly to being told the truth: “The biggest risk for many CEOs is that they don't get to hear what they need to know. They begin to enjoy the trappings of their office and quickly become unapproachable and out of touch.” The CEO of an international European fashion retailer agrees: “What happens for many a CEO is that after a while they simply say “Well, I know” but the truth is that they don't - they just have to keep learning how to lead and work with their top team.”

TECHNICAL SKILLS

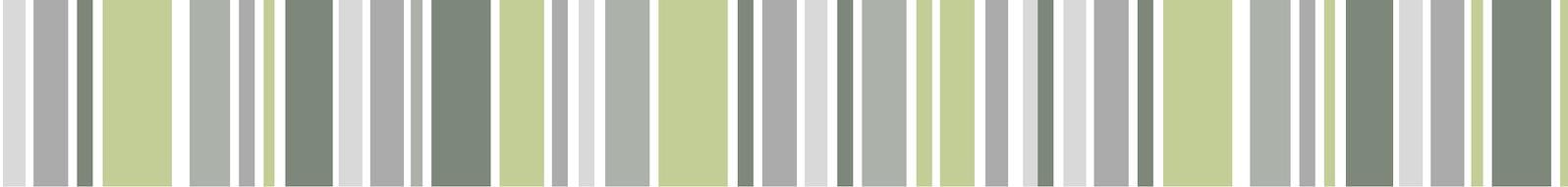
Personal traits are crucial – but so too are the technical skills held by the modern day retail CEO. We asked our senior retailers from across the world to prioritise seven stated technical skills necessary for current CEOs.

Technical Skills required of today's CEO (%)

Technical Skill (in order of priority)*	% ranking this trait 1st	% ranking it in top 3
1. Specialist knowledge of the retail product	20	60
2. Store operations	31	62
3. Understanding of digital commerce and omni-channel	29	47
4. Data / insight driven approach	9	45
5. Understanding the supply chain	5	47
6. International market expertise	5	32
7. Technological prowess	0	6

*Ordered by weighted ranking system

Among technical skills required of CEOs, the results were closely grouped. However, it is clear from the results is that today's retail CEO needs to have a four-strong fusion of store operations, product knowledge, digital and data driven experience.



1 & 2. Product knowledge and store operations

When it comes to specialist knowledge of the product, six in 10 ranked this in their top three although only one in five actually made this their top technical imperative – the importance of this skill is understandably seen more at the fashion end of our retailing sample, for example, than in some other parts of the sector. As one Group HR Director of a European fashion retailer explains: “If I had to source senior talent, I wouldn’t put someone in who is a retailer in the traditional sense, because the product and product knowledge is king in our particular business.”

Our findings were reinforced by other research into the value of product knowledge throughout organisations, from the leader to the shop floor, from the Wharton School of Business in 2014. This found that: half (50%) of customers look for expert advice on what to buy when they enter a store while nearly three-quarters (73%) say product knowledge is what they need most from those in the store. The implication is leaders who are educated in their products are more likely to set the right tone for high levels of knowledge throughout the organisation⁶.

It is no surprise that store operations experience is ranked highly, given the backgrounds of current retail CEOs. But more surprisingly, less than a third make it their top technical skill. The big question here, to be looked at later in this paper, is the extent to which experience in store operations will continue to be valued so highly.

3 & 4. The rise of the digital, data-driven CEO

What is striking from our technical skills data for today’s perfect retail CEO is the near equal ranking given to an understanding of digital commerce and omni-channel, alongside product knowledge and store operations experience in our rankings.

It is also evident that there is also a premium for CEOs who have a data-driven approach to decision making. The approach to data is only part of the solution. The real premium is in making the connection between the strategic vision for the business and understanding the data needed to serve that vision. As Bijou Kurien, former President & CE - Lifestyle at Reliance Retail, India, explains: “Most retail CEOs already have access to huge amounts of data - the big problem is how they then use it.”

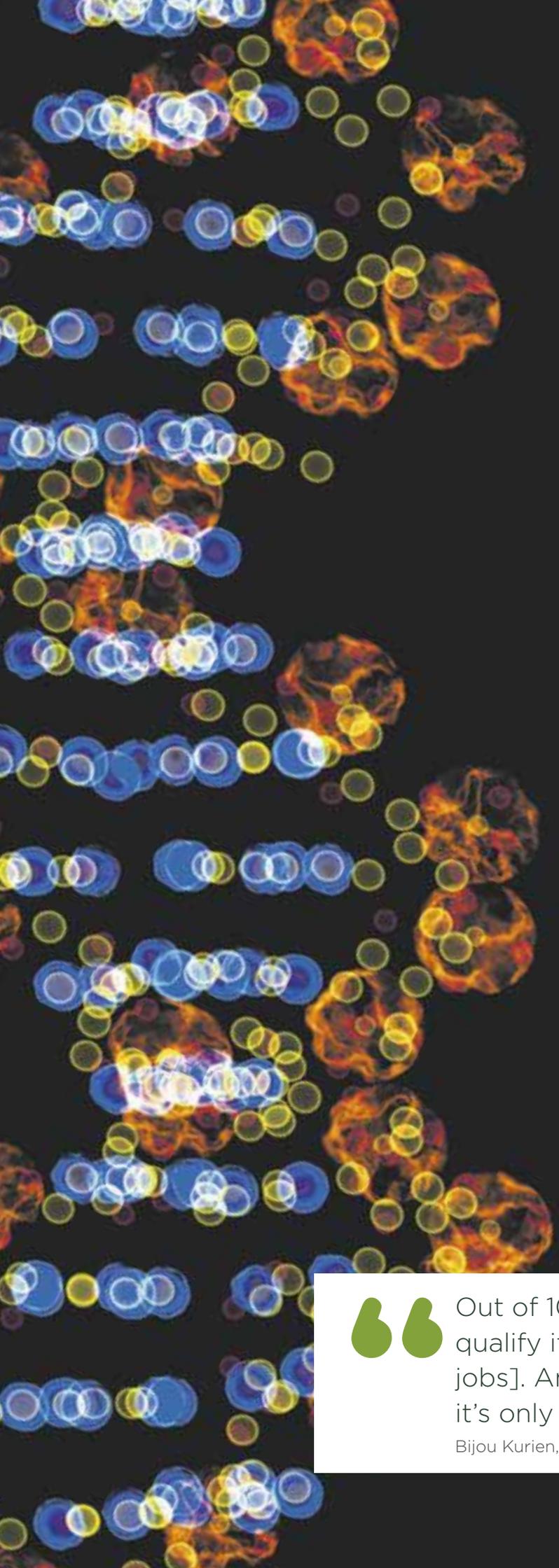
While the need for any retail CEO to know the technology itself is not ranked that highly in our research, the need to know how to use the data it produces wisely clearly is. In this respect, a report from the Commission for Employment and Skills (“Sector Insights: Skills and Performance Challenges in the Retail Sector”)⁷ highlighted a worrying double whammy – that while the skills gap among older executives, including CEOs, grows ever more pronounced, the negative impact of this on attempts to attract younger, digitally savvy would-be retailers to the sector could be catastrophic.

This urgent need to source new talent across the sector to meet this challenge featured in many of our interviews with senior retailing figures. Another CES study⁸ specifically calls for the sector to improve its image and develop opportunities to acquire technology-based skills from seasoned retailing executives through to new entrants to the sector. As one former CEO and Chairman of multiple US retail giants told us: “The old CEO was driven by product or store experience. Today’s CEO has to be digitally savvy - it’s a whole different mindset. There are many [challenges]. But if I had to narrow it down to two they would be: 1. Adapting to omni-channel; and 2. Getting the talent to make sense of 1.”



“Do CEOs understand technology and data? No, probably not. It’s a bit like being a pilot of an A380 and not understanding what the controls do.”

Christine Cross,
Advisory Board Member, River Island
and Monsoon Accessorize



DNA MISMATCH

1

When we compared the background of the CEOs of the **32** UK's largest retailers in the UK against the key skills outlined by our global panel, there was a clear gap.

When asked about their thoughts on the current leadership talent pool:

- 29% thought current CEOs are not fit-for-purpose when it comes to personal traits.
- 37% thought current CEOs are not fit-for-purpose when it comes to technical skills.



Out of 10, only about four retail CEOs would qualify if they had to re-apply [for their jobs]. And for statutory boards I would say it's only two or three”.

Bijou Kurien, Former President & CE - Lifestyle at Reliance Retail, India

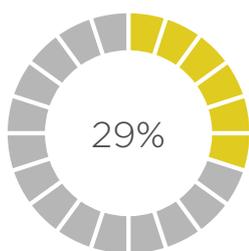
TODAY'S CEOS DON'T MATCH UP TO THEIR JOB DESCRIPTIONS

We have seen that today's retail CEO is steeped in store operations experience and is more likely than not to have worked in retail for his or her whole career and even within a single business, in some cases. Yet in our interviews and in response to our survey questions, our global panel have set out what is essentially the DNA of a "perfect" modern retail CEO - effectively a "job description" for what the role requires.

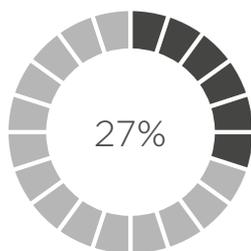
There is a clear mismatch, between the skills CEOs currently have and those that our comprehensive research suggests they need. So we asked a further, very direct, question: **Are today's retail CEOs "fit-for-purpose"?**

Current retail CEOs are NOT "fit-for-purpose" when it comes to...

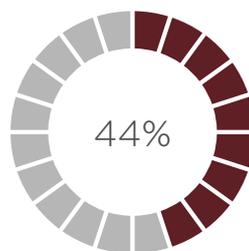
Personal traits



Agree / Strongly Agree

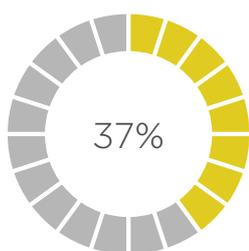


Neutral

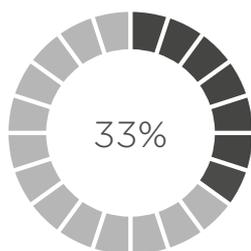


Disagree / Strongly Disagree

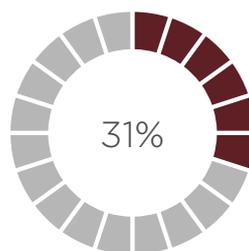
Technical traits



Agree / Strongly Agree



Neutral



Disagree / Strongly Disagree

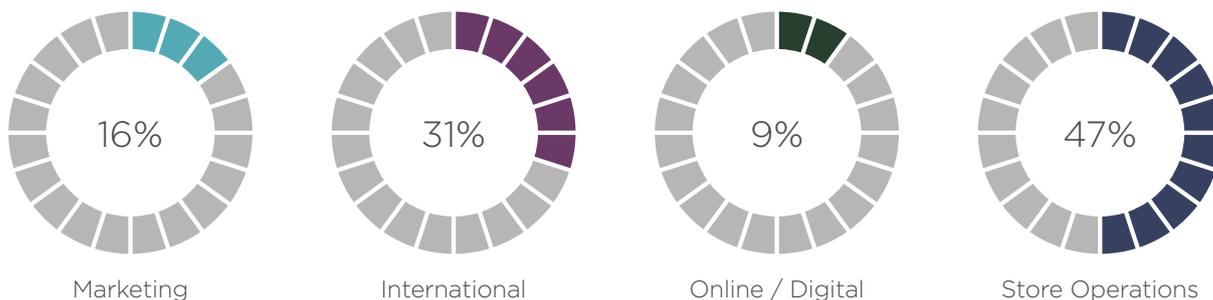
The results are clearly worrying for some current incumbents and their organisations.

When it comes to **personal traits**, there is no clear consensus that current retail CEOs are not fit for his or her job. Nearly three in 10 of those surveyed agreed with this view (29%) but over four in 10 (44%) disagree. When it comes to our 3Cs of great retail leadership - Change Agent, Customer Champion and Collaborative Leadership, all imbued with a dose of Emotional Intelligence - there are clearly good, bad and indifferent CEOs. Poundland CEO, Jim McCarthy in particular has doubts on the agility of many CEOs to perform the Change Agent role demanded of them: "There's some sensational people out there but they're in a minority. Relatively few are prepared adequately for what they need to be doing - turning themselves and their businesses inside-out, upside-down to get their organisation where it needs to be."

When it comes to **technical skills**, there is a clearer vote of “no confidence” in modern retail leaders. Nearly four in 10 (37%) agree current CEOs are not fit-for-purpose while only three in 10 (31%) disagree. This is a worldwide problem and not confined to any one country, as one former retail CEO confirms: “A lot of the CEOs across the world have worked in retail for a long time. They’re very familiar with store operations. But when it’s more about using technology and social media to connect with the customer, they feel less comfortable.” And in the UK, the mood is just as pessimistic, according to one experienced FTSE 250 retail HR Director: “There are some CEOs who do have the right technical skills, but there are plenty more with skills which reflect retail “as was”, rather than “what is”, let alone retail “as it will be”.

A closer look at our earlier samples of 32 current CEOs reinforces this view. We find that our global panel consistently favour skills which currently or will soon fall under one of more of the four disciplines, a “big four” - **Store Operations, Online / Digital, Marketing and International**. By re-examining our 32 CEO sample and moving away from predominant backgrounds and towards any career exposure to the ‘big four’, we can reveal key experience gaps. Indeed, it becomes clear that five times as many CEOs have store operations experience as have online experience.

The Big Four Skills (current CEOs)



Crucially, do our retailing CEOs of today have the urgency and appetite to make the changes/transformations in their own learning needed for today’s retail environment? Martin Newman, CEO of Practicology is emphatic in his response: “In the vast majority of cases I would say “no” because they don’t feel comfortable enough around the technology or in running multi-channel operations. The average tenure of a CEO is only three years, so why would they make the investment of time to learn?”

In 2016, the lack of digital and omni-channel skills – and the lack of a willingness to change – among current CEOs is therefore a major concern for the sector. Fortunately, we hope, there’s a new generation of aspiring CEOs waiting in the wings.

By the year 2020, will the new generation be better suited to the CEO role than their predecessors?



HOW ARE ASPIRING CEOs SHAPING UP?

We identified 58 aspiring CEOs, currently at or one level below operating board level within one of the UK's largest retailers, and compared their background to our sample of current CEOs.

- The percentage of aspiring CEOs who have predominantly store experience has fallen to 21%, down from 31%
- However, only 7% have extensive digital experience



There is a generational change taking place among retail CEOs. It's become vital for them to have grown up with technology and appreciate what it can do".

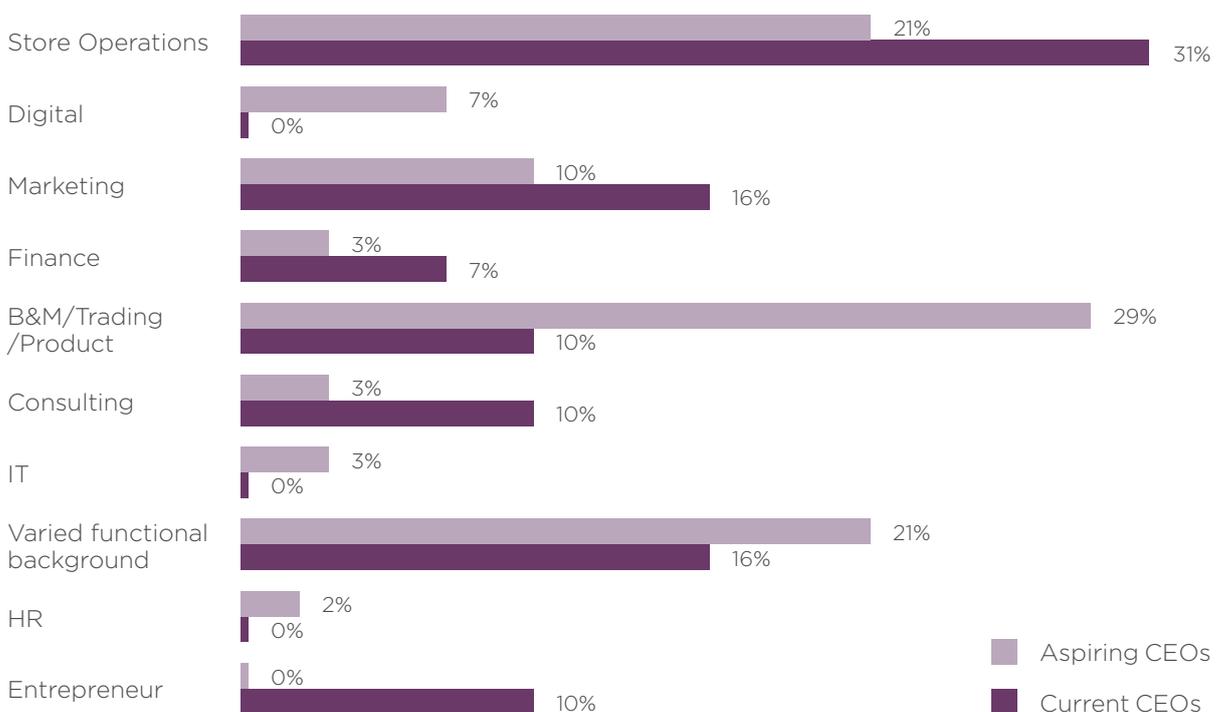
Peter Williams, Chairman, boohoo.com

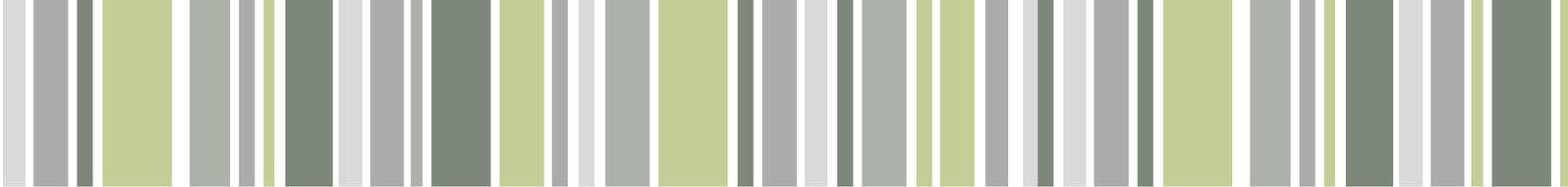
HOW ARE ASPIRING CEOs SHAPING UP?

We have seen a mismatch between the actual skills of retail CEOs and those which the role increasingly demands of them. Will the new generation of aspiring CEOs fare any better? To answer this question, Green Park and the World Retail Congress identified 58 aspiring CEOs for the year 2020 who are currently sitting within large UK retailers (those with £1bn or more revenue). The vast majority are currently serving on the operating board of their organisation. The others are divisional MDs and General Managers.

Main functional background of aspiring CEO

Functional Background	Aspiring CEOs (%)	Current CEOs (%)
Store Operations	21	31
Digital	7	0
Marketing	10	16
Finance	3	7
B&M/Trading/Product	29	10
Consulting	3	10
IT	3	0
Varied functional background	21	16
HR	2	0
Entrepreneur	0	10





“We need to get into the habit of “study tours”, where [aspiring CEOs] can see other retailers and learn about how they engage people and customers. They need exposure to other companies and people, especially in relation to technology.”

Tony DeNunzio,
Non-Executive Chairman,
Pets at Home Group

The percentage of our aspiring CEOs who have primarily risen in their organisation through experience in store operations will fall markedly to 21% (compared with 31% for our current UK CEO sample), with a broader range of skills sets now evident. Ominously, however, only 7% of our aspiring CEOs can claim a predominantly digital background.

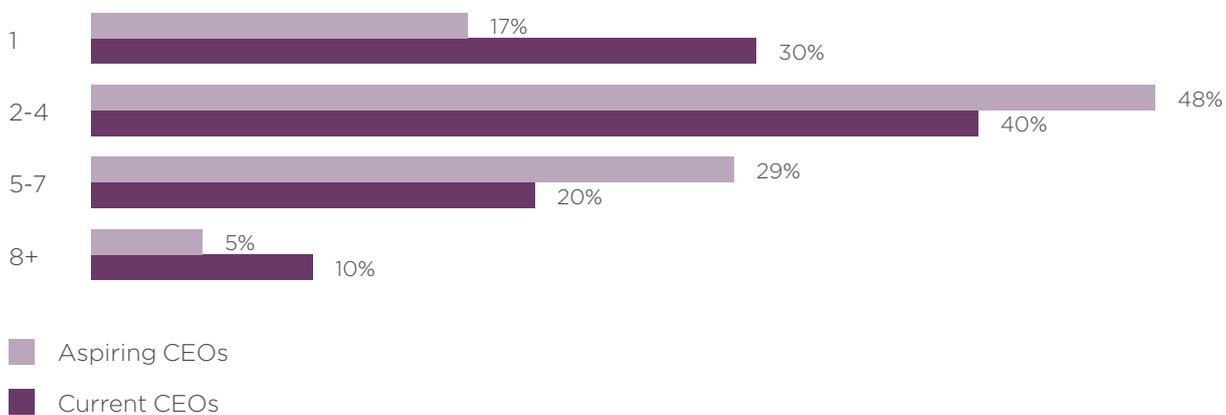
A very common theme of our interviews has been that the experience of our aspiring retail CEOs is still not broad enough. Justin Maltz, former Director of a leading UK private equity firm, speaks for many: **“A lot of current CEOs are from the shop floor but their potential successors need to be more rounded in [order to succeed]. They will need to get experience in different parts of the business; you have to be prepared to move them around.”**

It is difficult to see, for example, how our aspiring set of CEOs can become “Change Agents” for their businesses when they have only a limited set of experiences themselves. **When we asked our global panel whether retail CEOs in the future will need to have worked across multiple disciplines, nearly nine in 10 (88%) answered “yes”.**

More encouragingly, aspiring CEOs themselves are perhaps aware of this. They have begun to find more ways to move themselves around, compared to the current incumbents. The number of our sample who have spent their careers within just one business have fallen markedly to 17% - compared with 30% for our survey of current UK CEOs. Breadth of experience is increasingly important but disappointingly rare.

Stephen Sadove, Board Director, J.C. Penney and former CEO & Chairman, Saks Fifth Avenue, says retail has some catching up to do: “[The sector] is way behind in developing a “breadth” of talent. The consumer goods sector does best here - they move people around and give people lots of experience.”

Aspiring CEOs – How many companies have they worked for?





Our aspiring CEOs are also more likely than their predecessors to have picked up experience outside of the retail sector – over half (52%) have done so, compared with barely a third (34%) of our current CEO sample. Of those that do work elsewhere for a portion of their careers, a quarter of these aspiring CEOs will have experience from the consumer goods sector, a higher proportion than current CEOs. As one Chairman of a major international retailing operation admits: “We need a paradigm shift. We need to bring more people from outside the retail sector. Many of the people leading online businesses have important skills to bring, even though they have no experience of the retail sector.”

Aspiring CEOs: Experience outside retail?

Experience of working outside of the retail sector (% of total)

KEY

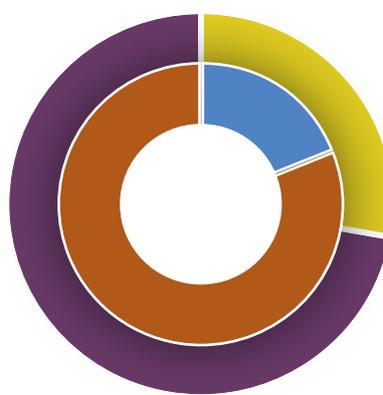
- | | |
|-----------------|-----------------|
| Aspiring | Current |
| ■ Yes 52% | ■ Yes 34% |
| ■ No.....48% | ■ No.....66% |



Experience of working in consumer goods (% of total)

KEY

- | | |
|-----------------|-----------------|
| Aspiring | Current |
| ■ Yes 28% | ■ Yes 19% |
| ■ No..... 72% | ■ No..... 81% |

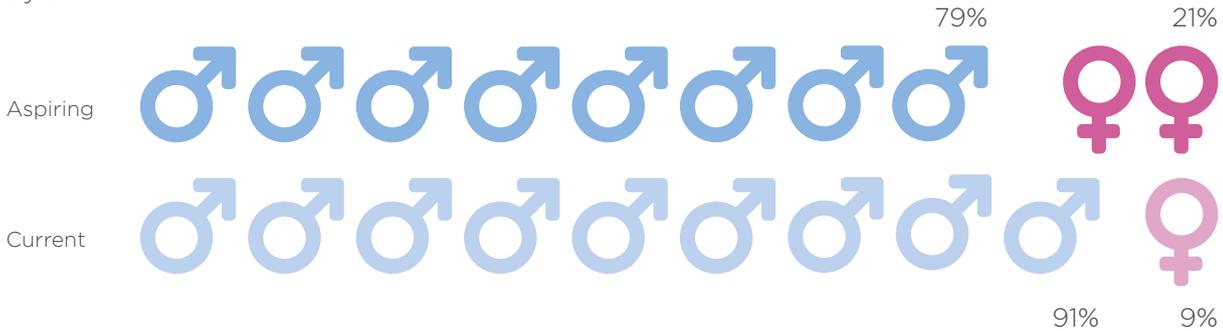


In terms of gender diversity, a report in the UK from Lord Davies called *Improving the Gender Balance on British Boards*⁹ gives some hope for aspiring female CEOs. It shows us that there are more women on FTSE 350 boards than ever before, with representation of women now at 26% on FTSE 100 boards and nearly 20% on FTSE 250 boards. In addition, there were 152 all-male boards in 2011: today there are none in the FTSE 100 and only 15 in the FTSE 250. However, looking more closely at the Chief Executive level within the FTSE 350 retailers reveals that just three of the 22 retailers have a female Chief Executive. Furthermore, there seems to be no progress at all in diversity among aspiring CEOs for the black and minority ethnics (BAMEs).

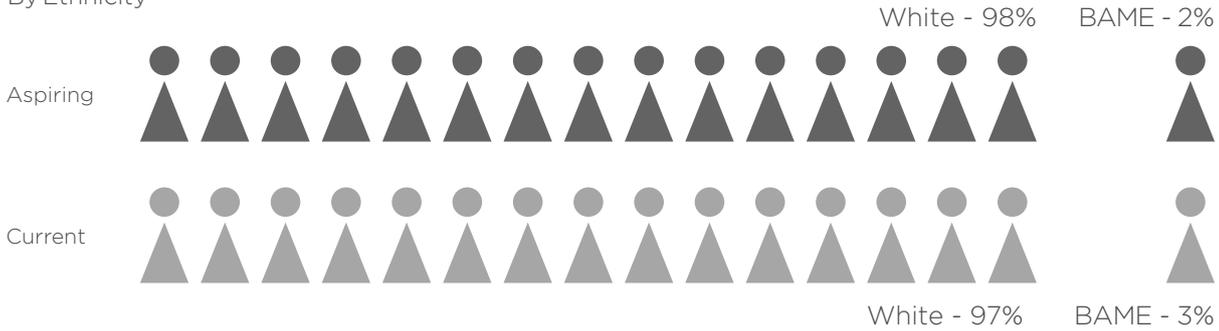


The Aspiring CEO is...

By Gender



By Ethnicity



BAME = Black and Minority Ethnic

There are clear differences between the current retail CEO and those from the next generation who aspire to the role. The latter look slightly more likely to be female, to have a broader set of experiences, to have worked for more than one retailer and to have picked up experiences from outside of retailing altogether. The ethnically diverse pipeline, however, remains sparse.

We have seen the retail sector is changing at an unprecedented pace. By 2020, retailing will look very different from today. The question is not whether aspiring CEOs have evolved from the 2016 generation but whether they can evolve quickly enough to meet the challenges of the market in four years' time.



DNA OF THE PERFECT 2020 RETAIL CEO

We asked our global panel what personal traits and technical skills were needed for the CEO role in 2016. We also asked how these attributes would change over the next four years - the 2020 vision.

In short, what would a retail CEO need more and less of in 2020, compared to the present? The results, particularly around technical skills needed for the role, do not make for comfortable reading.

We have identified the core competencies critical to the success of any future retail CEO.

8 DNA Building Blocks™ for the 2020 CEO:

- Change Agent
- Customer Champion
- Collaborative Leadership
- Emotional Intelligence
- Digital Ownership
- Data Driven
- International Perspective
- Specific Product Knowledge



If I had a CEO vacancy tomorrow and I needed to fill it, I wouldn't be sure where to go. But there's one thing I do know - it wouldn't be filled by anyone in the business at the moment”.

Group HR Director, major European retailer

PERSONAL TRAITS

Personal traits required of the 2020 CEO (% of total - 2016 retail CEO scores)

Personal Trait (in order of priority)*	% ranking this trait 1st	% ranking it in top 3
1. Clear vision / change agent	32 (48)	81 (89)
2. Customer-led approach	42 (20)	64 (62)
3. Collaborative approach to leadership	15 (17)	41 (38)
4. Emotional Intelligence	5 (3)	44 (42)
5. Active employee engagement and communication	2 (5)	22 (22)
6. Strong Personal Values	3 (5)	16 (22)
7. Bravery at pace	0 (3)	31 (26)

*Ordered by weighted ranking system

There is some consistency at least among the personal traits required of the 2020 CEO. Our findings clearly show that among the leadership qualities required in 2020, the same three - Change Agent, Customer Led and Collaborative Leadership again dominate with Emotional Intelligence ranked fourth.

The 2020 CEO will still need to have a clear vision of the way in which a retail business will change. It is clear that the centrality of the customer in dictating the nature of this change will be by 2020 dominant to an even greater extent than it is today. The importance of the customer-led approach to retail leadership increases sharply in our research, with 42% of those surveyed ranking it as the most important 2020 trait, compared with only 20% for a 2016 CEO.



1. CHANGE AGENT

- a new challenge in prospect

“One of the characteristics of a great CEO will be recognising the “inflexion” point of their business.”

Christine Cross,
Advisory Board Member,
River Island and Monsoon
Accessorize

The Change Agent CEO's challenges of 2020 will be in recognising that leading and developing people within current organisational structures may not be enough. The operating structure of retailing businesses must also change. As one major US retailer puts it: “The retail world's moving from vertical, where the business is functionally driven from top to bottom, to horizontal, where the functions are much more closely linked together.”

Additionally, the view of many interviewees, being a Change Agent necessitates the affinity to anticipate change, not merely react to it. As one board executive of a UK high street retailer explains: “When the economy is growing, it will be easy enough for any CEO to keep opening stores, but most will fail to recognise when change is needed because they can drive only by looking through the rear view mirror.”

2. CUSTOMER CHAMPION

- 2020 style

“Those that can give convenience and value will succeed. Those that can't will go the way of Woolworths ... To give value, retailers will need to be cheetahs rather than rhinos”

CEO, major UK retailer

“the best CEOs will go straight to the people who shop and work in the stores and ask them what's wrong with it. Only then do they go to head office, because only then do they have a good understanding of the flaws, who the customer is and where a business is failing to deliver”.

However, the fit-for-purpose CEO for the year 2020 must go further; the customer champion CEO for the year 2020 must be prepared to triangulate information from multiple streams, including a mandatory personal engagement with both one's own retail proposition and those of competitors, across channels – merely store-walking one's own store will no longer suffice in an increasingly competitive, multi-channel retail world.

To increase their understanding of the customer in 2020, many CEOs will urgently need to undertake a bottom-up approach to finding out what the customer wants. One current CEO of a major European fashion retailer notes that

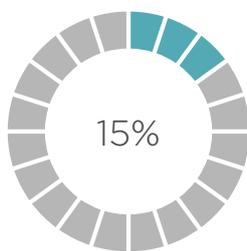
3. COLLABORATION IN 2020 - *the end of the Merchant Prince?*

“You definitely have to be humble to be a successful CEO. It is amazing how many executives actually believe their own bullsh*t. People have a couple of successes and they are suddenly water walkers. You have to be humble enough to surround yourself with people of diverse capabilities. As a CEO you really need to know which capabilities you can and must master - and which ones are better outsourced”

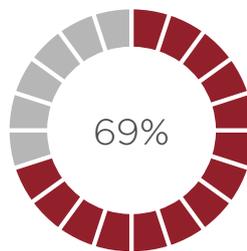
Paul R. Charron, Administrative Board Member, Escada, former Chairman, Campbell Soup Company and former CEO & Chairman, Liz Claiborne

Our global panel reinforced the strong showing for a more collaborative approach among retailing CEOs in 2020, with nearly seven in 10 (69%) believing a collaborative style of leadership will be a necessity for a fit-for-purpose CEO in 2020.

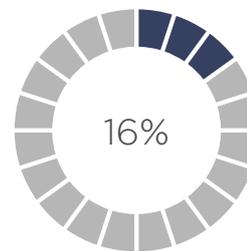
Question: Which leadership approach must the “fit-for-purpose” retail CEO in 2020 have?



Commanding



Collaborative



Unsure

More and more appointments will reflect a shift to a far broader set of skills among retail leadership teams and it will be virtually impossible for any single leader to have command over all the knowledge necessary to run a retail business in the future.

By 2020, it’s clear that the retail CEO’s job description will be evolving rapidly in terms of our 3Cs of Personal Traits: Customer Champion, Change Agent and Collaborative Leadership.

TECHNICAL SKILLS

We asked our global panel to prioritise seven technical skills necessary for a CEO in 2020.

The results show the changes required of the 2020 CEO will be less evolutionary and more revolutionary.

Technical skills required of the 2020 CEO (% of total – 2016 retail CEO scores in brackets)

Technical Skill (in order of priority)*	% ranking this trait 1st	% ranking it in top 3
1. Understanding of digital commerce and omni-channel	63 (29)	94 (47)
2. Data/insight driven approach	25 (9)	86 (45)
3. International market expertise	2 (5)	50 (32)
4. Specialist knowledge of the retail product	4 (20)	14 (60)
5. Understanding the supply chain	2 (5)	23 (47)
6. Technological prowess	2 (0)	12 (6)
7. Store operations experience	2 (31)	23 (62)

*Ordered by weighted ranking system

What is immediately clear is that the 2020 retail CEO's required skills will look radically different. The CEO of 2020 will be:

- **Highly digital, well ahead of any other skill** – because of the essential need by 2020 for an understanding and rapid delivery of digital/omni-channel commerce.
- **Data driven in the extreme** – because the 2020 CEO will need to derive far greater insight from data than ever before.
- **Far more international than previously imagined** – because of an accelerated development of cross-border trade, talent and competition.

Even more remarkable is that the CEO experience of store operations, near the top of the priority list for our current CEOs, becomes the lowest priority of our seven technical skills required of the perfect 2020 CEO.

These skill shifts are dramatic. We therefore asked further questions, focussing specifically on individual skills.

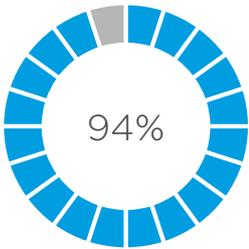
The centrality of the digital CEO

The rapid changes seen are borne out by further research. Seven out of 10 respondents had put digital/omni-channel experience as the top priority for a retail CEO in four years' time, while well over nine in 10 ranked it in their top three priorities. So we asked directly whether a "fit-for-purpose" 2020 CEO would need a greater understanding of digital and omni-channel retailing. Over nine in 10 (94%) agreed with this statement.

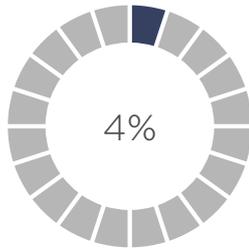
"[Aspiring CEOs] must have a deep understanding of digital and omni-channel, a single view of the customer and need to be better at analytics"

Stephen Sadove,
Board Director, J.C. Penney and
former CEO & Chairman,
Saks Fifth Avenue

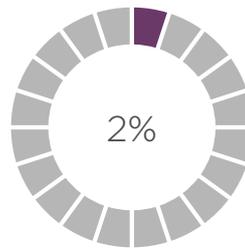
Will a "fit-for-purpose" CEO in 2020 have a greater understanding of digital/omni channel?



Agree / Strongly Agree



Neutral

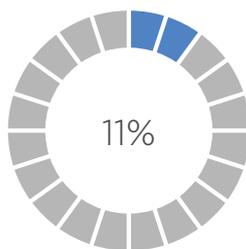


Disagree / Strongly Disagree

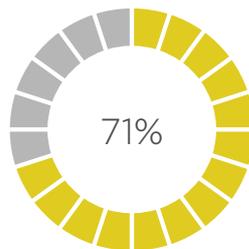
Following suit to the dramatic increase in rankings for the future 2020 CEO to have digital / omni-channel skills, is the need for a more data / insight driven approach. Nearly nine in 10 (86%) believed that among the mix of technical skills required, this will be one of the top three skills needed by CEOs in 2020, compared with less than half (45%) when asked the same question about current CEOs.

Again, we asked a follow up question specifically on this point. How would our global panel best describe the decision making of the "fit-for-purpose" retail CEO in 2020?

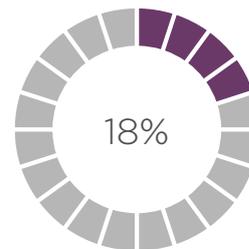
How would the perfect retail CEO make his or her decisions in 2020?



Instinct-driven



Data-driven



Other / A bit of both

It's not surprising that these results are quite so emphatic. There will almost certainly be other key developments in the omni-channel space over the next four years and these will only accelerate an already dramatic shift in skills requirements. Deloitte estimates that mobile for example will inform between 15% and 18% of in-store shopping decisions by the end of 2016, while mobile is already becoming a key focal point for the development of omni-channel¹⁰. By 2020, the consultancy predicts mobile will be such that it impacts on 50% of total store sales. John Lewis, meanwhile, highlighted a large surge in sales via mobile during recent trading. One major European retailing CEO couldn't be clearer on this point: "Things are really moving so fast in this area. I already know that 63% of our ecommerce is done on a mobile. Four years ago it was about 9%. I also know though that my desktop conversion is 3% and mobile conversion is only 1%. I need to think quickly about why this is - and more importantly, what we can do about it."

The rise of the international CEO...

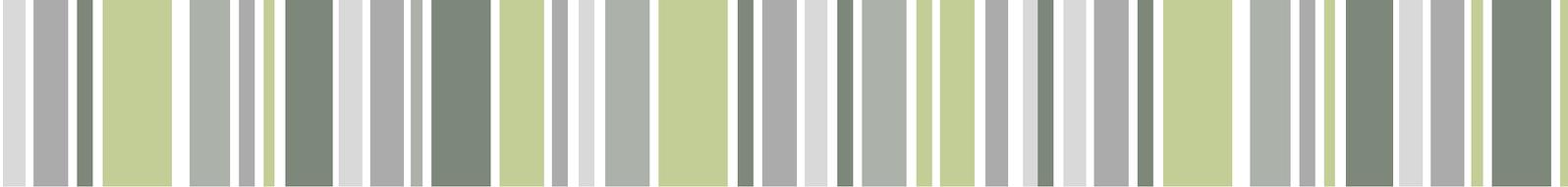
Another clear change between the 2016 CEO and the 2020 version will be the need for a more international outlook. Nearly half of the senior retailers responding to our survey (50%) ranked this skill in their top 3 for the incumbent in 2020, versus only 32% at present. The reasons for the "internationalisation" of the CEO seems to be partially related to the ambition and scale of retailing in the digital image.

BDO, among many other research consultancies, predicts that the chance to tap into growth in emerging markets in a tech-savvy age will see many retailers seizing the opportunity to dramatically grow their international presence¹¹. Even brands with no physical presence overseas will increase their sales dramatically by opening online stores.

Conversely, more and more overseas competitors can take market share from domestic retailers in the UK. A retail CEO in 2020 will need international experience to be fully aware of both the opportunities and the threats from what one online UK retailer sees as an increasingly complex but potentially lucrative source of revenue. A CEO of a major European retailer states "The internationalisation of business will be a major challenge for CEOs in future. The distinction between domestic and international is blurring."

"CEOs will need to have experience working on a much bigger scale. They will need to have an international background and to have lived abroad"

Gavin Haig,
CEO, Belstaff



...And the demise of store operations experience?

Contrast the rise of the digital-savvy CEO complete with an international outlook with a dramatic fall in perceived importance of store operations experience for a retail CEO in 2020. Store experience comes bottom of the seven technical skills listed for CEOs in 2020 by our global panel. In fact, none of those questioned place store operations experience as top priority in 2020, with less than a quarter (23%) placing it in their set of top three skills.

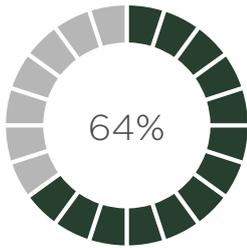
To reinforce our findings, we asked whether the “fit-for-purpose” CEO in the year 2020 requires less store operations experience than the current retail CEOs and found that nearly two-thirds (64%) agreed with this statement, while less than a fifth (18%) disagreed.



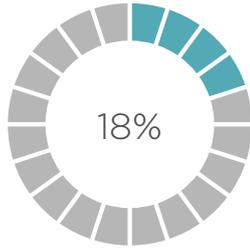
One CEO of a major U.S. retailer told us: “I worry about how people who are running stores today will be able to move up to operating boards, especially given the changing roles that stores will play.”

Store Operations Experience

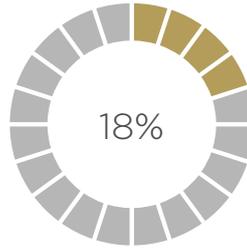
The “fit-for-purpose” CEO in the year 2020 requires less store operations experience than the current retail CEOs.



Agree / Strongly Agree



Neutral



Disagree / Strongly Disagree

This is by no means a universal view. A dissenting minority clearly feel that some traditional retailing qualities, developed through store operations and an intimate knowledge of the product, can and must not go out of fashion. One leading international retail industry commentator is very clear on this point: “We will still need the merchants. We still need the right product in the right place at the right time. Because if that doesn’t work, you don’t have a business and whether you sell in stores or digitally becomes irrelevant. But if the traditional merchants are to survive, they will need to be much smarter when it comes to admitting the limitations of what they know.”





DNA MISMATCH

2

So are we ready for the 2020 leadership challenge? We asked our global panel how the current industry leadership would fair against the 2020 job specification.

- 45% think that retail CEOs in 2020 will not be fit-for-purpose when it comes to technical skills
- 39% think that retail CEOs in 2020 will not be fit-for-purpose when it comes to personal traits.

Are our aspiring CEOs better equipped? We compared their profiles against the 2020 job specification. There is still a massive deficit of key skills.



It's a much easier world for the customer, but much more difficult for retailers"

Managing Director, major European retailer

REVOLUTION, NOT EVOLUTION

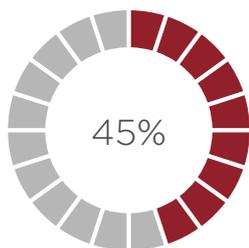
In terms of their functional skills, the number of companies they will have worked for and their experiences gained outside the retail sector (and in particular in the consumer goods sector), the aspiring CEOs that we assessed are slowly heading in the right direction. They are in a state of evolution.

The challenge is that the consumers they serve are in a state of revolution, not evolution. What is needed within retailing is structural change, a much stronger and deeper connection with customers, allied to a complete and rapid transformation in the technical skills held by those seeking to hold the role of CEO.

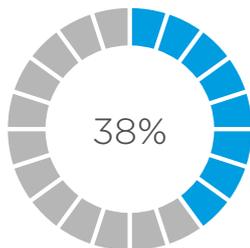
Among our global panel, there was a clear consensus that as things stand the technical, largely digitally driven, skills gap will get wider for CEOs by 2020. Nearly half (45%) agreed that in terms of these skills, retail CEOs in four years' time will not be fit-for-purpose. And nearly four in 10 (39%) agreed the same to be true in terms of their ability to demonstrate and to live up to the 3Cs of Change Agent, Customer Driven and Collaborative Leadership.

CEOs in 2020 will NOT be "fit-for-purpose" when it comes to...

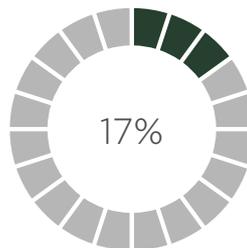
Personal Traits



Agree / Strongly Agree

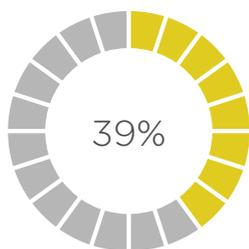


Neutral

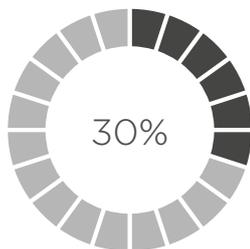


Disagree / Strongly Disagree

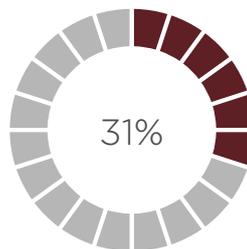
Technical Traits



Agree / Strongly Agree



Neutral



Disagree / Strongly Disagree

The skills gap for CEOs will be far greater by 2020 than that experienced by the current generation of CEOs. Without change, there will be a crisis in retail leadership. Evolution will not be enough and this will be true all over the world.

By looking back at our 32 current CEOs and 58 aspiring CEOs in the UK, we can again see more clearly the chronic shortfall in online and digital skills. We narrowed down the key set of skills to a “big four”:

• **Store Operations** • **Marketing** • **International** • **Online/Digital experience**

Given that online/digital skills are clearly a pre-requisite for a retail CEO, we wondered what percentage of our aspiring CEOs have multiple skills to show? The finding in the right hand column below shows the extent of the skills shortage.

Big Four Skills of Current and Aspiring CEOs

Number of big four skills per person	Current CEOs (%) with skills	Aspiring CEOs (%) with skills	Aspiring CEOs (% if one of the skills HAS to be online / digital)
0	31	22	N/A
1	41	31	2
2	25	33	16
3	6	12	10
4	0	2	2

Our global panel’s responses overwhelmingly showed that a breadth of experiences was essential for a successful future CEO. Given the increasingly important role of online / digital, there appears to be a chronic shortage of suitable candidates at present for these 2020 CEO roles.

So our second DNA mismatch is that our aspiring CEOs, facing a deficit of online/digital skills, are unsuited at present for the role they may one day face.

One Chairman of a major U.S. retailer sums up the coming challenge: “Given the many changes happening in retail, there needs to be a step change in succession planning and talent management at all levels; a willingness for CEOs and boards to map out a new direction in management excellence.”

But is the retail sector able to tackle this challenge? Interviewees highlighted the low regard retail has for developing its own people. Andrew Jennings, Chairman of HEMA and Non-Executive Director for Ted Baker, echoes the sentiments of many when he says:

“Retail has a poor reputation as a career - talent must be grown within the business. If you are a lawyer or an accountant you will get plenty of support. Remember, retail is also a great profession. However, we need to spend more time building talent within the retail sector.”

Current CEOs have a role here to play in shaping a sense of career in retail – if they can look beyond the short term. One international CEO says: “The biggest challenge for current CEOs is mindset. As many people grow up through the business they become stuck in their mindset. That means the younger talent in the business may see the sort of industry they are in and decide that retail is not the sort of industry that matches expectations.” Justin Maltz, former Director of a leading UK private equity firm is also pessimistic about the ability of current CEOs to look to the bigger picture for talent and succession planning. He says: “CEOs generally don’t think it through. The really, really good CEOs do, but that’s only about 10% of the time.”



HOW DO WE BUILD THE PERFECT 2020 RETAIL CEO?

We have seen that the current leadership pool lacks the skills required for the 2020 CEO vision.

Also, we have seen that our aspiring CEOs, even though they have broader skill sets, they also lack some vital skills.

What is required now is a far greater focus on leadership development and succession planning.



Older, larger retail businesses are not so well adapted for developing a breadth of experience, but newer ones can be much more so.”

Duncan Tatton-Brown, CFO, Ocado



Now that we have identified which skills the 2020 retail CEO requires, we must focus on how we can get the next level of leadership equipped to succeed in the future. The industry needs to take responsibility for making sure detailed succession planning is imbedded into their strategy. Also that the benchmark that we appraise our leadership against is tailored and focussed around the unique challenges that the retail industry faces today and tomorrow.

In essence, aspiring CEOs require a framework to benchmark their current skills against, and retail Boards must ensure they have a relevant and robust CEO succession plan in place.

Building the Perfect 2020 Retail CEO

Through our wide-ranging interviews and surveys to this point, we have identified the core competencies – known as the **8 DNA Building Blocks™** – which have been judged to be critical to the success of any retail CEO by 2020:

- **Change Agent**
- **Customer Driven**
- **Collaborative Leadership**
- **Emotional Intelligence**
- **Digital Ownership**
- **Data Driven**
- **International Perspective**
- **Specific Product Knowledge**

Given these **8 DNA Building Blocks™**, every retailing organisation needs a means of:

- Prioritising the relative importance of the **8 DNA Building Blocks™** for the particular needs and challenges of that organisation;
- Measuring the current and aspiring CEO candidate pool, through a clear set of criteria outlining whether or not each DNA Building Block is in place;
- Assessing the gap between what is already in place – and what is missing – for each individual and for the leadership cadre as a whole. This necessitates a specific development plan for each organisation to drive aspiring CEOs up to the required level as quickly and effectively as possible.

Introducing the Green Park Retail Leadership Index™

The Green Park Retail Leadership Index™ (GPRL Index™) is an executive leadership development programme specifically aimed at evaluating and assessing tomorrow's retail CEOs. Built on the unique engagement of our global panel, it sets an industry benchmark for the skill set required of future retail leaders.

Using a unique competency model, the GPRL Index™ provides a detailed assessment plan, resulting in the presentation of internal and external candidates eligible for CEO succession. These individuals are tailored for organisational needs and the wider challenges facing the industry.

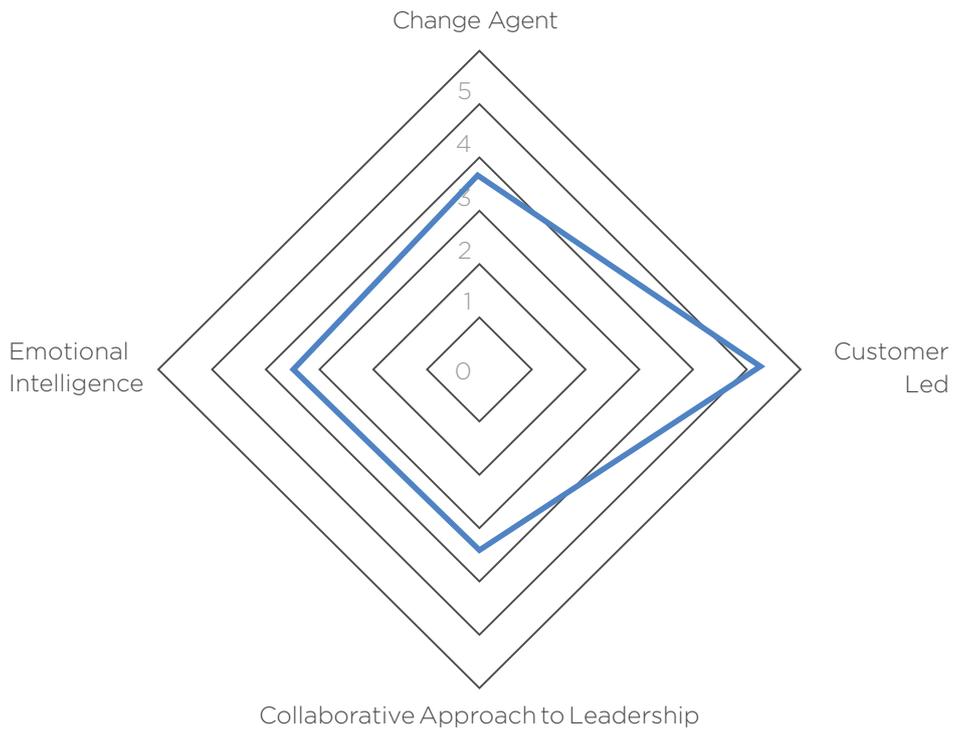
Step 1: Prioritisation

The first step was to prioritise our 8 DNA Building Blocks™ for the retail sector as a whole. To do this, we re-engaged with our global panel and asked them to consider personal traits and technical skills as two separate areas, each with the four components listed above.

We asked them to allocate up to five competency marks to each component, but only up to a total of 12 marks for each of the two areas. **Therefore, respondents were forced to prioritise.** By taking an average of the scores, we have established a de facto DNA map for our retail CEO in 2020. It should be stressed that all of the components are already established as important from our previous analysis, so a low score does not show a lack of importance but a relative sense of importance.

Personal Traits

Personal Traits – Global Industry Benchmark



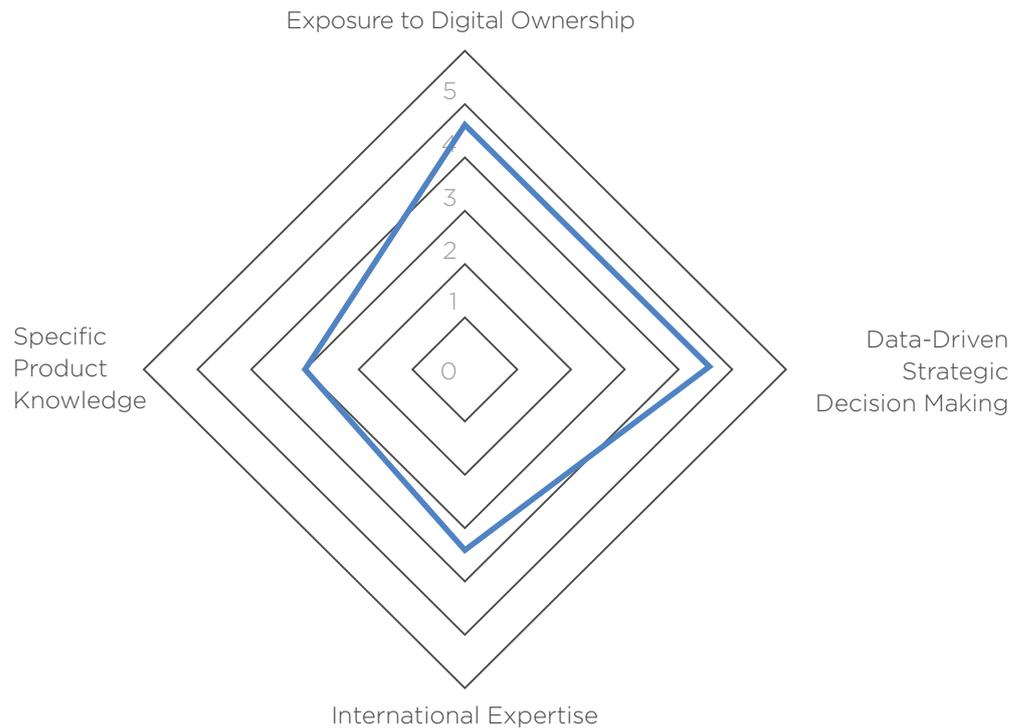
Average Scores for personal traits (out of five) in our index were as follows:

- Change Agent.....2.7
- Collaborative Approach to Leadership2.4
- Customer Led..... 4.3
- Emotional Intelligence2.6

While all of the above personal traits are crucial for the future retail CEO, the above chart shows the pre-eminence in being customer-led above all other skills. CEOs will need to develop a new depth of understanding of modern customer behaviours.

Technical Skills

Technical Skills – Global Industry Benchmark



Average scores for our technical skills (out of five) were as follows:-

- Exposure to Digital Ownership3.7
- International Expertise..... 2.6
- Data-Driven Strategic Decision Making3.7
- Specific Product Knowledge2.0

When forced to choose between technical skills, our respondents gave an equally high ranking to the twin drivers of the modern retailing revolution, namely a proven track record in the digital environment and data-driven decision making.

While the above charts represent a set of industry benchmarks, every retailing organisation is of course unique. It will have its own set of challenges and circumstances that will make an impact on the prioritisation of the 8 DNA Building Blocks™. **Therefore, the first stage of the GPRL Index™ process will be to benchmark and prioritise these competencies for each organisation, as well as providing an industry benchmark.**

Step 2: Measurement

Throughout our extensive conversations with our global panel, we have established clear common criteria underpinning each of the 8 DNA Building Blocks™.

Part of the **GPRL Index™** is to provide a tangible method to measure organisations key leadership competencies – given their prioritisation in Step 1 – against the following criteria:

Green Park Retail Leadership Framework™

<p>Change Agent</p> <ul style="list-style-type: none"> ■ Has led and managed culture change from traditional retail to omni-channel ■ Has managed investment into the modernisation of infrastructure (e.g. digital commerce, IT, supply chain) ■ Has transformed the organisation into one strategically focused around clearly defined customers 	<p>Customer Champion</p> <ul style="list-style-type: none"> ■ Shows a hard-wired understanding of modern customer behaviour and mindset ■ Has a thorough understanding of modern customer behaviour across all channels ■ Can link customer insight clearly and directly to strategic decision making
<p>Emotional Intelligence</p> <ul style="list-style-type: none"> ■ Demonstrates an ability to hold individuals to account, in terms of values/behaviours as well as financial targets ■ Absorbs pressure without converting it into external stress/panic which is visible externally or internally ■ Shows capacity to deal with high levels of ambiguity whilst operating within a data-rich environment ■ Is able to lead and inspire the younger members of the workforce (e.g. the unique challenges presented by “millennials” and other groups) 	<p>Collaborative Approach to Leadership</p> <ul style="list-style-type: none"> ■ Engages and communicates across all levels of the organisation, with a highly visible leadership approach ■ Draws together and reconciles disparate viewpoints to make strategic decision ■ Has experience of building stable, high performing, collaborative and cross-functional leadership teams ■ Enables culture shift, particularly around “new skills” (e.g. introducing data-science or behavioural-science to top teams)
<p>Exposure to Digital Ownership</p> <ul style="list-style-type: none"> ■ Has owned and managed P&L for digital channels, with evidence of sustainable increases in sales and profits ■ Shows an in-depth understanding of the benefits of customer loyalty programmes / the personalisation agenda and resultant improvements in profitability ■ Experience of ownership in multi-channel customer acquisition and the profitable use of digital marketing 	<p>Data-Driven Strategic Decision Making</p> <ul style="list-style-type: none"> ■ Understands and can apply “big data” into strategic decision making ■ Understands the impact of modern customer behaviour on strategic technology decisions ■ Holds a dynamic view of the customer, which varies across demographics, products, time and channels
<p>Specific Product Knowledge</p> <ul style="list-style-type: none"> ■ Has had direct exposure to the retailing of key product and services ■ Understands and appreciates the relevant customer context of products and services 	<p>International Expertise</p> <ul style="list-style-type: none"> ■ Has worked and lived overseas ■ Has managed multiple national markets simultaneously ■ Has been exposed to different cultures and their impact on customer propositions



Step 3: Assessment and Development

Step 1 of the **GPRL Index™** process allows us to do something that has never been done before – use a hitherto untapped set of data from global retailing Chairs, CEOs and senior retailing executives to:

- a) Benchmark and prioritise 8 DNA Building Blocks™ for future retail leadership for the sector as a whole.
- b) Give the opportunity for any retailing organisation to do the same in order to understand its own particular leadership circumstances more clearly.

Step 2 of our process provides a means to measure organisations key leadership competencies, given their prioritisation established in Step 1, against a clear set of criteria.

Step 3 of the **GPRL Index™** methodology assesses the gap between what is already in place and what is missing for each individual and for the leadership cadre as a whole.

This necessitates a specific Green Park Retail Leadership Development Plan for each organisation to drive aspiring CEOs to the required level quickly and effectively.

DNA Match – time to find tomorrow’s outstanding retail CEOs

It seems fitting that as the retailing world is becoming ever more dependent on data analytics, that the Green Park Retail Leadership Index™ should provide a benchmark through which to assess the DNA of retail leaders of the present and future.

It’s a rare Chairman who would not seek the perfect CEO, however, until now there was no robust framework for mapping the inevitable challenges on the CEO candidate selection that is sector specific. Now retailers can benchmark and prioritise 8 DNA Building Blocks™ against a hitherto unseen set of industry and organisational metrics, measure the tangible steps required to create or improve the “CEO readiness” of leaders in each and every organisation and finally assess and develop organisational and individual development plans necessary to create outstanding leaders for the future.



[CONCLUSION]

At the start of this report, we stated that we wanted to stimulate a crucially important debate around leadership in the retail sector. We know that the retail sector is in a bewildering state of flux and transformation – thus having a profound effect on the role of retail leadership.

We have seen clearly that in the view of our 100+ global panel, many retail incumbent CEOs lack the personal traits and especially, the technical skills required for the role today. The DNA of many of today's CEOs effectively doesn't match that job description. Also, this gap significantly widens when we start to focus on the key skills required for the 2020 retail CEO. There is a second, more worrying DNA mismatch – that aspiring CEO successors who seek to replace them face a significant deficit of online, digital and data skills in order to be ready for this role in 2020.

Most importantly, in response to these findings, our aim was to provide the industry with tools in order to move forward. We summarised the findings of our global report into the Green Park Retail Leadership Index™ which both provides aspiring CEOs a framework to benchmark their current skills mix against, and as a tool for retail Boards to ensure they have a robust CEO succession planning process in place. This will deliver future CEO candidates equipped to lead their organisations through these turbulent times and beyond.

We hope the industry will take our findings and use them as a framework for a wider debate on the future of retail leadership.

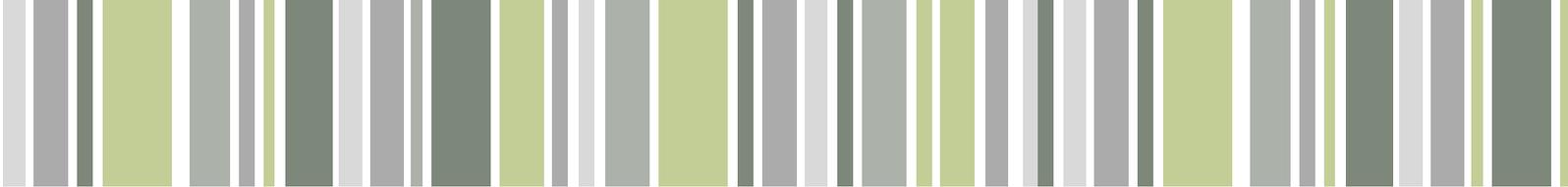


ACKNOWLEDGEMENTS

We would like to thank all of the individuals who took the time to contribute to this project. Some individuals elected to remain anonymous, following their contributions; therefore, they are not included in our list of contributors. However we would like to express our thanks to those individuals in addition to the below,

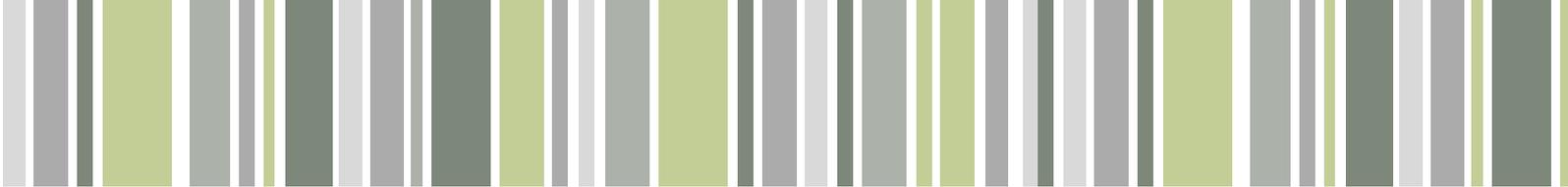
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 99. Shaun Wills, Chief Financial Officer, Jacques Vert Group
 100. David Wood, President, Grocery / Non Food Grocery / Pharmacy, Sears
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ADDITIONAL SOURCES

Aside from our extensive research and interview with our global panel, described elsewhere in this report, additional sources for this report included:

1. “10% of FTSE 100/250 CEOs did not attend university” - HR Review
<http://goo.gl/H6jD4X>
2. Green Park Leadership 10,000 study - an annual “root and branch” analysis of the 10,000 most senior employees operating within the FTSE 100 by gender, ethnicity and cultural background
<http://goo.gl/L03qgP>
3. “Leading a Digital® Transformation” - Bain & Company
<https://goo.gl/UfXuPF>
4. “How to better prepare business leaders for today’s top challenges” - CGMA
<http://goo.gl/TSFqs8>
5. Why leaders lack Emotional Intelligence - Dr. Travis Bradberry
<https://goo.gl/higlRc>
6. Forbes magazine profile on retail sector research by Wharton Business School
<http://goo.gl/uujtqU>
7. “Sector Insights: skills and performance challenges in the retail sector” by CES - the UK Commission for Employment and Skills
<https://goo.gl/b75wjm>
8. “Retail’s digital skills gap set to widen” - Computer Business Review of UK Commission for Employment and Skills research
<http://goo.gl/ZpmVvP>
9. “Improving the Gender Balance of British Boards” - Women on Boards Davies Review
<https://goo.gl/zd2pEX>
10. “The dawn of mobile influence” - Deloitte Mobile
<http://goo.gl/f19vya>
11. BDO Retail Forecasts 2016 - Navigating The Headwinds Of Omni-Channel Retailing
<http://goo.gl/DiHYYD>



METHODOLOGY

Where do Today's CEOs come from?

This section was focused upon the profiling of the backgrounds of 32 current UK CEOs. 32 were chosen as this was the number of CEOs of UK-based retailers who fulfilled the conditions:

- a) Working in a retailer with a global revenue exceeding £1bn (as per 2014/5 sales figures)
- b) Working in a retailer headquartered in the UK
- c) For whom we could attain background information of a sufficient detail for the analysis within the report

The in-depth career information was an amalgamation of publicly available information, paid-database information, information on the Green Park Interim & Executive Search database and information acquired using Executive Search research methods.

The DNA of Today's Perfect Retail CEO

The data outlined in this section was accrued from an extensive engagement of our global panel of over 100 retail Chairs, CEOs, executive directors and other influencers to the retail sector. The presentation of results was framed by the initial content of our early face-to-face interviews with Chairs and CEOs of global retail businesses.

The results are ordered by a mean ranking system / weighted ranking system. In this system, we take the mean / average ranking scores and then order the retailers in ascending order. The lowest mean ranking score (i.e. closest to 1) is ranked as the highest priority and the highest mean ranking score (i.e. closest to 7) is ranked as the lowest priority.

The analysis of the results was framed and informed by the content of the face-to-face and telephone interviews conducted in this project.

DNA Mismatch 1

The data in this section was accrued from the same extensive engagement as the above section. The traits were ranked using the same method.

The analysis of the results was framed and informed by the content of the face-to-face and telephone interviews conducted in this project.

How are Aspiring CEOs Shaping Up?

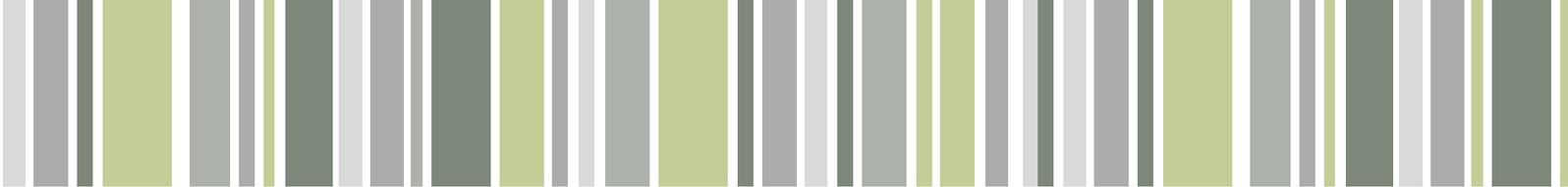
This section was focused upon the profiling of the backgrounds of 58 potential future UK CEOs. 58 were chosen as this was the number of CEOs of UK-based retailers who fulfilled the conditions:

- a) Working in a retailer with a revenue exceeding £1bn (as per 2014/5 sales figures)
- b) For whom we could attain background information of a sufficient detail for the analysis within the report
- c) Adjudged by Green Park Interim & Executive Search to have a skillset more rounded or senior than other senior employees of that same company and therefore the highest probability of being internally hired CEOs

The in-depth career information was an amalgamation of publicly available information, paid-database information, information on the Green Park Interim & Executive Search database and information acquired using Executive Search research methods.

DNA of the Perfect 2020 Retail CEO

The data in this section was accrued from the same extensive engagement as the sections: DNA Mismatch 1 and The DNA of Today's Perfect Retail CEO. The traits were ranked using the same method.



METHODOLOGY

The analysis of the results was framed and informed by the content of the face-to-face and telephone interviews conducted in this project.

DNA Mismatch 2

The data in this section was accrued from the same extensive engagement as the sections: DNA Mismatch 1, The DNA of Today's Perfect Retail CEO and DNA of the Perfect 2020 Retail CEO. The traits were ranked using the same method.

The analysis of the results was framed and informed by the content of the face-to-face and telephone interviews conducted in this project.

How Do We Build the Perfect 2020 Retail CEO?

To prioritise our 8 DNA Building Blocks™, we reengaged a partial and select section of our global panel. We asked them to consider personal traits and technical skills as two separate areas, each containing four components. We asked them to allocate up to five competency marks for each personal or technical component but only up to a total of 12 marks for each of the two areas. Therefore, respondents were forced to prioritise.

Analysis in the Step 2: Measurement section was compiled through an unpacking of the content of the face-to-face and telephone interviews conducted in this project.



ABOUT GREEN PARK **RETAIL PRACTICE**

Green Park is a multi-award winning supplier of executive search, interim management and board advisory solutions, operating on a global basis. Green Park's retail practice boasts more than 50 years' combined experience and was named by Retail Week as one of the UK's top retail headhunters. With over 60% repeat business and a 98% completion rate on the last 100 executive search assignments, we have a combined track-record of over 1000 assignments completed in the last five years.

We have long-standing partnerships with a number of UK, international and private equity owned retailers, spanning geographies, categories and operating models – ranging from FTSE 100 retailers to boutique, family owned enterprises. Our practice has a strong track record of working alongside these organisations at Main Board and Operating Board level to build core teams and leadership capability. We have a global recognition for our work on diversity and a unique insight into organisational design and talent around the omni-channel retail model.

Green Park has developed a wealth of knowledge surrounding the continually changing retail landscape through the publication of thought leadership pieces and well-referenced white papers. With offices in the UK, US and Nigeria, we are able to draw on a global network, sustained and developed by our in-house team of multilingual researchers that provides bespoke candidate identification and business intelligence.

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