The New Path To the C-Suite

Are you ready for the big job? How the road to the top is shifting—and what changes lie ahead

by Boris Groysberg, L. Kevin Kelly, and Bryan MacDonald
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We know that different times and different circumstances call for different leadership skills. So when it comes to managing your own career, how do you prepare yourself to move up? What abilities should young would-be executives focus on developing as they choose companies, functions, and jobs? And what skills should working executives hone as they strive to reach the next level?

Those aren’t easy questions. The trends vary by function, geography, and industry—and, of course, by company. And though we can definitively identify the skills that companies seek now, pinpointing those that will be useful in the future is unavoidably speculative. Nevertheless, in examining hundreds of executive profiles developed over the past decade or so by the executive search firm Heidrick & Struggles and interviewing numerous top managers about the requirements for senior leaders past, present, and future, we have seen some clear signals about how C-level jobs are evolving.

One strikingly consistent finding: Once people reach the C-suite, technical and functional expertise matters less than leadership skills and a strong grasp of business fundamentals. Chief information officers need to know how to create business models; chief financial officers, how to develop risk management
“I look at myself as a business leader and not as a CIO. I talk to my team about how to have different types of conversations. For instance, don’t talk about how great the new smartphone is—talk about how it will increase sales calls, drive up revenue growth, and improve market share.”

—CIO, GLOBAL CONSUMER GOODS COMPANY

strategies; chief human resource officers, how to design a succession plan and a talent structure that will provide a competitive edge. In other words, the skills that help you climb to the top won’t suffice once you get there. We’re beginning to see C-level executives who have more in common with their executive peers than they do with the people in the functions they run. And today members of senior management are expected not only to support the CEO on business strategies but also to offer their own insights and contribute to key decisions.

In this article we’ll explore this trend in more detail and explain other findings about skills required in each of seven C-level jobs—CIO, chief marketing and sales officer, CFO, general counsel, chief supply-chain-management officer, chief human resource officer, and CEO. We’ll discuss the competencies that companies have sought over the past decade, those currently in demand, and those that, based on experience and early evidence, we expect to take precedence in the next decade. (For details on the methodology, see the “About the Research” box.) Our aim is to draw a road map of sorts for ambitious managers, to help them plot their next moves.

The Chief Information Officer

In the late 1980s and mid 1990s, most executives in information technology either had grown up in the function, following a standard path from business analyst to director, or were accounting professionals with systems experience. Typically, directorship was the end of the line. IT leaders were detail-oriented, logical, sequential thinkers. But toward the end of that period, as web opportunities burst onto the scene, companies began to seek more strategic ways to apply technology—using the internet to explore new markets, attract new customers, and streamline processes.

The typical IT director back then wasn’t particularly well versed in business strategy or big-picture thinking. Technology departments had become too rigid and parochial to respond quickly to new business challenges and opportunities. IT directors by and large either pushed back with technical reasons for why something couldn’t be done or agreed to requests too quickly without challenging their rationale or grasping their scope (and then frequently failed to deliver). Across geographies and sectors, serious barriers—in both leadership behavior and capability—were emerging between the business and technology functions. The few executives who could straddle both worlds were in high demand.

In the mid to late 1990s, in response to the lack of business savvy among the IT staff, a new position evolved—CIO. The CIO was a senior executive who understood not only new technologies but also how they applied to business strategy. These new members of the executive team were able to broker the complex relationship between business leaders and the IT department. They were less exclusively concerned with the technology itself and more attuned to how it could generate competitive advantage—and more focused on leadership and organizational effectiveness. Meanwhile, another phenomenon was emerging: globalization. IT managers had to deal with integrating and standardizing processes and platforms across multiple operating companies, group functions, and regions.

Then, in 2008, as credit began to dry up, business needs shifted again. Though IT had become better aligned with the business (at least when it came to improved relationships), IT executives now had to make complex decisions based on rigorous analyses of return on investment. Their jobs became less about managing projects well and more about managing the right projects well. Major technology expenditures needed to be justified. A number of CIOs found themselves in over their heads; the IT function required a leader who understood the increased complexity of business and how IT strategy, business strategy, risk management, and finance interacted.

For the foreseeable future, we expect the demand for a sophisticated mix of skills in CIOs will increase. Companies will seek “hybrid” CIOs who have not only business savvy but also experience with ana-
lytics, organizational design, and infrastructure—and who know how to wire together a holistic system that can support global growth. In many cases, a commercial background will be a plus. Sales and marketing knowledge will be considered an advantage when it comes to e-commerce initiatives, as will stints in supply-chain management and logistics.

The most sought-after CIOs will have a keen understanding of how companies can put to use the oceans of information they now collect. As the CIO of a global consumer goods company explains, “There is a data explosion happening around us, but we feel we are well equipped to exploit this opportunity and use it as a competitive differentiator in our markets. The ways we share our ideas and gain customer feedback are very new and exciting.”

The Chief Marketing and Sales Officer

For most of the 20th century, the sales and marketing functions had narrow business charters and operated as silos. The two functions also tended to concentrate on different areas: sales on the business-to-business realm and on managing direct salespeople; marketing on the business-to-consumer realm. Marketing executives were almost exclusively responsible for creative, brand-driven advertising initiatives; sales executives were the proprietors of customer relationship management at the point of customer contact. Well-balanced, integrated marketing-and-sales organizations were rare; typically, one function had more power than the other.

At the turn of the millennium, marketing and sales still remained separate, but both began to broaden in scope as new channels emerged. Sales continued to overshadow marketing in B2B companies, but e-commerce initiatives forced sales leaders to grapple with some of the responsibilities that typically fell to marketing, such as how to deliver brand messages directly via the web. Demand for this expanded skill set gave rise to the VP of sales and marketing position, which became common in more and more companies.

A full decade later the lines between marketing and sales are continuing to blur. Trends like crowdsourcing are accelerating the innovation process, and social technologies, interactivity, and mobility have become integral to consumer media. Because marketing and sales must respond seamlessly to new opportunities, combined roles are increasingly prevalent.

The rise of a new role, chief commercial officer, reflects this shift. A 2009 Heidrick & Struggles study found that more than 200 CCOs had been appointed worldwide since the title first appeared a decade earlier; more than 50 of the appointments occurred in 2008 alone. The creation of the position attests to the CEO’s need for a single point of contact on the commercial side who can manage innovation, product development, marketing, and sales—across all platforms, both digital and bricks-and-mortar.

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—CMO, GLOBAL TECHNOLOGY AND SERVICES COMPANY

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The skills needed for top jobs change with the times. The résumés of today’s C-level managers look much different from those of their predecessors from 10 or 20 years ago.

For the senior-most executives, functional and technical expertise has become less important than understanding business fundamentals and strategy. Top-team members now tend to have more in common with their executive peers than with the people in the functions they lead. Chief human resource officers, for instance, increasingly come from outside HR; IT executives now often benefit from a marketing background.

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Idea in Brief

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To identify the critical traits of senior executives past, present, and future, we combined data analysis with studies of job descriptions created by knowledge management experts.

First, we examined executive summaries describing why companies were recruiting; for example, for the position of chief information officer, we read more than 100 profiles prepared for firms that were conducting searches. We focused in particular on the themes in the companies’ job descriptions and how they ranked various competencies from “essential” to “nice to have.” We charted the data first on a timeline (from 10 years ago to the present), then by sector, and finally by geography. Second, we asked search consultants in each function to speculate about what the future held for the positions we were surveying. To gather information on future requirements for CIOs, for instance, we convened several members of search firms’ information technology practices to discuss changing business needs (such as balancing innovation with simplified computing utility) in light of new technologies. Finally, we corroborated our analysis and gathered additional insights by conducting interviews with executives who were serving or had served in the roles in question.

Technology—in particular, digital channels as touch points—will continue to dominate marketing and sales strategy in the future. The demand for segmentation capabilities will grow as firms address a more diverse population of customers who expect tailored products and solutions as well as higher levels of service. Marketing and sales executives will be managing a workforce that has grown up in the digital age and catering to a customer base that has an ever-increasing desire for speed and easy interaction.

The Chief Financial Officer
Prior to the early 2000s the typical CFO was a bean counter, responsible mainly for reporting the numbers, measuring performance with integrity and accuracy, and managing the company’s checks-and-balances processes. CFOs had accounting and financial acumen as well as strong quantitative skills, but their purview was relatively narrow and confined mostly to their department. The typical CFO was also country-centric, even at firms with an international presence, operating on the theory that regulatory differences made global finance too complicated.

Today, however, regional differences loom larger than ever, and multinationals no longer have the luxury of keeping finance issues within geographical boundaries. Managing a company’s financials has become increasingly complex. Most large companies have a head of accounting team up with the CFO, who in turn plays a much more strategic role.

As the CFO of a large U.S. retailer explained it to us, a decade ago he was a good “steward” but saw the business more through an accounting lens versus a strategy and value-creation lens.

“I think many CFOs a decade ago were probably great ‘stewards’ but saw the business more through an accounting lens versus a strategy and value-creation lens.”

—CFO, LARGE U.S. RETAILER

Experience that matches a company’s current needs—M&A experience for a company in growth mode, for instance, or a strong background in controls for a company that has experienced restatements or earnings violations

Somewhat reduced focus on accounting skills and increased focus on strategic thinking

Skill at finding the link between accounting and new business models and strategy

Understanding of risk and how to balance it with performance

A stronger outward focus, particularly when it comes to investor relations (though CFOs still need to be good overseers on the accounting front)

A global, as opposed to country-specific, approach to finance

NEW REQUIREMENTS FOR THE CFO

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As the CFO of a large U.S. retailer explained it to us, a decade ago he was a good “steward” but saw the business more through an accounting lens than through strategy and value-creation lenses. That is not the case for most CFOs today. The top finance job now involves helping the CEO and business heads find new opportunities and assess their strategic and financial merits and risks. Because risk manage-
The CFOs of the future will operate around the globe, in multiple time zones, and will regularly partner with nonfinancial areas of the business on growth initiatives and international expansion. Thus they will need both a commercial sensibility and a global mind-set. (Some of the best companies now give their finance leaders international assignments to make sure they develop such a mind-set.) And whereas today CFOs are required to develop and implement systems and processes for budgeting and performance metrics, tomorrow they’ll also be required to provide the management team with real-time operational and financial data and analyses. They’ll continue to perform the traditional functions of managing the finances, reducing costs, and putting in place the appropriate controls, but strategic thinking will become more important. One retired chief financial officer believes that for the future CFO, “being a major contributor to the firm’s competitive advantage will be more essential than the compliance aspects of the traditional role.”

The General Counsel

Twenty years ago, with some rare and notable exceptions, the general counsel role was not a powerful or influential one. The move from a law firm to in-house counsel was regarded as the “soft” option; in-house lawyers were often deemed second-class citizens in the legal profession. They worked shorter hours and made less money. They kept an eye on regulatory compliance, closed deals, reviewed documents, and dealt with employee issues. The most challenging and important issues were typically sent to outside counsel.

As it did with CFOs, the heightened attention to risk management broadened the role of general counsels over time. Safety, security, and reputational risks all became central to the senior team’s agenda. Companies began to seek legal officers who were adept at anticipating and mitigating them before they attracted public scrutiny. Increasingly, firms insisted that the top lawyer be at the table to discuss new initiatives so that their risks would be thoroughly analyzed before rollout. Many general counsels also became viable candidates for the job of CEO—evidence of their growing role as business partners.

With these changes the general counsel position began to shed its image as a soft job. Because regulatory scrutiny has intensified so much, GCs now are under more pressure and work just as hard as, and often get paid more than, partners in law firms.

To land a general counsel job today, a lawyer needs experience negotiating with legal and regulatory agencies and industry watchdogs—in the U.S., groups like the Department of Justice, the Financial Industry Regulatory Authority, the Securities and Exchange Commission, the Federal Trade Commission, the Treasury Department, and the Office of the Comptroller of the Currency (a bank regulator). And whereas corporate lawyers were once expected to understand just the rules at home—the assumption was that legal expertise didn’t travel across national borders well—CEOs today need lawyers who can operate across geographic boundaries.

A sterling external reputation and a robust outside network—in particular, connections with government agencies and authorities—will often tip the scale in a given candidate’s favor. In heavily regulated industries or ones with a substantial amount of
bet-the-company courtroom action, litigation experience is attractive, though corporate law tends to be the background of choice in some other industries.

We’ll see a continuation of the trend toward general counsels who report directly to chief executives and function as high-level advisers to CEOs and their boards. To manage outside law firms, general counsels will have to develop new strengths in strategic and business knowledge, financial skills, and collaboration. They will also need the agility to explore alternative fee models while maintaining the quality of legal services provided. Amy Schulman, Pfizer’s general counsel, exemplifies the new, more versatile breed. She led a major reorganization of the company’s legal division and spearheaded the creation of the Pfizer Legal Alliance, a group of 19 law firms that are compensated on an annual fee, rather than billable hour, basis and are expected to share information on Pfizer’s legal business. Recently, Schulman became the business lead for Pfizer Nutrition, a unit that provides infant formulas and other products for children in more than 60 countries.

Corporate counsels as a whole will need the drive and skill to deal with a range of new and evolving challenges, like content piracy, privacy, and environmental initiatives. Though the role of general counsel will continue to attract senior partners from law firms, companies will be more reluctant to pull executives straight from private practice, preferring candidates with in-house experience who understand how to manage the people and finances of a legal department and how to operate as part of an executive team.

To help prepare their graduates for the new challenges, law schools have begun offering more business-focused and international legal courses. Fluency in multiple languages and cultural awareness are also key new skills for general counsels.

The Chief Supply-Chain-Management Officer

Two decades ago supply-chain management consisted of a handful of disciplines that were not systematically linked, and at the turn of the millennium that was still largely the case. However, as companies expanded internationally, separately handling the different aspects of SCM, such as purchasing and warehousing, started to become expensive and ineffective. The challenge of cost reduction forced SCMOs to pursue strategic sourcing and to build collaborative relationships with suppliers. CEOs thus looked for SCMOs who knew how to achieve cost efficiency and possessed operational and outsourcing expertise. But 10 years ago SCMOs still rarely reported directly to the CEO; the function was somewhat removed from the concerns of top management.

Since then the role of the SCMO has changed. Today supply-chain management links the process end to end: Planning, procurement, manufacturing/operations, and logistics work together to devise economical solutions. The SCMO is expected to know all four functions thoroughly and to create an environment in which they share knowledge and work together smoothly.

Sustainability is also rapidly becoming a business imperative for executives who manage this function. Companies are finding that they can create value by executing and sharing sustainability strategies throughout their supply chains, from suppliers to customers. That trend is driving managers toward increased transparency; the greater the collaboration across the supply chain, the more benefits the company discovers.

“The future SCMOs will continue to be expected to pursue low costs through ever more diverse sourcing, both onshore and off. They will need to manage long-distance logistics and transportation, taking into account unpredictable external factors that could have a major impact on costs, such as political instability or the price of oil. Because they will also partner with CIOs to invent new ways for their companies to interact with customers and suppliers, SCMOs will have to be technologically savvy. Beyond all that, they will need to be big-picture thinkers who can participate in strategic and operational decisions

“..."I have my people work as extended business partners with the other business units as part of cross-functional teams. Supply-chain leaders should be thinking about the whole enterprise rather than ‘It’s not my function.’ The goal is to influence a broader discussion instead of a myopic silo perspective.”

— CHIEF PROCUREMENT OFFICER, GLOBAL AIRLINE
at the highest level. Since SCMOs will be active and equal members of the executive team, experience in running a business unit, managing a P&L, and interacting with customers will serve them well.

As they meet the heady pace of change, companies will continually adjust their business models. In order to revise their supply practices accordingly, SCMOs will need experience in organizational design. International experience will grow more critical in the job, too, as global distribution becomes more commonplace and more competitive. SCMOs will need to understand emerging markets, which will often force them to embrace innovation. Distribution and logistics challenges in India, for example, are so complicated and challenging that ordinary solutions fall short there.

**The Chief Human Resource Officer**

Despite widespread acknowledgment that talent is integral to competitiveness, HR still struggles to gain clout in the C-suite. The HR role has long been viewed as largely administrative, except in the most forward-thinking companies, and its leaders have mostly been relegated to managing policies and cultural initiatives.

In the early 2000s, as globalization hit full force and multinational companies from mature markets expanded further into developing countries, hiring and managing talent became more complicated. Cultural differences created internal tensions and confused recruiting efforts—making strong talent programs more vital than ever. Because it’s difficult to compare leaders from vastly different markets, companies began to acutely need personnel development systems that could be applied in a variety of settings. Nonetheless, at many companies HR still has something of a PR problem—and, with few exceptions, appears largely to react to rather than shape changes in the business world.

Some of the fault clearly lies with CEOs, who typically fail to define what they expect from their CHROs. And although compliance, risk, and executive compensation all belong on the CEO’s agenda, many CEOs do not understand how to leverage the HR function to help address those topics. As Howard Schultz, the CEO of Starbucks, was quoted as saying in the *New York Times*, “The discipline I believe so strongly in is HR, and it’s the last discipline that gets funded. Marketing, manufacturing—all these things are important. But more often than not, the head of HR does not have a seat at the table. Big mistake.”

But there are signs of change. Instead of turning to career HR practitioners, companies are increasingly filling the CHRO role with leaders from functions on the business side, such as operations, marketing, or corporate law. One financial services company, for instance, which has long pointed to its sophisticated HR practices as a key source of competitive advantage, recently appointed a legal professional as its CHRO, in large part in response to the complex regulatory environment. Legal issues, in fact, are consuming more and more of HR executives’ bandwidth—often to ill effect. Another financial services firm has seen a marked rise in turnover of late as its CHRO has been forced to spend most of her time dealing with regulatory and compensation issues, leaving other parts of the HR job undermanaged.

If companies continue to award top HR jobs to non-HR executives, the CHROs of the future will be more likely to have an understanding of commercial models, as well as experience with change management and finding pragmatic solutions to complex issues. And they will put extra pressure on HR specialists in functions like talent management to shift their focus from theory to business management.

As companies make more cross-border acquisitions, HR leaders will have to become more culturally and internationally astute. Ideally, they will have lived and worked in several regions. Such experience will give them a more nuanced understanding of how dissimilar cultures interact and help them make the most effective use of people with very different requirements for the CHRO position to the rest of the organization.

“**A good bellwether of the state of HR will be the function’s ability to produce candidates from within its own ranks to take on senior roles at companies.**”

—EXECUTIVE RECRUITER
“The critical functions for today’s CEO are to listen, listen, listen...and communicate, communicate, communicate.”

—EXECUTIVE RECRUITER

ferent backgrounds. It will also help them create a high-performing organization with the least possible disruption—a tall order.

In general, because of changing workforce demographics, HR executives will have to be comfortable managing a staff that is more diverse. They will need to adeptly juggle the needs and contributions of experienced boomers, eager millennials, and professionals from emerging economies, to name a few.

Compensation will continue to be a hot topic, and not just in the financial services industry. Grounding in global remuneration practices and in the financial modeling, taxation, accounting, and legal issues surrounding compensation will help HR leaders build their companies’ capabilities and gain credibility with senior leadership teams and boards of directors. The heads of HR also must be integrally involved in designing and implementing leadership succession plans—a matter that is woefully neglected in the majority of companies.

It may sound cliché, but attracting and developing top talent is the most important job of the CEO, and the chief HR officer should, in partnership with business heads, lead the charge.

The Chief Executive Officer

Many people have written about how the CEO role has evolved, so we won’t go into depth here. We did, however, note a few trends that are influencing the direction the job is going in. First, it’s less and less common for board members to be selected by the CEO, as boards and their nominating committees have assumed primary responsibility for director recruitment. However, it’s now more common for the CEOs to owe their jobs to the boards rather than to their predecessors. That shift will mean more accountability at the top. Interestingly, boards have also become a source of CEO candidates. Over the past year there was a notable jump in the number of CEOs who were recruited from their company’s board, according to an October Newswire article.

Second, the types of skills increasingly in favor are strong communication, empathy, collaboration, and trust building. One skill that will be of foremost importance will be the ability to elicit public trust as the face of the company. That will include facility and credibility with socially responsible initiatives.

ONE THEME that ran consistently through our findings was that requirements for all the C-level jobs have shifted toward business acumen and “softer” leadership skills. Technical skills are merely a starting point, the bare minimum. To thrive as a C-level executive, an individual needs to be a good communicator, a collaborator, and a strategic thinker—and we think the trend toward a general business orientation over a functional orientation will continue. A CEO would now count on a CIO, for instance, to weigh in on a discussion about expansion into a new market and how the firm’s systems could support that expansion. What would the challenges be? What would be the long-term impact of the IT expenditures required to support the expansion? The CIO would be expected to provide answers to those questions.

Going forward, C-level executives will not simply manage their own business areas; they will be active members of the firm’s senior leadership who advise the CEO on key decisions. As one executive recruiter put it, “The C-level person today needs to be more team-oriented, capable of multitasking continuously and leading without rank, and able to resist stress and make sure that his subordinates do not burn out. And he needs to do all of this with a big smile in an open plan office. In other words, we’re looking at a whole new breed of top executive.”

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