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LUXURY MEMO SPECIAL REPORTS

Leadership in luxury Luxury Memo special report

June 13, 2019

The top of the corporate ladder is evolving. Image credit: BCG

By SARAH JONES

Reflective of the rapidly changing nature of business today, the executive leadership at luxury companies is also evolving.

The makeup of the C-suite is changing, as new roles are added and hires from outside of the luxury space take up the reins at storied houses. Finding talent to lead luxury companies is becoming more complex and challenging, requiring companies to market themselves as employers.

"The expansion of ecommerce has created new opportunities outside of traditional bricks-and-mortar luxury brands," said Lizandra Vega, executive search consultant at Lizandra Vega Enterprises. "This has created a larger pool of executives to recruit from as well as more jobs.

"It is a candidate market right now," she said. "Candidates have a myriad of options, and you really have to woo them with competitive comp, benefits, stock and perk option.

"The opportunity is the incentive to improve comp, benefits, stock plan, etc. to attract the highest caliber of executive level candidates. Also, improving the candidate experience will help turn prospective employees into actual employees."

Top 5 trends in luxury leadership

- Tenure and turnover

  While some CEOs stay for decades, an increasing number are spending less time in their jobs before moving on.

- Diversity

  While most CEOs are still white and male, there has been a growing push to put more diverse leadership in place at companies.

- Tapping talent

  Luxury brands are hiring C-suite executives from sectors such as technology and entertainment.

- New roles

  The executive leadership at companies is getting a makeover courtesy of new titles such as chief digital officer and chief brand officer.

- Skillset shift

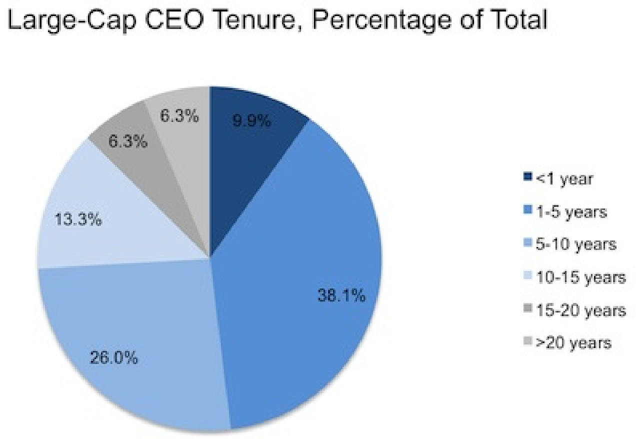
  There has been a growing call for leaders of both genders to have more feminine, soft skills.

Turnover and transitions

According to data from Equilar, CEOs at the helm of large-cap companies are moving on faster than before. In 2017, the median tenure for a CEO was five years, down from six years in 2016.

Among all U.S.-based companies, data from Challenger, Gray & Christmas Inc. puts average tenure of outgoing CEOs this April at 8.8 years.

Even though it is becoming more common for CEOs to have briefer stints, Equilar found that about a quarter have been in their role for at least 10 years, with 6.3 percent having tenures of 20 years or more.



Graph of CEO tenure. Image credit: Equilar

Some of the reasons behind shorter tenures include pressure from shareholders and boards to quickly deliver on financial expectations and fallout from misconduct.

For instance, Volkswagen replaced CEO Matthias Mller this past year in an effort to further distance itself from its emissions scandal. Mr. Mller, who had led the company through the scandal, exited in April.

The trend of shorter tenures is also taking off in luxury.

For instance, Stuart Weitzman's former CEO Wendy Kahn left after less than two years. She was succeeded by Eraldo Poletto, who joined Stuart Weitzman following a two-year tenure at Ferragamo (see story).

Brioni has been in a period of transition after a number of creative director changes. The Kering-owned company's executive leadership has also evolved, as former Gianluca Flore left after slightly more than two years (see story).

Fabrizio Malverdi joined Brioni in 2017, looking to grow the brand's global presence (see story).

While shorter tenures can come with some challenges and adjustments, some argue that having CEOs stay less time can benefit companies. A study from 2013 found that in later years at the job, CEOs are effective at employee relations but they struggle with leading the company in a successful direction from a consumer-facing standpoint.

The report notes that CEOs who are further into their tenure can lose sight of external markets, and calls for boards to incentivize executives to keep track of market trends.

With turnover, it is important for companies to plan ahead. Establishing successors from within a firm can help to ease the transition to new leadership.

For instance, jeweler John Hardy is implementing a succession plan in the coming quarters, as current CEO Robert Hanson becomes the company's non-executive chairman of the board.

Succeeding Mr. Hanson is Kareem Gahed, who is currently chief revenue officer. Meanwhile, chief operating officer and chief financial officer Audrey Finci will be retaining her existing roles with the added title of president.

John Hardy is choosing to make its executive changes gradually, looking for a smoother transition (see story).

In 2017, department store chain Barneys New York's executive roles shifted, as former CEO Mark Lee took on a new position within the company.

Mr. Lee, who had been CEO since 2010, became Barneys' executive chairman, and former chief operating officer Daniella Vitale was named the retailer's new CEO (see story).

Promoting from within is far from the norm, with about eight in 10 large-cap CEO hires coming from outside the organization.

In a piece for the Harvard Business Review, Korn Ferry Hay Group's Victoria Luby and Jane Edison Stevenson argued that internal candidates usually make the best CEOs, barring circumstances that require outside strategic thinking such as turnarounds. They also suggest having a talent pipeline that goes beyond thinking about successors for the current CEO, as well as recognizing seven future CEOs within the organization.

Per Deloitte, only 14 percent of companies believe they are successful at succession planning, despite 86 percent identifying it as a top priority. Deloitte notes that many companies do not have a set plan in place to decide who should fill roles once they are vacant.

The consultancy proposes an approach that is data-driven, which can lead companies to promoting more diverse leadership, as decisions are based more on objective rather than subjective factors.

Working to identify and promote new leaders can also help companies retain existing talent that has already proven to be a cultural fit and that has an understanding of the organization.

"In a fast-paced environment, companies have to become more agile and incorporate new aspects quicker than before," said Miriam Lobis, partner at McKinsey & Company. "In this setting, more frequent changes in leadership positions can offer an opportunity to complement the companies' capabilities in a short time, for example in digital or tech. Quick on-boarding is crucial to use this momentum.

"Many brands have been family ventures or in private hands, allowing the leadership to follow a strategic long-term vision giving them the time to build heritage, signature and consistency that is making luxury brands so successful," she said. "As CEO tenure shortens, the importance of a strong corporate culture and knowledge sharing increases. Strong boards and trusted long-term advisors have a key role in ensuring smooth transitions between leaders.

"In the future luxury executives have to master both stability and agility. An example for this would be Gucci that managed to completely reinvent itself grounded in a strong heritage."

Diversity

Leadership at the top of companies is still dominated by male employees. As of 2018, only 24 of the Fortune 500 firms are led by women.

Additionally, about seven in 10 executives heading up the largest companies are white men.

"Diversity is critical for luxury retailers and brands as leadership teams need to be as diverse as the customers they serve," said Sarah Willersdorf, partner and managing director at Boston Consulting Group.

"As is not uncommon in the corporate world, luxury brands typically have higher diversity, especially gender diversity, at the more junior levels of their organizations," she said. "However, as we contemplate the senior leadership and board composition of these companies, we see these diversity greatly fall."

The practice of creating a more diverse workforce and leadership can help boost a company's innovation and financial performance, according to a study by Boston Consulting Group. The consultancy's research found that the types of diversity that had the most impact included country of origin, gender and industry backgrounds.

McKinsey similarly found that the companies that place in the top quarter for racial and gender diversity have a 35 percent more likely chance for their financial returns to exceed their industry's national average.

A number of luxury companies have worked to help advance women throughout their organizations.

LVMH Mot Hennessy Louis Vuitton's EllesVMH effort aims to have 50 percent of its top management be female by 2020. Along with mentorship and development initiatives, EllesVMH has also included an startup program aimed at promoting diversity.

EllesVMH accelerator

Since EllesVMH was launched in 2007, the company has grown its female leadership from 23 percent to 42 percent in 2018.

Kering is also focused on gender parity. The company is a partner of women's empowerment program Eve, and it runs mentoring within its own organization to prepare women for leadership roles.

As of press time, 56 percent of Kering's managers are female.

While most companies have a gender diversity program in place, far fewer women feel that those programs are having a genuine effect on how they advance through a company.

Speaking at the Women in Luxury conference on Sept. 26, a principal from Boston Consulting Group laid out some of the ways that companies can support their own women employees and not just their women customers. Advancement and retention, it turns out, are far more important for this than simply hiring more women (see story).

BCG found in its research that women show similar signs of ambition at their respective companies, with the gap in their desire for advancement driven more by company culture than internal factors.

Women are climbing the corporate ladder. Image credit: Hugo Boss

Along with gender diversity, luxury firms are working to grow their racial diversity.

Italian fashion label Gucci took action following backlash surrounding a product that many viewed as racist.

As part of the brand's efforts, it will be hiring directors for diversity and inclusion at both a regional and global level, who will oversee the company's inclusivity and focus on its recruitment practices.

The global head of diversity will be based in New York, and will report to the chief people officer. This role will also be part of Gucci's executive management committee (see story).

Talent pool

Recruitment is a key challenge for luxury companies, with a 2014 study from BCG noting that brands lack access to top talent. Among the positions that are difficult to fill are chief executives and general managers, as companies struggle to find candidates that have the right creative and analytical skills along with an understanding of the brand and international experience.

"Luxury brands, like many others are experiencing a digital, technology and analytics revolution and this will continue to accelerate," BCG's Ms. Willersdorf said. "Many luxury brands and retailers were slower to embrace the digital age than others but are now rapidly catching up.

"This means that there is a need for more digital talent, data scientists and engineers, as well as stronger analytical capabilities," she said. "The race for talent is one of the greatest challenges facing the luxury industry today, especially as luxury brands and retailers especially those based in New York, London and Paris are competing for this resource against technology companies Google, Facebook, LinkedIn, Amazon, etc. other corporates and a myriad of startups who will often offer equity to early and critical hires."

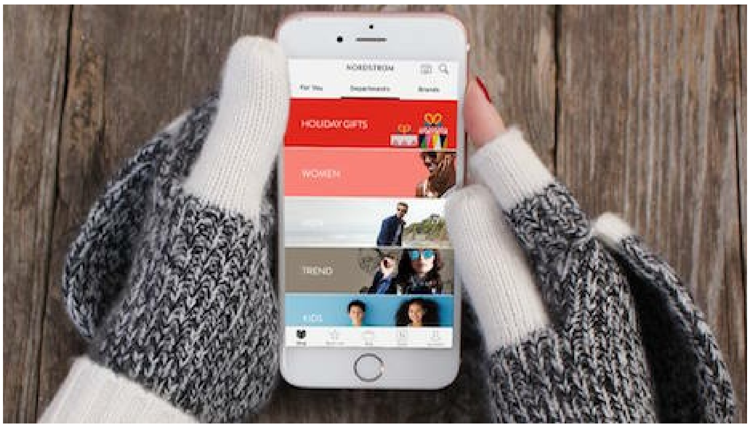
Sometimes to find the right skillset, firms look beyond those currently working in the luxury business, tapping into their outside expertise.

For instance, in 2015, LVMH looked to innovate the digital presences of its brands with the appointment of a chief digital officer who had most recently worked at Apple.

Ian Rogers had been working in the digital space since 1993, with tenures at Yahoo and Beats Music among other tech companies. With luxury brands looking to tighten their hold on digital, bringing in talent that has worked exclusively within the tech world may provide a new perspective (see story).

Similarly, department store chain Nordstrom is looking to continue its stream of digital integration with a new chief technology officer.

Coming from from multinational grocery retailer Tesco, Edmond Mesrobian took the position to help Nordstrom better connect with customers through technology. Prior to his position with Tesco, Mr. Mesrobian also served as chief technology officer at Expedia, running numerous online outlets related to travel (see story).



Nordstrom hired new tech talent. Image credit: Nordstrom.

Saks Fifth Avenue's parent Hudson's Bay Company hired a chief marketing officer and chief technology officer with prior experience at pharmacy chain CVS Health (see story).

Chalhoub Group's French silver manufacturer Christofle is also looking to its recently hired chief executive officer as it continues to strengthen the brand's strategy.

The brand hired Nathalie Remy from McKinsey & Company as its CEO. With more than 21 years of experience as a consultant, Ms. Remy is expected to help steer the brand in a powerful direction (see story).

Just as luxury brands are hiring from different fields, luxury executives are moving on to roles in other sectors.

Perhaps most noteworthy is Angela Ahrendt's move to Apple from Burberry, where she was CEO until 2103. The executive recently exited her position as Apple's senior vice president of retail and online stores (see story).

New roles

In addition to hiring from outside of the business, companies are creating new C-suite roles in response to changing market needs.

One relatively new concept is the position of chief brand officer. Typically reporting to the CEO, these individuals are tasked with leading brand image as it relates to creative and customer experience.

For instance, Hector Muelas is LVMH luggage label Rimowa's chief brand officer and oversees all of the brand's marketing.

Michael Kors similarly hired Francesca Leoni as its senior vice president, chief brand officer to lead its strategic communications and marketing (see story).

Two of the key focuses of companies today are digital and innovation. These priorities are reflected in the C-suite, as companies hire chief digital officers and chief innovation officers to tackle forward-thinking efforts.

Ralph Lauren recently hired its first chief digital officer, appointing a former Burberry executive to the position.

In the newly created role, Alice Delahunt will oversee the corporation's digital platforms around the globe and focus on the digital customer experience. As digital and ecommerce are becoming an increasingly integral part of luxury operations, Ralph Lauren sought out additional talent in the space (see story).

Similarly, Kering named Grgory Boutt its chief client and digital officer in 2017.

Mr. Boutt's resume includes experience at a number of startups and tech companies, including eBay and Sidecar (see story).

Another recently popular role is the chief growth officer. This position focuses on the long-term marketing strategy of a company, including its omnichannel customer experience.

In November, Marc Rey was named the new chief growth officer for Shiseido, moving up from his position as CEO of the Americas. Mr. Rey will help develop a new plan and business to facilitate greater growth worldwide.

Along with making a new business plan, Mr. Rey also oversees Shiseido's new Technology Acceleration Hub, while remaining in control of Shiseido Americas and the Centers of Excellence for Makeup and Digital (see story).

As companies respond to shifting business needs with personnel, another aspect that is being addressed is sustainability.

In 2012, Kering hired Marie Claire Daveu as its chief sustainability officer and head of international institutional affairs. The executive joined the luxury group from the public sector, where she held roles that included work in the Ministry of Ecology.

Kering sees sustainability as an opportunity for innovation and not a sacrifice. Image courtesy of Kering.

Jeweler Tiffany & Co. created the chief sustainability officer position in 2015, naming Anisa Kamadoli Costa to the role. Ms. Kamadoli Costa was previously vice president, global sustainability and corporate responsibility and she also serves as chairman/CEO of the Tiffany & Co. Foundation.

In a statement at the time of the appointment, Tiffany's then CEO Frederic Cumenal said that the creation of the position served to show the importance of CSR to the company.

"Companies are beginning to understand [the benefit] of C-suite heads across functions within the company as it creates a C-advisory team, and company decisions can be discussed and decided on by functional heads who are advocates for their individual departments but collectively want the best for the company across the board," Ms. Vega said. "Having multiple C's takes a bit of pressure of a sole leader such as a CEO."

Skillset shift

Keeping up with the changes in business, today's leaders need skills that are both strategically minded and people oriented.

According to research from John Gerzema of WPP Group's BAV Consulting and journalist Michael D'Antonio, feminine forms of leadership are now more popular. According to their survey of 64,000 people around the world, 57 percent are dissatisfied with the conduct of men in their country.

Respondents identified a number of key traits that they feel leaders today should possess. Eight of the top 10 were regarded as more feminine by survey participants, including planning for the future and being patient, intuitive and collaborative, with the sole male traits in the top 10 being decisiveness and resilience.

Luxury leaders will need to embrace more collaborative characteristics to connect with the new consumer, according to the former CEO of Chanel Maureen Chiquet at The New York Times International Luxury Conference in 2016.

Globalization and the advent of technology have brought luxury to an inflection point, and the tried-and-true process that has guided the industry for decades or more will no longer work on its own. As the priorities of tomorrow's consumers shift, luxury's must shift with them and deliver a genuine transformation from the inside out.

This new way of conducting business should stress "feminine" values of understanding, compassion and collaboration rather than the more masculine, hierarchical work structure. Ms. Chiquet attributes this epiphany to an experience listening to a speech by Burmese peace activist Daw Aung San Suu Kyi and further notes that the signposts to success will likely come from outside a company's sector, as hers did (see story).

There is a call for more feminine styles of leadership. Image credit: Chanel

In a conversation at the FT Business of Luxury Summit, LVMH Fashion Group's chairman/CEO Sidney Toledano noted that women make great brand leaders, in both CEO and creative director roles, since they often have less ego and are good listeners. LVMH is currently aiming to have 50 percent of its management be female, and seven of the 10 CEOs that report to Mr. Toledano are women (see story).

BCG analysis found that being a successful CEO leans on long-term results.

One thing that sets CEOs apart is the ability to take megatrends that are happening in the market and turn them into a clear strategic narrative. BCG also suggests that CEOs should stretch the organization while being careful not to overextend.

"Luxury leaders need to nurture their strong roots in heritage, tradition and craftsmanship the core of their appeal," McKinsey's Ms. Lobis said. "Building on this solid basis, they need to become more agile. They should become more open for new ventures, adopt a 'test and learn' approach, embrace digital and analytics. At the same time, economic cycles become increasingly volatile and executives have to master both phases of strong growth as well as downturns.

"Luxury leaders have to broaden their mindset from a strive for perfectionism that has made the luxury industry very successful to being more open to pioneering new opportunities," she said.

"Tradition and craftsmanship remain key, but leaders have to combine this with tech savviness. Good examples are the needs of digital natives and a new generation of young Chinese consumers that are 'always on.' This includes creating an attractive workplace for tech talent and embracing a 'digital-first thinking' for executives.

"For a while now, luxury executives have seen periods of strong growth. Hence, the question arises whether luxury executives are prepared for a potential slowdown or even a downturn. Are they well equipped to lead the organization through a potentially challenging phase? How do required skills and resources change?"

Best practice tips for luxury leadership:

- Sarah Willersdorf, BCG:
  - "We (BCG) have been exploring many structured approaches to addressing unconscious bias in recruiting, evaluation and promotion. The truth is there is no 'one size fits all' approach that can be applied simply to all companies, but in discussions with our clients and teams there are certainly a number of 'best practices' that are proving effective. When we examine effectiveness, the highest returns come from investments in three key areas. Make flexible working truly effective. This is consistently cited as the single most important measure, yet with low uptake and many still see it as limiting their career. Involve men in the agenda, particularly middle managers who today are often not as bought in. Bring measurement, transparency and rigor to your company's efforts the age-old statement of what gets measured gets done."
  - "Two practical steps that companies can take are increasing the visibility of role models as particularly effective methods and [assigning] mentors to women and minorities. Mentors don't have to be female or minorities themselves, but need to be committed to truly supporting development and promotion."
- Miriam Lobis, McKinsey:
  - "Don't be scared to venture into new areas, even if luxury has its foundation in tradition and heritage. This does not necessarily need to be product innovation, but could be pioneering a new topic, for example sustainability or new business models [such as the] end of ownership rental, recommerce."
  - "You have to win today's consumers hearts again and again as they are less loyal and love to explore. Think through all your consumer touchpoints from friendly store staff to engaging digital content, all elements have to reinforce each other. True authenticity is key in every customer experience and set luxury apart from the ordinary."
- Lizandra Vega, Lizandra Vega Enterprises:
  - "Consider candidates outside of the conventional 'luxury' sectors such as jewelry, apparel, automotive and consider candidates who have the passion and the flair for luxury. Look for skill sets that are transferable rather than exact matches. This diversifies your company's population.

- "Hire candidates from different sources. For instance, companies who hire mainly from employee referrals may be hiring the same profile over and over again, since friends tend to have similar traits. It is comforting to know that your candidate is a trusted referral, but when high percentages of new hires are generated from employee referrals, the profiles generally start to blend together. Disrupt and diversify your population by diversifying your hiring strategies. Apply proactive sourcing strategies rather than relying on reactive strategies, such as interviewing candidates who come to you, either by referral, career site, applicant tracking system."
