

# Beyond cost cutting: The evolving role of supply chain leaders in private equity



## Introduction

Managing the supply chain within a private equity environment can often be misperceived primarily as a cost-cutting function aimed at achieving short-term cash gains often to the detriment of other key strategic priorities.

This perception does not reflect reality. Our research challenges some of the myths surrounding the role of a supply chain leader in a private equity portfolio business.

The study outlines the soft and hard skills that combine to create a successful private equity leader and explores the potential derailers for those considering a career transition into the world of private equity for the first time.

To understand the impact of supply chain leaders in private equity, we interviewed a number of senior executives, including supply chain leaders who are currently operating within a portfolio business and supply chain experts who work within the value accelerator teams within the

private equity funds partnering across the portfolio companies.

In addition, we integrated the perspective of CEO's from the portfolio companies to understand what organisations expect from the role of supply chain and procurement executives.

## Cost & Cash

Private equity environments provide supply chain leaders with increased autonomy and speed to make an impact within and beyond the functional fields of their responsibilities. Therefore, Private Equity Funds are hiring senior leaders who are able to move the needle on cost and increased cash flow, and can lead across the enterprise.

From a Fund perspective, a private equity Chief Procurement Officer can create an impact on the total cost of ownership and product margin, comments Luisella Chiesa, Operations Advisor at Advent International. "We do not just want a

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Supply chain leaders in portfolio companies have the unique ability to operate with pace outside of their functional field of supply chain, as a consequence of private equity environments often being lean and with fewer management levels to navigate. This allows them to create strategic insights and implement value creation plans upstream, that focus on critical business needs such as an ESG supplier blueprint.

## Board Ready Commercial Supply Chain Leaders

The pandemic has accelerated the visibility of supply chain issues at the Board table. However, for many years prior to the pandemic, supply chain leaders of private equity portfolio companies have been reporting into the CEO and have been part of the Board of management . In particular the role of the Chief Procurement (CPO) Officer and its function are consistently a critical element of a private equity firm’s investment thesis, with the position of CPO viewed as the top five hires that the PE fund will make when upgrading the pre-existing management team.

Financial acumen and an ability to translate supply chain strategies into clear enterprise commercial value is a critical skill prioritised by funds when recruiting talent into their portfolio businesses. As David Prchala, COO at Bugaboo outlined, “You need to be able to consistently think cross-functionally because the Board will expect you to be of value far beyond just your functional remit.”

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## PE Funds are there to support

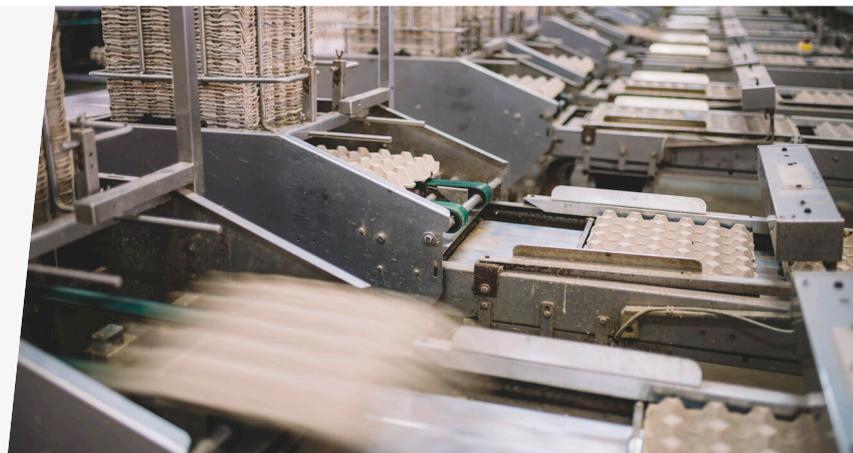
Many of the portfolio supply chain leaders affirmed that private equity firms are, contrary to perception that PE firms are there for short-term, transactional cost optimization levers. Private equity firms are often willing to invest in relevant systems or broader tool upgrades that demonstrate a clear, enterprise return on investment, even if this is a medium-term strategy.

The need for PE supply chain leaders to have a “value creation” mindset and a strong business savviness is critical when fostering a successful relationship. The funds bring the benefit of being able to upgrade procurement and supply chain functions but it requires the supply chain leader to have a strong data set to prove the Return on Investment business case, comments Andreas Lenzke, CPO at Wittur. “What they require from leaders is a sustainable, long-term value creation that mitigates risk and supports the overall business objective. This requires a different, more creative and collaborative leadership style.”

Members of the value accelerator teams within the private equity funds can also support supply chain leaders through the advanced data analytics

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and insights capabilities that they possess. This can be a critical asset when inheriting immature, disjointed, underperforming procurement teams. For fundamental raw material commodity price risk management and hedging strategies, Thibaut has discussed how data insights and a clear alignment on hedging objectives are key to manage risk when it comes to raw materials management, “data insights and a clear alignment on price cover objectives for a broad and complex set of global commodities, which are crucial to deliver the business strategy.”

### Personality and Drivers

Over the last 12 months, Korn Ferry has built a success profile which consolidates data from thousands of assessments and combines this with

the successful placements of Supply Chain Executives within Private equity organisations. Our best-in-class success profiles, called KF4D, combine the rich perspective across the full spectrum of what it means to be a highly effective executive by analyzing past experiences and functional competencies, alongside behavioral traits, and drivers. Candidates who fit well to the success profile for their role are 8x more likely to be successful.

The success profile for a Supply chain leader shows that leaders who index highly on collaboration with a preference for pursuing shared goals, and those who are motivated by challenge in the face of tough obstacles, are most likely to be suited to the role. Moreover, they are leaders who are comfortable operating in an



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environment where there is less structure and retain a high tolerance for ambiguity. Stephen Day, CPO, Kantar, explains that "leaders must be naturally inquisitive and agile, to be successful within private equity you cannot rely on a standard playbook, you must adapt and provide optionality."

do however require executives to be "more hands-on and closer to every level of an organization" and with limited resources, talent management is critical to ensure that "every member of your leadership team is contributing", comments Stephanie Gemmell, Chief Procurement Officer, Wella Company.

## Speed and Hands-on

One of the key challenges that first time private equity supply chain leaders face is speed. Executives who have developed their careers within large corporates have become accustomed to making decisions, often through consensus and process. However, within private equity, the "fail fast" mentality is apparent and the notion of pace in portfolio companies is often significantly different than most corporate cultures.

Speed is not just related to pace of decision-making but also the ability to shift mindset very quickly between the Board level to the operational workforce. Portfolio companies are built to enable speed of decision-making with limited levels of organizational structure between the Chief Supply Chain Officer and Operations. The lean structures

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## The role of a supply chain leader is critical to investors

The role of a supply chain leader within a private equity environment has potential to create huge impact within an organization. The higher level of Board exposure and cross-functional collaboration is a unique combination that enables teams to operate at greater speed and therefore create more commercial value in a more condensed time frame. Our assessment of competencies, traits and drivers in conjunction with the interviews held with sitting private equity executives, demonstrates that in order to be successful in a portfolio business, supply chain leaders need to retain a collaborative, enterprise wide mindset with a drive for challenge and an ability to tolerate high levels of ambiguity.

To find out more about our assessment capabilities, visit [our website](#) or contact one of our experts.



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