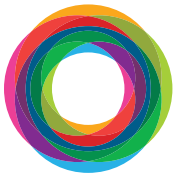


Why Retail and CPG Executives Need a New Breed of R&D Leader

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Why Retail and CPG Executives Need a New Breed of R&D Leader

The function of R&D within the CPG and retail industry has experienced a sea change, unlike any other function. Among perpetually successful CPG companies, R&D leaders have become proactive business partners, not an isolated department head.

This trend will likely continue as CPG and retail companies begin to allocate more of their budget to R&D. Executives are realizing that larger R&D budgets are needed to better serve a consumer base that's more tech-savvy, more likely to research products, and less loyal to specific brands. It is not atypical to see businesses with sales in the \$10-30 billion range with R&D budgets in the \$30 to \$100 million range.

CPG and retail companies need a new breed of R&D leader, one with a keen understanding of the business, the ability to manage and motivate teams, and the vision to integrate R&D efforts with marketing and consumer insights. Forward-thinking executive teams are increasingly hiring R&D leaders that demonstrate the following core capabilities:

About Our Firm

Founded in 1963, Battalia Winston is one of the world's largest woman-owned executive search firms and is consistently ranked as one of the top fifteen executive search firms by Kennedy Publications. The Firm is headquartered in New York City with offices in Boston, MA; Chicago, IL; Edison, NJ; Los Angeles, CA; and Washington, DC. Over the past 50 years we have conducted executive search assignments and established expertise in virtually every major industry and functional area. Clients range from early stage companies to Fortune 10 global enterprises.

1. A Customer-Centric Approach to R&D

Successful R&D leaders keep the interest of the consumer in mind when determining new product initiatives. In fact, a growing number of companies are incorporating Consumer Insight groups within the R&D department, evidence of the importance of a consumer-centric approach. An effective R&D leader understands how their consumer is changing and stays ahead of those changes. He or she lets the customer's responses to existing products inform their prioritization of new ones, and is proactively planning for what their consumer could want five and ten years from now.

A consumer-centric approach is critical because it shows that the R&D leader is focused on revenue. A more academic-approach typically results in patents and published papers, which don't necessarily generate revenue for the company. Those companies with an academic bias toward R&D usually find that they can't get projects to the market or that they are working on a projects that aren't satisfying a real economic need. A focus on the customer removes this problem before it starts.

2. A Process-Driven R&D Strategy

An R&D executive at a major CPG company compared product innovation to golfing: "It's all about form. Without good form you'll never consistently hit good golf shots. You might get lucky once in a while, but your effort will never achieve the sustained results you want."

The same is true for new product development. Without a well-defined product development process, a company's R&D efforts will not produce new products that have commercial value.

A critical component of a process-driven R&D strategy is portfolio management. Successful R&D leaders will maintain a portfolio, or pipeline,

Our Retail Expertise

Battalia Winston's Retail Practice has recruited leaders for many top retail companies, from chain, department and specialty stores, to restaurants and food service companies.

We find executives with the experience and expertise to foresee trends and the evolution of markets, embrace new opportunities, leverage resources across their organizations and develop sustainable businesses.

Battalia Winston has experience placing executives at all levels, including general management, merchandising, operations, supply chain and corporate staff functions.

Our Consumer Expertise

We find Consumer executives who can drive change, challenge the status quo and build winning teams.

We have extensive Consumer experience, both in developed and developing markets, from consumer durables and packaged goods to hospitality and leisure services, for some of the world's leading brands. We recruit executives at every level and position: from Presidents and CEOs, through senior board positions, to top executives in marketing, sales, R&D, supply chain, consumer insights and all key staff functions.

of products with a healthy mix of low and high-risk projects. They'll set clearly defined and measurable benchmarks (net present value of future cash flows, ROI, time-to-shelf, break-even point, all-in-cost vs. payout, etc). Projects must be periodically measured against these benchmarks, and those no longer meeting metrics must be tabled. R&D leaders have to hold themselves and their teams accountable to these benchmarks. Doing so requires objectivity and management skills: The best R&D leaders will end a project if it can't be monetized, even though they may have put their blood, sweat, and tears into it. They'll also make this results-oriented approach a requirement on their team, teaching their employees to be objective as well.

3. The Ability to Communicate and Influence Across the Organization

Because the new breed of R&D leader will serve as a business partner to executives and actively participate in company strategy, they'll have to speak the language of marketing, marketing research, and consumer insights. He or she will have to translate complex science into terms easily understood by other business leaders. Moreover, they'll need be influential, "selling" their ideas – and their value – to internal stakeholders. Their enthusiasm should be contagious, and they should be able to motivate across ranks – evangelizing their vision of new product development to their management, peers, and subordinates.

Collaboration is also necessary for a rational review of projects in the pipeline. At different stages of development, R&D executives should gather and lead a meeting of executives from marketing, operations, finance, technology, and legal, to bring their expertise to the process. The debate that goes on in these meetings is critical to deciding whether further resources should be committed to a project. R&D leaders should be able to understand the perspectives of leaders in other departments and collaborate with them on developing an R&D strategy that is aligned with overall company goals.



Joe conducts senior-level searches for a broad spectrum of retail companies, as well as consumer products companies in both the fashion and packaged goods arenas.

Joe works with the boards of large retail organizations to recruit CEOs and COOs. Venture capital firms have retained him to find leadership for small to medium-sized retail investments. The White House has consulted with him concerning the retail businesses of the U.S. Armed Forces. Joe's practice also includes boards of directors and functional heads for both line and staff positions.

Prior to Battalia Winston, Joe worked at Thorndike Deland Associates for 20 years as the Senior Partner in Charge of Retail and Consumer Products. Joe was also VP for Organizational Development and Staffing at American Express, and Director of Corporate Staffing at R.J. Reynolds Industries.

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As the R&D executives take permanent seats at the leadership table, successful and experienced R&D leaders will be in high-demand. In order to retain their best people, CPG and retail companies need to implement programs that will retain effective leaders and groom junior R&D staff who demonstrate an aptitude for R&D leadership.

To retain talented leaders, CEOs should help R&D executives see their future within the company. We'll see CEOs coming from the ranks of R&D in the future, so existing CEOs should set them on this path by making them part of an executive committee. CEOs should also help R&D leaders foster and maintain their entrepreneurial spirit as they advance in their careers. One major CPG company invites entrepreneurs to present their ideas to a team of evaluators, including the R&D head, on a quarterly basis. It kindles the innovative spirit that got them into R&D in the first place, and helps stave off any feelings of stagnancy that could make new endeavors look appealing.

To retain and groom talented professionals that could eventually fill the role, CEOs and their HR partners should identify candidates with excellent communication skills so they'll be able to communicate across departments from the get-go. HR, R&D, and the executive team should partner to align performance management and professional development of junior and mid-level staff with product development goals. Finally, executives should consider a mentorship program that pairs R&D staff with leaders from marketing, sales, consumer insights, etc., to help junior R&D employees build the business-minded skills they'll need.



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