



NGS GLOBAL

## GLOBAL PERSPECTIVES

# Executive Talent Mobility Across Industry Boundaries: A Perspective from NGS Global

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*Intense competition in many industry sectors has had organizations – both large and emerging enterprises – look for fresh, or breakthrough, thinking that would potentially strengthen their competitive position and drive performance improvement. One approach that is slowly gaining acceptance in this context is the hiring of senior executive talent from outside the industry sector. While this approach has merits, the organization – and by extension their stakeholders – have to be patient and allow time for the new leader to deliver concrete outcomes. They can accelerate the executive’s success through a thoughtful and diligent onboarding program. Based on its experience hiring senior executives for Fortune 500 to emerging enterprises globally, NGS Global offers a perspective on the subject.*

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## The traditional view of hiring executives

When a company hires executives from outside, they bring their own unique combination of experience, skills and personality traits. While certain general management skills such as strategic and operational planning, organizing and structuring, managing profit and loss, motivating employees, managing the internal and external environment, and so on, are usually transferable; conventional wisdom holds that industry or domain-specific skills are necessary for a new leader to succeed. This thought process is based on the fact that because every industry and sub-industry today is seeing intense – brutal at times – competition, organizations are unable to allow time or leeway for the new leader to understand the nuances of the particular industry/ category. Organizations would love to have new hires “hit the ground running”.

Organizations who believe that sticking to what has worked in the past will also serve them well in the future, tend to hire executives who bring industry-specific (technical, regulatory, customer, supplier) knowledge so that they can offer immediate solutions to pressing challenges. These challenges could range from dwindling market share to profitability pressures to supply chain bottlenecks to limited market growth or others. Often when an executive is hired to replace an incumbent who may have accepted a new assignment or left the organization, there is a tendency to compare the skills and capabilities of potential hires to the incumbent’s, who may have spent years in the same organization/ industry, which further perpetuates the practice of hiring executives from the same industry. These organizations believe that the skills necessary for success in their executive roles are specific to their field and difficult to learn for an industry outsider.

However, the drawback of some industry executives is the “I know how this works” syndrome. You often get conversations that begin with “when I worked at ABC or XYZ company, this is the way we did it”. While one is not discounting the value of industry-specific knowledge, the assumption that if a set of techniques or approaches have worked in the past, the same approaches will work in future, is flawed.



## An era of change

It is becoming more evident that rapid change is a reality across industry sectors – be it Industrial or Financial Services or Consumer – and developments in technology, as well as globalization, are not only re-drawing industry boundaries, but are creating newer business models that industry incumbents may not have imagined or had imagined but not invested enough in nurturing. Year after year, many organizations are at best improvising, and largely repeating, what has worked for them in the past and are under-prepared when markets, customer buying behavior or business models change significantly.

A good example of this would be the Automotive industry where until recently, a few large automotive companies dominated the market in most parts of the world because of their economies of scale and huge development, design, purchasing and distribution muscle. The sort of executives who were in demand were those who grew through the ranks in one or more of these functions and knew the “tricks of the trade”.

Increasingly, the value in cars is shifting from being mostly mechanical/ hardware-based to over 50% software-based. The emergence of the “connected car” has meant the automobile has now become an intelligent machine that is able to use data, sensors and analytics, to deliver a better – and safer – driving experience. It is no longer just the car companies who are competing with each other; there are technology companies who are now jostling to own the driving experience! This has the potential to disrupt not only the automotive industry, but also related industries such as logistics and transportation. Increasingly, technology skills are becoming more critical within the senior executive ranks of these industries.

Or take financial services. Banks and financial services firms are facing key questions about their future, given the rate at which disruptive technologies such as Big Data, AI, machine learning, digital lending, blockchain, mobile payments, are replacing some traditional functions of a financial service provider. Financial institutions are increasingly taking a serious look outside their own industry to learn from digital and analytics companies. Our NGS Global teams have recruited senior executives, for example, from global technology majors for customer experience roles in financial services.

Within the Technology industry itself, enterprise software and compute/ storage resources are moving to the cloud, and open source technologies are becoming mainstream, which has forced both product and services companies to re-think how they do business. The skill sets needed in senior executive ranks are no longer related to just developing and selling the next version of the product, but rather to continuously engage with customers and improve their usage experience, because the revenue model is becoming more annuity-based instead of a one-time sale.

In an era of rapid change, the “this is the way it has always worked” mindset will no longer work. There is a case for a radically different thought process, a thought process that builds from first principles and searches for answers to fundamental questions like “what business are we in” or “who are we serving”. It is easiest – and usually feels safer – to stick with what is comfortable and familiar. While what is easy and comfortable might be great for maintaining business as usual, it is not what is leading to innovation. When there are major industry shifts or newer growth opportunities become available, a fresh perspective may just be what is needed.

### **Bringing new thinking into the organization**

A curious, experienced and successful leader from another industry with the right aptitude for the position will typically have the ability to not only learn the “ins and outs” but also bringing a fresh perspective which can accelerate the change the organization needs, to not only address short-

term challenges but drive longer-term growth. Learning industry specific skills is less difficult than learning core skills of executive leadership (i.e. strategic and general management) which take time and are transferable across industries. The probability of gaining access to highly talented executives is higher when one broadens the search to cover different industry sectors.

The good news is that more organizations are realizing the need for fresh, or breakthrough, thinking and are willing to experiment with hiring industry “outsiders”. Outsiders don’t have biases and entrenched thought processes built

up over years, which comes from being an industry insider, and can lead change with more conviction and courage. They look at the organization – and the context in which it operates – from a broader perspective based on an understanding of underlying economic, social, political and technological trends. These executives bring an agile approach, asking questions and trying new things, quickly learning what does and does not work, and pushing change at an accelerated pace.

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**—Soumitra Agarwal,  
Managing Partner**

### **Hiring industry outsiders**

Our experience hiring senior leaders for Fortune 500 to emerging enterprises globally, in markets at different stages of economic development, has shown that cross-industry executives often focus less on what the company does, and more on the industry construct, people and structures and the nature of the customer experience. They are more curious and ask basic questions which might not have been asked in years because they don’t know the industry. This process can lead to newer insights and therefore, new ways of problem-solving and doing business. There is more objectivity in the strategic – and tactical – planning processes when fundamentals are being revisited, instead of being constrained by what has worked in the past.

Contrary to the traditional view that industry experience is a critical success factor for newly onboarded executives, we increasingly see that success in a new role is more context-related. It is important for organizations to

consider what is the context of their current state or future direction. For instance, are our domestic markets getting too crowded and do we need to focus more on international markets? Are our customers looking for more customization of offerings? Are the demographics of our market changing permanently, requiring an overhaul of our product and go-to-market strategy? How are buyers making purchase decisions? The context in which the incoming executive needs to operate could very well be an important indicator to what type of executive will succeed in the role. In that sense, examining the transferability of emerging capabilities becomes critical.

Additionally, part of that context is an understanding of the major business processes that are important for a particular role or organization. For example, when an executive moved from the wine industry to steel-making, his colleagues were very surprised because of the many perceived differences between these industries. However, his response focused on the similarities: that a critical success factor in either industry was having a very efficient supply chain process. His entrée to the steel-making firm was much smoother than outsiders might have expected. Similarly, in moving across industries, such as from retail to consumer banking or vice-versa, the key process is likely to be the customer engagement process. Thus, looking at underlying industry processes – their similarities and differences – will also provide clues about transferability of experiences and capabilities.

Two sectors which are increasingly competing for the same executive skills sets are the Financial Services and Consumer/Retail sectors. Both sectors have strong customer-centric focus and in order to maximize returns from new income streams, companies are hiring executives across these sectors. The areas of business previously controlled by specialist financial services companies have unlocked a variety of new income streams previously not enjoyed by the retail sector, for example. Most large retail groups have added strong financial services components to their business and these require expertise in areas such as insurance, personal loans, payments, credit risk and customer loyalty, to mention a few. Or for example, take home mortgages which is a crowded and under-differentiated business in many markets. Home mortgage companies are looking for strong marketing skills, in order

to build an emotional connect with potential lenders and creatively segment the market to adopt differentiated go-to-market approaches, and executives from consumer goods companies can bring these skills.

These trends indicate a need for robust and well-honed executive skill sets that uncover opportunities to maximize returns in highly competitive and growing markets at both a strategic and operational level. The cross-over of executive skills is applicable across all business functions and at the highest-level, namely board and C-suite.

It is beneficial for organizations to ensure their executive search partners are able to broaden their research and demonstrate more creativity in uncovering the not-so-obvious candidates in addition to the obvious choices. At the same time, wisdom and maturity is needed to ensure these candidates have the adaptability and flexibility to make an effective and rapid transition.



### Checking for capability and context transferability

Our NGS Global teams in diverse geographies have regularly searched broadly from potential candidate pools, which is always important in smaller markets.

For example, one of our teams recently attracted a high-level Program Director in a large financial services organization into a small, but rapidly growing, media company as the Chief Operating Officer. The executive selected had demonstrated versatility and adaptability throughout her career, having worked in industries as diverse as telecom, local government, banking and insurance and across major geographies such as Australia, the UK and Eastern Europe. She was very curious, dealt well with ambiguity, and had well-developed diagnostic and problem-solving skills.

Experience in management consulting was a factor in another cross-industry move into the education sector that NGS Global led. The preferred candidate started his career as an Engineer, moved into banking as a Project Manager, and then became the Delivery Lead for a large banking transformation program (for a major technology consulting firm) in an emerging African region economy. The client was seeking an executive with the ability to drive change, in an environment where the educational institution was commercially-focused and had campuses and programs in multiple countries. A key factor was experience in handling customers and consumers, a good level of pragmatism, and strong evidence of the ability to quickly understand context.

As telecommunication firms have shifted into very competitive retail spaces, we have assisted them to identify and recruit executives with strong customer engagement experience, such as those from banking and retail sectors. Again, these have been seen as very diverse industries, but major parts of telcos, large and small, are now very much in the consumer space.

In the recent past, our teams have moved executives from investment banks to corporate Chief Financial Officer roles where knowledge of investor relations/ sell side/ IPO were key requirements rather than knowledge of the client's industry. The transferable skills were an understanding of investor needs and the ability to communicate with credibility, which were key requirements as these companies prepared for listings on the exchange.

Or take a situation, where our client recently acquired a local firm in one of their key markets, and then wished to revamp the top management team of the acquired entity, which was largely an owner-led firm, with executives who did not have the skills needed to operate in a global context. To fulfill these positions (Chief Executive Officer and direct reports), we looked for candidates who had extensive management experience in a global, corporate setting and could bring their skills in leveraging global capabilities to drive growth in the local market. Prior experience in the industry sector was not a key requirement, because the client believed that incoming executives would be able to learn the industry in the first three months on the job.

Our Australian team has a strong track record of attracting high-quality candidates from the private sector into the public sector. While the nature of the background and experience varies according to the role, recent engagements have focused on experiences of transformation in large and complex organizations, leading edge experiences of multiple channels for customer service, and a demonstrable track record in leading the delivery of large programs.

Understanding motivation, values and expectations are particularly critical when moving from the private sector to the public sector, as well as the ability to build relationships and an intense interest in service and impact. Concurrently, it is important to ensure that client expectations are clear and that there is good support in the new organization for the executive transition process.

### **How can executives move across industry sectors?**

Having worked closely with – and observed the career paths of – many senior executives across geographies and industries, we have noticed that executives who have elevated their knowledge and expertise beyond firm-specific or industry-specific to more strategic and general management know-how tend to be more portable across industry sectors and have a higher probability of succeeding in their new roles. Executives who have a high order of strategic and general management skills are more likely to bring significant value to organizations, because they are usually not constrained by entrenched notions of what works and what doesn't.

We have also found that there are a number of personal attributes that distinguish executive candidates who are more likely to quickly adapt to a different industry or to different business models, and we look for these in assessing potential candidates. These tend to focus on their ability to quickly understand the new context of which they are a part. While they might have learned a lot about the organization through the search and recruitment process, there are always differences or gaps on appointment. It is their ability to bridge those gaps and become attuned sooner rather than later that will enable them to be effective in the new role.

## Key attributes that we look for through the candidate assessment process

- A deep level of curiosity, willingness and ability to learn. Indicators are often self-initiated professional development, both formal and informal, and a strong awareness of cross-industry and market trends.
- Evidence of adaptability and agility. Where has the executive had to quickly adapt to another industry, another geo-political situation, or a rapid change in the market?
- Strong networking capabilities. Is the executive part of well-developed internal or external networks? How quickly will they be able to build relationships in a new organization?
- A good level of emotional acumen. To what extent is the executive self-aware and reflective regarding their strengths and weaknesses, where they might need assistance, and their impact on others?

Collectively these attributes are likely to enable executives moving industries, or experiencing other significant shifts, to more rapidly understand and work effectively in their new context.

In relation to an organization onboarding a new executive, we suggest encouraging them to spend the first 100 days “listening and learning” as they assess and review how the business operates, the people, systems, processes and technology. They need to consult widely, particularly with executive colleagues who need to be open and spend time with them. Proactive practices to accelerate their transition include ensuring that they have strong support from other executives, and perhaps a “chief of staff” who knows the organization well. These approaches together provide the foundation for well-informed decision-making and building the networks and relationships that are critical to success.

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