

---

## **2018 March Special Edition: “Transition from CPO to CEO”**

### **Marco Goncalves, Chief Executive Officer**

#### **Ferrero Hazelnut Company**

#### **1. How and when did procurement & supply become your passion and career choice?**

The gravity point of my career development was always a curiosity, not a plan. I started working formally at the age of fifteen, in accordance with the labour laws in place at that time; it was a family-owned dairy company in my home country - Brazil. And guess in what department? Indeed, it was procurement. I was executing the basics of procurement – typing purchasing orders. You would smile, but I still do remember a smell of the carbon paper that was used that time for purchase orders in order to have 5 copies of each. I knew nothing that time, but I have built practical knowledge by asking many questions, challenging a status quo and trying new things.

Later, when I moved to Unilever I had a chance to work for different functions like marketing, sales, production and IT. That was a fundamental experience helping me to develop an integrated view and understanding of the value chain. And that is where a second factor played another critical role in my career – strong drive to make an impact; with knowledge and end-to-end process experience you start to notice major opportunities for improvement. It also does not mean that I knew everything when I was CPO at Nestlé, but after sometime at the role or working in the particular function, the ability to have new exposure and knowledge becomes limited.

So, my new position as CEO at Ferrero Hazelnut Company represents additional opportunity to learn, to work with great people and also to make a real impact for the business, communities and stakeholders across the total value chain.

#### **2. Was there a point when you knew that your career would take you beyond procurement?**

My objective was always learning, developing and delivering. I think we can relate this to the fact that quite a big portion of my professional life I have spent in developing countries, where opportunities and challenges come every day. Such environment naturally motivates you to be adaptable, focused and continuously learning new things to be able to deliver results quickly. Additionally, I never said `no` to any professional opportunity that was offered to me, always embracing them with determination.

It is also interesting to reflect on the fact that when I was in procurement, I never associated myself too much with a function itself. My motto and focus is to create value with and for the business and people I work with. And, indeed, it is also important to mention that I am in an agricultural commodities business now, which relates much to my past experience in procurement and allows strong leverage of it. The difference is that the value chain I managing currently is longer and more complex compared to the past.

#### **3. What do we learn in procurement that fits us for senior management roles?**

Procurement gives us the unique opportunity to see the whole picture together and not all functions provide that possibility. Let's be objective as well, it depends a lot on how much externally the function is oriented. Yes, we have this unique capability to manage complex networks and build different interfaces to enable continuous supply flows. But the success of a procurement professional in a senior management role highly

depends on business understanding and a strong drive for value creation, which goes well beyond cost management only.

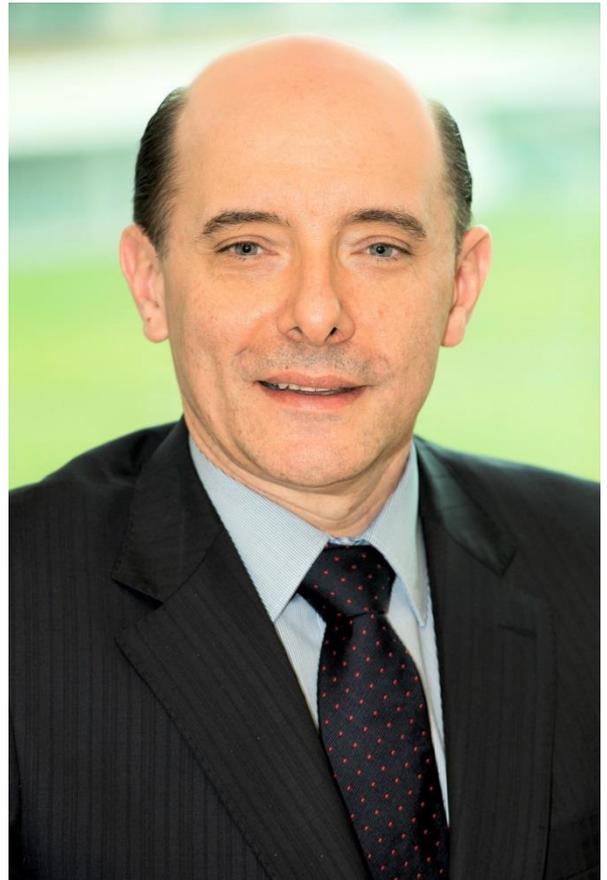
In case we do not have it, how can we succeed in other roles, especially the ones commercially oriented? But, procurement provides this unique opportunity and we have to work on it. At the end of the day, we chose our own destiny!

#### **4. How can procurement become a recognized career step for future leaders?**

Let me reflect based on the realities of the fast moving consumer goods business. In the past, consumers just bought products of a good quality for a given price. Today, they expect us to be responsible and capable to manage the whole value-chain. Our stakeholders have concrete expectations towards a global business. And this is a significant change driven by the sustainability agenda and the impact of the social media.

What does it mean? Well, today, the marketing professionals should understand the company's value chain otherwise they will not be able to succeed. And this is a prerequisite for every individual who is aspiring to be successful and get to leading roles in the business. That is where going through procurement becomes a fundamental step in getting necessary exposure and knowledge on the value-chain.

I know other CEOs who worked in procurement as well, so hopefully this will be a norm rather than exception in the future. However, there is a fundamental question we should ask ourselves – is the procurement function prepared for that? It requires an evolved mind-set, which includes: from cost to value management, people development, succession planning and new ways for the function to collaborate outside of its domain. It requires courage to get out of our own silo, be transparent and recognized as a true business partner in order to be able to attract incumbents and commercial talent. The reputation of the function is key here.



#### **5. How have you balanced hands-on experience and formal education throughout your career?**

In my case, I would say that practical and hands-on experience contributed around 70% to my career success with remaining 30% driven by the formal education and training. I always invest time into self-development because things are constantly changing.

With the way the world is evolving today, what is right today might not be appropriate tomorrow. More than ever we have to embrace continuous learning mind-set both in professional and private life. It helps to get insights that you can transform into practical value for the company and the people who work with you.

I remember time back in 2011 when I attended a senior executive development course at IMD Lausanne. There were lots of ideas exchange, thoughtful discussions and new things I have learned. This, in turn, triggered new thoughts that ultimately has allowed me to develop the global procurement transformation program at Nestlé, which started in 2014 and I had the honour to lead until 2017. The same applies with key takeaways from a sustainability course I attended in 2016 at Cambridge and many others. So, indeed, formal education is still important for me as source of inspiration and insights.

## 6. As a CEO, how do you want your procurement team to develop and contribute?

Being in agricultural commodities business, procurement has a fundamental role to play. It is already well structured at the Ferrero Hazelnut Company, but we are bringing it even to the higher levels of maturity and sophistication. Our ambition is that it should manage and optimise the whole value chain (from farms to consumers), with focus in “excellence in quality”. Additionally, it has to deeply understand the business, our internal and external stakeholders and drive the sustainability agenda, with the ultimate goal of creating and delivering value to customers and consumers.

## 7. After centralized category management, could client-partnership move procurement back towards functions and business units?

I learn over time through hands-on experience - I did two major procurement transformations: one at Unilever and the last one at Nestlé. Time difference between those transformations was around 10 years. There are two key elements that were at the epicentre of the value creation. First, you need deep spend category knowledge. You need a team that truly understands what you are buying. They should understand the value chain, so they can work on optimizing it, not just focusing on reworking the specifications.

On another hand, it is very important that procurement connects and understands the business. Only then you can come up with best solutions with and for the business. My learning over time is that you can't expect one individual, one role to do both. And that is why in both transformations I had specific and separate groups of people, one focused on developing competences in specific spend categories and other, getting closer to the business.

I strongly believe that the concept of business partners in procurement is a fundamental one. And that is exactly the role that prepares individuals for the future business leadership positions. To summarize, a hybrid approach is required (where business and spend category size justifies such approach), that combines both technical expertise and business mind-set to make it successful.

## 8. In what ways do you see procurement's effectiveness being improved by digitalization (AI, robotics, analytics and connectivity)?

There is too much of obsession with those topics creating a lot of noise with limited tangible value. Look, the history tells us that major innovations and inventions came out with one single mission – to solve particular problem. So, the question is not improving effectiveness for the sake of effectiveness. Yes, it is nice to have all those tools available at your disposal, but what real issue you are solving? How do you create the value for the business using all the tools that are coming with Industry 4.0 and Internet of Things?

First of all, the role of procurement leadership is to provide clarity on the strategic direction. That includes removing noise from the system and making complex things as simple as possible. How? The way we do it here is through fast prototyping. When there is any kind of new ideas, let's say about a new commercial approach or data and KPIs management, we do prototyping and in case it works, we scale it up. Otherwise, we stop doing that specific project and switch to another initiative. This enables focused experiments transforming complex concepts into simple value adding activities.

## 9. Could you share insights on driving end-to-end, supply-chain value; from tier-X suppliers to customers far downstream?

My approach is to create a meaningful purpose that would act as a catalyst, connecting different elements together. This has to be done internally first and then extended externally, upstream with your supply base and downstream with your customers.

When I came to Ferrero Hazelnut Company, there was a lot of great things already being done and my initial approach was to ensure they were leveraging each other and strategically connected. So, I verbalized our objective as “Drive Excellence Throughout the Value Chain” aiming to achieve best in class performance in

---

every critical aspect of the business. And this requires well-coordinated work with all stakeholders, including farmers, suppliers, governments and customers. That is why a meaningful and clearly communicated purpose is a gravity point to boost performance. This also becomes your strategic compass in prioritizing and de-prioritizing initiatives, eliminating non-value added activities to steer the organizational focus towards most important ones.

### **10. Is there something that you especially miss as you moved on from procurement?**

I do not think there is a such thing. I have exactly the same mind-set I had before, I just got broader scope of responsibilities with huge potential for learning, development and being able to make an impact to the business and the people I work with.

### **11. What advice would you have for someone considering to prepare for a similar transition as the one you recently made?**

There are three key points.

First is about curiosity given that, the day you stop learning – you stop growing. Ask questions and challenge the status quo.

Second is that you need courage to take risks. And I tell it openly, I would not be where I am today without taking some significant risks and moving myself out of the comfort zone – many times!

Seek the impact and make the difference. Ask yourself: when I retire from my professional life, what do I want to be remembered for?

The above CPO interview is part of a series of management-level insights from Swiss-based global procurement leaders. Switzerland is home to some of the most successful multi-national companies and non-government organizations. CIPS Switzerland uniquely engages with them and offers our community best-practice events, workshops and networking opportunities. More info via:

<https://www.cips.org/en/community/branches/branchlisting/switzerland/>.