

Talent Framework

The innovation gap

Logistics executives lag their most innovative customers in traits crucial to sector success.

The supply chain—reimagined.

The supply chain, once synonymous with warehouses full of inventory and fleets of delivery trucks, continues to be reimagined. Retailers are going “omnichannel”—using brick-and-mortar stores not only to sell to customers but also as mini-fulfillment centers for online orders. Amazon and Walmart are seeking federal approval to use drones for customer deliveries. Distribution centers are viewed as repositories of “Big Data” for the massive flow of goods through the logistics system. Technology is overhauling how truckers connect with their customers with greater efficiency and improved tracking of shipments.

In short, the supply chain is morphing as new channels open and companies expand their go-to-market strategies across a highly competitive global marketplace. At the same time, new delivery strategies must be efficient and cost-effective. For example, retailers are trying to minimize the cost of operating parallel channels as goods are delivered both to stores and directly to customers (Chao 2015). Manufacturers are using technology to monitor and manage inventories at optimal levels for their distributors and customers.

As these changes occur across the supply chain and in every sector of the economy, logistics leaders must step up to the challenge. They must be innovative, creative thinkers who can break out of the mold of how things always have been done and generate new ideas of how to move goods better, faster, and more efficiently.

Despite the need for more cutting-edge solutions in logistics, talent in this sector often lacks the kinds of traits and abilities that distinguish the most innovative executives. To illustrate this point, Korn Ferry conducted a side-by-side comparison (see Figures 4, 5, 6, and 7) of logistics executives and those from *Forbes* magazine’s “The World’s 100 Most Innovative Companies”¹ (MIC). In particular, when compared to their MIC peers, logistics executives typically possess lower levels of learning agility and cultural dexterity—two traits highly predictive of success and engagement, especially in senior leadership roles.

This paper shows how logistics companies must address the innovation talent gap by assessing and developing current leaders, and recruiting new talent from outside this sector. Organizations that fail to do so risk losing business to nimbler competitors offering more cutting-edge solutions.

¹ *Forbes* defines “The World’s 100 Most Innovative Companies” as “the 100 firms investors think are most likely to generate big, new growth ideas.”

The demand for innovation.

“You absolutely, positively have to innovate—if only to survive.”

— Fred Smith
Founder, Federal Express Corp.
(Entrepreneur.com 2008)

Logistics is ubiquitous, accounting for expenditures of \$1.1 trillion (2009 estimate) in the United States alone (Council on Supply Chain Management 2015). At the same time, the market for logistics service providers has matured, as the vast majority of companies across the economy use some type of outsourced logistics.

Logistics relies on long-term relationships rather than on one-time transactions. To accelerate their growth and improve profitability, logistics service providers must find ways to take market share away from their competitors while also strengthening existing customer relationships. Forging and maintaining these relationships requires innovation because solutions to customers' needs today may not be adequate in the future.

One area in which logistics providers are using innovation to improve customer service is within the “last mile” of fulfillment. The 2016 Third-Party Logistics Study, produced by Capgemini Consulting, Korn Ferry, Penske, and Penn State University, noted: “A successful last-mile fulfillment process utilizes route optimization, incentivized scheduling, and real-time electronic tracking and communication. Globally, companies are turning to crowd-sourcing solutions, on-demand deliveries, and value-added delivery services.”

Going forward, the seeds of innovation may be found within the supply chain itself—thanks to the “Big Data” generated by a massive flow of goods through the logistics system. While there are obstacles—data quality, privacy, and technical issues—data can be mined for deeper insights to help improve operational efficiencies and customer experiences. As DHL noted, “in the long run, these obstacles are of secondary importance because, first and foremost, Big Data is driven by entrepreneurial spirit.... It is time to tap the potential of Big Data to improve operational efficiency and customer experience, and create useful new business models” (DHL 2013).

Given these developments in the supply chain, logistics executives who are innovative and creative thinkers are in demand. Entrepreneurial leaders, particularly at senior levels, increasingly are needed to devise and implement business strategies within the logistics industry and across the supply chain.

The innovation gap among logistics executives.

As Korn Ferry has found in its work with clients across multiple industries, close alignment between a company's business and talent strategies is key to achieving objectives and realizing operational excellence that leads to outstanding results. The Korn Ferry Four Dimensions of Leadership and Talent (KF4D; see Figure 1) highlights the importance of innovation as part of executives' thought processes, particularly when formulating strategies and addressing operational issues (Crandell et al. 2014). Without innovation, it is impossible to create the new and different.

Figure 1
KF4D



Following this thinking, if innovation is crucial to successful strategies across the supply chain, then logistics sector leaders must possess traits that foster innovation. The opposite, however, appears to be true.

A Korn Ferry analysis of logistics executives for 11 “innovation indicators” (derived from the Korn Ferry Four Dimensions of Leadership and Talent) reveals gaps in key competencies. Logistics leaders excelled in only one among 11 innovation indicators—independence—receiving the top score of 10. Executives in the *Forbes* MIC, meanwhile, received top scores of 10 in seven areas: cultural dexterity, learning agility, emotional intelligence, self, power, challenge, and independence, and scored 9 in thought, which has a specific innovation component. Overall, the *Forbes* MIC executives outperformed logistics leaders by nearly 50%.

Learning agility and cultural dexterity gaps.

The most pronounced gaps between the groups were in two areas—learning agility and cultural dexterity (see Figure 2 and Figure 3).

Figure 2
Learning agility compared.

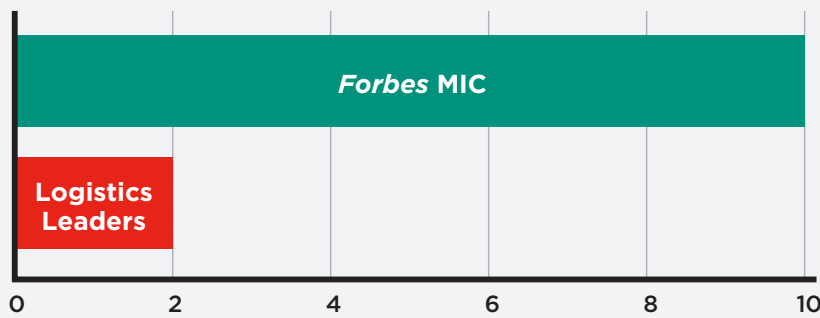
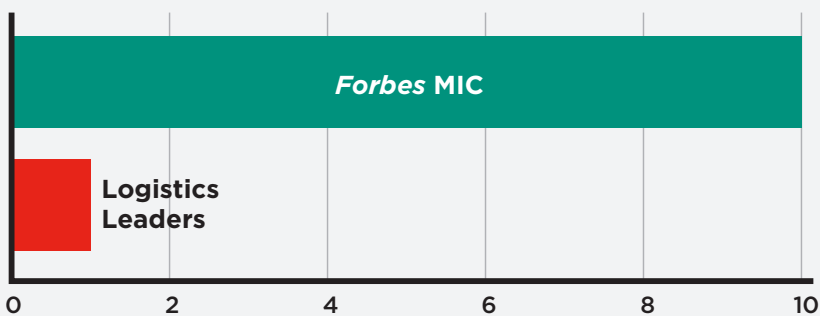


Figure 3
Cultural dexterity compared.



Learning agility is defined as the willingness and ability to learn from experience, and subsequently apply those lessons to perform successfully under new or first-time conditions. People who are learning agile are more willing to seek out challenges and take risks. They are curious, creative, and resourceful; thrive in new, complex, and ambiguous situations; get to the essence of any problem; and inspire others to embrace change and achieve results. In fact, learning agility is among the key traits that enhance enterprise competitiveness and contribute to higher profit margins (Lewis 2013).

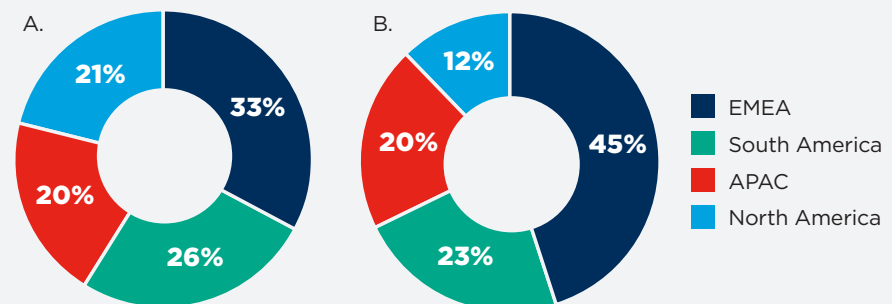
For logistics professionals trying to keep pace in a technology-driven environment, learning ability enables them to tackle new problems using insights from previous successes and failures.

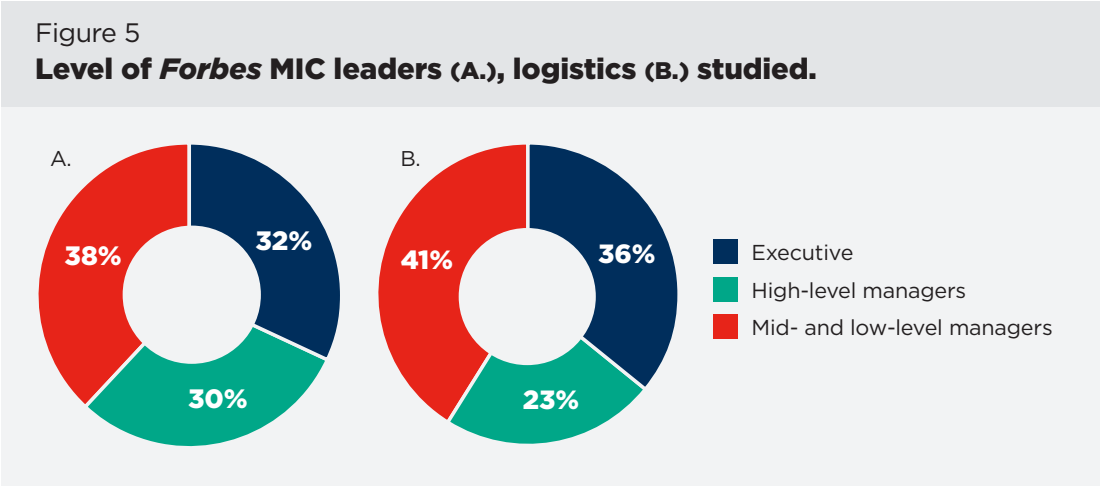
Cultural dexterity is defined as a professional's ability to work effectively with individuals from various cultural backgrounds (nationality, gender, ethnicity, age/generation, market segment, and organizational and business cultures). Individuals who are culturally dexterous often can avoid cultural misunderstandings by staying attuned to diverse motives and values, and by effectively integrating knowledge of culture into their business dealings.

For logistics professionals working across a global supply chain, cultural dexterity can improve customer relations while also gathering input and ideas from a more diverse group of individuals to innovate and create solutions.

Figure 4

Geography of *Forbes* MIC leaders (A.), logistics leaders (B.) studied.





The Korn Ferry assessment also showed that *Forbes* MIC leaders had notable strengths in three areas in which they outperformed logistics executives: understanding the business, making the right call, and focusing on performance. By comparison, logistics executives lack sufficient depth in these areas that may help drive their customers' businesses; they are largely seen as supporting actors and specialists in a role. Greater competency in these areas can bring logistics executives to the table to devise and implement strategy.

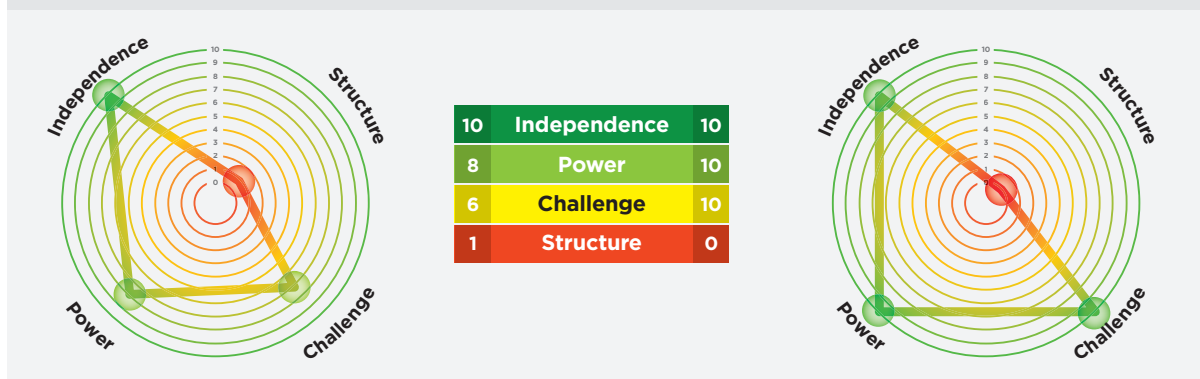
Logistic executives' strengths.

Logistics executives have three areas of strength in which they outperformed the *Forbes* MIC leaders: being open, managing execution, and building collaborative relationships. These strengths make logistics leaders strong team players. Combining these strengths with improvements in learning agility and cultural dexterity can help logistics executives emerge as more well-rounded business leaders.

Figure 6

Side by side comparison.

Logistics leaders excelled on only one dimension of innovation (independence) and received scores of 7 or above on three dimensions, while the *Forbes* MIC excelled on eight.



Talent for the logistics industry.

It's well known that companies that most effectively recruit, evaluate, develop, and engage their people outperform their competition, yet many companies still need the means to do so. By assessing talent based on the competencies, drivers, experiences, and traits that have proven to lead to success, organizations can ensure that they have the right people in place now and in the talent development pipeline.

For the logistics industry, homing in on innovation indicators provides a focused way to view talent that can address the challenges presented by an ever-evolving supply chain. Companies can improve their ability to create the new and different in logistics by recruiting new talent on the basis of innovation—including from outside the sector.

Logistics executives themselves must be more highly self-aware of their competencies. With greater learning agility, cultural dexterity, and other traits that support innovation, they can be seen as leaders who help foster innovation within their organizations and among their customers.

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Korn Ferry is the preeminent authority on leadership and talent. For nearly half a century, clients have trusted us to recruit world-class leaders. Today, we are their partner in designing organizational strategy and developing their people to achieve unimaginable success. For more information, visit www.kornferry.com.

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The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.



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