

EgonZehnder



# Chain Reaction 2020

Leadership Perspectives from the  
World's Top Supply Chain Executives

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# Introduction

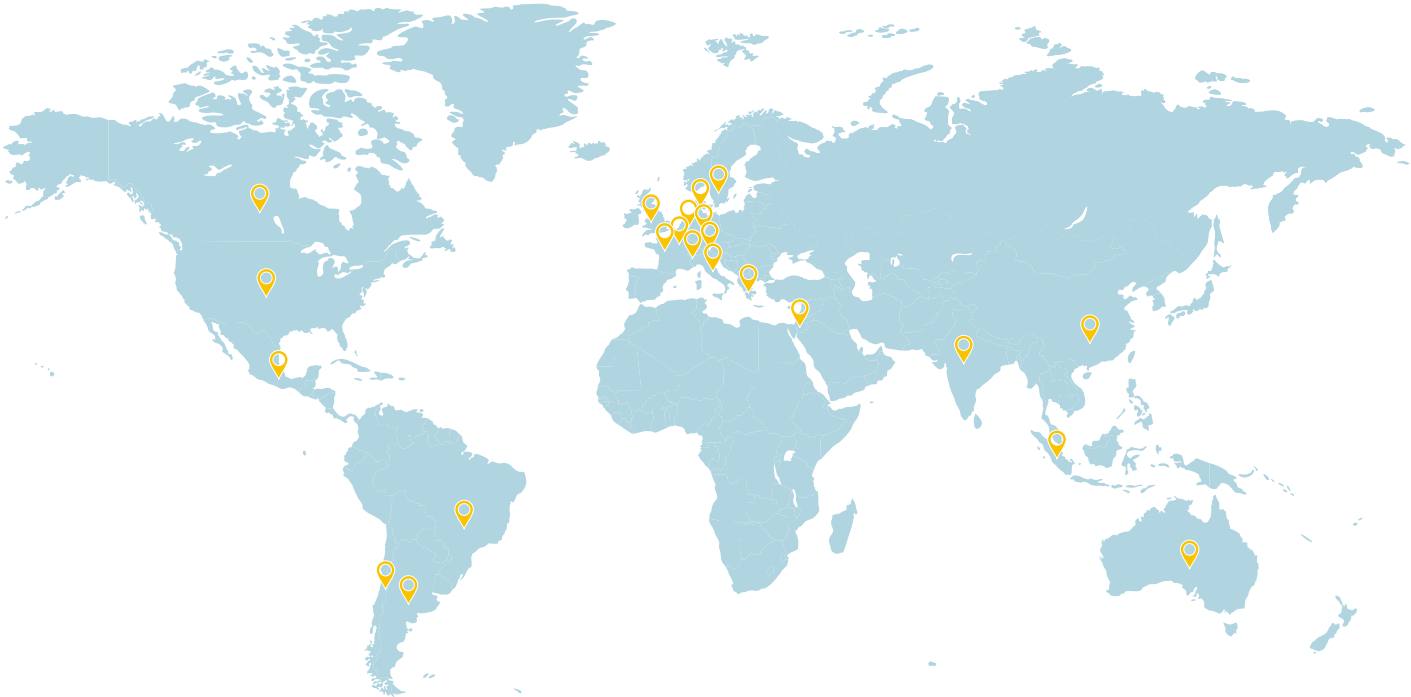
The Chief Supply Chain Officer (CSCO) is a position that has always been critical to a company’s success. Today, that has never been more true; the ability to bring products to market quickly and efficiently—combined with global shocks such as COVID-19, rising customer expectations, and the digital revolution—has put the CSCO at the center of a company’s strategy.

At the same time, the role of the CSCO is shifting and becoming more complex, with many competing priorities. At Egon Zehnder, we have conducted more than 1,000 supply chain searches in the past five years. In order to better understand the responsibilities and concerns of this position, we decided to conduct a global survey of today’s CSCOs.



# Who We Surveyed

In Q4 2019, we surveyed 235 large company CSCOs across many industries, geographies (23 countries), and corporate structures. A full 82% of our respondents are the most senior such executives in their organizations, meaning they are ultimately responsible for their company’s success or failure in creating an effective, efficient, and competitively differentiated supply chain.



- |                          |           |           |                      |
|--------------------------|-----------|-----------|----------------------|
| United States of America | France    | Sweden    | Greece               |
| Germany                  | Singapore | Austria   | Israel               |
| China                    | Denmark   | Brazil    | Italy                |
| Switzerland              | Australia | Chile     | Luxembourg           |
| United Kingdom           | Canada    | Mexico    | United Arab Emirates |
| Netherlands              | India     | Argentina |                      |

# COVID-19: The Ultimate Global Shock

The viral disease first appeared in China in December 2019, and as of April 2020, it had exploded around the world, disrupting economies, health care systems, and social norms. Supply chains, which depend on a global flow of goods and people, have seen massive impacts. In early March 2020, we conducted a flash survey of our respondents to get a sense from them of what had changed and how prepared they felt they had been. Although the spread of the virus was in the early stages at the time, 72% of respondents believed they were at least moderately prepared for the impact on their supply chains. Only 60% said at the time that they believed it would take more than three months to recover from the impact of the crisis.

Said one respondent: “China handled the situation very well. It seems the Western World just stumbled into it.” Said another: “Resilience design in the supply chain is critical.”



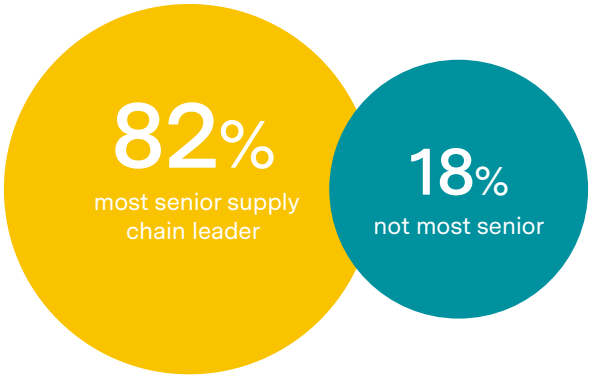
“ I think [COVID-19] has fundamentally changed the structure of the supply chain. And it will force people to change old behaviors that we know need to change.”

— Wilson Wei-Zhong Zhu, Chief Operating Officer of Li & Fung



# Who is Today's Chief Supply Chain Officer?

Today's Chief Supply Chain Officer has more clout and experience than ever before. That's one clear conclusion of our survey, where a full two-thirds of our respondents reported having at least 20 years of experience in the industry. Once considered a technical, logistics, and distribution-oriented role siloed from the rest of the C-suite, the CSCO now plays a key role in defining a company's strategy—as well as a core part of the customer experience. More than half of our respondents (53%) said they now report directly to the CEO, with another 24% reporting to either the COO, President, or CFO. And 55% of them manage teams of at least 1,000 people.

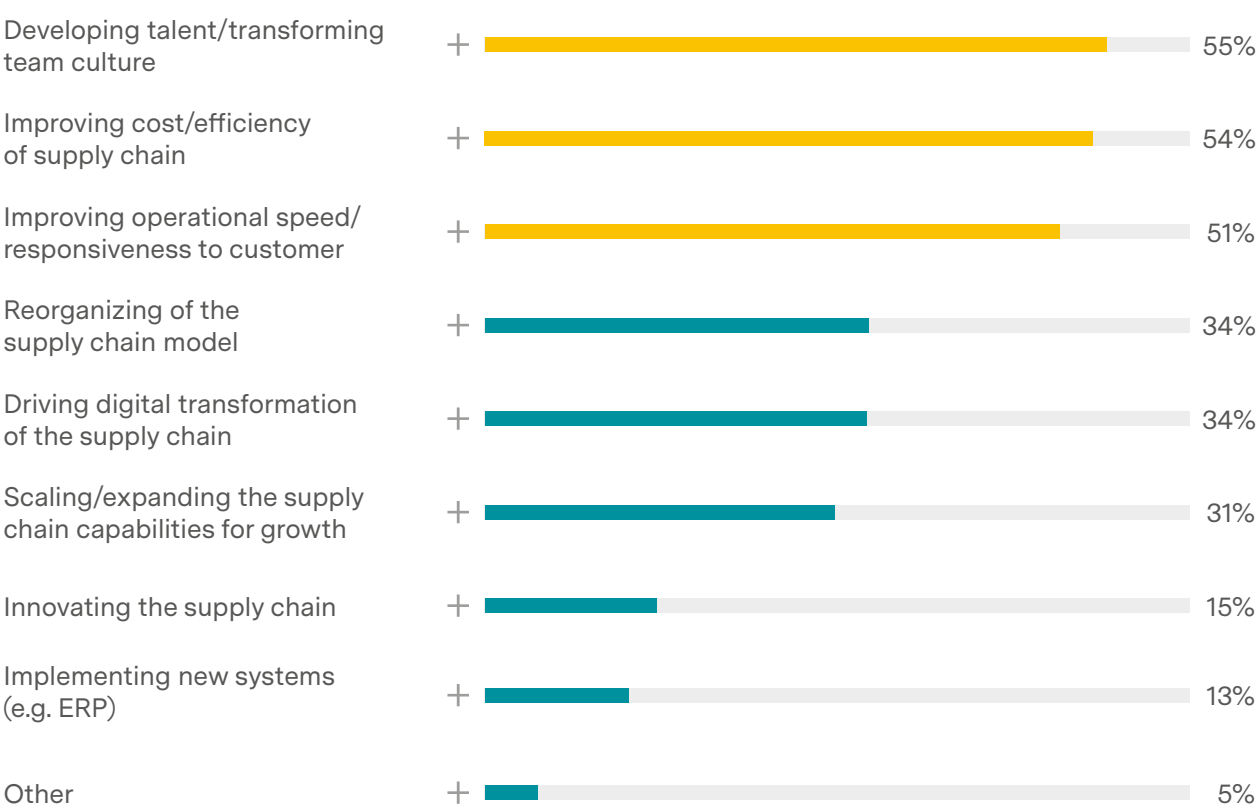


Collaborative and Centrally Led

For many years, the CSCO operated as an extremely centralized position with complete control over the supply chain. Then it became more decentralized as the business units came to understand how relevant the supply chain was to their own success. Today, the pendulum has swung back to somewhere in the middle: Nearly two-thirds (63%) of our respondents said they run a unit that is centrally led, as opposed to decentralized, which means that they share responsibility and accountability with the business unit leaders. It’s a key distinction, because it means that CSCOs must share power with many of the other C-suite leaders in the organization, building strong, customer-focused businesses together. They now work closely with other business units and own the decision rights. This means that the leadership skills required also changed—which was never more apparent than during the COVID-19 crisis, in which siloes instantly became irrelevant or meaningless.

What were your most important priorities when you transitioned into your current role?

Percentage represents how many respondents ranked priority in their top three



We asked our CSCOs to rank the top three objectives in their current role. Two of the choices tied for most important: increasing the efficiency of the supply chain and improving operational speed and responsiveness to customer needs. Each of these was cited by 22% of respondents. The clear drivers for CSCOs today are twofold: Reducing costs remains at the core of the job, but equally important is the ability to be flexible and responsive to customers by understanding what is on their minds and how to help them succeed. Both concerns are equally vital if a company wants its supply chain to become a true strategic advantage rather than just one element of the business.

But it is not only about the technical side of things. When we ranked the responses to find out which priorities were consistently in the top three, another issue emerged: developing the talent/transforming the culture of the team, which 55% of respondents pointed to as a top three concern. Talent and culture are, of course, critical for every C-suite-level executive, but as CSCOs’ jobs become more collaborative and interactive, this is particularly relevant.

Another surprising insight pertained to the digital transformation of the supply chain: Only 7% of respondents said digital transformation was their top priority, although one-third of respondents made it one of their top three. To us, this is evidence of the variety in digitized supply chains today. Some have folded it into every aspect of their work; others are only now grappling with what it means to be truly digital. It’s fair to assume that COVID-19 has increased the acceleration of digital initiatives as they become key to survival.

“Everyone is intensely working on digitalization; however, no one has gained any competitive edge.”

— Survey respondent

OUR TAKE

The CSCO role is more crucial—and complex—than ever. While having the ability to manage costs and improve operational efficiency remains at the heart of any CSCO role, the new, more collaborative aspects mean that many CSCOs need support. Hiring executives must seek out not just the classic “nuts and bolts” skills; they must also ensure that a CSCO leader can communicate in a way that other business leaders, both internal and external, will understand—both in times of crisis and in normal times. In addition, CSCOs will need to demonstrate a greater degree of strategic and customer orientation, linking the objectives of the supply chain to the overall company value proposition and being flexible and agile enough to respond to the ever-changing market demands. If the current CSCO does not have these skills, he or she must acquire them—ideally, internally—or risk being replaced.

# Supply Chain Champions

We asked our CSCOs to share the names of the companies they believed were best-in-class in several areas: overall supply chain strength, innovation, and talent/culture.

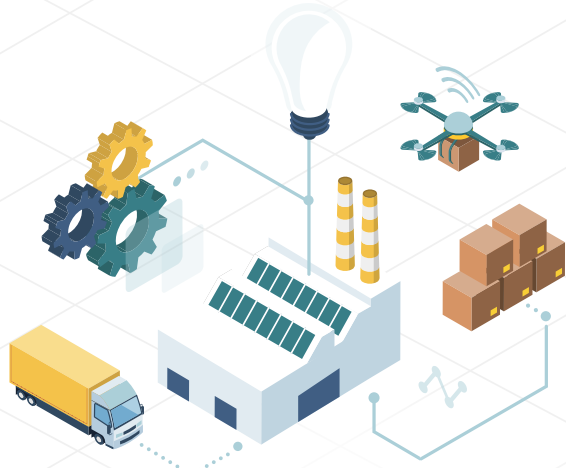
## The Supply Chain Champions

In our survey, respondents were asked to volunteer the names of companies whose supply chain led the way in several categories. To get the overall ranking, we added up the total number of mentions overall.



### Overall Leader: Amazon

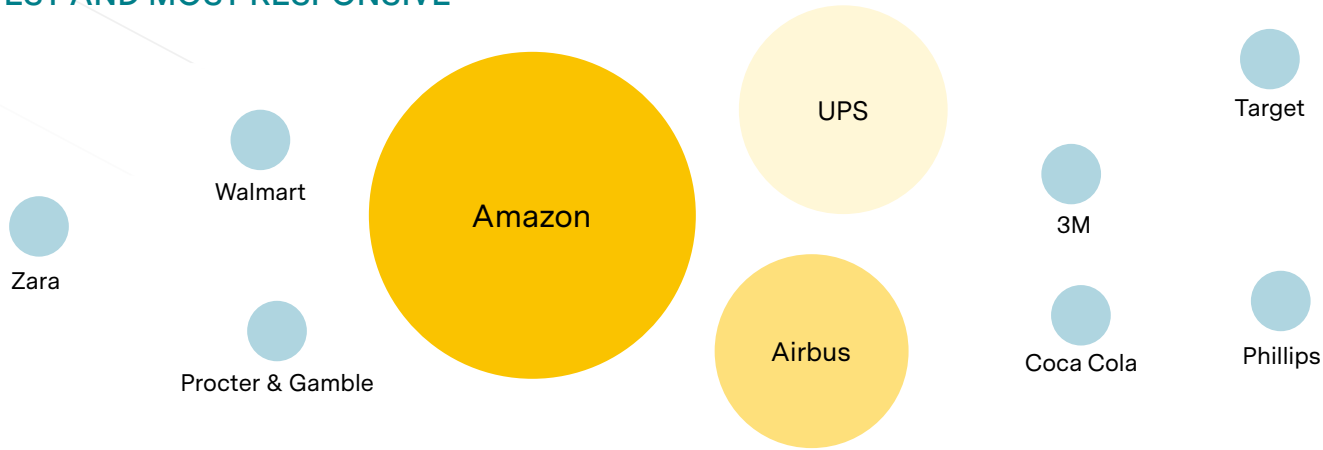
Unsurprisingly, given its power and reach, Amazon was the clear leader in almost every category. Respondents said it had the fastest and most responsive supply chain, the most digitally advanced supply chain, and the most improved growth capabilities.



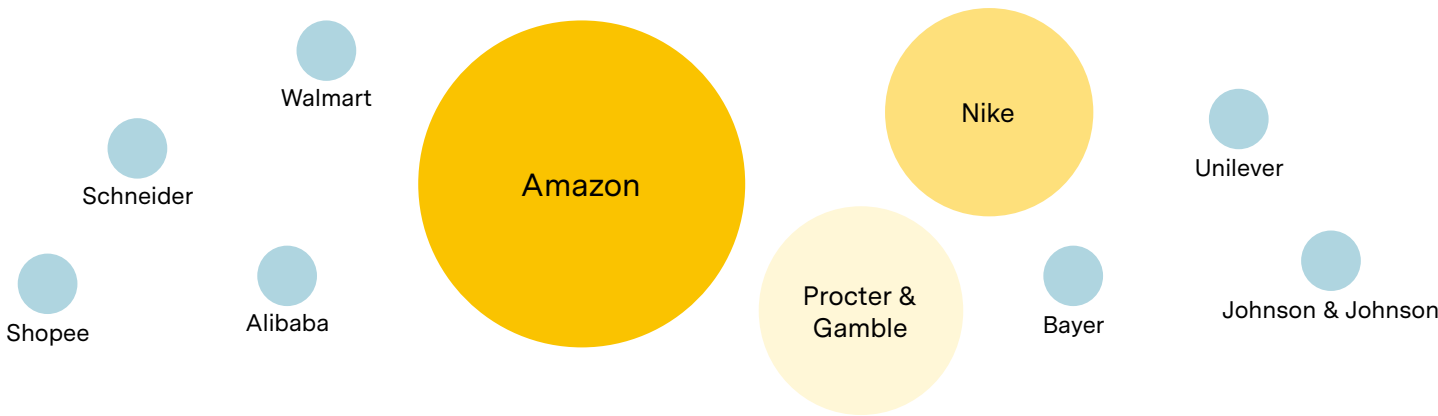
## Leaders by Category

We asked our survey respondents to list the leaders in the categories below and then ranked them by the number of mentions.

### FASTEST AND MOST RESPONSIVE



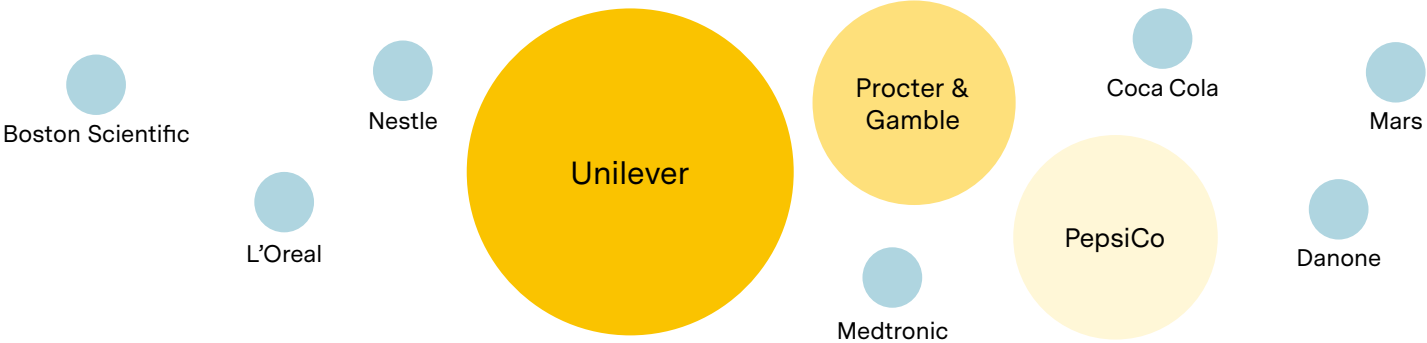
### MOST DIGITALLY ADVANCED







STRONGEST TALENT AND CULTURE



Talent and Culture Leader: Unilever

Unilever, known for its culture of purpose, was the clear winner in this category. Notably, this was the only category where Amazon lagged.

OUR TAKE

The best leaders—and there was quite a lot of agreement among our CSCOs about who those leaders are—are those who have succeeded at both the cultural and operational aspects of the supply chain. Amazon, for example, has both created an environment in which innovation and creative dissent are championed, and put digital at the heart of its business. They and others have smashed existing paradigms—in part because of their global reach, which in turn allows them to attract the best supply chain teams. Said one survey respondent: “Anywhere that has scale to move people across functions, and into/out of the field and headquarters, tends to develop solid talent.”

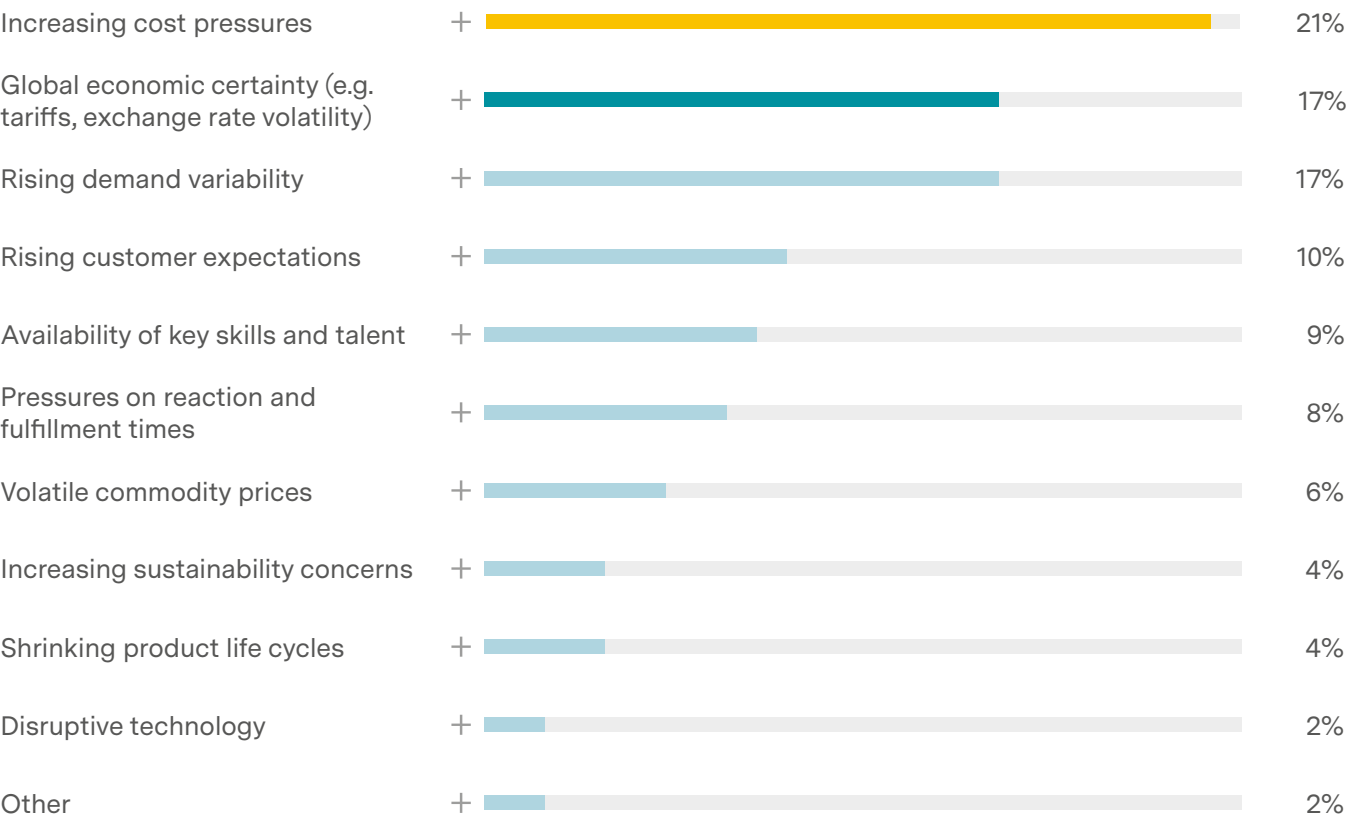
# External and Internal Challenges

## Biggest External Challenges Facing Supply Chain Leaders

We asked our CSCOs to rank the top three external challenges they were facing (this survey was conducted before the onset of COVID-19, which presumably would have changed responses). The top answer, selected by 21% of respondents, was rising cost pressures (half named this as one of their top three issues). This was no surprise to us; competitive advantage in this space is still all about efficiency and cost. But even before the outbreak, what came second—global economic uncertainty—underscores just how challenging it is to be in this role, particularly at a large multinational company.

## Top External Challenges

What are the top three external supply chain issues holding your organization back right now?



CSCOs today must deal with universal uncertainties that are suddenly challenging the existing model of globalization, ranging from COVID-19 to market fluctuations to increasing tariff and trade disputes. Large companies are feeling this pressure even more intensely: 56% of large companies named global economic uncertainty as a top-three issue, compared with 30% of small companies. But what are organizations doing to address these challenges? How does one strike a balance between cost management and risk mitigation? “It’s about managing risks,” says Wim Appelo, Worldwide VP, Supply Chain, Strategy, Innovation & Deployment at Johnson & Johnson. “And it’s risks from an environmental perspective. It’s risk from what’s happening in trade and in the world around us. It’s geopolitical risks. I think in my mind it really fits the changing role; the downside of focusing solely on efficiency and cost could create a really vulnerable supply chain.”

### Biggest Internal Challenges Facing Supply Chain Leaders

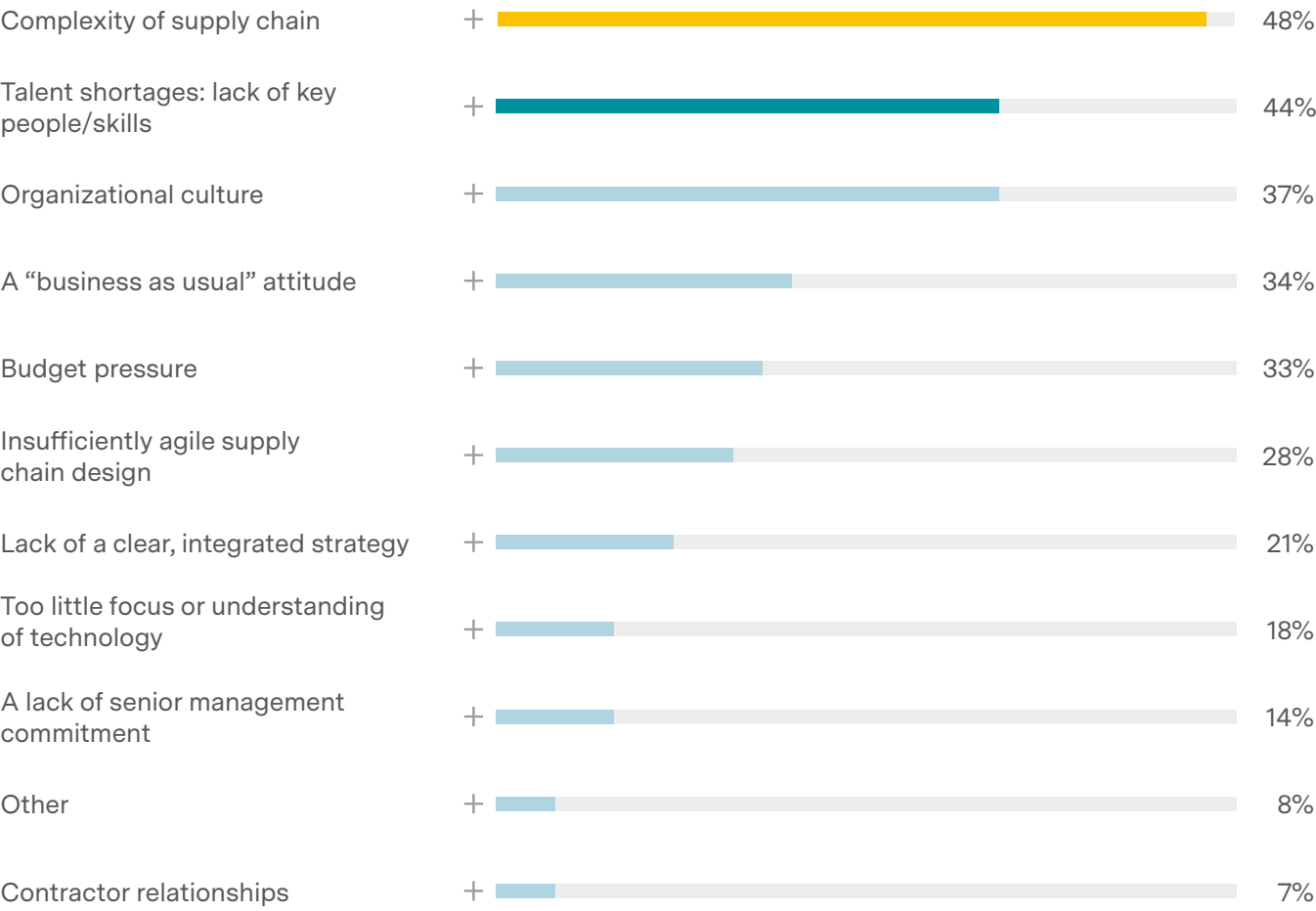
When we asked respondents to list the three biggest internal challenges, the growing complexity of the supply chain itself came in first, with nearly half of CSCOs citing this as a top-three issue. Significantly, the next two challenges were talent shortages and the organizational culture—which bears out what we are seeing consistently in our work with C-suite executives.

And although budget concerns were only the fifth-most-cited challenge, when we asked a specific question about resources, we got a very different answer: Only 38% of respondents agreed or strongly agreed that their supply chain had adequate resources to meet future challenges—which means that 62% think they do not. Companies with between \$3 billion and \$10 billion in revenue were particularly concerned about this issue, with just 27% agreeing or strongly agreeing. This may mean that despite CEO and top-level support for the work of the CSCO, there still is not enough understanding of just how much time and money is required to modernize and streamline the supply chain.

Says J&J’s Appelo: “The world around us is changing at an unbelievable pace. And so if there’s anything that keeps me up at night, it’s, ‘Are we going fast enough? Are we making the changes at a pace that we need to?’ Because the world isn’t waiting for us.”

### Top Internal Issues

What are the top three internal supply chain issues holding your organization back right now?



#### OUR TAKE

Being a Chief Supply Chain Officer has always meant having some comfort with uncertainty. But today, it’s an absolute requirement. In addition to having the skills needed to manage complexity, CSCOs must be personally comfortable with constant change and must know how to create a more variable cost structure. They must manage their supply chain with the expectation of regular change and exogenous shocks rather than reacting out of fear or uncertainty. Such rapid shifts only highlight the need to create alternatives within the network or to think about using creative sourcing options such as contract manufacturing, as J&J has done recently.



# The Talent Shortage

The lack of qualified talent is a major issue for CSCOs today. Although 44% of respondents said that they'd already identified a potential successor within their organization, they expressed more anxiety around the building of effective teams. Nearly three-fourths (72%) of our respondents said that they were concerned about the current skill level of people in their organization, and a full 79% said they were worried about their ability to recruit people able to handle the increasing pace of change. This concern was greater in Asia even before COVID-19 hit, where a full 86% of respondents worried about finding people with this type of flexibility, compared with the Americas' 78% and Europe's 74%.

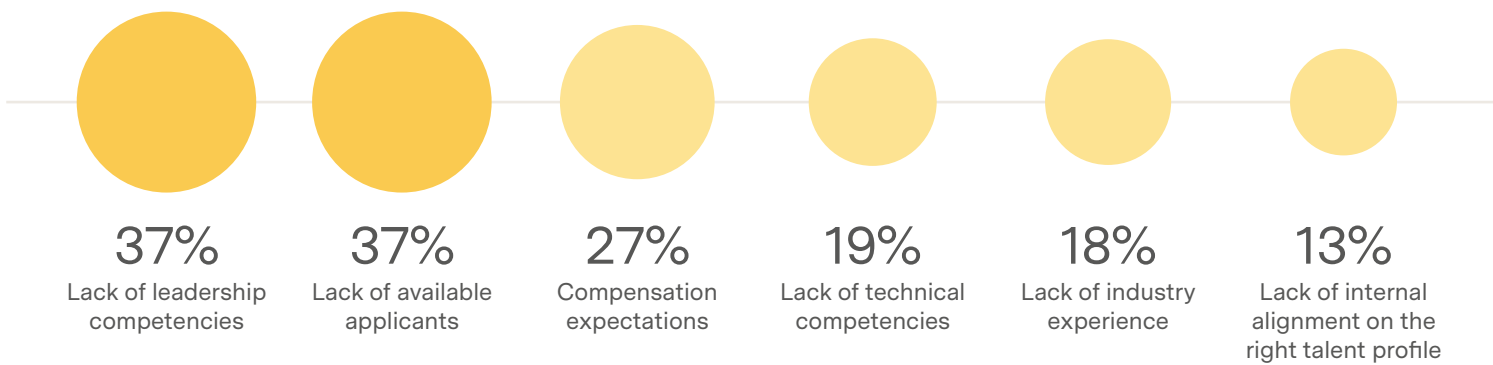
So what are companies doing to address the talent problem? Spending money on leadership development, for starters. Nearly three-quarters (73%) say they have increased investment in this area. They are also, increasingly, paying more for talent (73%) and hiring supply chain experts from outside their own industries, perhaps because of scarcity; 52% of respondents say they are currently doing so.

Yet there is an even deeper issue here, one that's not addressed by poaching or higher salaries. It's the fact that 37% of respondents said that the biggest challenge of all was the lack of leadership competencies in potential candidates. It appears that many supply chain experts simply do not currently possess the leadership skills needed to succeed in this new world. At Philips, SVP & Global Head of Supply Chain Ivanka Janssen is very focused on developing talent internally. "I think supply chain is a very hot area," she says. "Many people are looking for the same type of people with the same type of experience, especially when it comes to digital capabilities. So what we do is creating an environment internally where we encourage people to learn as much as possible," she says, citing programs such as reverse mentoring.



## What are the top barriers to recruiting the right talent?

37% of respondents said that the lack of leadership competencies was the biggest challenge



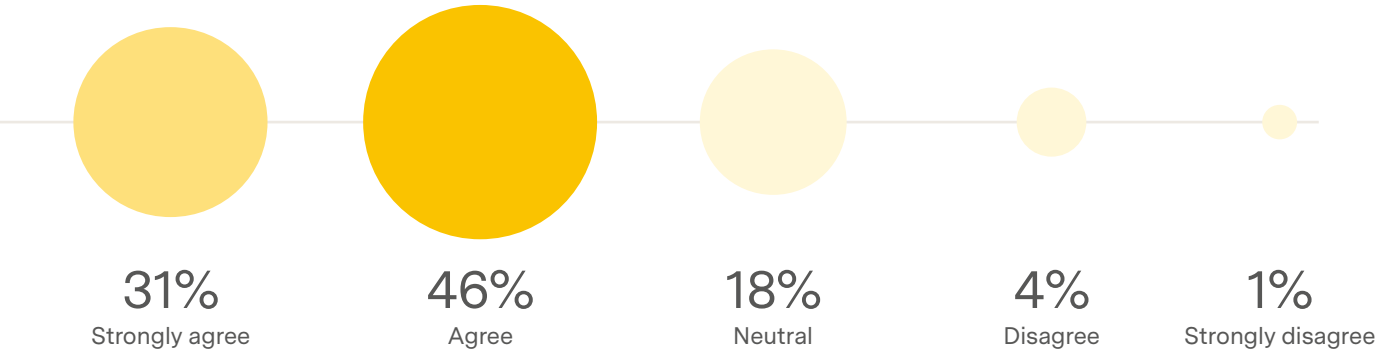
### OUR TAKE

The global war for talent will continue to be an issue for supply chain executives, particularly during difficult times. Companies need to know that in the short term, they must spend money to get the right leaders on board, while in the longer term they must think aggressively and creatively about developing talent. With an increased focus on strategy, customers, and internal collaboration, they may wish to encourage more movement across functions or evaluate candidates more on their leadership potential as opposed to technical capabilities. It is true that some of these executives will be poached by others—and also that they will have to shell out more in salaries and incentives to refill their coffers—but the supply chain function is far too important to scrimp on. The table stakes for future CSCOs will remain the ability to drive cost and efficiency; the best leaders will understand how to work more broadly across the entire organization.

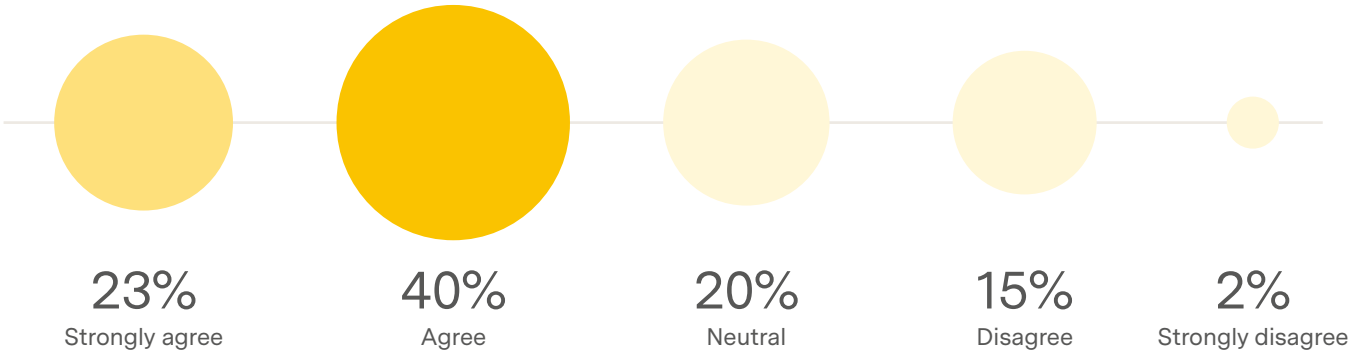
# Alignment

Are CSCOs properly appreciated and understood within their organizations? The answer, our survey clearly shows, is yes. Three-quarters of them (76%) said that their board of directors is aligned with their strategy, while 63% said the CEO is curious and aware of supply chain issues. We consider this to be very good news and evidence that the supply chain is now seen as a core part of a company’s strategy and a competitive edge in itself. As recently as a few years ago, this was not often the case.

## The board of directors is aligned with the supply chain strategy I have articulated



## The CEO is curious and actively learning about the changes and issues facing our supply chain

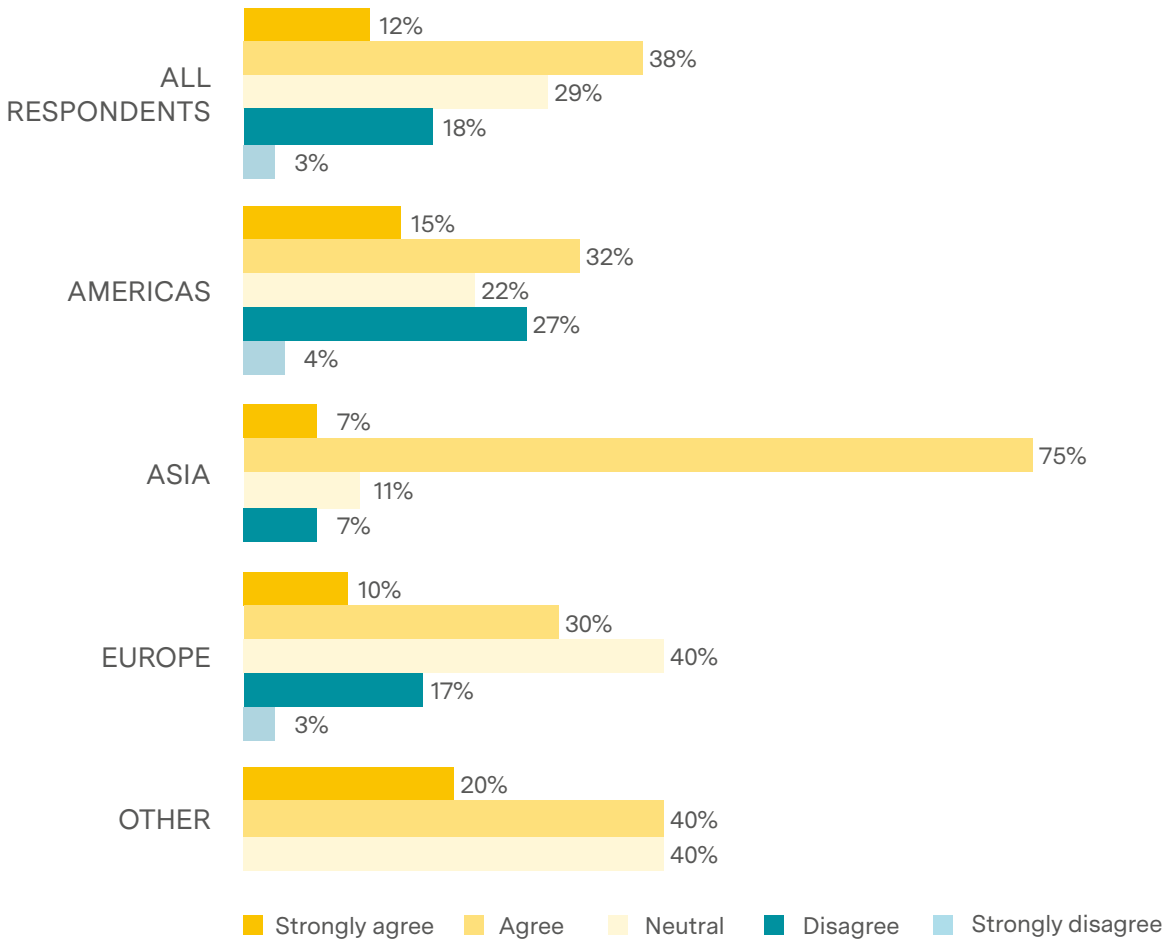


## The Rise of Asian Supply Chain Organizations

Asian companies like Alibaba, Taobao, Xiaomi, and Huawei are emerging as some of the most digitally advanced supply organizations. This coincides with our survey findings, which revealed that Asian organizations were more likely to cite the supply chain as the most important asset compared to other regions. A full 82% of respondents in Asia said their companies considered it the most important strategic asset in their company—perhaps because so much of the actual supply chain is located in this region—compared with 40% of European respondents and 47% of those in the Americas. Possible reasons for this difference range from industry focus to culture to a coordination of resources in the region.

Agree/Disagree: The supply chain is our organization’s most strategic asset

Asia values supply chain most



OUR TAKE

CSCOs cannot do their jobs without the support of their CEO and their fellow business unit heads. It is terrific that so many executives now appreciate supply chain as a strategic rather than a technical element of the business—and the COVID-19 crisis certainly underscored that—but there is still a way to go.



Action Plan: How Today’s CSCO Can Succeed

Armed with the data collected from our survey as well as interviews with top supply chain officers, we at Egon Zehnder have put together a plan for supply chain leaders that we hope will address their main challenges and opportunities.

1. Put Culture First

Our survey makes clear that CSCOs are concerned about building cultures that embrace change and innovation. CSCOs must think not just about hiring individuals but also putting together effective teams. They should study best-in-class cultures and conduct in-depth internal or external assessments of individuals and teams. They also must look beyond the supply chain function to see how, for example, innovation is handled in other parts of the company or externally, and they must ensure that their plan fits within the company’s overall strategy.

2. Expect the Unexpected

As we have learned so many times this year, the one certainty in the supply chain space is that it is uncertain. The pace and frequency of sudden change is accelerating. Learning to expect shocks and sudden shifts and responding with agile thinking must become second nature for any CSCO. It is important for CSCOs to balance a steady-state organization with one that has alternative plans in place for when the unexpected occurs. Precision remains critical—but so does the ability to learn, react, and respond. The more efficient and flexible the supply chain, the less vulnerable it is to unanticipated changes.

3. Build a Collaborative Organization

In this new world, it is not enough to be a technical CSCO. Successful supply chain executives must create an environment in which they can work closely with not only their own team but also other businesses and units inside and outside the company. Not everyone will have every strength; effective teams are able to fill the gaps and must hire or develop collaborative talent when those gaps emerge.

4. Fight the Talent Gap with Potential

At a time when talent is scarce, companies must be creative in looking beyond the “normal” hiring pool. Our research shows that companies that focus on what we call “potential”—defined by curiosity, engagement, determination, and insight—rather than just competencies will end up with more successful leaders. Assessing potential also opens organizations to a more diverse set of candidates, which, in turn, leads to more creative thinking and better results.

5. Invest in Executive Development

It may seem costly, but in the long term it won’t be: Any company that wants to attract and retain top supply chain talent must give its people the professional support and development they need to grow. This could be anything from international assignments to internal or external management programs to even doing a stint outside of the supply chain function altogether. Ideally, it would make sense for any top supply chain executive to do a stint in a customer-facing function in order to better understand their increasingly important connection to the external world.

Please visit [www.egonzehnder.com/chain-reaction-2020](http://www.egonzehnder.com/chain-reaction-2020) to see all of the findings.

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## About Egon Zehnder

Egon Zehnder is the world's preeminent leadership consulting firm, sharing one goal: to help people and organizations transform. We know what great leaders can do and are passionate about delivering the best solutions for our clients. As One Firm, our more than 500 Consultants in 68 offices and 40 countries combine our individual strengths to form one powerful collaborative team. We partner closely with public and private corporations, family-owned enterprises, and non-profit and government agencies to provide a comprehensive range of integrated services: Board advisory, CEO search and succession, executive search, executive assessment, leadership development and organizational transformation.

Our leadership solutions cover individual, team and organizational effectiveness, development and cultural transformation. We work with world-class partners including Sinequanon (SQN), a firm we have invested in that uses AI and advanced analytics to improve workplace culture and performance, and Mobius Executive Leadership, a transformational leadership development firm. In addition, we have partnered with Paradox Strategies, co-founded by Harvard University Professor Linda Hill, to develop the Innovation Quotient (IQ), a proprietary culture diagnostic.

Our goal is that the work we do contributes to successful careers, stronger companies – and a better world.

For more information, visit [www.egonzehnder.com](http://www.egonzehnder.com) and follow us on [LinkedIn](#) and [Twitter](#).

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