Executive Report Excerpt

Build CSCO Influence in the Boardroom: Demonstrate Functional Mastery, Business Alignment and Industry Awareness

April 2020
The board of directors has a complicated mandate: Guide the future of the business, ensure executives perform in the short term and keep an eye on risk across all the horizons. It must pay attention to the needs of the investor, but also consider the implications of strategies and business decisions on the brand and society at large. Influencing at this level of the organization requires understanding the complexity of their challenge and a focus on the strategic issues that they consider most important.

In our 2020 study of board members, it’s clear that digital and technology initiatives was their top strategic priority (see Figure 3). Boards want to know how the company is investing in — and using — digital technologies to compete in an ever-changing marketplace. Related to that, they are expecting the leadership team to increase its ability to acquire the talent needed to operate a digital business. Can you hire tech-savvy workers? Can you hire data scientists? Will you have the skills needed to leverage significant investments in advanced information and operating technology? Do you have a leadership succession plan?
Those perceived strategic business priorities outweighed others that are focused on profitability (cost-efficiency or profit improvement) or governance (effective business management, risk management). Perhaps this is because boards feel as though the management teams have the operation well in hand. Or perhaps, this is because they do not fully comprehend some of the risks and challenges of the business.

As new uncertainties have developed, those board priorities will shift yet again from strategic, long-term concerns to more tactical and short term. To attend to the shifting priorities of the board, supply chain leaders must be able to develop a performance mindset, a risk mindset and an opportunity mindset (see Figure 4).
What the Board Cares About

A performance mindset is foundational — getting the engine room to run smoothly. You must be able to deliver a supply chain functional operation that delivers day-to-day results. Questions for the board to answer might include:

- How can supply chain support financial or performance priorities such as growth, margin, cash flow, capital utilization or profitability?
- What is supply chain doing to ensure top-level talent is available to operate the supply chain and maintain leadership continuity?

Operating with a risk mindset — keeping the ship afloat — drives the leader to be resilient in the face of foreseen and unforeseen situations that will impact the decision making or oversight needs of the board. For example:

- Are there material risks to the continuity of supply under certain scenarios? How much of the business is impacted, and where and how long might we move to recovery?
- What are the risks to our brand and/or reputation related to our supply base, or the impact that our operations have on the environment?

The opportunity mindset is a shift for many supply chain leaders, making them the captains of their own ships, as they take the helm and move supply chain to be a strategic partner and enabler of new competencies that will be differentiating for the company.

- How are investments in supply chain technology, infrastructure and capabilities impacting the overall growth, profitability and competitive position of the company?
- What new investments should be made to increase supply chain as a competitive advantage?

Supply chain leaders must understand company context and situate supply chain strategy in the context of the company’s strategic, macroeconomic and global trends. As a member of the leadership team, it’s critical to demonstrate to the board that you know how the business is faring outside of supply chain. Understanding the business model, industry trends and what mode the company is in at a given moment (growth mode, learning mode, cost-cutting mode) allows you to highlight trends, risks, issues and opportunities critical for the board to address.

Figure 4
Three Mindsets

<table>
<thead>
<tr>
<th>Performance</th>
<th>Reactive</th>
<th>Proactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain delivers operating results amid an ever-changing operating environment.</td>
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<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Reactive Opportunity</th>
<th>Proactive Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain takes advantage of current technologies or trends to grow or optimize.</td>
<td>Supply chain identifies value from new/disruptive/potential technologies and trends.</td>
<td></td>
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<table>
<thead>
<tr>
<th>Risk</th>
<th>Reactive Risk</th>
<th>Proactive Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain acts to mitigate negative impacts from an unforeseen event.</td>
<td>Supply chain strategizes to stave off potential challenges to operational stability.</td>
<td></td>
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</tbody>
</table>

Source: Gartner
Sudden economic, geopolitical, environmental and competitive twists and turns can leave some organizations foundering in the turbulence, while others take the opportunity to accelerate into a leading position. When disruptions like supply chain cyberattacks, natural disasters, trade wars or recessions occur, winning companies demonstrate the resilience they built to manage disruption and show value to the board with their risk mitigation strategies.

In having a risk mindset, you bring your supply chain and industry knowledge to the conversation and contextualize risk mitigation initiatives, considering current challenges and the competition (see Figure 7). Your industry best-practice knowledge can help you inform whether a given action is helping your business catch up, enabling it to keep up or even be the key to getting ahead. Sharing that as part of the storyline with the board positions your efforts in the context of your competitors, whose supply chain capabilities are not known directly by the board.
In the face of risk, the board and CEO are looking for both competence and confidence. They want to know that their supply chain leader has put together the capabilities and team to respond to the situation. They want a leader who inspires confidence, looks at all the angles, and communicates and collaborates with others in the business. They want a CSCO who can operate across all phases of the disruption:

- The CSCO has strong internal risk management practices and is actively mitigating risks.
- During performance updates, the CSCO is proactively highlighting the most likely and most impactful impending risks.
- The CSCO has regular touchpoints with the board about how the biggest risks are being handled, and their potential impacts.
- As the disruption starts, the CSCO dives deeper on where the disruption will most impact the supply chain and what is being done to mitigate the risks.

- After the initial disruptive shock, the CSCO gives an overview on the potential long-term implications of the disruption and what further risks need to be managed.

**Proactive Risk Assessment**

The short- or long-term implications of disruption to the supply chain might not be immediately obvious to a board of directors, leaving supply chain leaders well-positioned to lead. While supply chain executives don’t always know what will happen, they have enough insight into the changing environment to plan for eventualities. Leaders are positioning themselves and their supply chain as the answer to a problem that nobody else may see or understand.

For example, the recent challenges in the global trade environment caused many supply chains to permanently reconfigure the footprint of their supply chain to be more resilient (see Figure 8). Many took action, such as collaborating with supply chain partners to absorb additional cost, moving manufacturing operations to alternative countries or switching sourcing to alternative locations to minimize import duties.
The CSCO must be prepared to communicate the changes to the board. Supply chain, global logistics and network design are not easy topics for everyone to understand. Supply chain leaders need a clear approach to explain their risk responses and network design strategies to the board. They should be prepared to communicate the situation, and the investment and resources needed from the board to mitigate the risks of the changes in operations.

**Building Capability for Reactive Risk**

Inevitably, there are risks for which nobody has a plan. Showing leadership at the board level means having in place a supply chain organization that is resilient enough to respond. Leading CSCOs have put in place organizational mechanisms that allow them to organize in real time against these events. For example, in the early stages of the COVID-19 pandemic, many supply chain leaders developed “war rooms” that allowed them visibility into what was happening in their supply chain to focus decision making.

To improve decision quality and response times when major disruptive changes (that is, supply line disruptions, weather disruptions and tariffs, for example) occur, supply chain leaders at Eastman Chemical limit the number of decision makers responding to disruptions. They developed cross-functional, two-pronged decision teams to address the inevitable, unplanned, disruptive event. Eastman segments stakeholders by knowledge and impact. The segmentation helps Eastman outline two-part response teams that will be responsible for making and executing the decision. These two teams are then given separate roles (decision execution and decision guidance) that complement one another and ensure an enterprisewide perspective in the response.
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