



Supply chains: From Out of Sight To Front and Center on the Board Agenda

Supply chains have become an increasingly crucial board priority. Here's why.

Is supply chain expertise required in the boardroom? Our research uncovers an increased demand for this skillset in board director searches.



Supply chains have always been vulnerable to disruption, but our current combined crises of COVID-19's after-effects, the ongoing war in Ukraine, and ripples from recent trade wars have caused disturbances at never-before-seen magnitudes. Furthermore, increased expectations from internal and external stakeholders to operationalize sustainability have resulted in supply chain functions taking a more central role in the [sustainability journey](#). Recent changes in [universal proxy](#) rules are likely to result in more challenges to boards from single issue activists/groups (e.g., climate and sustainability). Consequently, supply chains have become a strategic priority for many organizations, shifting them from out of sight to front and center on C-suite and—in an increasingly significant trend—board agendas.

At Russell Reynolds Associates, we have seen an increased demand for this expertise in board director searches. To quantify and better understand this, we assessed how best in class supply chain organizations are governed, focusing on operations and supply chain expertise more broadly. We then narrowed our focus to supply chain expertise by analyzing thousands of the board director mandates from our client executions over the last five years - to understand the skills, competencies and experience organizations look for when hiring board members.

Our assessment revealed that best-in-class organizations have operations and supply chain expertise represented in the boardroom. Our proprietary data confirms a consistent demand for supply chain expertise across industries, with a notable uptick in demand across consumer-focused industry sectors.

Best in class organizations have operations and supply chain expertise in the boardroom

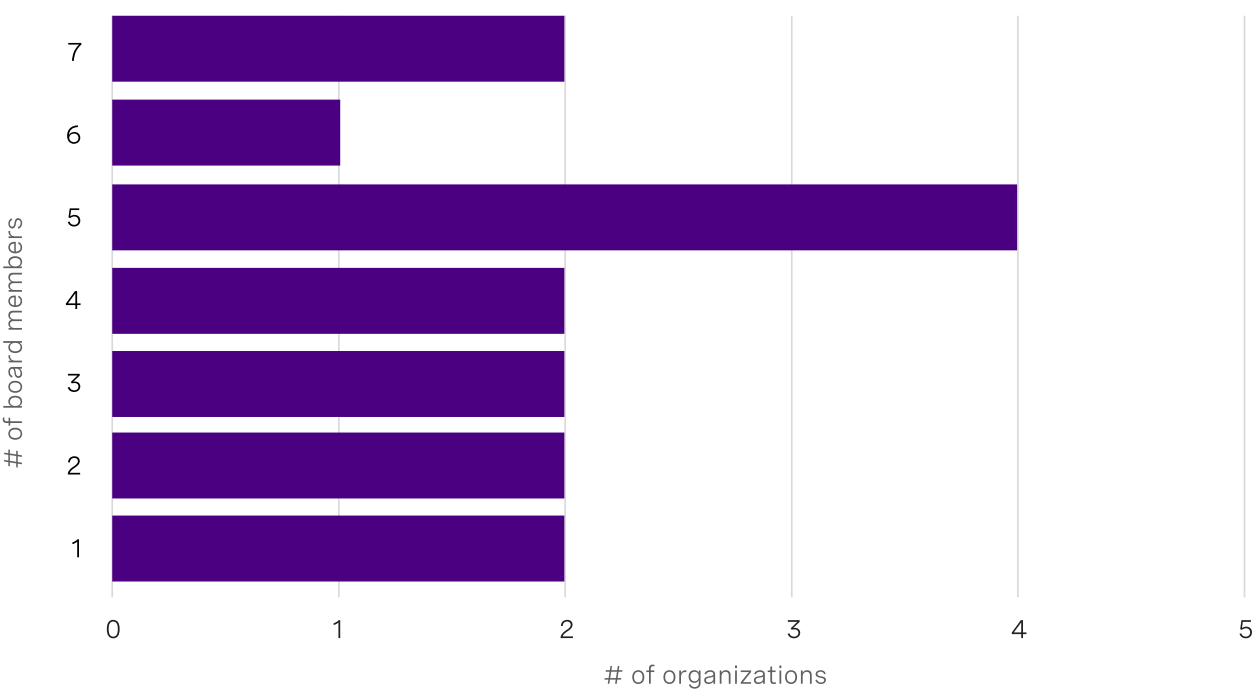
To understand how the best-in-class supply chain organizations are governed, we assessed the top 10 firms from Gartner's 2022 Supply Chain Top 25.¹ Additionally, we examined the five organizations that Gartner lists as "Masters."^{*} We learned that:

- All 15 of these organizations have explicit operations and/or supply chain expertise in the boardroom
- 60% of these organizations have 4 or more board directors with senior operations and/or supply chain experience
- Nearly all (13 out of 15) have operations and supply chain leaders reporting directly to the CEO or in the C-suite
- The current CEOs of 8 of these 15 organizations have, at some point in their career, worked in a senior operations and/or supply chain role

See Figure 1 for more details.

¹ Mike Griswold. May 26, 2022. The Gartner Supply Chain Top 25 for 2022. Gartner. <https://www.gartner.com/en/articles/the-gartner-supply-chain-top-25-for-2022>

Figure 1: Count of Gartner Top 25 organizations by number of board members with operations and supply chain expertise



Source: Corporate websites of the 15 organizations - data captured in March and April 2023.
* Masters: companies that have attained top-five composite scores for at least seven out of the last 10 years.



Below, we'll take a more in depth look into three of these companies: Apple, Procter & Gamble (P&G) (both from Gartner's "Masters" list), and Colgate-Palmolive (ranked #3 in 2022).



- **Apple:** 6 out of 9 board members have operations and/or supply chain experience and the firm has 2 operations executives in the C-suite. Apple's CEO, Tim Cook, is a prime example of a successful CEO who worked his way to the top through manufacturing, distribution, procurement, supply chain, and operations roles.²
- **P&G:** 5 out of 11 board members have worked in senior operations, logistics or transportation roles, and 1 member worked as the chief operating officer (COO) and is now the CEO of FedEx. The firm's COO sits in the C-suite and leads among other functions P&G's market operations, purchasing, manufacturing, and distribution. The current CEO and board chair also held the COO role prior to taking the top job.³
- **Colgate-Palmolive:** 7 out of 11 board members have worked in senior operations and/or procurement roles, and the firm's chief supply chain officer is part of the C-suite. The current CEO and board chair also held the COO role.⁴

Increased demand for supply chain expertise in consumer organizations' boardrooms

For a board to function effectively, it needs the right mix of skills, expertise, and experience among its directors. To understand the demand for supply chain expertise—and whether that demand has changed—we analyzed thousands of board position specifications across the Americas, EMEA and Asia Pacific from 2018 thru 2022.

At a global level, our analysis show a consistent and slightly upward trending demand for supply chain expertise across all industries. The consumer sector has seen the most increased demand, followed by the industrial & natural resources sector. Regionally, demand for this talent at the board level is strongest in the Americas, followed by EMEA and Asia Pacific.

Globally, over 70% of all RRA board searches that seek out supply chain expertise occur within the consumer sector and industrial & natural resources sector. While demand in the industrial & natural resources sector has been fairly consistent over the last five years, consumer sector demand has doubled, accounting for almost 14% of RRA's board search mandates in 2022 (Figure 2). Our board-level findings correlate with the Boston Consulting Group's cross-sector CEO Outlook study, which surveyed ~800 C-suite leaders in 2023, finding that the consumer and industrial sectors both rank supply chain and operations themes (e.g., supplier diversification) in their top three investment priorities for 2023.⁵

² Apple website. Captured April 6 2023. <https://www.apple.com/ca/leadership/>

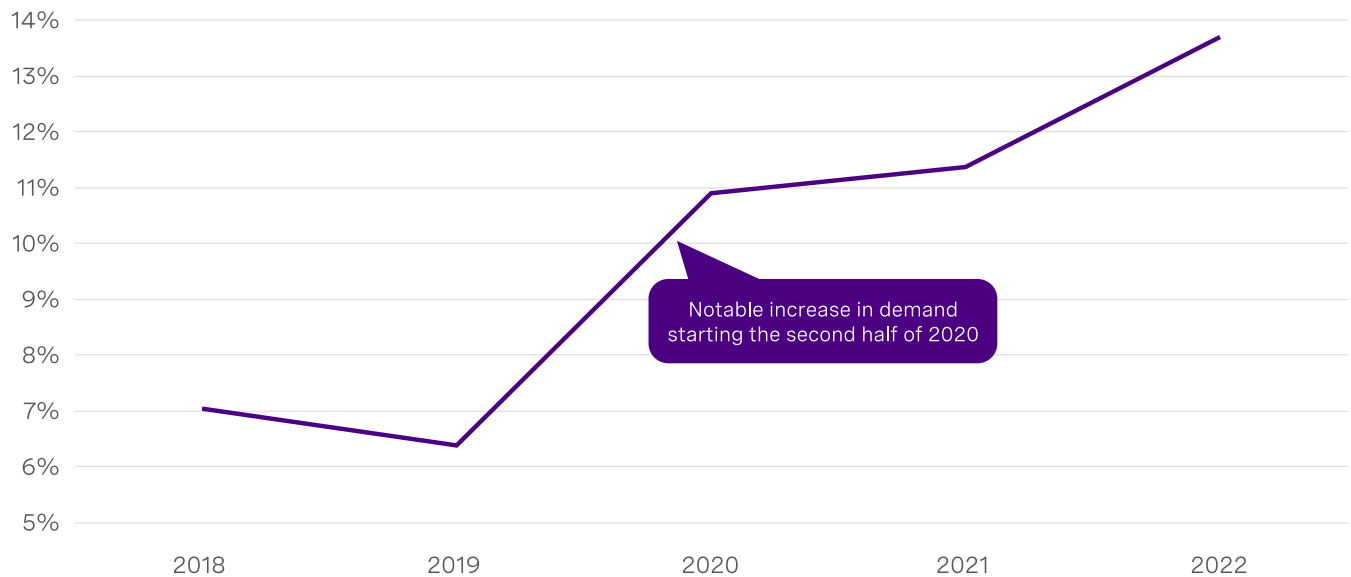
³ The Procter & Gamble Company website. Captured April 11, 2023. <https://us.pg.com/leadership-team/>

⁴ Colgate-Palmolive website. Captured March 30, 2023. <https://www.colgatepalmolive.com/en-us/who-we-are/our-leadership-team>

⁵ Boston Consulting Group. April 6, 2023. CEO Outlook 2023: Caution, Optimism, and Navigating the Road Ahead. <https://www.bcg.com/en-ca/publications/2023/ceo-outlook-navigating-the-road-ahead>

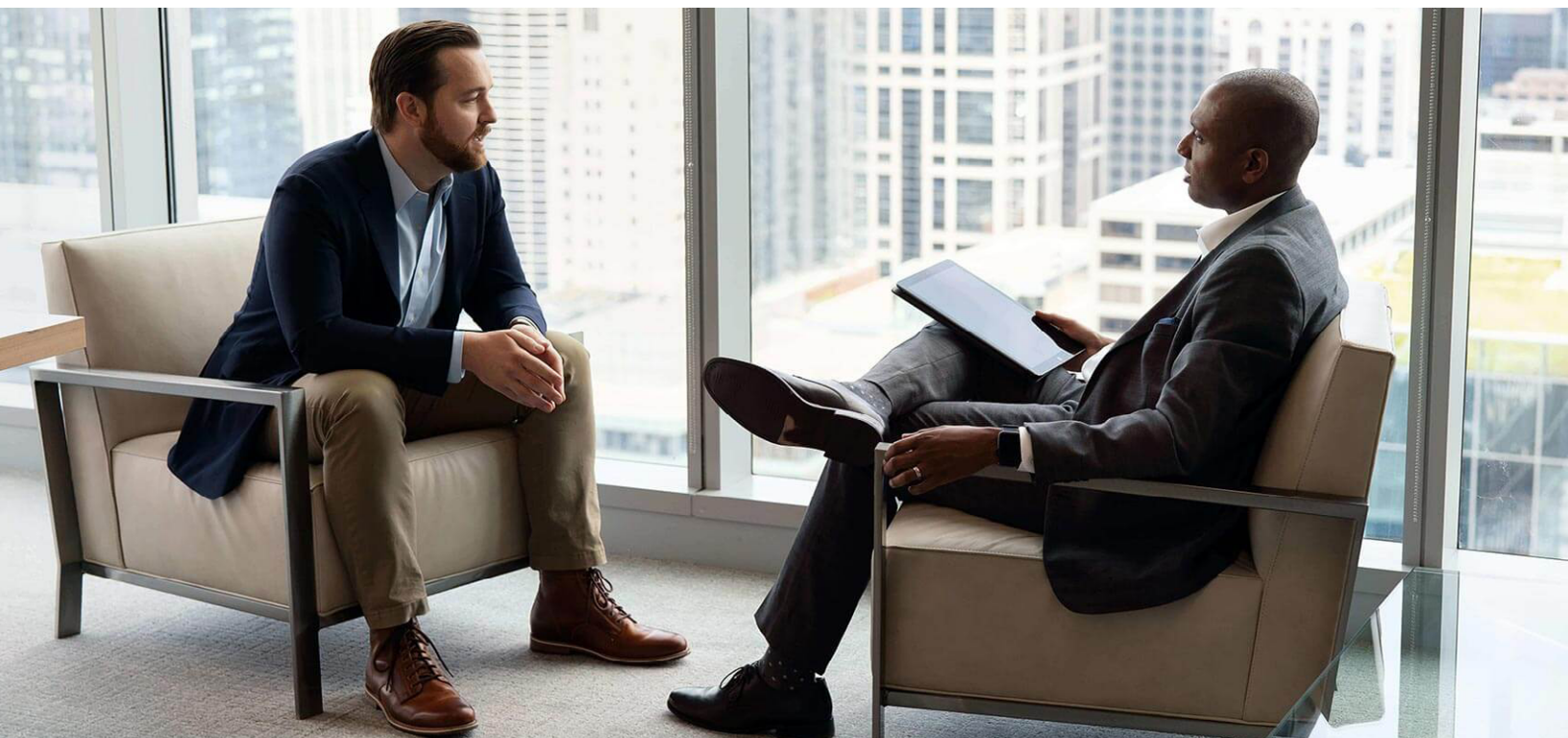
Within the consumer sector specifically, data shows a clear uptick starting the latter half of 2020 - correlated with the beginnings of the pandemic-induced global supply chain disruption. The demand has continued to grow in prevalence since that time.

Figure 2: Annual demand for supply chain expertise in the boardroom - Consumer sector globally



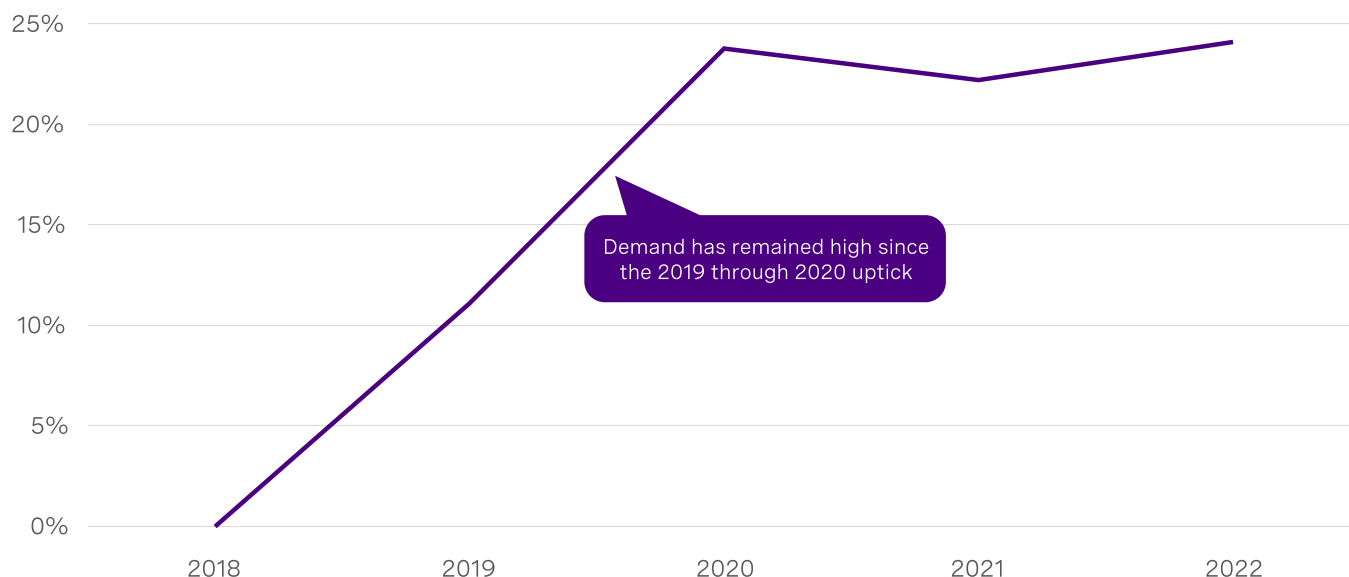
Source: RRA board director specification analysis, n = 2,195, 2018-2022.

Note: We have identified board candidate role descriptions that sought expertise, skills and experience in end-to-end supply chain process, exclusively or as one of the essential or desired qualifications. Areas of expertise include supply chain, procurement, sourcing, logistics, and manufacturing.



In the US market, demand for this expertise is above global average and notably higher in the consumer sector, where over 24% of board candidate searches sought out supply chain expertise in 2022 (Figure 3). Given that typical boards range from 8 to 14 members and the mix of diverse skillsets and perspectives are what make an effective board, 24% is significant and well above the global average.

Figure 3: Annual demand for supply chain expertise in the boardroom - Consumer sector in the US



Source: RRA board director specification analysis, n = 2,195, 2018-2022.

Note: We have identified board candidate role descriptions that sought expertise, skills and experience in end-to-end supply chain process, exclusively or as one of the essential or desired qualifications. Areas of expertise include supply chain, procurement, sourcing, logistics, and manufacturing.



Recommendations for incorporating supply chain talent into future boards

As the demands on boards become greater, chairs and nomination committees are looking for [T-shaped](#) directors with deep expertise in at least one domain, as well as an ability to contribute broadly. Supply chain management is emerging as an area of increased interest and relevance. Clients seek out talent ranging from CEOs and GMs of firms where supply chain is a strategic advantage to C-suite executives that have directly led complex value chains.

When assessing if the board is effective, companies should focus on current and future needs. Supply chain expertise is not required in every boardroom, but organizations should assess whether it belongs in the mix of skills for their industry and specific situation.

Supply chain considerations:

- Is the supply chain a source of strategic advantage in your industry?

- Does supply chain complexity warrant governance oversight?
- Has the supply chain risk profile changed from a business and/or sustainability perspective?

Broader board considerations:

- Does your board have the right mix of backgrounds, skills, and experiences to thrive?
- Will it remain effective in the future, given anticipated challenges and opportunities?

Beyond board composition, organizations should assess their board evaluation process given changed stakeholder needs.

Figure 4: How can your board make its evaluations more effective?

When it comes to board evaluations, one size does not fit all. Each process should be customized to deliver the greatest return on investment. As part of that customization process, boards should consider five key design questions:



What (and who) are you evaluating?



What is the focus of your evaluation?



On what sources will you rely?



Who will lead?



How will you turn insight into action?

Source: Russell Reynolds Associates, "[Is your Board Effective?](#)" 2022.

Establishing a thoughtful board evaluation process allow directors and executives to assess if their board is effective—just remember, with evaluations, [one size does not fit all](#). As supply chains become an increasingly crucial board priority, external advisors can provide valuable perspectives, ensuring that your board has the right skillset for success.



Authors

Ben Shrewsbury leads Russell Reynolds Associates' Operations & Supply Chain Officers capability globally. He is based in Dallas.

Andrew Hayes leads Russell Reynolds Associates' Consumer Products Practice Globally. He co-locates between New York and Houston.

Fawad Bajwa leads Russell Reynolds Associates' Operations & Supply Chain Officers capability in the Americas. He is based in Toronto.

Mika Nurminen leads Knowledge for Russell Reynolds Associates' Operations & Supply Chain Officers capability. He is based in Toronto.

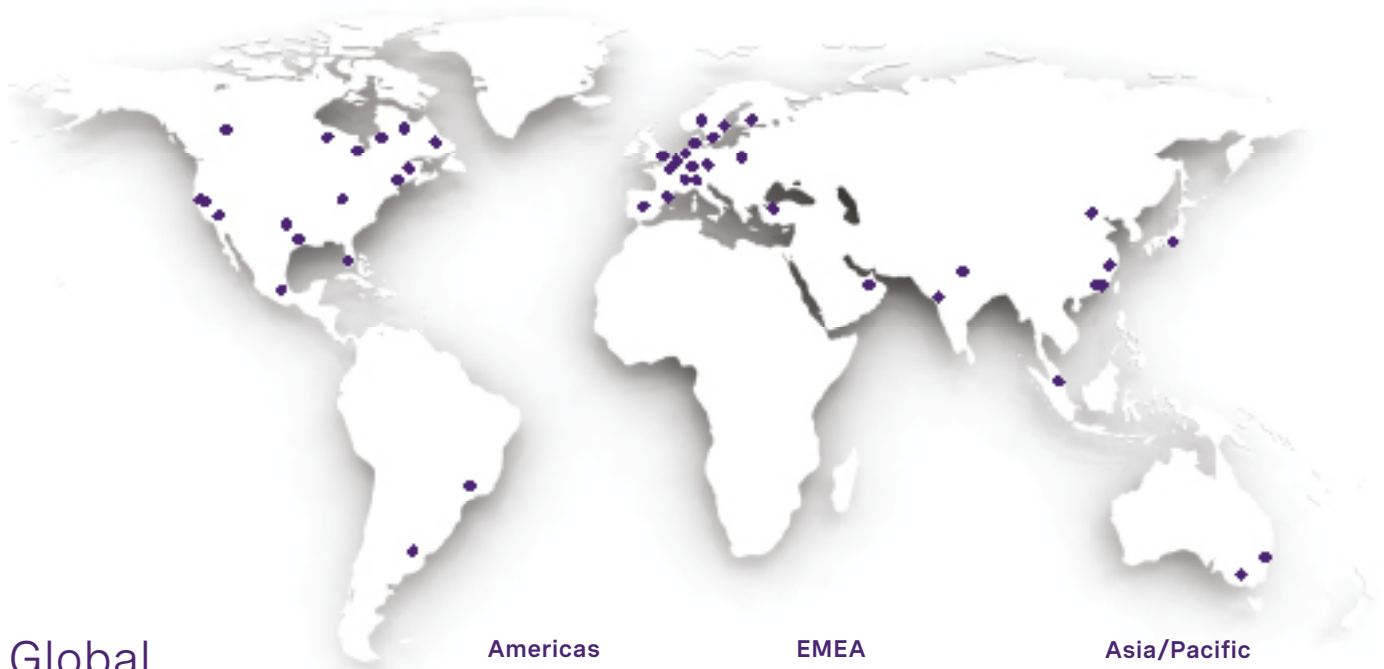
Gregory Gerin leads Russell Reynolds Associates' Operations & Supply Chain Officers capability in EMEA. He is based in Brussels.

Vijuraj Eranazhath leads Russell Reynolds Associates' Operations & Supply Chain Officers capability in Asia Pacific. He is based in Mumbai.

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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