



Moving from Ambition to Action: Sustainable Operations and Supply Chains



Operations and supply chain leaders: you know that moving sustainability from ambition to concrete action can be difficult. You also recognize this as an immediate need; according to our Global Leadership Monitor, operations and supply chain leaders are nearly twice as likely to report climate change as a **short-term** risk to their businesses than they were 12 months ago. Contrary to popular belief, sustainability and climate change are no longer distant future concerns. They have become urgent short-term risks that demand immediate attention and action.

Despite this awareness, current sustainability implementation efforts are still falling short of meeting this challenge.

To better understand what's preventing leaders in this space from taking meaningful action, Russell Reynolds Associates analyzed responses to our [Divides and Dividends](#) sustainability study of 150+ C-suite operations and supply chain leaders, identifying three divides that are preventing these leaders from achieving their goals:

- **The implementation divide:** The majority of operations and supply chain organizations lack a defined strategic plan for sustainability initiatives, and even fewer appear to be taking concrete implementation steps.
- **The motivation divide:** The majority of these leaders struggle to view sustainability as value creation opportunity.
- **The experience and incentives divide:** There are several key barriers to action including skills, expertise, and internal incentives.



The implementation divide

While organizations have lofty sustainability ambitions, many are still struggling to take action. For example, when comparing the net zero commitments to the actual operational greenhouse gas emission reductions (scopes 1 and 2) of the largest public and private companies over the last decade globally, Accenture found that **only 18% are on track to reach net zero by 2050.**¹ This gap is amplified within supply chain emission (scope 3) reductions, as they are even more challenging to address and often are deprioritized by leadership teams as a result.

While concerning, this lack of progress isn't surprising when we examine how many organizations have a clear sustainability strategy. Our survey found that less than

half of operations and supply chain leaders believe their organizations have created a concrete plan or strategy for managing their sustainability issues. Even fewer organizations appear to be executing their plans: only 35% have specific processes or protocols that ensure sustainability is considered in project execution, processes, or investment decisions. Additionally, only 25% have access to clear data that evaluates sustainability outcomes in the execution of projects and processes.

Without a clear sustainability strategy or data that tracks its outcomes, supply chain leaders may find themselves unable to move past their current threshold towards their net zero commitments and other sustainability goals.

The motivation divide

When measured on cost alone, achieving sustainable operations and supply chains pose a significant challenge: the expected costs of meeting net zero targets alone are measured in trillions of dollars per year.² But concurrently, achieving sustainability can also provide a significant business opportunity if considered from a costs perspective.

While leading firms have settled the business case for sustainability, the majority still struggle to articulate sustainability's potential for value creation, with only 37% of surveyed C-suite operations and supply chain leaders seeing this as the driving force for their organization's efforts. For the majority of these leaders, the driving force is still risk avoidance, brand management, and impact reduction. On top of this, operations and supply chain leaders tend to be more skeptical of the value creation potential than their peers (Figure 1).

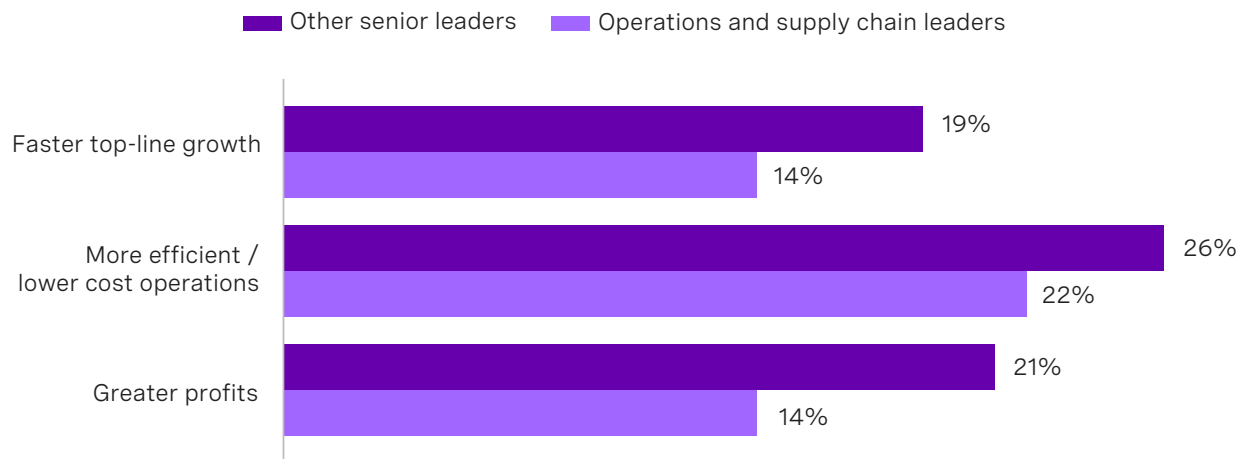
"Estimates...suggest that savings [from decarbonization] in materials alone could exceed \$1 trillion a year by 2025, while potentially creating more jobs and innovation. Chief supply chain officers like myself spend the majority of our time at this convergence of supply, cost savings, talent development, and competitive differentiation."³

- Kevin Brown

Chief Supply Chain Officer, Dell

Figure 1: Benefits from sustainability actions

How do you think your organization will benefit in the future from sustainability actions?
(% of senior leaders selecting as one of their top 5)



Source: Russell Reynolds Associates' Divides and Dividends 2023, N=78 C-suite operations and supply chain leaders, N=1,992 other senior leaders.

By embracing sustainability as a value creation opportunity, organizations are more likely to seize its tangible benefits in the form of top- and bottom-line growth and increased access to capital, as well as its intangible benefits via increased employee loyalty, stronger brand equity, and a more secure social license to operate.

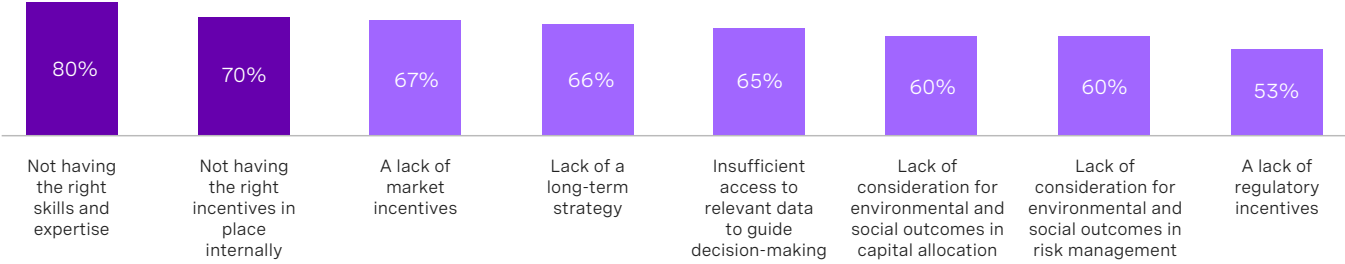


The experience and incentives divide

Finally, 80% of operations and supply chain leaders cite their organization’s lack of skills and expertise as a top hindrance to sustainability progress, making this the most selected barrier (Figure 2). With current hiring practices, this is unlikely to improve, as only 36% of these C-suite

leaders consider sustainability in their hiring decisions. This may be a challenge of availability as much as interest; in 2023, a BCG and Microsoft study found that companies may need to upskill up to 150 million people to turn sustainability ambitions into action.⁴

Figure 2: Operations & supply chain leaders’ barriers to achieving sustainability progress
 To what extent is each of the following issues a barrier to achieving sustainability progress?
 (Total % of leaders who answered somewhat of a barrier or significant barrier)



Source: Russell Reynolds Associates’ Divides and Dividends 2023, N=85 C-suite operations and supply chain leaders.



Interestingly, the majority of C-suite operations and supply chain leaders believe they personally possess the necessary skills and expertise to move the needle: around 71% of surveyed leaders feel adequately equipped to handle current sustainability issues and 65% believe they're prepared for future sustainability challenges. However, when paired with the current state of sustainability strategies and implementation efforts, it logically follows that these self-reported figures may be overstated.

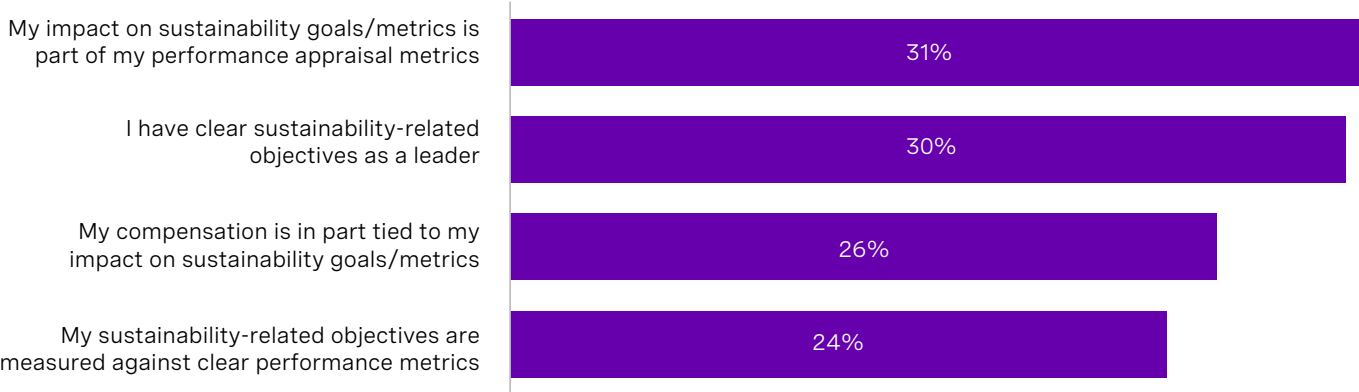
Furthermore, these leaders are typically not incentivized to drive sustainability progress. Only 26% of surveyed

C-suite operations and supply chain leaders report that their compensation is tied into sustainability goals and only 31% report that sustainability goals are part of their performance metrics (Figure 3). Moreover, 70% of these leaders believe that lack of incentives across their organizations is a barrier to progress (Figure 2).

For organizations to shift from ambitions to action, incentive systems must be re-evaluated, taking factors like the urgency of the change, the objectives timescale, and individual leaders' levels of control into account.

Figure 3: Leadership incentives to drive sustainability progress

Which of the following statements apply to you?



Source: Russell Reynolds Associates' Divides and Dividends 2023, N=93 C-suite operations and supply chain leaders.



Driving sustainable action: Overcoming barriers in operations and supply chains

Operations and supply chain leaders' actions will ultimately determine whether their organization achieves its sustainability goals. As such, it's crucial for these leaders to address the barriers outlined above. To do that, leaders should consider the following leadership and talent solutions:

- **Develop leadership skills and expertise:** Recognize the importance of leadership skills and expertise in driving sustainability progress. While approximately two-thirds of surveyed C-suite leaders feel they possess the necessary skills and expertise, we believe this assertion is overstated. This implies that the majority of these operations and supply chain leaders may be making significant investment decisions without fully grasping the implications.
- **Embrace a sustainable mindset:** Our research has identified four critical attributes that differentiate sustainable leaders, underpinned by the most important leadership quality: a "[sustainable mindset](#)" (Figure 4). The sustainable mindset is the purpose-driven belief that business is not a commercial activity divorced from the wider societal and environmental context in which it operates. Skills can be trained and complemented by the right team, but having an orientation towards sustainability that enables the leader to assess opportunities and risks through the lens of sustainability is even more critical.

Figure 4: The model of the sustainable leader



Source: Leadership for the Decade of Action: UN Global Compact-Russell Reynolds Associates study on the characteristics of sustainable business leaders, 2020.

- **Align performance and rewards:** It is crucial to align performance appraisal metrics and compensation with sustainability goals. By linking rewards and incentives to sustainability outcomes, organizations can motivate and encourage C-suite leaders and employees to prioritize sustainability in their decision-making and day-to-day operations.
- **Upskill the workforce:** Recognize the need for upskilling the workforce to address sustainability challenges effectively. This can be challenging amidst talent shortages and competing priorities, such as AI implementation, but remains critical for long term business viability.
- **Emphasize value creation:** Operations and supply chain organizations need to embrace sustainability as a value creation opportunity, rather than an additional expense or risk management exercise. This shift can be supported by training and development, or by recruiting those who bring a sustainable mindset and skill set.

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Footnotes

¹ Accenture. November 16, 2023. Only a Fifth of Companies on Track for Net Zero, with Heavy Industry Key to Breaking Decarbonization Stalemate, Accenture Reports Find. <https://newsroom.accenture.com/news/2023/only-a-fifth-of-companies-on-track-for-net-zero-with-heavy-industry-key-to-breaking-decarbonization-stalemate-accenture-reports-find>

² Boston Consulting Group and HSBC. October 27, 2021. Delivering Net Zero Supply Chains: The Multi-Trillion Dollar Key to Beating Climate Change. <https://www.hsbc.com/news-and-views/views/hsbc-views/seven-steps-to-tackle-a-usd50-trillion-challenge>

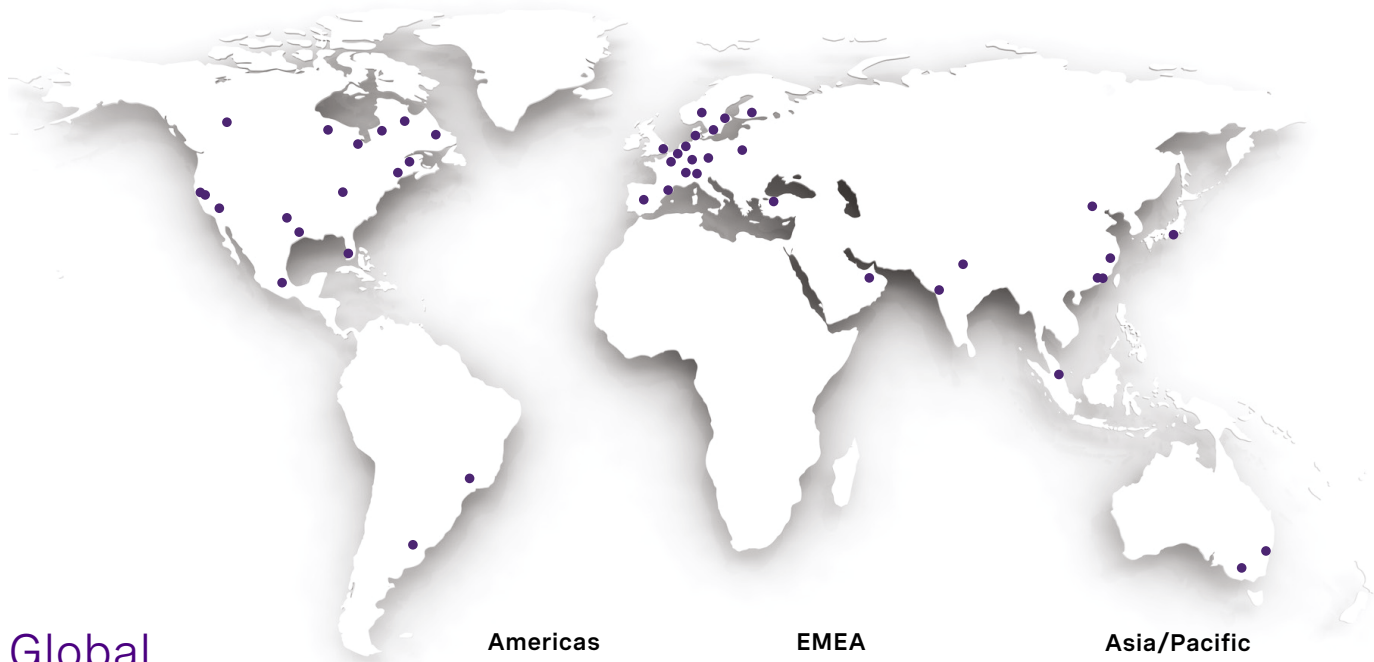
³ Sean Ashcroft. March 16, 2022. Dell supply chief Kevin Brown has sustainability in sights. Supply Chain Digital. <https://supplychaindigital.com/sustainability/dell-supply-chief-kevin-brown-has-sustainability-in-sights>

⁴ Boston Consulting Group. January 11, 2023. To Reach Sustainability Goals, Organizations Must Address Critical Sustainability Skills Gap. <https://www.bcg.com/press/11january2023-organizations-must-address-critical-sustainability-skills-gap>

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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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