2021 CEO Survey: CSCOs Must Balance Desire for Growth While Driving Optimization and Resilience

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Initiatives: CSCO Strategic Leadership

The annual global Gartner CEO and Senior Business Executive Survey provides CSCOs with critical insights into leadership thinking and priorities. A majority anticipate something resembling an economic boom lies ahead while expecting CSCOs to ensure their supply chains are optimized and resilient.

Overview

Key Findings

- The top priorities CEOs are tasking CSCOs with are optimization, with many focused specifically on costs, and building resilience. However the top business priority remains business growth.

- Eighty percent of CEOs in supply chain intensive industries are planning to increase investments in digital capabilities coupled with expectations these investments will deliver a +2% boost to operating margins.

- Over two-thirds of CEOs plan to use the pandemic as an opportunity to focus on redesigning the business with top focal areas including mergers and acquisitions, social responsibility and agility.

- Sixty-four percent of CEOs are increasing investments in people and culture while only 43% are increasing investments in new hiring.

Recommendations

Chief supply chain officers seeking to demonstrate strategic leadership should:
Survey Objective

Gartner’s annual CEO and Senior Business Executive Survey examines the current major business concerns and priorities of large-company CEOs and other C-level business executives. We’re exposing this subset of data for supply-chain-intensive industries to provide insight and guidance to chief supply chain officers (CSCOs) and their teams into the mindset of CEOs heading into a period of significant economic and social headwinds. This research focuses on CEOs’ views in four key areas: strategic business priorities, digital business, organizational structure and talent. We also endeavor to identify areas of enduring insight contained within the survey results, as well as continue our annual tracking of variations in business leaders’ priorities.

Note: Throughout this research, the survey base of CEOs and senior business executives from the supply-chain-intensive industries is shortened to “CEOs” for brevity; full details of the survey demographics can be found in the Resource Methodology section.

Data Insights

- Deliver on CEO expectations for organizational growth and supply chain specific optimization and resilience by taking a regionalized approach to your strategy. Some markets will require prioritization of business continuity, while others provide significant growth opportunities as they rapidly emerge out of the pandemic.

- Align your digital supply chain roadmap with your CEO’s definition of digital. This likely requires incorporating either a clear link between digital initiatives and customer impact or margin improvements while preparing for a strategic shift toward autonomous supply chain operations over the next decade.

- Prepare for organizational redesigns across your business, key ecosystem partners and/or competitors by accelerating strategic shifts already underway, such as investments in ESG and agility, while readying for potential mergers and acquisition activity.

- Invest in resilience for your supply chain workforce, not just your broader operations, by building on now established remote work capabilities, expanding diversity, equity and inclusion efforts and doubling down on digital dexterity and literacy initiatives.
The most common issues that CEOs are tasking CSCOs with for the remainder of 2021 are optimizing supply chain operations (a significant proportion are explicitly targeting costs), and increasing supply chain resilience (see Figure 1). Essentially CEOs are tasking their CSCOs to focus on navigating through the ongoing storm of disruption to ensure business continuity. For example, pandemic-related lockdowns in key markets such as India, supply shortages as seen in the semiconductor industry, and challenges with the global flow of goods and associated rapidly increasing distribution costs.

**Figure 1: Where CEOs Want Chief Supply Chain Officers to Focus**

<table>
<thead>
<tr>
<th>Where CEOs Want Chief Supply Chain Officers to Focus</th>
<th>Coded Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Optimization</td>
<td>17%</td>
</tr>
<tr>
<td>Supply Chain Resilience</td>
<td>16%</td>
</tr>
<tr>
<td>Supply Chain Optimization</td>
<td>11%</td>
</tr>
<tr>
<td>Commercial Enablement</td>
<td>7%</td>
</tr>
<tr>
<td>Inventory Optimization</td>
<td>5%</td>
</tr>
<tr>
<td>Digitalization</td>
<td>4%</td>
</tr>
<tr>
<td>Supply Chain Governance</td>
<td>2%</td>
</tr>
<tr>
<td>Hybrid WFM</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
<tr>
<td>Private/Cannot Say</td>
<td>5%</td>
</tr>
<tr>
<td>We Do Not Have This Role</td>
<td>27%</td>
</tr>
</tbody>
</table>

n = 199, All Supply Chain Respondents

Note: Percentages may not add up to 100% because of rounding.

Q. In the next 6 to 12 months, what is the #1 issue you or your CEO is pushing each of your executives to focus on, within their respective functional specialization? (Chief Supply Chain Officer)

Source: 2021 Gartner CEO and Senior Business Executive Survey 340967_C

However, complicating this situation is that CSCOs must also support a broader organizational growth agenda. That is, they must navigate through the continued storm while preparing for or enabling the business for growth. (See Figure 2.)
The need for CSCOs to balance optimization, resilience and growth agendas is particularly critical, with 60% of CEOs betting that mass vaccination programs will start to thwart the COVID-19 virus, leading to something of an economic boom. Growing economic positivity from CEOs has been evident since the first vaccine was announced in November 2020 and is supported by global growth forecasts. For example, in April 2021, the International Monetary Fund upgraded its expectations for global growth in 2021 to 6%, up from its announced forecast of 5.5% just three months earlier.

In the hunt for growth, one of the most complex issues facing CEOs is where in the world to look for it. With politicians bickering over trade rules and different countries experiencing varying societal pathways through the pandemic, demand for goods and services is in high geographic flux. CSCOs in international businesses must anticipate their CEOs will try to adjust the geographic portfolio mix of revenue sources when facing turbulent times.
Placing more sales and supply effort into countries with strong economies, or at least those expected to rapidly emerge from the pandemic, and reducing it in those with ongoing challenges can help improve the overall sales outcome and its predictability. CSCOs must anticipate where these shifts may occur. (See Figure 3 for markets CEOs expect to see the greatest growth opportunities and potential drags on growth in 2021 and 2022.) Clearly communicating to the CEO and other senior executives on supply chain related costs, supply lead times, and other impacts associated with a changing geographic market mix will be critical.

**Figure 3: Regions Presenting the Greatest Opportunity or Drag on Growth in 2021-2022**

<table>
<thead>
<tr>
<th>Region</th>
<th>Drag on Growth</th>
<th>Growth Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>13%</td>
<td>46%</td>
</tr>
<tr>
<td>APAC</td>
<td>24%</td>
<td>42%</td>
</tr>
<tr>
<td>Europe</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>Latin America</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Africa</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Middle East</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Not Applicable</td>
<td>37%</td>
<td>12%</td>
</tr>
</tbody>
</table>

n = 151, All Supply Chain Respondents

Q. Which two countries or geographic regions do you expect will provide the greatest growth opportunity/will be the greatest drag on your business in 2021-2022?

Source: 2021 Gartner CEO and Senior Business Executive Survey

**CSCO Action**

Current disruptive market conditions — coupled with many CEOs anticipating an economic boom by year end 2022 — provide an opportunity to accelerate or consolidate CSCO efforts to elevate the role of supply chain in business. Simply put, CSCOs must combine efforts to optimize operations and build resilience while investing in initiatives capable of growing the business.
Critical to these efforts will be recognition that the world may operate at dual speed for some time to come. Varying approaches by geography will be required with some regions, such as India and Bangladesh, needing to prioritize business continuity while others, such as the U.S. and U.K., strive for commercial opportunity as they rapidly emerge from the pandemic. Finally, CSCOs must continue to emphasize agility as markets currently perceived to be doing well could face new emergent challenges that disrupt carefully laid plans.

**Digital Acceleration With Positive Impacts Anticipated on the Bottom Line**

CEOs' top strategic business priorities for 2021 and 2022 show a remarkable emphasis on technology related initiatives which are second only to the perennial top priority of business growth (see Figure 2). This emphasis on technology is supported by plans from 80% of CEOs to increase year-on-year investments in digital capabilities (see Figure 4) coupled with expectations these investments will deliver a +2% boost to operating margins.
However, it would be wrong to interpret these investments as an unconditional interest in “all things digital.”

_The underlying nature of CEO’s digital aspiration appears to be shifting away from a general and, in many ways, undefined ambition for digital business transformation toward more targeted initiatives._

Consider that the number of mentions of “digital transformation” more than halved in the 2021 survey compared to 2020. This reflects a reality that the term “digital” has become so expansive and elastic that it almost lacks common meaning across the business community.
So What Do CEOs Mean When They Use the Term Digital and What Technologies Should CSCOs Be Looking to Invest in?

Gartner investigated both of these questions:

- What do CEOs mean when they use the phrase “digital business”? CSCOs need to confirm their CEOs’ intended meaning of digital business within the context of their own organization or industry. They will likely align with customer focused meanings, with surveyed CEO's first choice meanings most likely to be e-commerce/e-business (16%), customer interactions (9%), data analytics (9%) and the customer experience (7%).

- What technologies do CEOs perceive as having the greatest impact over the next three years? Artificial intelligence (AI) remains the technology CEOs expect to have the most impact on their industry over the next three years, albeit dropping from the highs of 2020 (see Figure 5). Mentions of digitalization and e-commerce rounded out the top three, with both seeing significant increases year-on-year. What’s interesting about these two technologies is that their definitions remain somewhat ambiguous both across and within industries. CSCOs will need to explore exactly what their CEOs mean when they use the terms digitalization and e-commerce before formalizing investments.
Figure 5: The New Technology That CEOs Believe Will Most Significantly Impact Their Industries Over the Next Three Years

The New Technology That CEOs Believe Will Most Significantly Impact Their Industries Over the Next Three Years
Coded Responses — Showing Top 11

- AI: 2021 CEO Survey (n = 196) = 14%, 2020 CEO Survey (n = 186) = 25%
- Digitalization: 2019 = 3%, 2020 = 10%
- E-Commerce: 2019 = 1%, 2020 = 10%
- Advanced Healthcare: 2019 = 5%, 2020 = 7%
- New Energy: 2019 = 6%, 2020 = 9%
- General IT Related: 2019 = 2%, 2020 = 5%
- Data Analytics: 2019 = 2%, 2020 = 5%
- Automation: 2019 = 4%, 2020 = 8%
- CRM, CEM and DM: 2019 = 4%, 2020 = 4%
- IoT: 2019 = 4%, 2020 = 4%

n varies, All Supply Chain Respondents Excluding NA/None/DK
Note: Percentages may not add up to 100% because of rounding.
Q: The new technology that will most significantly impact our industry over the next three years is...
Source: 2021 Gartner CEO and Senior Business Executive Survey
340867_C

CSCO Action
Be explicit. Work with your CEO and key internal technology partners, such as the CIO and CTO, to understand their intent when they use the term digital. You need a clear, current business definition of digital and must ensure it aligns with how the supply chain organization is using the term and the longer-term digitalization vision of the supply chain. Gartner expects that over the next 10 years organizations will progressively delegate decision-making authority to technology, with supply chains becoming more autonomous. Along with other key technologies that supply chain leaders see as important and disruptive (big data analytics, machine learning and robotic process automation), AI will be foundational in these efforts. CSCOs must plan for a future where autonomy is pervasive across all aspects of the supply chain, including how demand is generated, how the supply chain is planned, and how customers are fulfilled. (See Supply Chain Executive Report: Pursuing an Autonomous Supply Chain With Hyperautomation.)

Organization Redesign Is Underway With Many Exploring Mergers and Acquisition Activity

CEOs are anticipating that the pandemic will have lasting impact on their businesses, with over two-thirds (70%) of survey participants indicating they will use the pandemic as an opportunity to focus on redesigning the business. Further, 79% of CEOs expected to see significant and enduring behavioral changes in society, the organization and individuals resulting from the pandemic.

But what might the impacts on organizational behavior look like? Investigating how CEOs described their corporate business priorities provides insight:

- The top corporate strategic business priority was mergers and acquisitions (see Figure 6), signaling a need for growth and opportunities for new strategic partnerships. This means that many CSCOs will need to keep organizational integration (and, in some cases, separation) as a part of their plans for the next 12-18 months. We have already seen this in our interactions with companies around organization design.

- Social responsibility/ESG (12%) was the second priority. For CSCOs, the challenge in planning for and executing on this strategic priority is in the reimaging of supply chain culture, metrics, and governance. For example, as new social responsibility goals and aspirations are established in your business, how are they being prioritized and integrated into your metrics structure? Are these considered to be on the same level as traditional objectives focused around service, cost and cash?
The third priority was agility/speed (8%), which should be no surprise to supply chain leaders. Companies continue to use a variety of strategies to improve the agility of their operations, from rethinking the supply chain network to organization redesign.

**Figure 6: Corporate Strategic Business Priorities 2021-2022**

<table>
<thead>
<tr>
<th>Category</th>
<th>2021 CEO Survey (n = 129)</th>
<th>2020 CEO Survey (n = 116)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mergers and Acquisitions</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Social Responsibility / ESG</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Agility / Speed</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Business Diversification</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Business Strategy</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Business Partnerships</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Downsize / Streamline</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Business Integration</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>New Business Ventures</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Culture Change / Maintain</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Business Restructuring</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Globalizing the Business</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Business Consolidation</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Divesting, Disposals, Shutdowns</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Business Models</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Competitive Performance</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Communication</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Alignment</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>9%</td>
</tr>
</tbody>
</table>

*n varies, All Supply Chain Respondents

Q: To start, please tell us about your organization’s top 5 strategic business priorities for the next 2 years 2021-2022.

Source: 2021 Gartner CEO and Senior Business Executive Survey 740967_C
Another area the survey highlighted CEO expectations of significant and enduring behavioral change is in the development or improvement of organizational competencies required to deliver on the business strategy (see Figure 7). The top five are not surprising and have significant impact on how supply chains organize to develop and deliver those capabilities. For example, innovation (19%) and digitalization (18%) are difficult for a supply chain leader to deliver when also drawn into execution (16%) and agility (15%). For supply chain leaders to deliver on these capabilities, they will need talent (19%), and will need that talent organized into innovation teams, centers of excellence, or digital transformation teams to adapt the supply chain organization and deliver results.

Figure 7: Organizational Competencies Needed to Develop or Improve to Excel in Delivering on Business Strategy

Organizational Competencies Needed to Develop or Improve to Excel in Delivering on Business Strategy
Sum of Top 2 Mentions, Coded Responses - 5% or More

- Innovation: 19%
- Talent Management: 19%
- Technology Enablement/Digitalization: 18%
- Execution: 16%
- Agility: 15%
- Customer Intimacy: 11%
- Leadership: 9%
- Data Centricity: 9%
- Business Development: 8%
- Efficiency: 7%
- Org Change & Communication: 7%
- Management Expertise: 6%
- Service/Product Delivery: 5%

n = 151, All Supply Chain Respondents
Q. What two organizational competencies does your company most need to develop or improve to excel in delivering on your business strategy?
Source: 2021 Gartner CEO and Senior Business Executive Survey
340067_C

CSCO Action
Prepare your business, key ecosystem partners and/or competitors to undergo organizational redesign. Some strategic shifts may already be underway and accelerating, such as investments in ESG and agility with supply chain, in many instances, leading the effort. However, you must also be ready for potential mergers, integrations and even separations (splitting parts of the business and selling them) as these are a trend we are already seeing, and one that is likely to continue as businesses look to optimize and seek growth opportunities.

Increasing Investments in People and Culture While Hiring Remains Challenging for Some

Given the huge pandemic-related employee disruptions, such as furloughs and the shift toward hybrid or remote work in the last year, it would be easy to assume CEOs had significantly increased their focus on the workforce for 2021 and 2022. However, CEOs were only slightly more likely to identify the workforce as a top strategic priority in this year’s survey (see Figure 2).

What was encouraging is that 64% of CEOs are increasing investments in people and culture year on year, making it the third-largest area for increased investment across the business. It is much needed and will support efforts to retain and upskill the existing workforce, a crucial area for focus given that only 43% of CEOs are increasing investments in hiring while more than a quarter are reducing hiring budgets. For CSCOs and their teams, this means that the stressful and overstuffed work experience of the pandemic is likely to continue into the post-pandemic environment, especially for those in high growth or rapid-recovery sectors.

Remote and Hybrid Work

One of the significant long-term changes we expected to see from CEOs in the survey, based on recent Gartner research in Supply Chain Organizations Must Adapt to Permanent Remote Work, was a strong emphasis on the move to remote or hybrid work. However, this simply did not eventuate. Only 3% of CEOs indicated the chief human resources officer should have remote working as a top priority, while it was only the seventh most common workforce priority identified (see Figure 8).
Does this mean we have already solved the remote work puzzle and can move on? Not likely. There will be many challenges moving forward with hybrid/remote working as workplaces continue to reopen, and supply chain leaders need to pay close attention to how it will impact their ability to lead. For example, the top two organizational capabilities (see Figure 7) for delivering on business strategy — innovation and talent management — are the most difficult to deliver in a remote/hybrid environment (see Supply Chain Executive Report: Designing a Social Supply Chain).

Diversity, Equity and Inclusion
A majority of CEOs, 57%, said that their company taking a stand on social justice issues was good for business. However, despite this viewpoint, the social justice movements of 2020 and the disproportionate pandemic impacts on some minority demographics we have seen, diversity and inclusion remain a lower order workforce priority for CEOs (see Figure 8).

To further understand this issue, we also asked targeted questions about how CEOs viewed the diversity of their leadership teams relative to their customers and overall workforce. A little over half of respondents said that the diversity of their executives and senior managers mirrors their customer base. Fewer (41%) said that their leadership reflected their overall workforce demographics. For CSCO s, it appears they have significant work to do in elevating more diverse team members into leadership roles. For example, in 2021 Supply Chain Diversity, Equity & Inclusion Survey: Commitment Skyrockets, Requires Follow-Through we found that while, on average, people of color represented 30% of the overall supply chain workforce, they only represented 9% of supply chain vice presidents.

**CSCO Action**

Resilience isn't just for supply chains, it's for supply chain people, too. Build on the remote and distributed work capabilities embedded over the past year, especially management by objective, building connections, and working with employees to uncover individual purpose (or need) and manage workloads. Couple this with a push toward a more diverse, equitable and inclusive workforce while continuing investments in digital dexterity and digital literacy, ensuring that as much of the learning as possible is on-the-job or relationship-based/social learning.

**Additional research contribution and review**

*Mark Raskino, research and advisory project lead*

*Angela Kreiter, primary research management lead*

**Evidence**

Research Methodology
2021 Gartner CEO and Senior Business Executive Survey. Gartner conducted this research from July 2020 through December 2020, with questions about the period 2020 to 2023. One-quarter of the sample was collected from July through August, and three-quarters from October through December. In total, 465 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 390 online surveys and 75 telephone interviews. This research is based on a subset of data of n = 199 CEOs and senior business executives from supply-chain-intensive industries.

- By job role, the sample mix was: 287 CEOs; 115 CFOs; 29 COOs or other C-level; and 34 chairpersons, presidents and board directors.

- By geographic region, the sample mix was: 183 North America; 109 Europe; 97 China, Japan, Australia and other APAC; 56 Brazil, Mexico and other Latin America; 13 Middle East; and 7 South Africa.

- By enterprise revenue, the sample mix was: 46 with revenue of $50 million to $250 million; 122 with $250 million to $1 billion; 226 with $1 billion up to $10 billion; and 71 with $10 billion or more.

Source References

1 World Economic Outlook, April 2021: Managing Divergent Recoveries, The International Monetary Fund.

2 World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity, The International Monetary Fund.

Recommended by the Authors

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Supply Chain Executive Report: Future of Supply Chain — Crisis Shapes the Profession

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Supply Chain Executive Report: Shaping Supply Chain Disruption in a Volatile Risk Environment

Supply Chain Executive Report: Designing a Social Supply Chain

Supply Chain Executive Report: Are We Navigating a Less Global World?