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Supply Chain Management in 2015 and Beyond

Globalization, risk management, and the quest for talent are just a few of the challenges confronting supply chain managers in the coming years.

By Sigi Osagie

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Global economic turbulence and geo-political factors are increasingly positioning supply chain management (SCM) as a key agenda item in boardrooms across the world. Recent media stories exposing slave wages, child labor, and questionable supplier management tactics by some companies are examples of the added socio-economic challenges companies have to contend with in their supply pipelines.

Undoubtedly, SCM capability will remain a critical concern for senior executives in 2015 and beyond; not least, because SCM is a vital element of many organizations' value chains.

Supply chain professionals face a myriad of issues in managing supply pipelines effectively. Some are traditional problems, like good IT systems capability. Others reflect the evolution of SCM in a more globalized world. The jet engine, the internet, and falling telecommunications costs have combined to create a global village, a new playing field which offers many new opportunities and challenges. Supply chain professionals must keep abreast of these trends, some of which we examine below.

Globalization

The global village has partly been driven by the continued push for better shareholder returns and higher business efficiencies. This proliferated a colossal move to exploit low-cost geographies. It has also created an outsourcing industry that has mushroomed beyond anyone's imagination. Outsourced and offshore operations have in turn created extended supply chains, which inherently entail increased complexity and risks.

The ability to manage supply chains effectively in this more globalized playing field will increasingly become a critical source of competitive advantage.

Supply Chain Risks and CSR

Risk impacts as regards intellectual property, quality, lead-times, supply continuity, and inventory-holding will be familiar to seasoned supply chain professionals. But now they must also contend with broader issues becoming more important – corporate social responsibility (CSR), including ethics and sustainability, probably tops the list. The reputational and financial damage CSR issues can create cannot be overemphasized, irrespective of the truths behind such incidents. BP's Deepwater Horizon experience and North Face's foie gras debacle should serve as reminders.

Resilient and agile SCM capability that incorporates sound risk management and good CSR execution at the coalface will become one of the hallmarks of effective corporate leadership.

Technology

SCM is one of the areas of enterprise activity seeing the biggest impact from technology. While laggard organizations continue to grapple their Enterprise Resource Planning (ERP) requirements, the more nimble players have extended their leverage of technology in different domains, with significant benefits in operational performance, organizational capability, and cost efficiency. Some application examples include;

- E-commerce, from e-auctions for sourcing a wider range of supplies to click-and-collect in retail supply chains. Also, integrating the use RFID into broader e-commerce capabilities is enabling seamless data flows, with greater accuracy and timeliness, even across organizational boundaries.
- 3D printing offers massive opportunities for product personalization, enhanced rapid prototyping, and time-to-market for new product launches. 3D printing is likely to see more areas of application as adoption grows. Innovation will create more areas of integration in enterprise value chain operations.
- Supply chain analytics and 'big data' – Supply chain analytics software offerings continue to evolve in leaps and bounds, providing better end-to-end pipeline visibility and spend management. Savvy businesses are now combining this capability with the exploitation of big data. This offers deeper insights to the marketplace and the supply base, allowing better alignment of SCM to the wider business environment, not least in the area of forecasting and demand management. Enhanced demand planning will remain a critical requirement, as organizations try to cope with the increased demand volatility created by economic uncertainty coupled with extended supply chain networks.
- Cloud-based software applications – This has massive impacts for organizations, largely through much lower capital investment requirements, significantly reduced total cost of ownership and,

hence, greater return on investment. On-demand applications, or ‘software as a service’ (SaaS), is likely to mushroom once supply chain professionals can collaborate with their IT and Finance colleagues successfully to sell the business case to the boardroom.

- Human factors – Technology is also likely to have a huge impact on supply chain jobs and human interactions. Some conventional SCM job roles are already being supplanted by technology, e.g., tactical planning and purchasing activities now require less manual intervention, hence headcount, with reliable IT systems capability. And social media will continue to proliferate knowledge, benchmark awareness, and a different (although not necessarily better) sort of engagement dialogue with supply chain colleagues within the enterprise and supply partners externally.

Supply Base Management

Despite the impacts of social media on human interactions, the requirement to ‘eyeball’ key suppliers at periodic intervals remains crucial. Sound supplier relationships are the wellspring of harnessing great performance and increased value from the supply base to support enterprise goals. And sound supplier relationships are underpinned by good interpersonal chemistry between procurement buyers and supplier personnel.

Organizations will need to embrace robust supply base management, with structured supplier performance and relationship management (SPRM) and formal supply risk management at its core. To successfully harness the power of the supply base for competitive advantage, senior executives and supply chain managers must shift their traditional perspectives and recognise suppliers as extensions of the enterprise value chain.

People Capability

The requirement to shift perspectives is a key aspect of developing enhanced SCM ‘people capability’, i.e., the competences of SCM professionals. The benefits of developing better SCM processes and leveraging technology enablement are obvious. But these approaches can, and will, be replicated by others. Talent can not be copied; it can only be acquired and nurtured, through effective recruitment and employee development and engagement.

Many organizations have previously focused investment at process improvements and system enhancements. Yet people are the soul of any organization. The new playing field demands greater investment in developing people capability for sustainable success. This is already becoming apparent in procurement in particular.

As organizations continue to source more goods and services externally, the impact of purchasing spend on enterprise profitability has grown. With the need to manage supply risk exposure robustly and develop supply chains better aligned to corporate agendas, procurement has evolved from the conventional focus on “costs savings” to incorporate added critical requirements like SPRM; innovation; supply reliability; and value enhancements, where ‘value’ exceeds financial benefits. It demands a new breed of procurement professionals who are business savvy and adept at nurturing productive stakeholder relationships – they must be ‘supply business managers’ rather than ‘purchasing geeks’.

The importance of talent as a critical success factor applies right across the SCM spectrum; because, ultimately, it is people that create performance, good or bad. Building robust people capability is central to enhancing SCM performance. Several studies have demonstrated the correlation between


SCM competence and enterprise strategic development and operating or financial performance; organizations with top-notch SCM capabilities earn as much as 22 percent higher profit margins than the SCM laggards.

2015 retains some of the uncertainties of the previous year. But it also offers a new dawn with significant opportunities. For many organizations, exploiting these opportunities fully and securing the benefits on offer will only come about by enhancing their SCM capabilities. Getting supply chain functions firing on all cylinders will be vital in 2015 and beyond.

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