What is at the Top of the Supply Chain Executive Agenda?

New Study from IBM Says Its Cost Containment, Supply Chain Visibility, Risk Management, Customer Demands, and Globalization

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What is at the top of the supply chain executive agenda in 2009?

Despite the tumultuous times, the list may look somewhat familiar to what we might have guessed last year or the year before.

The results just released from a survey of some 400 senior supply chain executives by IBM in a new report on "The Smarter Supply Chain of the Future" may not be surprising, but are very pertinent nonetheless.

As shown in the figure below, cost containment, supply chain visibility, risk management, customer demands, and globalization are the top five concerns of supply chain executives. Perhaps surprisingly, supply chain visibility topped the list, with a full 70% of executive respondents saying this challenge impacts their supply chains to a "significant or very signifi-

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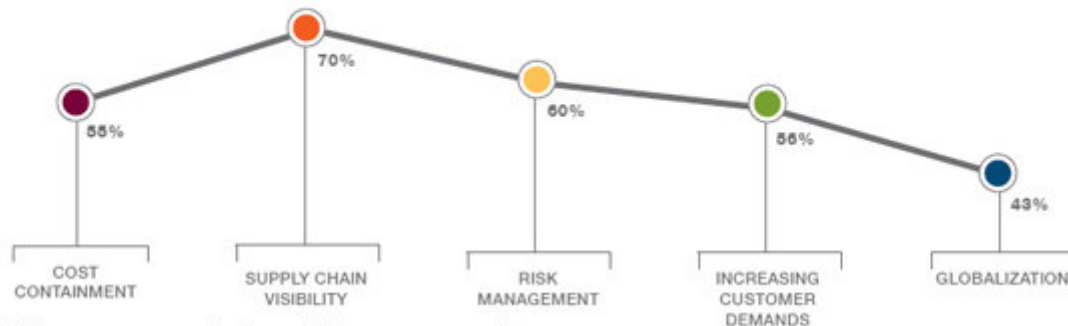
cant extent."

As the report notes, each of these five areas is critical and must be addressed simultaneously. Together, they comprise what IBM calls "the Chief Supply Chain Officer agenda."

Below, we take highlights from the results in each

FIGURE 1 SUPPLY CHAIN LEADERS WRESTLE WITH FIVE MAJOR CHALLENGES

Percentage who report this challenge impacts their supply chains to a significant or very significant extent.

55% COST CONTAINMENT
70% SUPPLY CHAIN VISIBILITY
60% RISK MANAGEMENT
55% INCREASING CUSTOMER DEMANDS
43% GLOBALIZATION

Source: IBM's "The Smarter Supply Chain of the Future Report"

What is at the Top of the Supply Chain Executive Agenda? (Con't)

of these five areas:

Cost Containment: The report notes that "Supply chain executives rank cost containment as their number one responsibility to the business – far ahead of enterprise growth and product/service innovation."

Interestingly, however, the report says that the cost environment and resulting approach is changing dramatically. Whereas supply chains in the past could often take a methodical, continuous improvement strategy, today in this volatile environment "Supply chain executives find themselves reacting to whatever the cost issue of the day happens to be."

As a result, companies need to increase supply chain adaptability to avoid "manic cost-cutting."

Supply Chain Visibility: Consistent with Supply Chain Digest's own research, the IBM study finds that while improving supply chain visibility is rated as a high priority, many companies are not backing that need with a strong level of programs and investments.

"Making matters worse, the majority of those who have tried to improve external visibility describe their efforts as largely ineffective," the report says, "making external visibility projects the least effective of all initiatives executives are undertaking."

It's not technology that is the problem, the report notes, but rather organizational silos.

"We were shocked so many executives reported that their organizations are too busy to share information or simply do not believe collaborative decision making is that important," the report says.

Risk Management: Managing and mitigating risk has moved high on the CSCO agenda, in

many respects with the supply chain taking on some of the responsibilities for risk management that was formerly shouldered by the CFO.

This concern for mitigating supply chain risk has been building for years, and has little to do with the current tumultuous financial times per se.

"Although it may be exacerbating concerns, the current economic environment was not the impetus for this response," the report says. "Instead, this sentiment was built from thousands of recall headlines and a deepening realization that globalization and greater supply chain interdependence have not only elevated risk, but also made it more difficult to manage."

It notes that it is very difficult to manage performance and risk together. 31% of respondents say they do that, but we suspect the real number is probably lower if the definition was accurately applied.

The report says "top supply chains are taking risk management a step further – incorporating it into their plans and using IT to monitor and act on disruptive events."

Customer Demands: The report notes a basic truth: most companies integrate and collaborate better with their suppliers than customers.

We will note that even this implies a one-way street, since everyone is also a customer of their suppliers, and vice versa. So the sense must be that the collaboration with suppliers is taken from a narrow view of what is best for my company.

Not surprisingly, the report notes that leaders do more joint forecasting and collaboration with customers than

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do the laggards, but this section of the report is the most vague. We would have liked to seen more detail as to what this really means – and what the real barriers are to more companies doing it.

Globalization: Here is an interesting number: more than one-third of the executive respondents said supply costs have actually gone up as a result of global sourcing rather than down, the result of long lead times, quality issues, etc.

Many companies are looking at globalization more as a chance to grow revenue and enter new markets than simply as a sourcing opportunity.

The report also finds a big gap between the companies that felt the least "pain" and greatest financial gains from their globalization efforts.

Part 2 of the report presents a vision for the "Supply Chain of the Future" – we will look at that next week.