



SUPPLY CHAIN INSIGHTS

FROM FAME TO OPPORTUNITY: EIGHT WAYS TO CAPITALIZE ON THE “MAINSTREAMING” OF THE SUPPLY CHAIN

Supply chain, a once invisible and unknown subject outside business circles, now stands at the center stage of the global economy. Virus outbreaks halting factory production, cross-border shipment delays and port congestion are among the slew of disruptions setting the spotlight on the crucial role supply chains play worldwide. And while this newfound fame seems to look more like infamy, it does in fact provide interesting opportunities for radical change that will benefit businesses.

DHL Supply Chain – Excellence. Simply delivered.



“The topic of supply chain has never received so much attention and awareness by the public as it has in the past year,” says Stephen J. Meyer, principal director, supply chain & operations research, Accenture. “For the first time in my 26-year career as a supply chain professional, I don’t have to explain what I do for a living to my friends and family,”

Supply chain – a once invisible, taken-for-granted business, now stands center stage in the realm of global economies – and has become ‘mainstreamed’.

With disruption comes opportunity

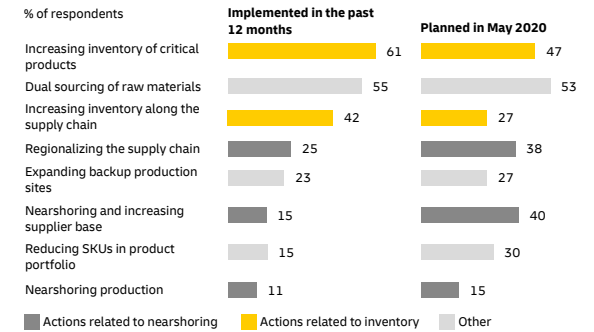
The supply chain is undergoing a fundamental change as a result of the biggest disrupter in the history of modern supply chain management and this article outlines eight key ways supply chains can capitalize on these opportunities, based on the best thinking on what radical steps to transformation might be.

1. Increase inventories to hedge against stockouts, shortages and resulting lost sales.

It’s quicker to build inventories than to build factories or reconfigure a global supply chain network. According to McKinsey, “Last year, most companies planned to pull multiple levers in their efforts to improve supply-chain resilience, combining increases in the inventory of critical products, components, and materials with efforts to diversify supply bases while localizing or regionalizing supply and production networks. In practice, [in the 2021 study] companies were much more likely than expected to increase inventories, and much less likely either to diversify supply bases (with raw-material supply being a notable exception) or to implement nearshoring or regionalization strategies.”

PLANNED AND IMPLEMENTED ACTIONS

Companies originally planned to increase nearshoring of suppliers to boost supply-chain resilience – but wound up increasing inventory.

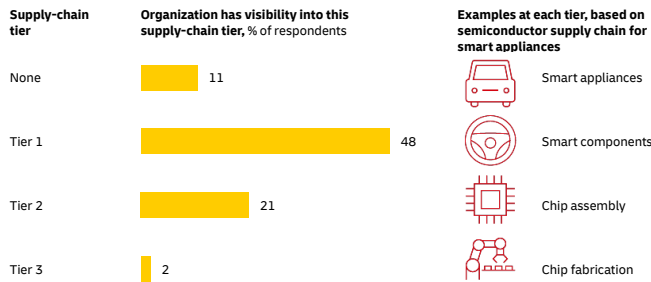


Source: McKinsey survey of global supply-chain leaders (May 4 – June 16, 2021, n = 71)

- 2. Formalize and create new supply chain risk management strategies and practices.** Many companies operate with ad hoc or out-of-date risk management policies, practices and processes. The pandemic proved this approach is not viable, and is in fact potentially harmful. The time has come to pay serious attention to supply chain risk management and devote the proper resources to invest in and formalize it. Best practice organizations have gone so far as to create a new role – the supply chain risk leader.
- 3. Eliminate supply chain blind spots deeper into the extended supplier base.** Most companies have, at best, visibility down to Tier 2 suppliers, McKinsey indicates (figure 2). This is no longer enough. Companies must invest in more robust visibility capabilities that enable them to ‘see’ beyond Tier 1 and 2 suppliers. Gaining this visibility involves not just technologies, but more collaborative relationships with the extended supplier base to establish new visibility protocols and processes. This is a longer-term, essential undertaking.

FIGURE 2

Only two percent of companies have visibility into their supply base beyond the second tier.

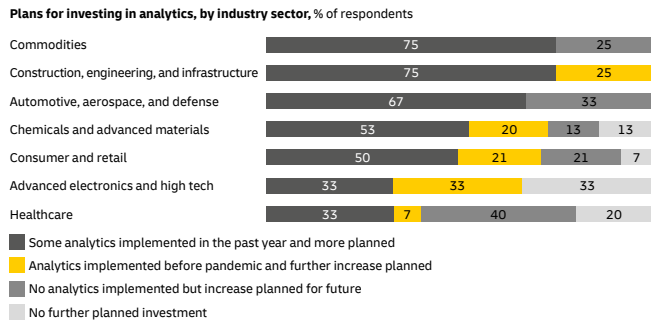


Note: Companies surveyed manufacture smart appliances.
Source: McKinsey survey of global supply-chain leaders (May 4 – June 16, 2021, n = 71)

4. Invest in advanced analytics and other smart, AI-based supply chain digitalization technologies. Collect end-to-end data and use advanced analytics to learn from it, uncover patterns and apply predictive analytics to inform better decision-making. According to the McKinsey survey, participating companies have either invested in advanced analytics already because of Covid 19, or plan to do so (figure 3).

FIGURE 3

Every surveyed industry has invested in supply-chain advanced analytics during the COVID-19 crisis.

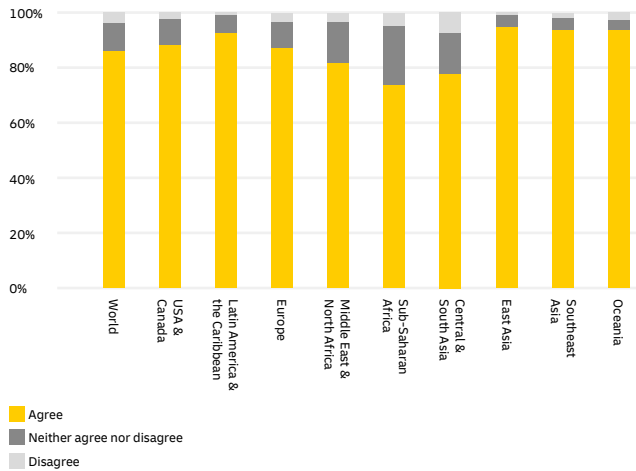


Note: Figures may not sum to 100%, due to rounding.
Source: McKinsey survey of global supply-chain leaders (May 4 – June 16, 2021, n = 71)

- 5. Invest in supply chain disruption monitoring.** Typically provided as a service, monitoring platforms continuously scan for and analyze such potential disruptions as semiconductor shortages, labor strikes, supplier competitive market trends and so on.
- 6. Invest in ‘digital’ supply chain talent.** Most companies in the McKinsey study indicated they have a shortage of talent trained in supply chain digitalization tools and platforms. Digital supply chain talent supports strategic development of more proactive, predictive supply chains, and according to DHL’s Global Workforce Survey, they are ready for this. Nearly 9 in 10 logistics employees, across both operations and office work, saw digitalization as an opportunity to learn new skills, and they were ready to do so in order to remain employable in the wake of digitalization and automation.

- 7. View supply chain as a profit – not a cost – center.** Viewed as a profit center, companies see the supply chain as a strategic driver of overall corporate profitability and makes decisions accordingly to serve customers. They are – or are planning – to invest in the tools needed to address the issues that bogged down and/or crashed supply chains during the pandemic.
- 8. Review the balance between in-house capability and outsourcing.** The pandemic has called into question the in-house/outsourced status quo, forcing the need for reevaluation. What is an essential corporate capability and function and what can be outsourced to those that specialize in areas that are not inherently corporate capability? Where do the skill sets and expertise lie – and how can organizations capitalize on both sides of that equation?

“I believe that, in the future, I will have to get proficient at using (more) digital tools in my line of work.”



Above all, companies must understand that the supply chain is undergoing a fundamental change, driven by the biggest disrupter in the history of modern supply chain management. Companies have two choices: operate in a reactive mode and suffer the consequences. Or radically change and invest in a predictive supply chain risk management model that changes how the enterprise and its partners work together to solve problems and serve the customer.