

Forbes insights

Digital Transformation For The Supply Chain

A Guide To Achieving Agility & Resiliency
For Boards, CEOs, CFOs & CSCOs

IN ASSOCIATION WITH



Table Of Contents

3	Introduction
4	Disruption, Risk & Opportunity
5	Connecting Finance & Supply Chain Planning
6	Achieving Supply Chain Agility & Resiliency
8	Benefits Beyond The Supply Chain
9	Conclusion

Introduction

Digital transformation roadmaps all too often overlook supply chain challenges and opportunities. But today, as organizations pursue digital transformation initiatives, disruptive events—whether a pandemic or another unforeseen crisis—can push supply chain issues front and center.

In fact, a growing number of boards, CEOs, CFOs and chief supply chain officers (CSCOs) are now demanding new strategies to accelerate supply chain innovation and agility—with success measured within weeks, not months or years.

Meanwhile, in addition to a renewed focus on supply chain, the pandemic is also driving digital transformation itself. The workforce is learning how to telecommute and collaborate virtually across a variety of industries. Customers are embracing contactless engagement and demanding more in terms of digital interaction—from virtual showrooms and catalogs to online transaction initiation, design and customization, inventory availability, order status and tracking and more.

As a result, businesses must respond to a new digital, agile and resilient reality. The key question for their leaders becomes: To what extent are today's supply chain initiatives aligned with broader digital transformation?

Today's most successful management teams grasp that excellence in supply chain strategy is now a tech-infused endeavor. Leading edge supply chains feature intimate digital integration across all relevant functions and harness state-of-the-art technologies. It's thus essential for boards, CEOs, CFOs and CSCOs aiming for digital transformation and supply chain optimization to closely wed the two initiatives.

Disruption, Risk & Opportunity

As companies face unprecedented disruption leading to heightened supply and demand volatility, CEOs, CFOs and CSCOs are forced to reimagine the supply chain's relationship to the business as a whole.

Just as the board and CEO can address fiduciary responsibilities, they in turn look to their CFO to manage enterprise risk management and governance. Across all levels of leadership—board, CEO and CFO, not just CSCO—supply chain resilience is becoming a top priority.

The goals are to simultaneously reduce risk, achieve greater preparedness and drive innovation. Along the way, companies' most senior executives are recognizing the crucial role supply chain can play in not only moving the right inventories to the right places at the right moments, but also in enhancing customer experience and optimizing risk management and governance, as well as in driving environmental, social and governance objectives.

This leads to a big opportunity in which investment in one specific area can deliver tremendous value across many objectives. For this reason, boards, CEOs and CFOs are prioritizing investments in the modernization of supply chain, granting seats at the board and executive tables to CSCOs in the process.



Today's business volatility is making it even tougher for those companies without a digital supply chain planning foundation to compete.”

JOHN SICARD

President & Chief Executive Officer, Kinaxis

Connecting Finance & Supply Chain Planning

Seizing this opportunity will require a new way of thinking about supply chain.

Traditionally, CFOs have primarily evaluated supply chain operations using cost center metrics. In addition, CFO interaction with the CSCO and the supply chain team has tended to be sequential and minimally collaborative.

Leading companies, however, are recognizing that supply chain impacts a wide range of initiatives—from customer experience to sustainability. Supply chain strategy manifests across many decisions: where to locate plants, factories, warehouses and distribution centers; which suppliers to source from and how many to use; what parts/items/SKUs to carry where and in what quantities, for example.

These are decisions that impact more than cost center metrics. Supply chain choices directly affect an organization's ability to deliver across customer, board, shareholder, regulator and other stakeholder expectations and promises. In a volatile landscape, an effective supply chain strategy becomes potentially existential—the difference between growth and survival.

In accord, leaders are pursuing more intimate linkage between financial planning and analysis (FP&A), strategic planning and supply chain strategy and planning. Increasingly, CFOs and CSCOs are collaborating across strategy and execution—an acknowledgment of supply chain's growing influence over not only direct measures like costs of goods and shareholder value, but also intangibles like customer experiences and satisfaction.

The result is a supply chain function that not only continuously optimizes costs, quality and risk, but also helps to shape overall corporate strategy and deliver benefits and innovation across the enterprise and its value chain.



Traditionally, corporate strategy [and] strategic planning dictate supply chain strategy—especially for a manufacturer, distributor or retailer. But the optimal role is one in which strategic planning guides supply chain strategy, and supply chain in turn helps shape strategy.”

HARISH IYER

Vice President, Industry
& Solutions, Kinaxis

Achieving Supply Chain Agility & Resiliency

Leading companies are achieving significant strides in supply chain by embedding and aligning core efforts within broader digital transformation agendas. The most successful approaches embrace three core initiatives.

Rethink core supply chain choices

A key starting point is to rethink core supply chain choices. For example, while holding greater inventory increases costs, it can also help companies meet customer needs.

Similarly, even though managing more supply relationships adds effort and cost, companies should also evaluate the benefits of taking steps to ensure supply chain redundancy across multiple regions.

Additionally, companies need to do more in terms of evaluating and certifying their suppliers. How secure is our suppliers' access to raw materials, energy and financing? How well would they perform across a variety of crisis scenarios? Answering these questions can help companies understand the risk profiles of their suppliers—and their suppliers' suppliers. Overall, steps need to be taken to reduce supply chain risks.

Restructure supply chain processes

Today, many employees who touch supply chain often work independently, using their own disparate planning modules. But supply chain planning cannot reach its potential when conducted in silos.

A fragmented workflow jeopardizes business outcomes. Not only is the work sequential rather than dynamic and coordinated, but actors across the internal value chain also often make their own adjustments to data supplied by other participants. For example, marketing might express a need for X number of items based on a sales push, but production and inventory staff discount that figure by 10% or more because, in their experience, such campaigns typically fall short. Often evaluated more on cost than availability, production and inventory teams would rather focus on lower-cost items that are more likely to be consumed quickly.



For decades, supply chains have been governed by cascaded planning—an inefficient collection of links. Taking advantage of today's technologies, piggy-backing on broader digital transformation, companies can make the shift to a superior model: concurrent planning.”

ANNE ROBINSON

Chief Strategy Officer, Kinaxis

Businesses need to reject iterative and sequential processes in favor of what's known today as concurrent planning—the process of making and managing synchronized plans across time horizons, business processes and organizational boundaries at the same time. This approach lends itself to a unified data model and a common business language based on consistent terminology.

By adopting concurrent planning, all eyes can view all activity across the supply chain. Members can see others' actions as well as observe how their own actions impact other functions and overall performance guided by shared objectives.

Moreover, to achieve full optimization, visibility, collaboration and control must extend beyond a company's own internal functions to include external partners such as suppliers, contract manufacturers and logistics services providers. Connecting internal and external participants results in end-to-end visibility and control.

Harness advanced technologies

Concurrent planning is well positioned to harness today's most advanced technologies—yet another reason to prioritize supply chain modernization within broader digital transformation. A unified data model enables data-infused tools and strategies. Tools like robotic process automation and machine learning are now able to automate mundane processes.

Accessing a wider set of standardized enterprise data, along with external data, supply chain leaders can glean clearer, more reliable demand signals, leading to greater optimization of production, inventory, pricing and more. This environment is adept at scenario planning and able to game questions such as whether it's better to use supplier A or B or which pricing fits different markets or customers.

Companies will also be able to optimize across more variables than traditional cost-focused supply chain metrics. For example, is the goal to achieve long-term customer satisfaction or short-term profitability?



Benefits Beyond The Supply Chain

Given a broader and more strategic role for supply chain, it makes sense to closely align efforts to reengineer the supply chain with broader digital transformation.

An optimized supply chain model becomes a top resource for innovation and efficiency, ultimately boosting return on investment (ROI) across the enterprise.

Much of what's needed within broader digital transformation begins with—or is linked to—the supply chain. While supply chain is a critical element of all back-office performance, it's also on the front lines as the function that literally delivers products and services to consumers. In an era of heightened customer expectations, supply chain takes center stage.

A digitized, strategic supply chain can respond quickly to shifts in demand, immediately identifying exceptions to plan for and quantifying the business impact of alternative scenarios. The company is now better equipped to adjust cost inputs and pricing to optimize value creation and deliver on promises when competitors cannot. Being so close to demand signals, the supply chain can deliver greater personalization, customization and responsiveness and thus enhance the customer experience.

The synergies between supply chain and digital transformation also connect to broader initiatives like sustainability. An agile supply chain might reduce energy and materials waste, for example, by avoiding unnecessary orders and optimizing for end-to-end flow.

Benefits also include improved corporate governance and risk management. A digitized supply chain is also transparent and reliable. This reduces risk—a key advantage for both the CFO and CSCO and likely valued by the board, shareholders and regulators.

Finally, a world-class supply chain strategy provides companies with a competitive edge when it comes to attracting and retaining talent. A tech-driven supply chain provides a greater

set of insights, enabling talent to make faster, better-informed and higher-confidence decisions. This creates meaningful work for people, directly benefiting the business. By embracing the leading edge, companies can cultivate a top-notch workforce that thrives on evolving next-generation technology.

In essence, integrating supply chain initiatives with overall digital transformation delivers enormous competitive advantage and differentiation across the enterprise.



Supply chains in pharmaceutical companies are not known to be the most agile. They're known to be very complicated, time-consuming, but not very agile. We're trying to change that. We've come to the realization that we can't keep planning node by node, running it in a monthly cycle, because the dynamic responses that are required for our customers change every day."

MARK TALENS

Executive Director of Enterprise Solutions,
Merck & Co., Inc.

Conclusion

The Era Of The Resilient Supply Chain

Supply chains, already complex and critical to business, will grow even more complex as organizations evolve. In an era of constant innovation and disruption, customers will continue to demand faster, cheaper and better products and services. Meanwhile, companies equipped with rich data and stronger analytics capabilities will engage in hypercompetitive business strategies with supply chain at the forefront. These leaders will deliver value to customers faster and with greater ease and reliability than their competitors.

On top of it all, all companies—even those operating on thin margins and lean inventories—are learning that they require not only a wider range of suppliers across geographies but also more discipline across supply chain planning and operation.

The solution for driving agility and resilience in supply chain hinges on a variety of fundamental changes. First, these changes must start with the acknowledgment that supply chain plays a vital role in business outcomes, effectively giving the function a spot in the C-suite.

In particular, the CFO and CSCO need to establish a close business partnership in order to harness the value of their respective organizations, processes and systems. Collaborating under a concurrent planning model, these leaders can reimagine their supply chain strategies in order to drive business performance, ROI, earnings per share and related metrics.

Finally, it's time to meld supply chain initiatives to broader digital transformation. Addressing both areas at once, business leaders can coordinate workflows and integrate advanced technologies across the entire enterprise. When effectively merged, digital transformation and supply chain become twin drivers of success—differentiating performance and catapulting a business past its competitors.



Forbes insights is the strategic research and thought leadership practice of Forbes Media, a global media, branding and technology company whose combined platforms reach nearly 94 million business decision makers worldwide on a monthly basis.

By leveraging proprietary databases of senior-level executives in the Forbes community, Forbes Insights conducts research on a wide range of topics to position brands as thought leaders and drive stakeholder engagement. Research findings are delivered through a variety of digital, print and live executions, and amplified across Forbes' social and media platforms.

BILL MILLAR

Report Author

KINAXIS CONTRIBUTORS

JOHN SICARD

Chief Executive Officer, Kinaxis

ANNE ROBINSON

Chief Strategy Officer, Kinaxis

JAY MUELHOEFER

Chief Marketing Officer, Kinaxis

HARISH IYER

Vice President, Industry & Solutions, Kinaxis