

# De-risking the supply chain

## De-risking the supply chain— a practical look at transparency and visibility challenges

*“There’s nothing worse than not knowing.”*

At the most recent IBM CSCO Think Circle, CEO of Farmer Connect Michael Chrisment’s words kicked off a lively and cathartic conversation filled with insight on how to reduce risk in the supply chain.

*Michael’s perspective: When you’re an enterprise in the middle, the key word is knowledge. It can manifest itself in many ways: in communication, action, trends, insights, and education. For a coffee trader, and others like us, having knowledge generates immediate operational savings. Digitization brings knowledge: uniformity and better management of the entire supply chain because you have control, oversight, and consistency—you remove a significant element of risk of human mistake or fraud.*

*Some people say this only happens when you’re a specialty organization or that it’s fine for simple products. But we’ve found that once you do it for one product or for one ingredient, you can do it across the supply chain because it opens your market. You begin to realize some of the benefits of efficiency and the value of communication.*

*Then you can move into innovation and eventually sustainability, and it’s really in that order. And when you use technologies like blockchain and AI, you can move beyond managing risk. You get greater visibility and transparency to help predict and manage risk across supply chain operations and ecosystems.*

In a recent IBV study, 56% of CEOs emphasize the need to aggressively pursue operational agility and flexibility with a clear focus on business outcomes. But that’s easier said than done, especially with the additional challenges brought on by talent shortages and an increased consumer awareness of sustainable operations.

*“We need to strike a balance between redundancy and agility.”*

## Sustainability

*“Just putting the percent of recycled material on the bottom of a bottle isn’t going to do it. We need to change the game in terms of how to see a product that is better for the planet. But our commercial teams don’t know how to do that. We’re still in a learning phase.”*

When Thinkers in our Think Circles roundtable dived into sustainability last February, many felt they had—or were starting to have—COVID-19-wrought disruptions in hand. They felt comfortable taking a longer view toward reducing carbon footprints and other sustainability measures. None of them expected that months later, not only aren’t things getting better, they might actually be getting worse. The mother of all bullwhips has delivered challenge after challenge to supply chain leaders as they prepare for the holiday season:

- Microchips and ships (among other things) are in short supply.
- Lack of trust in typical demand signals has encouraged inventory hoarding.
- The Great Lockdown of 2020 became the Great Resignation of 2021, driving a staffing shortage and a step-change in wages.
- Consumers who say one thing about sustainability but often do another are causing a major disconnect between intent and impact among companies trying to navigate to a more sustainable future.

We know that convenience and pricing often drive consumer purchasing decisions, yet among Gen Z consumers, 43% say they have stopped buying certain brands due to sustainability concerns. The IBV Global Consumer Study reported that 40% of consumers describe themselves as purpose-driven, seeking products and services that align with their values. Clearly, to win in this kind of market, organizations have to connect themselves and consumers to something bigger than the product itself.

## Operational Models

To survive, Thinkers agree that CSCOs need to have one foot in the present and the other firmly planted in the future. The existential challenges of COVID-19 have made it urgent to move beyond normal supply planning to deliver better vertical connectivity, more localization, and improved virtualization.

This, in turn, will drive the speed, resiliency and efficiency needed to address today’s challenges and enable the innovativeness to deal with tomorrow’s. In the IBV’s recent Virtual Enterprise study, executives reported that virtualization has already lowered costs by 7% on average, with expectations to trim them another 9% over the next 3 years.

Operating models are becoming both predictive and proactive to anticipate issues and prepare for unpredictable ones. Some Thinkers’ organizations are addressing these two seemingly conflicting approaches by bifurcating their supply chains into two modes running on two different philosophies.

The first exploits efficiencies by using advanced analytics, data modeling, and automation to drive reliability and deliver a frictionless experience. For many, this mode is business as usual.

The other supply chain operating mode addresses high variability and unexpected disruption. It embraces exponential technologies (AI, edge computing, intelligent

workflows, and even Quantum) to make use of immediate data insights through visibility across the entire supply chain, including tier 2,3, and 4 suppliers. These capabilities enable an enterprise to be “always-on,” providing continuity in dynamic markets. It also enables organizations to shift from reactive responses to more sense-and-respond operations. This mode keeps CSCOs poised to think about the future.

*“Leveraging consumer insights from our retail operation and spinning the data into something meaningful for wholesale is critical to our success. We haven’t been great at it historically, but the pandemic has forced us to get better and this has set us apart.”*

No wonder then that 50% of organization leaders cite “technology-infused workflows” as one of their most important areas of competitive advantage for the next 3 years. One Thinker positioned it as a challenge: *“We have to choose what we want to be, a supply chain organization or a technology organization. Business has always led with the support of technology but in the future, technology may lead and tell the business how to develop business capabilities and markets.”*

Technologies that drive speed and innovation are essential, but Thinkers also agree that *“the smartest tools won’t matter without the right people.”* The right people aren’t so easy to come by during the Great Resignation.

## Talent

Tech-driven data gives us visibility and enables resilience, but the CSCO Thinkers predict that many organizations may have underestimated the people component. Having diverse enough teams and empowering them with the right mindset is essential.

*“You can have the best tools on the planet but if you don’t have the right people to operate or interpret them, you’ll have a hard time.”*

Asking people to reimagine and shape the future while they are still managing the chaos of the present can make them feel conflicted. The CSCO Thinkers recognized the need to help their teams get through this time so they can reimagine a new future together.

*“If we can give people ability to make quick decisions and look at coming out of this crisis, we can all be stronger to set up the future. We need to make sure our strategy is in place to know where we’re going. The historic ‘try to be perfect on everything’ isn’t going to get us to the end of the year. Our people are going to make us or break us.”*

## A final word: Still

Technology has the potential to play a huge role in our shared journey, even as we are still working out what our new/next/never normal looks like. Virtualization can support sustainability and decarbonization through digital access, remote working, and reduction in office space and commuting. Exponential technologies can underpin and reinforce the circular economy. Transformation can be seen as an investment in technology but should also incorporate an investment in talent because all the data in the world is useless if people can’t translate it into a specific business situation. *“We can’t train a robot to do something when the people don’t even know what they’re doing.”*

To succeed today, everything has to be on the table. Whether it’s standing up a brand new supply chain, buying containers or private ships, moving to a new supply network, retooling manufacturing, embedding technology and virtualization, or finding new ways to attract and retain talent. Most Thinkers’ organizations challenged themselves to lay every option on the table—they need everyone thinking about all the options if they are to land the upcoming holidays with customers. In fact, they agreed they’d need to break the boundaries of where supply chains have traditionally operated.

**And that’s still the challenge for 2022.**

*Today, every option is on the table.*

## Related IBV reports and other resources

### **IBM Think Circles for Supply Chain**

[ibm.com/thought-leadership/institute-business-value/think-circles/supply-chain](https://ibm.com/thought-leadership/institute-business-value/think-circles/supply-chain)

### **IBV Global Consumer Study. “The last call for sustainability”**

[ibm.com/thought-leadership/institute-business-value/report/sustainability-consumer-products-retail](https://ibm.com/thought-leadership/institute-business-value/report/sustainability-consumer-products-retail)

### **IBV C-Suite Study**

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