

## IBM Institute for Business Value

# New rules for a new decade

### *A vision for smarter supply chain management*



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#### Overview

The complexities of today's economic environment and ever-expanding global supply chains mandate new guidelines for peak performance. Volatile global market conditions and customer demand variability require optimal supply chain configurations to synchronize supply and demand. But lack of visibility into the myriad information sources inhibits supply chain response to these unpredictable swings. Those companies looking to outperform their peers in the hyper-competitive marketplace will need to adopt new guidelines to restore supply chain stability and create enterprise value.

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Today's new economic environment is increasingly more volatile, complex and structurally different than in years past, and in few places is this more apparent than in the movement of goods and services.

To ascertain the depth to which today's uncertain environment impacts the global supply chain – what has been called the “lifeblood of economic and social progress” – the IBM Institute for Business Value surveyed 664 supply chain management executives in 29 countries around the world.<sup>1</sup> What we discovered is that complexity exacerbates the host of challenges these executives must manage on a daily basis. Our findings, in fact, mirror in large part those of the 2010 IBM Global CEO study, in which top executives identified complexity as among the top organizational challenges they will face in coming years.<sup>2</sup>

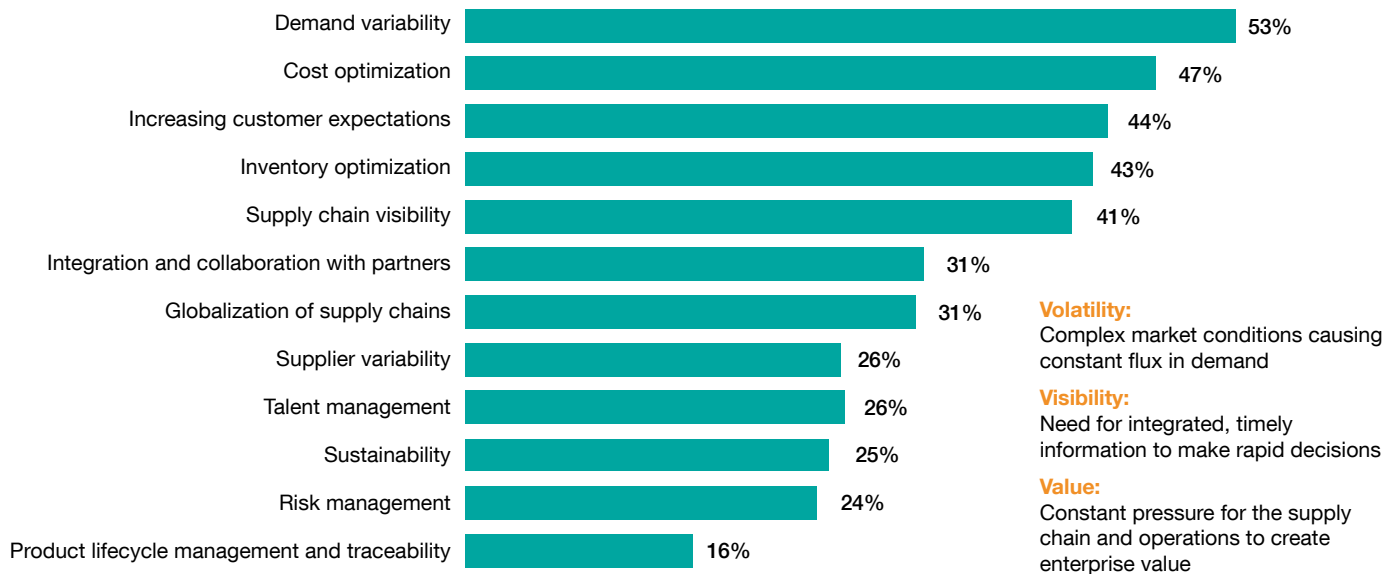
Global economic turmoil and uncertainty underlie the most significant challenges supply chain management executives identified in our study. Chief among these challenges are:

***Volatility:*** Fluctuation in customer demand and variances in customer requirements are among the leading challenges confronted by supply chain executives.

***Visibility:*** As the number of supply chain partners increases, the need for accurate, time-sensitive information becomes more acute. But lack of collaboration and integration between supply chain and product development partners continues to be a major concern.



**Value:** There is, and seemingly always has been, constant pressure for supply chain management and operations to create enterprise value. End-to-end supply chain cost and pipeline inventory optimization are predominant challenges, as well as the means for protecting margin and decreasing working capital



Source: IBM Institute for Business Value.

Figure 1: Supply chain challenges expose volatility, driving a need for visibility to create value.

### New rules to optimize supply chain performance

Overcoming the often-daunting obstacles that complexity and uncertainty introduce into the constant and seemingly relentless challenges of managing the supply chain will require three new rules:

- 1. Know the customer as well as yourself. Smooth volatility with predictive demand.**  
Predict demand and be in a position to react to demand variability with rapid response and allocation of all global resources.
- 2. See what others do not. Unveil visibility with collaborative insight.**  
Collaborate with visibility to events, with suppliers, service providers and customers in an open, action-oriented environment.
- 3. Exploit global efficiencies. Enhance value with dynamic optimization.**  
Optimize pipeline inventory, the global supply chain network and cost structures. Create cost-efficient sustainable products and practices while hedging risks with partners.

Today's global marketplace is going to become, if anything, even more competitive over the next few years. As enterprises seek to optimize their supply chains and respond to constant demand variance, adopting new rules to restore stability to supply chain operations is critical. Visionaries are already reaping the benefits of the new rules for the new decade. Are you prepared to join them?

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## Key Contacts

### *Global and Americas*

Dave Lubowe  
dave.lubowe@us.ibm.com

### *Europe*

Philippe Kagy  
philippe.kagy@fr.ibm.com

### *Asia Pacific/China*

Frank Kang  
frank.kang@us.ibm.com.

### *Japan*

Katsuto Maehira  
ZENPEI@jp.ibm.com

## Author

Karen Butner  
kbutner@us.ibm.com

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## How can IBM help?

**Operations and Supply Chain Strategy Solution – Operating Model Innovation.** We help our multi-industry clients develop innovative supply chain operations strategies driven from the intersection of business, process, partnership and technology. We address our client's foremost supply chain operations challenges with deep knowledge of relevant disciplines, emerging technologies and business insight. Supply chain areas of expertise include sourcing and procurement transformation, lean sigma process excellence, logistics, product lifecycle management, operational risk management, visibility, and sustainable supply chain management. The new rules have been adopted as the foundation of IBM's integrated supply chain vision and strategy.

The operations strategy serves as the framework for formulating explicit choices about the best deployment of an organization's elements to achieve the business goals. These elements include: sourcing and alliances, assets and locations, technology, skills and capabilities, organization and governance, all focused on the customer experience. The operating model strategy provides a view into the current operational maturity and an improvement agenda roadmap for performance improvement.

To request a full version of this paper, e-mail us at [iibv@us.ibm.com](mailto:iibv@us.ibm.com)

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Route 100  
Somers, NY 10589  
U.S.A.

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#### References

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