

THE SMARTER SUPPLY CHAIN OF THE FUTURE

GLOBAL CHIEF SUPPLY CHAIN OFFICER STUDY
EXECUTIVE SUMMARY



This is a summary of the
IBM Global Chief Supply Chain
Officer Study: The Smarter
Supply Chain of the Future

The full study is available at:
ibm.com/gbs/supplychainstudy

EXECUTIVE SUMMARY

Volatile. That's perhaps the best word to describe today's global marketplace. Like economies and financial markets, as supply chains have grown more global and interconnected, they've also increased their exposure to shocks and disruptions. Supply chain speed only exacerbates the problem. Even minor missteps and miscalculations can have major consequences as their impacts spread like viruses throughout complex supply chain networks.

How are supply chain executives coping? As part of our recent Global Chief Supply Chain Officer Study, we spoke with nearly 400 senior executives from North America, Western Europe and the Asia Pacific region who are responsible for their organisations' supply chain strategies and operations. Our discussions revealed five key findings related to:

Cost containment – Rapid, constant change is rocking this traditional area of strength and outstripping supply chain executives' ability to adapt.

Visibility – Flooded with more information than ever, supply chain executives still struggle to 'see' and act on the right information.

Risk – CFOs are not the only senior executives urgently concerned about risk; risk management ranks remarkably high on the supply chain agenda as well.

Customer intimacy – Despite demand-driven mantras, companies are better connected to their suppliers than their customers.

Globalisation – Contrary to initial rationale, globalisation has proven to be more about revenue growth than cost savings.

These findings suggest that supply chains – and the executives charged with managing them – are under severe pressure. As compliance mandates, suppliers and information flows multiply, supply chains are becoming more complex, costly and vulnerable. And executives are finding it increasingly difficult to respond to these challenges, especially with conventional supply chain strategies and designs.

This is not to say companies have ignored these issues; in our findings, we see no shortage of supply chain improvement projects. But our research suggests it’s no longer enough to build supply chains that are efficient, demand-driven or even transparent...

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“The greatest challenges ahead are in the areas of risk management and risk mitigation strategies, and the visibility that is required to effectively address them.”

Bob Stoffel, Senior Vice President, Engineering, Strategy and Supply Chain, United Parcel Service of America

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**THEY
MUST
ALSO BE
SMART.**

We envision a supply chain
of the future that is far more:



INSTRUMENTED

Information that was previously created by people will increasingly be machine-generated – flowing out of sensors, RFID tags, meters, actuators, GPS and more. Inventory will count itself. Containers will detect their contents. Pallets will report in if they end up in the wrong place.



INTERCONNECTED

The entire supply chain will be connected – not just customers, suppliers and IT systems in general, but also parts, products and other smart objects used to monitor the supply chain. Extensive connectivity will enable worldwide networks of supply chains to plan and make decisions together.



INTELLIGENT

These supply chain decisions will also be much smarter. Advanced analytics and modelling will help decision makers evaluate alternatives against an incredibly complex and dynamic set of risks and constraints. And smarter systems will even make some decisions automatically – increasing responsiveness and limiting the need for human intervention.

Building this kind of supply chain is a strategic undertaking; it implies a different role and set of responsibilities for supply chain executives. These executives must become strategic thinkers, collaborators and orchestrators who optimise complex networks of global capabilities. In their increasingly significant positions, Chief Supply Chain Officers have the mandate – and now the tools – to create a Smarter Supply Chain of the Future.

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“Together, we have to consciously infuse intelligence into our decision-making and management systems, not just infuse our processes with more speed and capacity.”

Sam Palmisano, Chairman, President and Chief Executive Officer, IBM Corporation (from November 6, 2008, speech given at the Council on Foreign Relations)

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As they re-evaluate current supply chain strategies and initiatives, executives should ask: Which investments are simply making processes faster or more efficient? And which go a step further – making the supply chain decidedly more intelligent and resilient in times of unprecedented instability and risk?

Thoughts and opinions on the smart supply chain concept and the business possibilities enabled by this kind of embedded intelligence are evolving quickly. We look forward to discussing the Smarter Supply Chain of the Future with you in more detail – and working with you as you build it.

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The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues.

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