



### **Supply Chain Digitisation – Hyperbole or Hard Results**

It is a good time to ask why many supply chains are not delivering the full promise of digitisation. Cost savings and service level improvements are plateauing at many organisations and customer satisfaction is not keeping pace with rising expectations. Complexity and risk are increasing and the speed of IT change is calling into question technology investments before they can be implemented.

Too many firms still find it difficult to quickly answer queries like ‘why did product x not ship?’ The information to respond is spread across multiple systems, processes, databases, departments and trading partners. Often these systems are out of synch further clouding resolution. If they can’t answer these basic questions it is very difficult to make improvements. Some firms, frustrated with the lack of visibility, have developed metrics that suggest performance is achieving best practice while customers have a very different view.

Is it a matter of over hyped promise? Are we riding the latest wave of silver bullet software sellers that understand the challenge but can’t fully deliver a solution? Has the move to greater outsourcing and globalised supply chains simply made things too complex to fully control? Do today’s customers enticed with visions of drone deliveries and one-day fulfilment cycles simply expect too much?

There is more to this mystery than simple exaggeration, hype or hyperbole can explain. Many organisations are realising fantastic benefits. They are distancing themselves from their competition and gaining an upper hand to take market share. So what does explain the mixed progress? A closer examination of company progress uncovers a few clues and some common challenges:

### ***Lack of a clear strategy and objectives –***

While there tends to be excitement around specific solutions there is often less thought on how these integrate into end-to-end deliverable. Individual departments will select a point solution quickly rather than enduring the hard labour of gaining consensus from other departments or IT. This can complicate efforts to have a single common view of performance.

### ***Legacy systems and sunk costs -***

The IT department can have a natural tendency to protect past investment and legacy systems. Many organisations are more likely to modify existing systems then remove and replace them. These past investments consumed time and capital to develop and managers can be reluctant to endorse change that may carry reputational risk. This can lead to a proliferation of handoffs, code and interfaces that drive up IT complexity and maintenance costs.

### ***Collaboration barriers –***

Another real barrier exists around collaboration. While there has been much talk about collaboration it remains a significant challenge for many organisations. If it is true “knowledge is power” are we surprised that people can be reluctant to share it. Obstacles to collaboration exist both internally and externally. These need to be addressed to gain the full value of modern value chains.

### **Greater Success is Available**

#### ***Lead from the front –***

- Begin with a clear C-suite led vision and strategy
- Focus on eliminating customer pain points
- Maintain highly visible C-suite sponsorship throughout the program

#### ***Best integrated solution –***

- Start with an unconstrained view of the solution
- Identify handoffs between systems, departments and business partners
- Strive for single entry transactions with common data sets
- Approach solution design with a “zero marginal cost” mentality
- Identify opportunities to leverage data analytics, mobile, cloud and IoT
- Think asset light and agile

#### ***Make collaboration work –***

- Collaboration begins at home – remove barriers/reward positive actions
- Take an end-to-end view of processes (i.e. order to invoice)
- Engage customers and suppliers in redesign efforts
- Elevate trust as a key corporate value
- Establish metrics to reinforce collaborative behaviour

### **Implications for your business**

The supply chain is a fundamental element of any business. It spans the value chain from product design, sourcing, procurement and production onto the final delivery and serving of the customer. An effective supply chain must be service and cost optimised across the integrated value chain. Digitisation offers new

opportunities to optimise supply chains. Effective initiatives require a clear vision, disciplined execution and sustained senior executive sponsorship. Organisations that set high goals such as “zero margin cost” and a greater emphasis on collaboration will see the greatest benefits. Avoid expensive sophisticated solutions as they often add cost and complexity without commensurate value. Done well your customer’s experience should improve while reducing costs.