

Maine Pointe

Total Value Optimization • Guaranteed™

A member of the SGS Group



Perspectives paper

The Resilient, Agile, Digitally Enabled Supply Chain and Operations of the Future

Your questions answered



Navigating the way to
a digitally-led recovery

Why Read This Paper?

Visibility • Resilience • Speed • Optimization • Control

Many businesses have already applied 'digital triage' to stabilize their business and overcome short-term connectivity and supply issues but **what's next?**

Recent global risk events have made a digitally enabled supply chain and operations an imperative. This was highlighted when earlier this year poor supply chain and operations visibility and inadequate risk management wiped \$1BN off an online retailer's share price.

However, many executives still remain confused about digital supply chain transformation and where to start. They are often **unclear about the business case and implementation journey.**

With new business models and ways of working emerging rapidly and digitalization accelerating at pace, executives, now more than ever, are seeing the need to speed up digital initiatives across their supply chain and operations as a means of improving visibility, resilience, speed, agility, control and competitive advantage.

This paper answers some frequently asked questions to help you navigate your way to a digitally-led and demand-driven future.

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Question 1:

How do I overcome short-term supply challenges and build the foundations for a resilient, digitally enabled, agile supply chain and operations of the future?

The current pandemic is the latest in a series of global risk events which have exposed vulnerabilities across the supply chain. Business leaders are under enormous pressure to quickly limit short-term disruption, support recovery in the mid term, and ensure greater supply chain agility, resilience and optimization in the longer term. Maintaining and adapting operations to fast-changing events is undeniably complicated but it is possible with the right combination of data, technology and human judgment.

“By now, you have most likely passed through the firefighting phase of the crisis and are assessing the damage/weak links to your system.”

Traditional systems, data and processes don't provide the rigor necessary to plan the best response. Instead, every executive needs to take a fresh look at their supply chain and recalibrate it.

By now, you have most likely passed through the firefighting phase of the crisis and are assessing the damage/weak links to your system. You may already be engaged in the process of rebalancing – building supply chains that have better levels of financial, competitive, and legal resilience.

Built on a roadmap of three key stages; stabilize-recover-rebalance, Total Value Optimization (TVO)TM provides an accelerated pathway for executives to overcome short-term supply challenges and build the foundations for a resilient, digitally enabled, agile supply chain and operations of the future.



Figure 1: The Stabilize-Recover-Rebalance Roadmap



Question 2:

What is meant by the “digitally enabled supply chain,” how does it work and what does it attempt to accomplish?

Many executives remain confused about the business case for the digitally enabled supply chain. The most important point to remember is it isn't just a technology fix. It's about leveraging the technology, along with the right processes, people and appropriate company culture, to increase visibility, improve decision making and deliver consistent value at low risk across the supply chain. Given the impact of the pandemic, from a Maine Pointe perspective, we see this as an essential evolution as organizations recover and rebalance. Going forward, the ability to identify and implement the best combination of data, technology, people and processes will define those that most successfully adapt and evolve.





In our view, the digitally enabled supply chain business case is interwoven with a Total Value Optimization (TVO) approach as outlined below. As you move up the TVO maturity pyramid, using digital as an enabler, you improve measurable cost, cash and EBITDA growth performance while reducing risk. The ultimate business case is that you create a demand-driven synchronized supply chain and operations which delivers competitive advantage.

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“Before the pandemic hit, most business saw the adoption of new technologies as a way to drive efficiency and a strategic direction they should take in the medium to long term.”

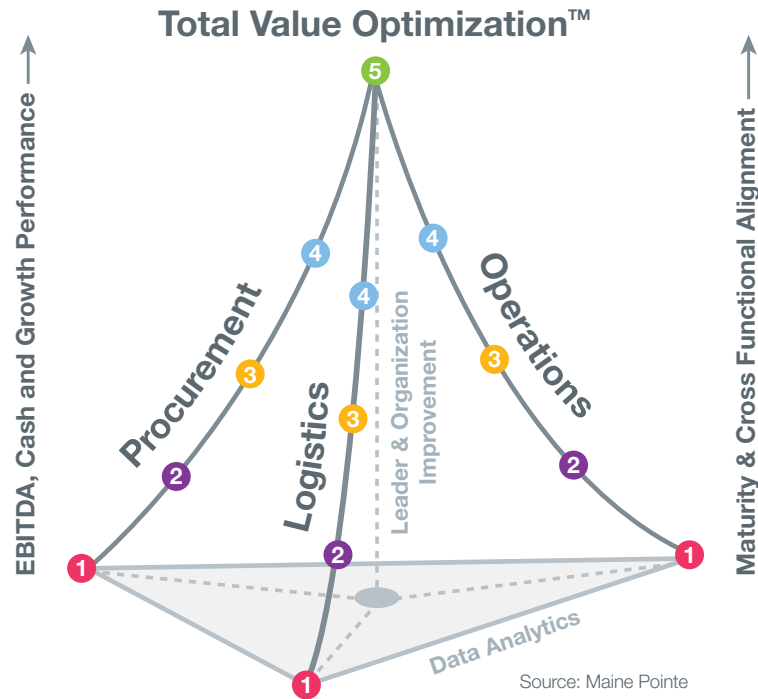


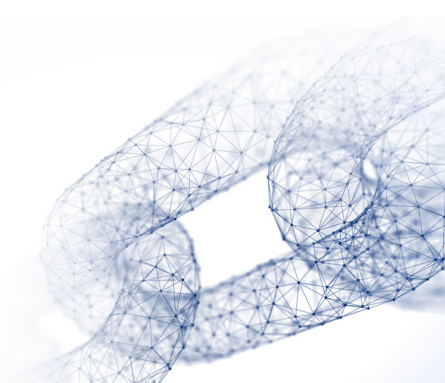
Figure 2: Total Value Optimization Pyramid™

Question 3:

Has the business case for a digitally enabled supply chain altered in light of the global pandemic and economic crisis?



Before the pandemic hit, most businesses saw the adoption of new technologies as a way to drive efficiency and a strategic direction they should take in the medium to long term. That perception has shifted in the last few months. Now the case for many digital transformation initiatives is centered around the imperative to create greater visibility and resilience in the supply chain to insulate it against future disruptions and ensure corporate survival.





“The benefits of a digitally enabled supply chain at every stage of the three-step roadmap cannot be underestimated.”

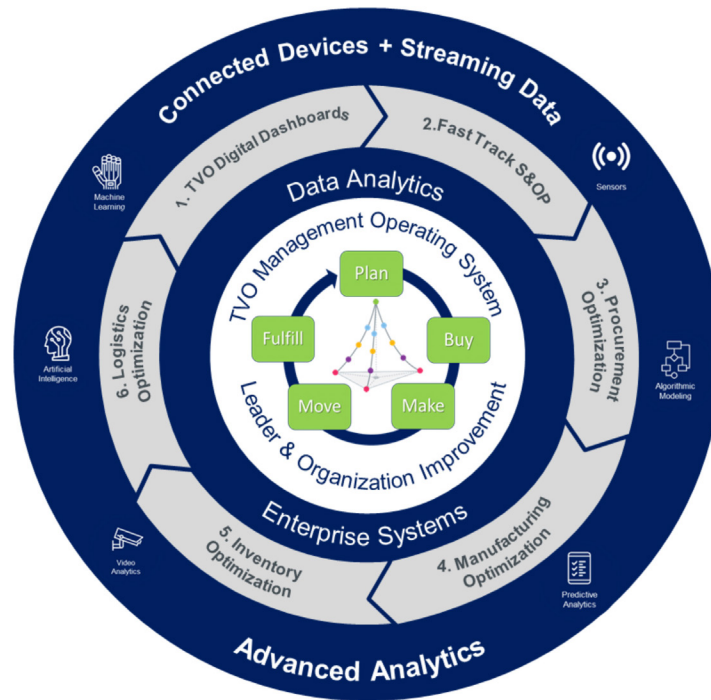


Figure 3: Digital Future of Supply Chain Value Optimization

The benefits of a digitally enabled supply chain at every stage of the three-step roadmap cannot be underestimated. In the stabilization phase, they include increased visibility and insights across the supply chain and operations which enable the cross-functional control center to reliably evaluate demand and mitigate inventory shortages. As you move through the ‘recover’ and ‘rebalance’ phases, data-led decisions will help build supplier and manufacturing optionality, build resilience and establish consistent, reliable and repeatable profit and revenue growth for the long term.



Question 4:

What’s holding companies back from digital supply chain initiatives and what are some of the most common mistakes made when doing so?

The shift to digitalization was underway before COVID-19 but for many organizations the pace of change was leisurely. The pandemic has altered that, bringing the potential risks of not having a digitally enabled supply chain and operations into sharp focus. As companies begin to recover and rebalance, the race to digitize has shifted up a gear.

“The shift to digitalization was underway before COVID-19 but for many organizations the pace of change was leisurely.”

The success of these initiatives, and how quickly they can be implemented, depends very much on where the business is starting from. When it comes to the ability to quickly realign the supply chain, we are seeing a significant difference between businesses that have just started to digitize and those who are further down the line.

There are several interrelated factors which need to be orchestrated to enable a digital end-to-end system (see below figure 4). However, the biggest success factor is culture. Most organizations have a good process, but struggle with cultural aspects of integration across sales & operations planning (S&OP) across the supply chain and operations ecosystem. Ways of overcoming this issue include introducing processes like a mutually beneficial reward system. In addition, leadership need to actively encourage all stakeholders to think beyond their own roles to understand the greater end-to-end value chain to enhance the customer experience. This drives value to the end-to-end system.





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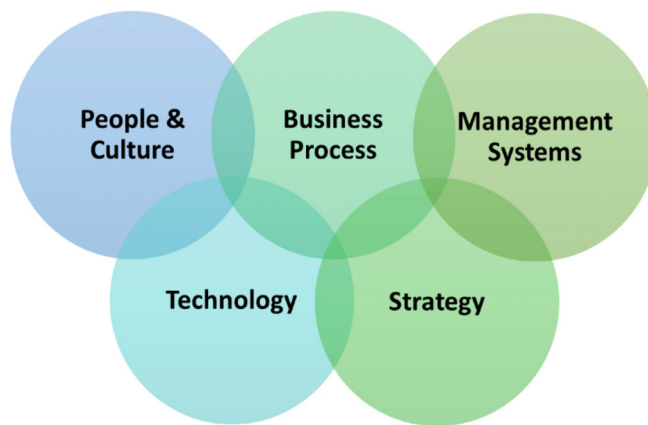


Figure 4: Interrelated Success Factors



Question 5:

What are the biggest benefits of a digitally enabled supply chain? What new opportunities will it present for us?

“Going digital” is not the answer to all your problems but here’s the good, the bad and the ugly: A digitally enabled supply chain helps your people and your suppliers get closer to the customer in “real-time” and enhance the overall customer experience. It gives you end-to-end visibility into your supply chain and provides leadership with the ability to make data-led decisions about what, how, when and where they manufacture and distribute products. However, it can also create complexity and confusion or even accelerate some of the bad habits we saw in past technology deployments. Ultimately, despite these potential pitfalls, the digitally-led recovery will only be a positive influence for industry. It will create new opportunities for scale, cost reduction, cash release, growth, improved quality and competitive advantage – but you need to start the journey in a pragmatic step-by-step way. On the data side, we can now analyze things we have not been able to scrutinize before and better predict the future, rather than just assessing the past.

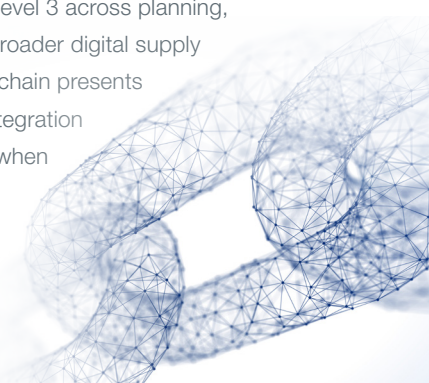


Question 6:

How can we best ensure that digital supply chain implementation delivers accelerated results as you rebalance your supply chain?

The pandemic has exposed the cracks in today’s complex global supply chains and created an imperative for businesses to be better protected against future risk events. To build this resilience, we need to see supply chain and operations integrated from your customers’ customers right through to your suppliers’ suppliers. Very few companies currently do this well. Functional excellence is a beginning, but as you start to rebalance your business, moving across these functions to drive end-to-end excellence and supply chain synchronization is the ultimate goal. In today’s uncertain times, the instinct may be to dive headfirst into the digital world, but the key message is, **don’t begin with technology**. You need to start by reviewing the current maturity of your organization’s supply chain and operations. We use a 1-5 scale of maturity. If a company is at level 1 and 2 maturity, the fundamentals around people, process and data analytics need to be fixed first. Once the company has become ‘brilliant at the basics’ – level 3 across planning, procurement, operations, logistics, leadership and data analytics, the broader digital supply chain conversion journey comes into play. The digitally enabled supply chain presents an opportunity to create value through end-to-end collaboration and integration which is the path to Total Value Optimization (TVO)TM. TVO is achieved when an organization is dynamically able to anticipate and meet demand

“The pandemic has exposed the cracks in today’s complex global supply chains and created an imperative for businesses to be better protected against future risk events.”





through the synchronization of its plan-buy-make-move-fulfill digital supply chain to deliver the greatest value to customers and stakeholders at the lowest cost and risk to business.

But what about the digital tools? There are plenty available, but not all of them create an effective ROI. The technology part of a digital supply chain requires a more effective assessment of these tools to make sure they can deliver ROI and drive value. The objective is to gain a picture of your organization's current level of digital maturity to help you identify what you're doing well and where the improvements can be made. One of the biggest mistakes in implementation (especially when you are under pressure to deliver rapid results) is failure to do a thorough assessment. This is essential to accomplish a mature analytics-led environment.

“A resilient, agile digitally enabled supply chain needs to be built on solid foundations; end-to-end visibility and integration.”

The End-To-End Supply Chain Digital Journey requires its own maturity

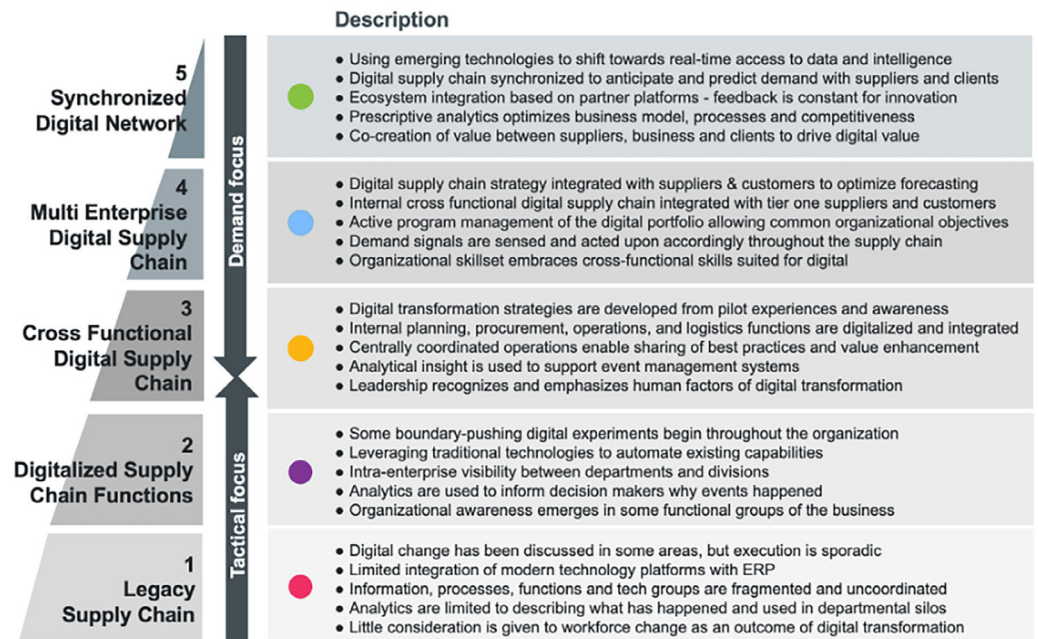


Figure 5: Stages of Digital Maturity

A resilient, agile digitally enabled supply chain needs to be built on solid foundations; end-to-end visibility and integration. For example, if your organization is not aligned across planning, sales, procurement, logistics, operations, and IT functions, trying to drive new digital technologies across the business is a recipe for failure. The tools provide the visibility and, if used properly, that visibility enables people in the organization to make good decisions and proactively respond to demand accordingly.



Question 7:

Why do some digital transformations fail?

Not all digital strategies produce the results businesses are hoping for. From our discussions with executives who have embarked on a digital supply chain transformation, and research into why the projects succeed or fail, we have identified nine transformation challenges that need to be addressed before the initiative begins:

1. Executives are unclear about the end-to-end supply chain investment case and implementation journey for their business
2. There is often insufficient CEO leadership/sponsorship and budget
3. Operations, procurement, logistics, sales, marketing & IT predominantly reside in silos with little collaboration across the enterprise





“While every aspect of the digital supply chain, including Industry 4.0 and smart operations, might not be essential to some businesses right away, the move is essential for long-term resilience.”

“Companies must continuously determine the most relevant technology partners to meet their strategic and operational engagement requirements.”

4. Leadership is reluctant to change/reinvent the business model to accommodate change and disruptive technologies
5. There is no cohesive, cross-organizational supply chain/digital vision and strategy
6. Companies have a supply chain / technology talent / skills gap across the organization
7. Legacy IT systems and culture deeply entrenched, and there is resistance to change. The prevailing culture is risk averse, ‘why fix it if it isn’t broken?’
8. Slow deployment of supply chain collaboration and new technologies means organizations are unable to show early wins to gain employee and stakeholder buy in
9. The digital strategy is viewed as a ‘technology fix’

Question 8:

Where should our digital supply chain conversion start?

While every aspect of the digital supply chain, including Industry 4.0 and smart operations, might not be essential to some businesses right away, the move is essential for long-term resilience. The first, and most immediate step, from a digital perspective, is to conduct an analysis across the supply chain and operations to identify use cases. The goal is to assess the maturity of the plan-buy-make-move-fulfill supply chain, taking a closer look at the company culture and leadership to determine what, if any, changes need to be made to quickly increase data visibility. Once that analysis is complete, a step-by-step implementation strategy, business case, and roadmap can be articulated based on where the company is today, and where it needs to be in the mid to long-term. Leveraging existing technical investments can often be a great place to begin, but make sure you have a strong ROI business case before getting started.

Since most companies do not have a formal digital transformation strategy, conversations usually start in departmental silos. This is because companies like to see some immediate return on their investments. Therefore, selling it to the organization and allowing the organization to transition forward involves identifying the benefits that companies can achieve with digital transformation and providing evidence. The value, through the application of digital transformation, is not only about improved productivity, increased customer satisfaction, improved financial and operational impact and cost savings but also about looking at innovative ways of running a business and creating growth opportunities.

An enterprise is successful in becoming a digitally enabled business when, in the ‘rebalancing’ phase of the three-step roadmap, it achieves a combination of digitalizing its current business models and actively pursuing new ones. **Where is your digital maturity now?**

Question 9:

How can we navigate the endless sea of technology choices?

Executives and supply chain leaders should recognize how pertinent platforms and processes are implemented and utilized and where data are coming from and should demonstrate a solid understanding of the scope and scale of data from diverse channels. Importantly, leaders must be prepared to act intelligently on data. Today’s executives and supply chain officers must stay abreast of the latest technologies ensuring that the organization appropriately incorporates digital skills and analytical talent. Companies must continuously determine the most relevant technology partners to meet their strategic and operational engagement requirements. As a result, the need has become very clear for platforms to make everything and everyone work together – success in digital is based on creating an integrated assembly line of technologies, people, and processes.





Figure 6: Maine Pointe's Digitally Enabled Supply Chain Services

With new business models and ways of working emerging rapidly and digitalization accelerating at pace, executives, now more than ever, are seeing the need to speed up digital initiatives across their supply chain as a means of improving visibility, speed, agility and competitive advantage. Is this a reflex reaction by business leaders struggling to navigate through the global pandemic, or is it a sea change? Many leading executives believe it's the latter and have already taken action.

If you would like to discuss any of the points raised in this paper, email info@mainepointe.com

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About Maine Pointe

Maine Pointe, a member of the SGS Group, is a global supply chain and operations consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in EBITDA, cash and growth across their procurement, logistics, operations and data analytics. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill digital supply chain to deliver the greatest value to customers and stakeholders at the lowest cost to business. We call this Total Value Optimization (TVO)TM.

Maine Pointe's engagements are results-driven and deliver between 4:1-8:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings. www.mainepointe.com