



The Enterprise Supply Chain Value Revolution



A chief officer primer developed by Kevin Harris

The Enterprise Supply Chain Value Revolution is a term I developed describing the exponentially growing variables coming into play when measuring the performance, value and impact of the Supply Chain on the enterprise. CEOs and chief supply chain officers have a conundrum. The days of focus only on safety, quality, cost and speed to market are long gone. Compliance and sustainability added responsibility to protect companies' market positions and to drive social responsibility initiatives. Executing these additions alone have a proven effect on shareholder value. But the impact variables for supply chain performance are growing exponentially over the recent years



During my rise as a supply chain leader and business owner I have not seen an equation add so many performance variables as supply chain performance has over the past decade. The last five years alone has added new obligations to the chief supply chain officer's responsibility. The CSCO is now asked to solve the conundrums brought on by geo-politics run amok, natural disasters, epidemics, cyber attacks, etc. These considerations go way beyond safety, quality, delivery and costs. New KPIs are being developed to measure the readiness to prevent or address the unknown. But how do we prioritize and deploy shareholder value saving investments in preventing failures during unplanned events and where does one focus the limited resources. Prevention? Reaction?

Today's supply chain officers, boards and CEOs are faced with a conundrum. How to go beyond measuring performance in terms of SQDC (safety, quality, delivery and cost) with a minor in continuity of business to increased focus on continuity of business for the enterprise? Two other increasingly important strategic variables are emerging that could be diametrically opposed to the traditional key supply chain performance metrics of past. The two additional variables of Resilience and Agility are key in not only improving sustained performance but now increasingly weighs in analysts, shareholders, investors, activists and customers view of the strength, financial

viability and resilience of an enterprise. This focus leads to a necessary evolution of the capabilities of a supply chain officer to address the unknown and in some cases the unimaginable.

I have many clients and have caught the leadership and even myself trying to identify and address acute potential failures and plan for it. HAZMAT for chemical spills, drills for fire, disaster recovery for systems, etc. have been the norm. Now add pandemics, climate events and cyber attacks. Also, will there be another 9/11 event, Tsunami, earthquake, etc.? I have experience in continuity planning for Disaster Recovery scenarios across many industries. The focus is to protect the people first which has always been key then pivot focus on the customer and the enterprise. But you cannot plan or predict every scenario. The cost, resource and focus on protecting or preventing every scenario could in itself injure the enterprise.

To win a battle against known and unknown threats to the supply chain, a Board, CEO and CSCO should not focus on having a detailed plan for each potential scenario, but focus on the resilience and agility of the supply chain itself. This introduces initiatives that apply across all or clusters of scenarios. I can explain how the process works in another edition, however the process of event clustering is important to developing comprehensive solutions.

Resilience is basically the ability of the enterprise' supply chain to establish continuity of service or supply to the market during a potentially enterprise killing event. Agility is the ability to create alternate means to service the market thus out flanking the enterprise threatening event. More and more leaders are in this context recognizing that the supply chain officers' role has become and will continue to be exponentially more complex.

Protecting supply continuity is critical. After all over 60% of the cost of any manufactured good likely comes from the supply chain, more if you include labor. Further, the impact of any disruption can injure or even be fatal to any business not prepared for adversity. Supply Chain Resilience and Agility is a must have level of focus for the enterprise. The Wall Street Journal reported, on 2021-4-16, that over 200,000 businesses shuttered during the pandemic. Federal Reserve economists suggest small-business failures due to the coronavirus pandemic were exceptionally hit hard.

I recently began a series of discussions at the university and forum levels introducing the concept of how to re-engineer the organization to traverse adversity profitably. The introduction of agility and resilience goes beyond focus on traditional disaster recovery measures. How a company prepares to be competitive in the face of adversity is a key question that I discussed this year with the masters class at one of the top supply chain institutes in the world, the University of Tennessee Haslam School of Business Supply Chain Institute MBA Program in the United States. I also introduced the complex topic in executive forums such as IMA.

Resilience and Agility initiatives are already underway spurred by COVID, tariffs, security, etc.: A 2021 Gartner Survey of 1,300 Supply chain professionals noted that "87% of Supply Chain Professionals are challenged to invest in supply chain resiliency in the next two years." Also, "89% are asked to invest in Agility." The conundrum remains that these two initiatives are often in conflict with costs and adds quality and speed considerations. Cost remain a priority challenging CSCOs. CSCOs must now find a balance between resiliency, cost and fulfillment. I also recommend that the consideration of resilience and agility is not to prevent the enterprise from being impacted by all known or unknown events, it is frequently to be FIRST in market recovery. Being first in servicing the market after an impact event can even positively increase profit and sales as we saw in some businesses in China during the 2020 Pandemic.

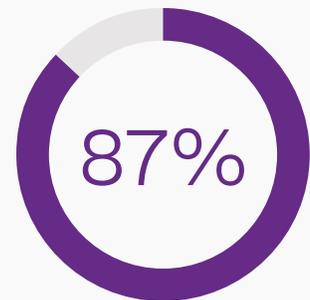
There are now additional enterprise protection responsibilities that go beyond continuing cost efficiencies and speed to market. Resilience and agility are now becoming major considerations in the performance assessment of the supply chain officer. The complexity of competitiveness, resilience and agility requires leadership and talent that have the capability to balance strategy and execution. They need to judge when to be reluctant and pragmatic vs. when to take acceptable risks. We measure these traits at RRA and have correlated with reasonable certainty that the ability of leaders to span these capabilities or traits and decide the best courses of actions is critical to chief officers success. Your enterprise plan for the future must address supply chain performance comprehensively in strategy, planning, execution and talent. Techniques may vary but leadership competency and leadership span does not.



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Gartner®

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ALSO



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To learn more on protecting the enterprise through the evolution of the supply chain, please contact Russell Reynolds Associates and **Kevin Harris** at russellreynolds.com.

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