Rethinking the Supply Chain to **Enable a More Resilient Business**

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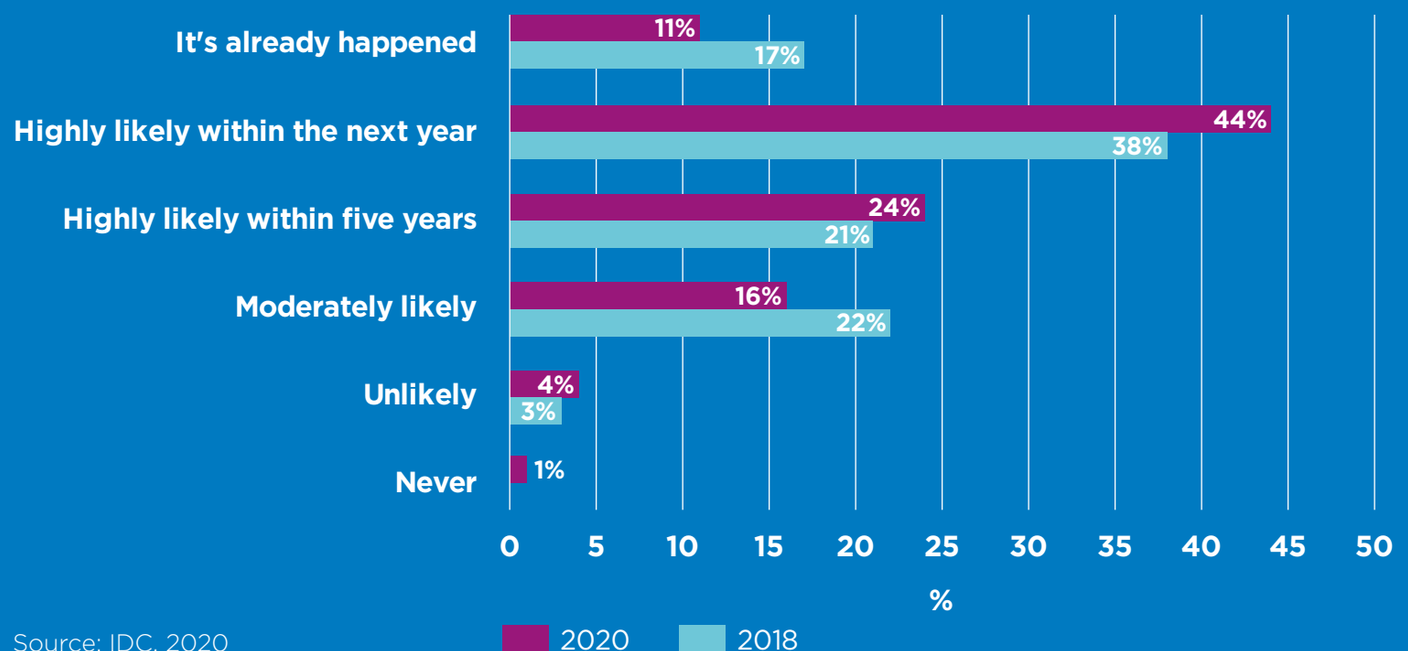
Supply Chains in a Time of Disruption

Disruption is all around us. Almost 60% of companies surveyed by IDC expect their business to be disrupted by competitors with more resilient supply chains.

What is happening to the supply chain as a result of disruption:

- Loss of the ability to forecast demand
- Supply is unpredictable
- Just-in-time systems going down
- Missed deliveries
- Lack of visibility into business operations

How likely is your business to be disrupted by competitors with superior supply chain capabilities?



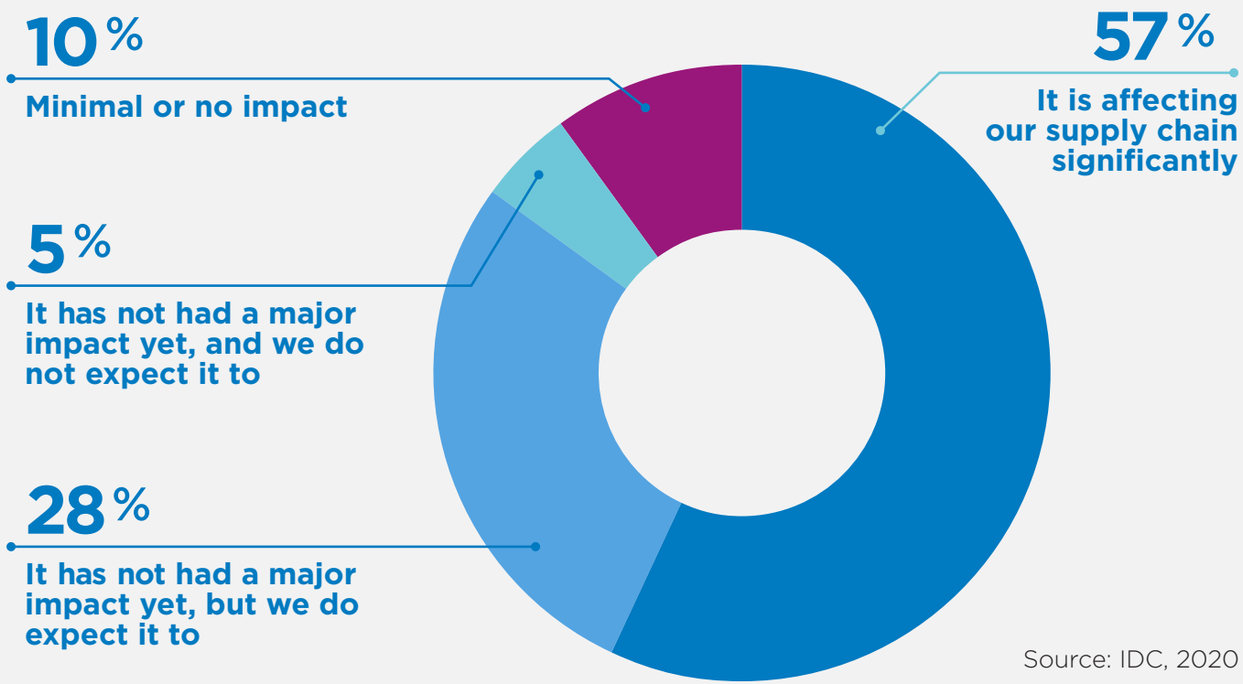
Source: IDC, 2020

Impact of COVID-19 on the Supply Chain

- Supply and demand disruption is now the reality for the supply chain.
- The prevalence of disruption highlights that a lack of digital competency limits the ability of the supply chain to transition to new business models.
- Almost 60% of companies expect their business to be disrupted by competitors with more resilient supply chains by the end of 2021.
- Companies are finally beginning to look at supply chain risk holistically.

COVID-19 has exposed a material lack of visibility, flexibility, and adaptability that should be inherent to the industry. Whether supply or demand, the reality is that all manufacturers (and retailers) must adapt their supply chains to operate in a fundamentally more disruptive world.

To what degree has the COVID-19 pandemic affected your supply chain?



Source: IDC, 2020

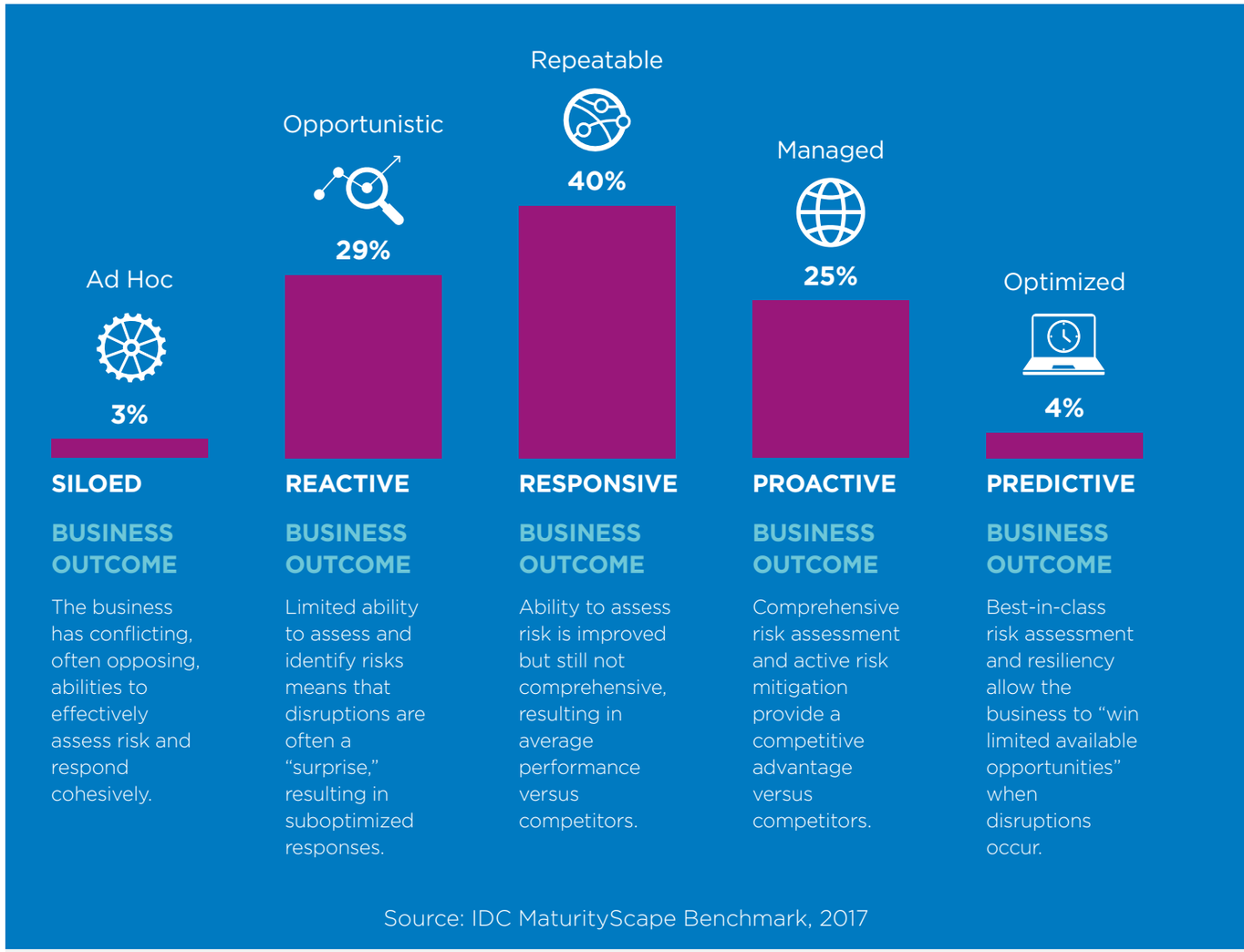
A Resilient Supply Chain

Visibility + Agility = Resiliency

It is not enough to be able to see; you must also be able to act. It is not enough to be able to act; you must also see where and how to act. A resilient supply chain is an adaptable supply chain.

Companies that are more resilient tend to:

- Use modern, integrated, cloud-based applications — they're less reliant on spreadsheets and manual processes
- Be proactive rather than reactive
- Have supply chain orchestration with control towers
- Be collaborative across functions and organizations
- Leverage digital technologies like AI and advanced analytics
- Have comprehensive visibility into supply and (to a lesser degree) demand risks
- Have predefined crisis-management resources for disaster preparedness
- Use managed services to focus on core competency activities



Source: IDC MaturityScape Benchmark, 2017

RESILIENCE MATURITY

The "Next" Normal

- Expect and plan for subsequent COVID-19 waves globally with consequential targeted economic closures.
- Supply/logistics shocks will persist, but then largely resolve by the end of 2020.
- Demand shocks are likely to persist far longer. Politicians and country leaders can say the economy is open, but consumers (75% of U.S. GDP) and returning consumer confidence will ultimately decide.
- Broad and ubiquitous COVID-19 testing will be a huge driver of demand return.
- The availability of an effective COVID-19 vaccine sooner than mid-2021 seems more wishful thinking than scientific fact; assume that social distancing and shaky demand will persist throughout most of 2021.

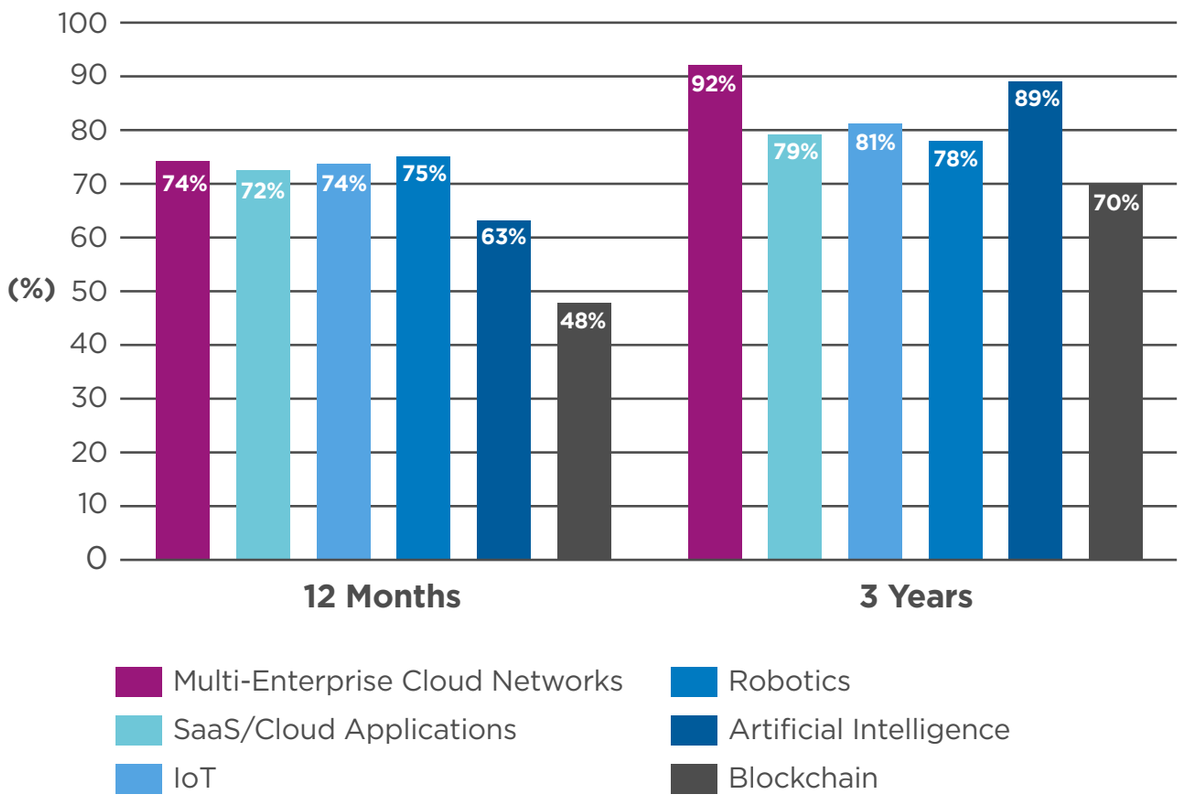
RECOVERY PROFILES	DESCRIPTION
LARGELY UNAFFECTED	For the most part, these industries are maintaining operations and supply lines, and while spending and growth have been curtailed, demand persists, and they continue to hold up relatively well.
BOUNCE BACK	These industries have had less disrupted operations and supply lines, and are able to get back up more easily than those industries with major shutdowns and layoffs. They have pulled back technology spending but are anxious to return to pre-COVID-19 plans and budgets and expect demand to be robust.
FITS AND STARTS	These industries have had less disrupted operations and supply lines, but are reliant upon consumer demand for a return to some semblance of normalcy and a resumption of normal technology spending. The return of demand is likely to be somewhat slow and skittish.
SLOW CRAWL RECOVERY	Those industries hardest hit by operations and supply line disruptions or major loss of demand will likely be the slowest to return. Industries with significant layoffs and shutdowns will need to prioritize rehiring and restarting basic operations before technology investments are resumed.

Source: IDC, 2020

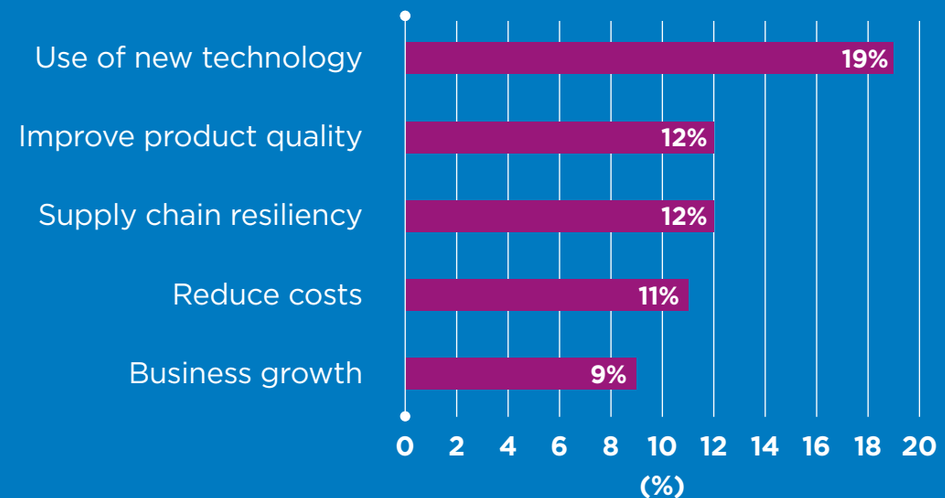
Most Important Areas Driving Change in the Supply Chain

Eclipsing traditional drivers like growth and competition, digital technology remains the top driver of change in the supply chain (as it was in 2018), reflecting both the potential for driving transformation and the continuing lack of full clarity into true potential.

What technologies are/will be important to your supply chain?



Which of the following are the most important areas driving change in your supply chain?

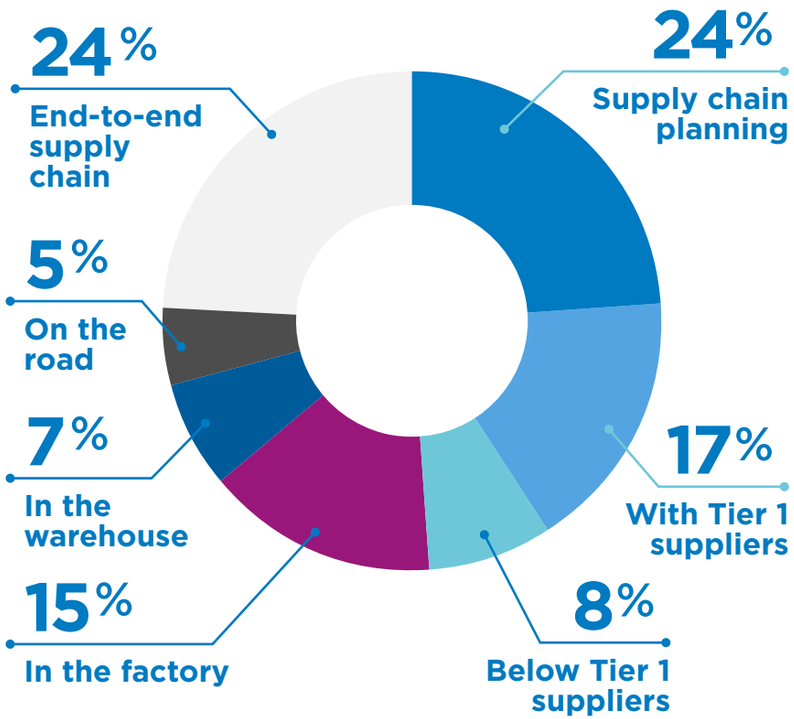


Source: IDC, 2020

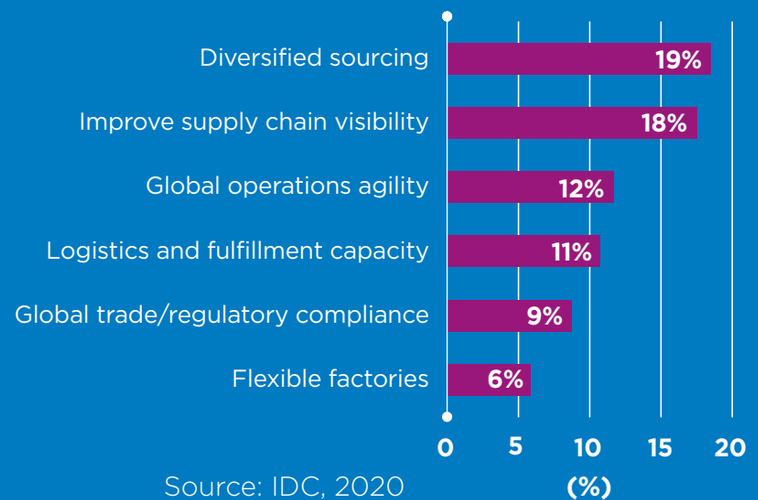
- Acceleration of networks: The future of the supply chain is in the collaborative ecosystems that connect companies to their suppliers and customers — 92% of companies view them as important by 2023.
- Scalable data and analytics capabilities: These inform real-time decision making using artificial intelligence and machine learning.

Adaptable Supply Chains Require Both Agility and Visibility

Where is the focus for visibility in the supply chain?



What steps are you taking to mitigate disruption risk in your supply chain?



Source: IDC, 2020

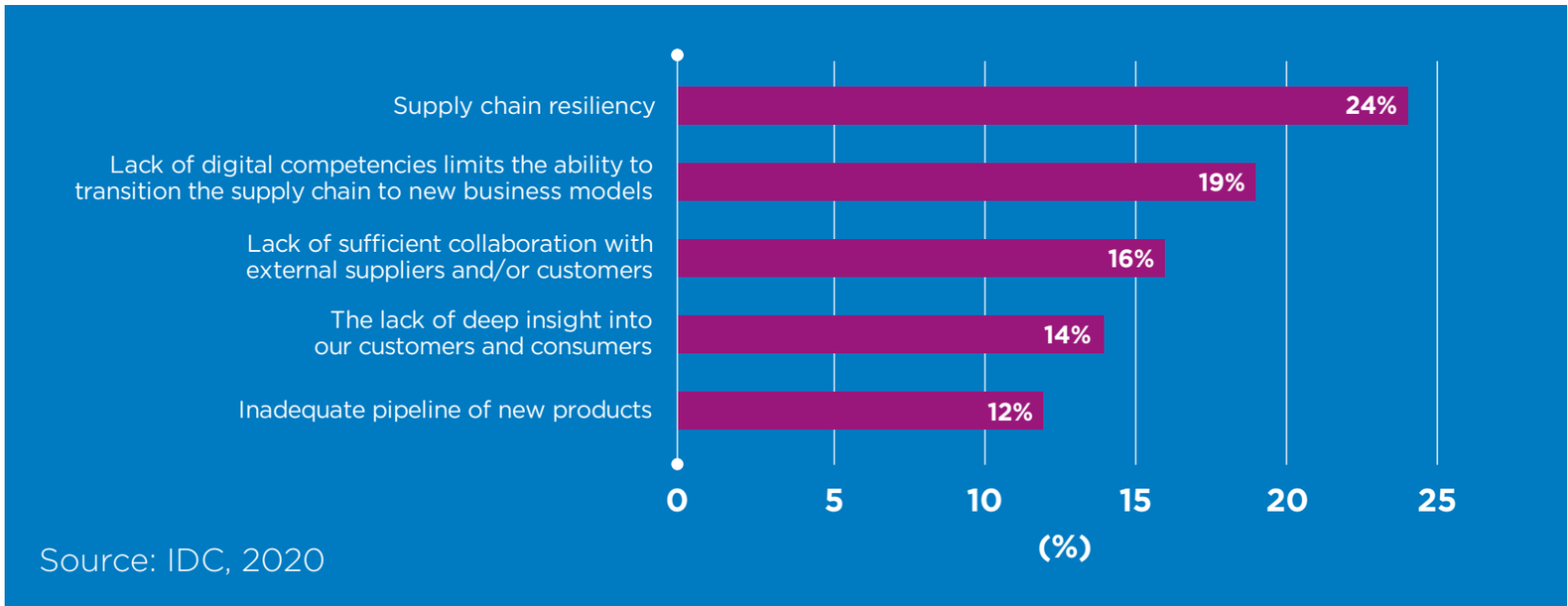
- Diversified sourcing could be dual sourcing or it could be moving production to other parts of the world.
- Flexible factories is the ability for any factory to produce any product at any time.

- 97% of manufacturers globally are prioritizing visibility across their supply chain.
- End-to-end supply chain has eclipsed planning as the focus area for visibility.
- If you cannot see, you cannot effectively respond.

Aspire to agility in sourcing strategy, with additional supplier diversification, supply scheduling, or inventory/product postponement techniques.

Supply Chain Capability Gaps

As you think about the future of your supply chain, what current gaps are likely to be the most problematic if not addressed?



Source: IDC, 2020

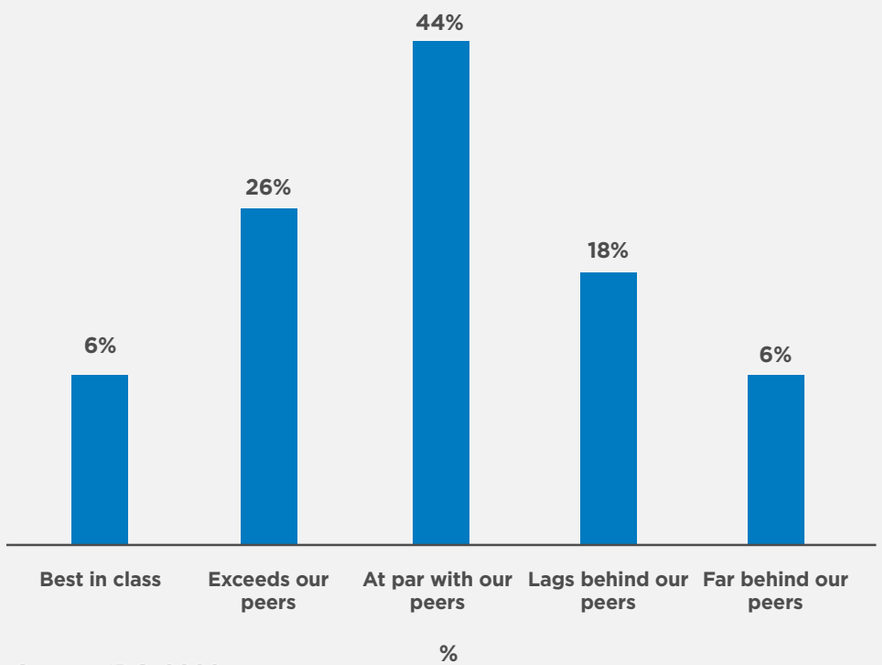
Avoiding disruption means investing in supply chain capabilities that allow the business to pivot as necessary to transition business models.

"In 2020, our consumer business is up 12%, but our food-service business is down 95%. We have had to focus on our supply chain capabilities to ensure that we do not fail to meet consumer demand while sitting on large food-service inventories. Supply chain adaptability has been critical." **—Global paper products company**

Digital Supply Chain Transformation Maturity

- Digital supply chain transformation remains sluggish, with almost half of companies lagging the maturity mid-point.
- Digital transformation in the supply chain is present and necessary across all industries, whether discrete or process manufacturing.
- Manufacturers that don't transform will struggle to grow — or worse, find themselves out of business.

How do you think your supply chain compares to its peers?



Source: IDC, 2020

Which of the following statements best describes the state of digital transformation in your supply chain?

Ad Hoc 12%

Resistant
The business is focused solely on functional metrics and performance, without due consideration of the disruptive potential of digital technology.

Business Outcome
The company is resistant to changing the supply chain operating model, putting current market position at risk.

Opportunistic 27%

Reactive
The importance of digital transformation in the supply chain is understood, but there is still a predominant focus on efficiency, and the ability to move beyond functional silos or "firefighting" is limited.

Business Outcome
Limited ability to assess and identify digital opportunities and risks means that disruptions are often a "surprise," resulting in suboptimized responses. Lack of sustained momentum.

Repeatable 17%

Connected
Some digital capabilities are in place, and the beginnings of resiliency are established, but tools are underutilized, and while business alignment is promoted, disconnects still exist.

Business Outcome
The supply chain is largely at par with the competition. The ability to assess digital opportunities is improved but still not comprehensive, resulting in average performance versus competitors.

Managed 30%

Resilient
Cross-functional alignment drives the adoption of digital competencies, efficiency is maximized, and the supply chain is resilient to external disruption.

Business Outcome
Supply chain digital transformation begins to drive competitive advantage, not only against traditional players but also as a way to neutralize emerging, digitally based competition.

Optimized 14%

Proactive
Digitally enabled, thinking supply chain is part of enterprise-wide functional engagement, to both anticipate/respond to external supply chain disruptions and drive new, disruptive supply chain approaches.

Business Outcome
Supply chain digital transformation allows the business to shape the market as a digital leader and gain market share.

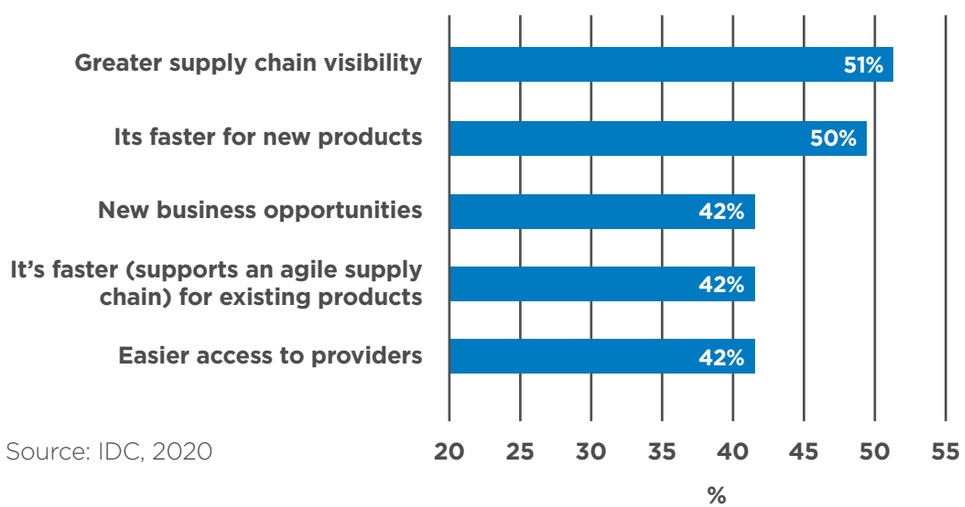
Source: IDC, 2020

The supply chain cannot be agile, adaptable, and resilient without leveraging people, process, and technology across a single digital backbone.

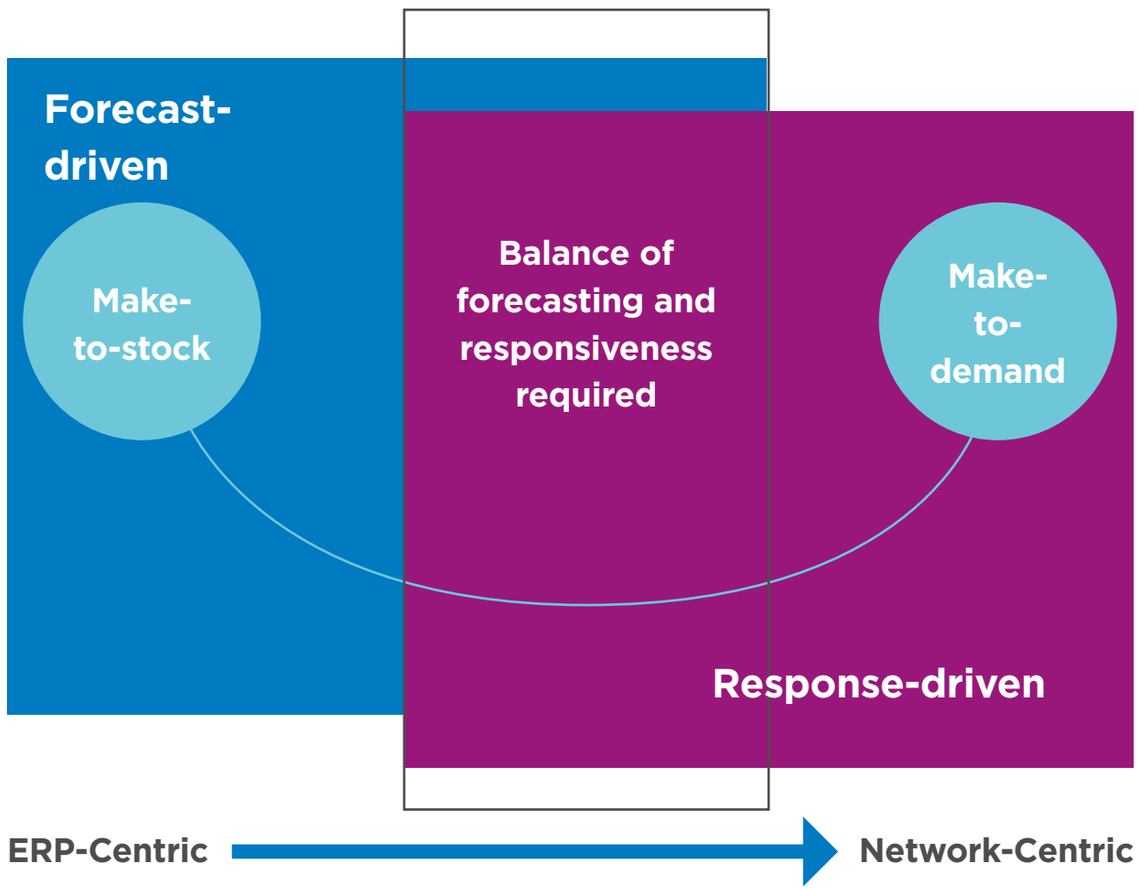
Supply Chains Evolving from ERP to Network-Centric

- Businesses must be more connected and more resilient — networks enable both and must be supported by network-centric applications that are able to work at the speed and level of detail of the network.
- Manufacturers increasingly see an opportunity to leverage their supply chain ecosystem across an extended, connected supply chain. Companies have poor visibility into potential supply/partner risks and are not efficiently managing their trading relationships for complete efficiency and effectiveness.

The benefits of networks



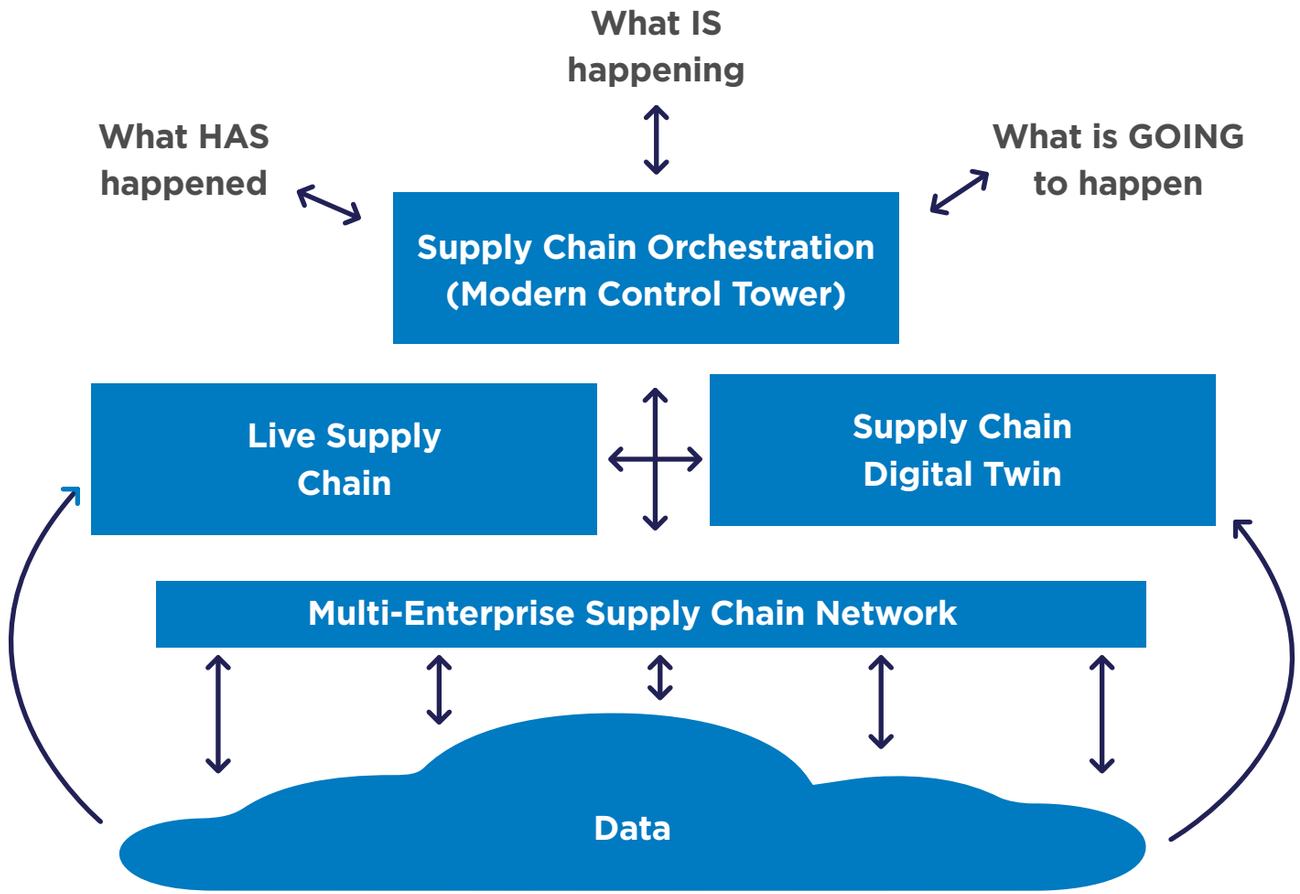
Source: IDC, 2020



Source: IDC, 2020

Supply Chain Orchestration

- **See:** Visibility is a critical enabler for the control tower and the modern supply chain. In this age of transparency, it is simply not acceptable to not know and to fail to take the required action.
- **Decide:** Modern analytics capabilities, both embedded in applications and as a separate platform, are the foundation on which the modern control tower functions.
- **Act:** A modern control tower primarily plays an executional role in the supply chain, taking broad direction from the strategic plan (and perhaps translating higher-level business strategy into supply chain strategy) and developing the tactical playbook and operational actions.
- **Ecosystem Control Tower** that covers both the internal enterprise as well as the extended ecosystem both up and down stream.

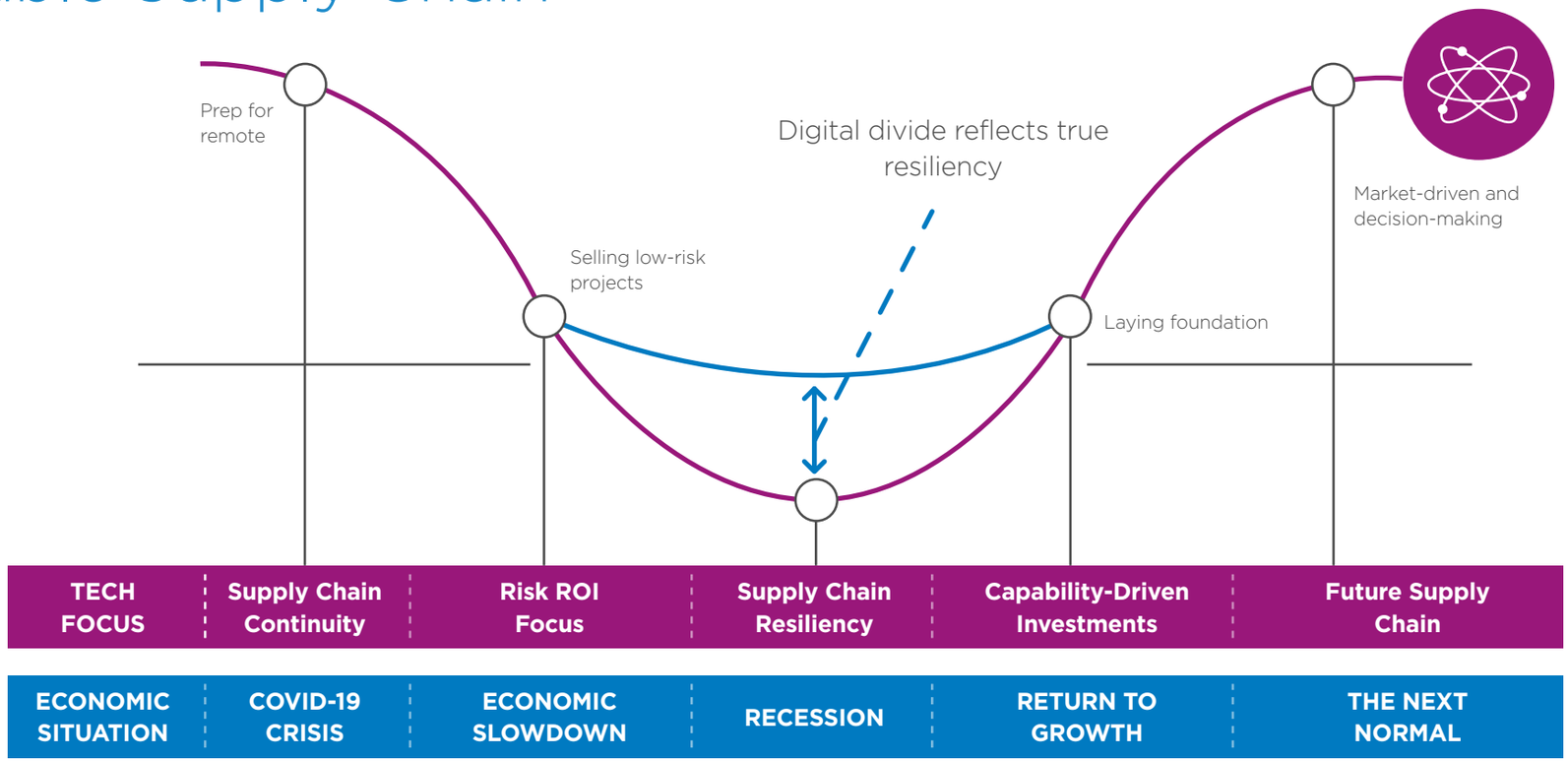


89% of companies say that control towers are important/very important to the future of their supply chain.

Source: IDC, 2020

Benefits of an Adaptable Supply Chain

The digital divide reflects true resiliency. No amount of supply chain adaptability and resiliency can fully mitigate the impact of demand disruptions, but it can limit the damage and speed time to recovery.



Source: IDC, 2020

Correlating Supply Chain Resiliency with the Impact of COVID-19

	COVID-19 Major Impact	COVID-19 Minor Impact
Supply Chain Exceeds Peers	74%	26%
Supply Chain on Par with Peers	85%	15%
Supply Chain Lags Peers	88%	12%

Source: IDC, 2020

Clearly, major (particularly global) disruptions will impact everybody, but there is some quantitative support that companies with more progressed supply chain resiliency efforts are likely to fare better than their less progressed competition.

The Journey to an Adaptable, Resilient Supply Chain

- Build adaptable supply chain/managed services capabilities.
- People, process, and technology are all important to being resilient.
- Cloud integration underpins an adaptive supply chain and ensures that B2B resources are accessible anywhere in the world.
- A fully integrated "digital backbone" allows more real-time insights into the post-disruption condition of the supply chain.
- Build visibility and agility as the key elements of an adaptable, resilient supply chain.

"The ability to leverage cloud services in real time in the supply chain has allowed our business to move faster and be more resilient to external forces."
— Senior Supply Chain Executive for a Large Technology Manufacturer

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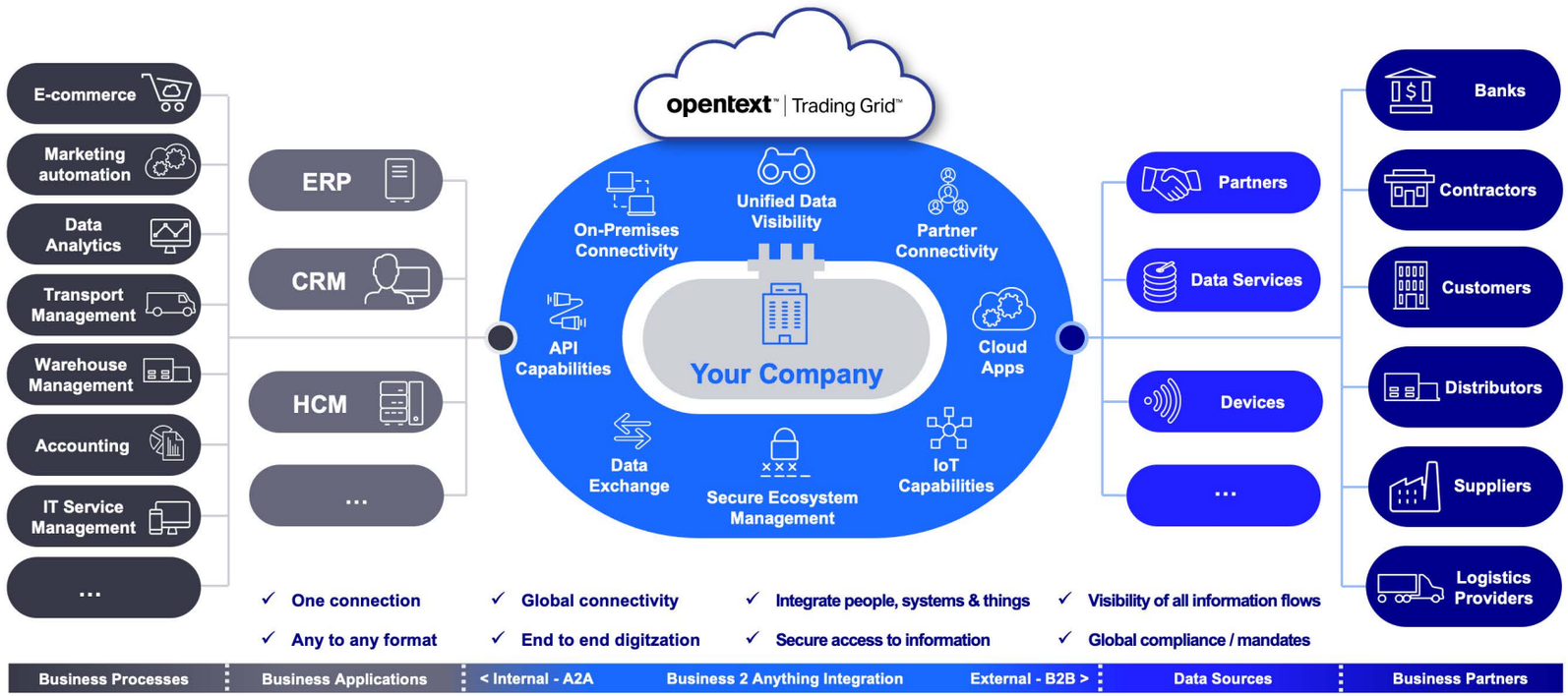

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