



Supply chain leadership
Distinctive approaches to innovation,
collaboration, and talent alignment



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The distinctive supply chain

Imagine you're the leader of a global business (maybe you are) and an exciting new opportunity arises — perhaps a new market opens up just as your product development team is engineering a breakthrough product. To grab this chance, you will need strong supply chain management. But let's say the new market is a tricky one, and your license to operate there depends in part on your local footprint. Let's say consumers there are price-sensitive — but at the same time demanding when it comes to service. And let's say the new product calls for a large variety of subcomponents, and forecasting demand for it is proving difficult. In a word, things are complicated.

Are you confident your supply chain organization can rise to the challenge? Do you, in fact, know how well it is managing what it has to deal with already? There are no absolutes in operations — advantages are always relative. Does your supply chain performance make you a leader or a follower?

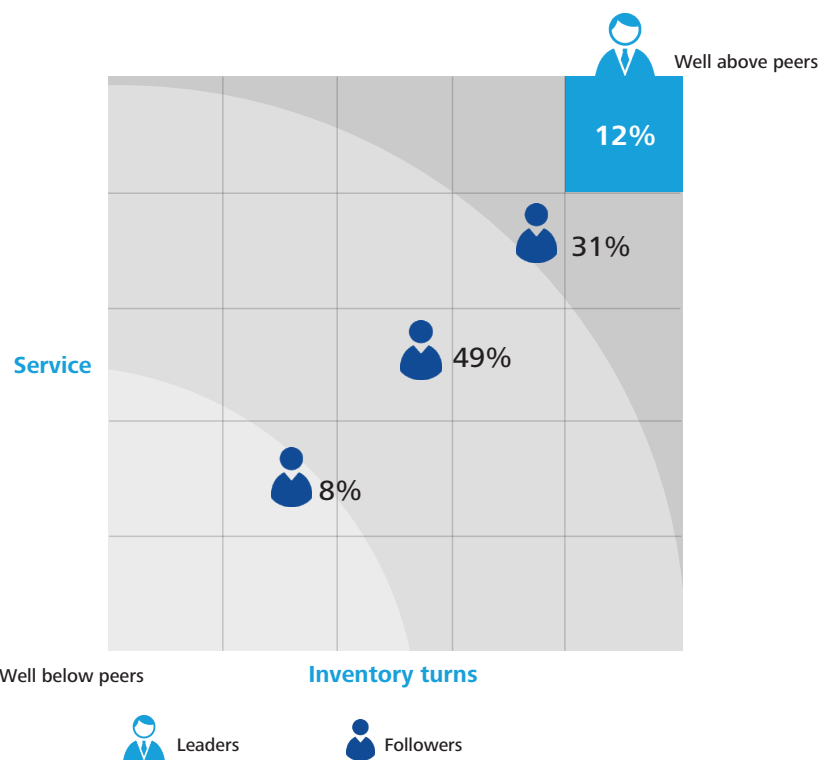
At a fundamental level, companies compete on their supply chain capabilities. How they manage the activities involved in planning, sourcing, making, and delivering goods determines their costs, quality, and agility in responding to customer and market needs. In an increasingly global business environment, that competition never gets easier. The bar only rises. Managers must always stay apprised of the new strategic and operational challenges arising, and informed about the most effective solutions their competitors are using to address them.

To help illuminate the strategies and processes employed by Supply Chain Leaders (SC Leaders), and how they differ from Supply Chain Followers (SC Followers), Deloitte Consulting LLP conducted its 2014 Global Supply Chain Survey. It captures the input of more than 400 executives in manufacturing and retail companies around the world, and reveals the distinctive supply chain approaches associated with high supply chain performance.

How were the two groups defined? Responding executives were asked about the performance of their companies' supply chains compared to other companies in their industries on two metrics: (1) inventory turnover and (2) the percentage of deliveries that are on time and in full. For purposes of this report:

- **SC Leaders** are those companies rated by their executives as significantly above average on both metrics compared to other companies in their industry. (These comprise 12 percent of the total survey sample.)
- **SC Followers** are those companies rated by their executives as less than significantly above average on one or both metrics. (These comprise 88 percent of the total survey sample.)

Figure 1: Breaking the efficient frontier



Subsequent analysis showed that SC Leaders also tend to have high financial performance. Measured against other firms in their industry:

- 79 percent of SC Leaders have revenue growth that is significantly above average, compared to 8 percent of SC Followers.
- 69 percent of SC Leaders have an EBIT (earnings before interest and taxes) margin that is significantly above average, compared to 9 percent for SC Followers.

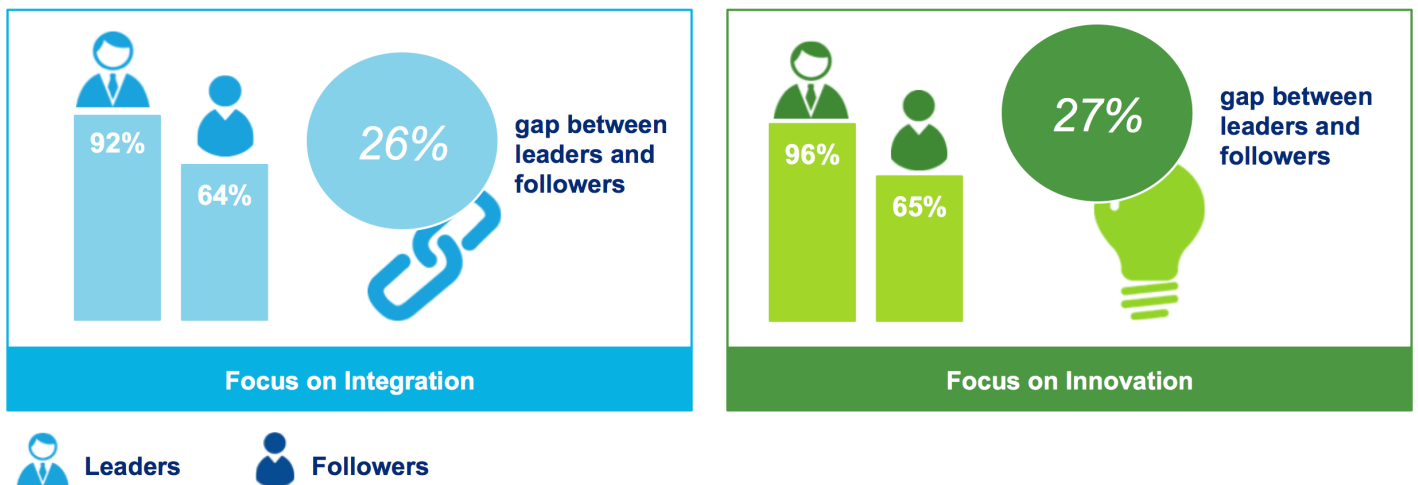
The Survey reveals notable gaps between SC Leaders and SC Followers in six important areas. SC Leaders are substantially more likely to:

- Empower executive-level leadership with end-to-end span of control
- Develop differentiated supply chain strategies aligned to unique segments

- Actively integrate activities and data across functional and enterprise lines
- Fuel long-term, sustainable growth by building innovation capabilities
- Adopt emerging and potentially disruptive technologies
- Develop talent strategies aligned to a new era of supply chain as a strategic function

As we will explore in brief sections devoted to each of these, the differences are associated with substantially different business outcomes. More important, they suggest strategies for those companies wishing to join the ranks of the leaders — and reveal to the leaders themselves the strengths on which they must continue to build.

Figure 2: Distinctive differences between leaders and followers



A treacherous new landscape

Supply chains have grown in size and complexity as companies both sell into and source from markets all around the world. Once monolithic organizations have disaggregated into multitudes of focused enterprises, each focusing on its section of the value chain. Once linear trade flows, based on vast movements of goods from the workshops of the East to the consumer outlets of the West, have evolved into intricate webs of operations and third-party suppliers sourcing, manufacturing, and delivering products from anywhere to anywhere.

Many reconfigurations of supply chains were initially made in the interest of cost reduction, such as by shifting manufacturing to emerging markets with lower labor costs. As companies have contracted more with outside partners, however, they have recognized other opportunities to create value — as well as new risks to mitigate. Rising customer expectations for fast delivery and value-added services can be met in novel ways. More frequent and rapid product introductions can be supported. Flexibility and resilience can be added to any supply chains that have been stretched too lean, making them vulnerable to crises, whether natural or manmade.

Meanwhile, in many parts of the world, regulatory requirements are changing in hard to predict ways. As global and regional trade agreements have stalled, many nations have turned instead to negotiating bilateral agreements. Societies and their public servants have become more concerned about sustainability, environmental impacts, and worker rights, leading to increased pressures for higher fuel efficiency standards and initiatives to encourage greener modes of transportation. Supply chains, in other words, are becoming ever more complex systems to manage.

For any given business, this represents a challenge but also, potentially, a source of advantage. When something becomes harder to manage, the returns to managing it well are heightened. In the midst of this treacherous landscape, some businesses are identified as SC Followers, while others are distinguishing themselves as SC Leaders.

What separates the leaders from the rest of the pack? On one level, the answer from Deloitte's survey is simple: Everything. This research was designed to test the importance of many elements commonly associated with leading-edge performance, and on every dimension proposed, SC Leaders outperformed SC Followers. At the same time, however, the answer is more nuanced. Among all these elements, some differences stand out more dramatically.

What separates the leaders from the rest of the pack? On one level, the answer from Deloitte's survey is simple: Everything.

It starts with leadership

It stands to reason that supply chain issues should be considered when a company makes decisions regarding new product introductions, pricing, customer service, and entry into new markets. This is more likely to occur in organizations where the supply chain function is represented by a senior executive. At 56 percent of SC Leaders, this is the case (figure 3); the supply chain function is headed by an executive vice president or senior vice president. Contrast this with the situation at SC Followers, where only one-third of supply chain functions have such senior leadership.

There are various reasons why more senior leadership might correlate with SC Leaders' high performance. The greater leadership skills implied by higher position in a large organization may play a role in enabling a function

to perform at its best. Corporate realities also dictate that a leader with greater standing is more likely to be allocated the resources required for excellence. Perhaps more important is the senior executive's "seat at the table" where higher-level strategy is set and decisions are made. Being able to offer the supply chain perspective on potential moves, and to explain the supply chain implications of proposed changes, can enable leaders to achieve alignment between supply chain management priorities and overall business strategies more readily.

Figure 3: Proportion of SC Leaders and Followers headed by a senior executive



Multiple segments, multiple strategies

There is no one “right” supply chain strategy, just as there is no one right business strategy. Rather, the imperative is for supply chain management decisions to reflect the overall strategy of the business — and within that, particular strategies for different customer segments.

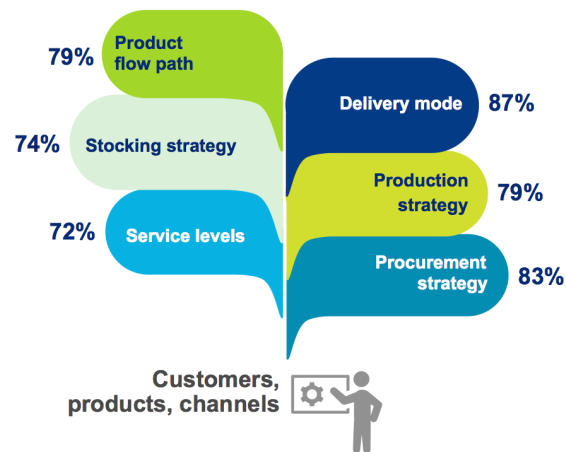
Essentially, supply chain strategy is a balancing act between costs incurred and service levels provided. There will always be tradeoffs between the desire to reduce operating costs and the need to meet rising customer expectations for faster delivery and higher levels of service. Advances in data capture and technology tools have increased the ability to analyze these tradeoffs at the level of product and customer segments, allowing a more accurate analysis of profitability and cost-to-serve. Segmentation can provide a more informed basis for decisions on pricing and service levels and may identify unprofitable products or customers.

Not surprisingly, this is a level of sophistication present in SC Leaders (figure 4). They use segmentation to make targeted decisions regarding delivery mode (87 percent), procurement strategy (83 percent), product flow-path (79 percent), and production strategy (79 percent). Among SC Followers, no more than about half report using segmentation to strike the right tradeoffs in any of these areas.

For companies wishing to benefit from more strategic clarity, a critical first step is to align supply chain strategies, service levels, and delivery models with a company’s corporate strategy and value proposition for its product offerings. Supply chain strategy and operations will be different for a company that differentiates itself through

superior product and service quality versus one that adopts a low-cost competitive position. This is simple in theory, but difficult in practice. The major obstacle is reaching agreement on service levels for customers. The sales function will often push for optimistic demand plans and the flexibility to have products always available for every customer, which can drive up inventory, transportation, and production costs. In contrast, the supply chain function prefers lean inventory balances, frozen production schedules, and predictable transportation, which can keep supply chain costs down but may stifle growth. This inherent conflict can be healthy when a company is armed with the data needed to make informed trade-offs. When the necessary information is lacking, it can lead to decisions based on internal politics and emotions, rather than facts.

Figure 4: SC Leaders’ methods of service level differentiation



A broader view of the supply chain

Leaders recognize that the central role of supply chain is as an integrator. In fact, the very definition of supply chain management as defined by the Council of Supply Chain Management Professionals calls this out explicitly:

“Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies.”¹

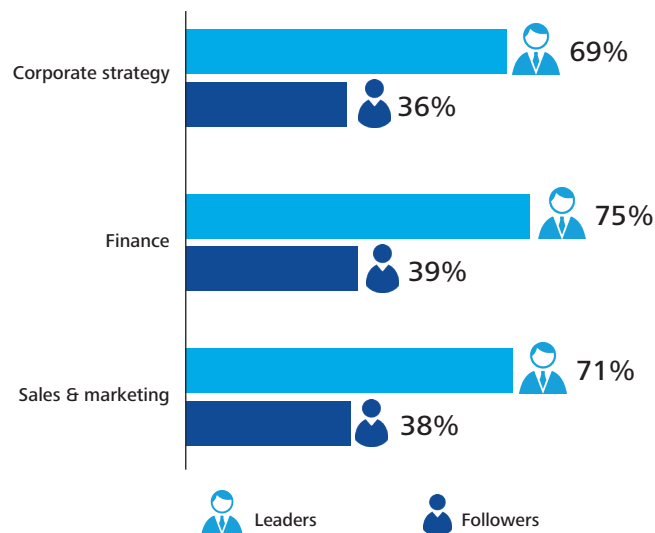
While this seems obvious to many companies, others carve-up the various links in the chain, creating breakdowns in communication, competing priorities, and misaligned performance metrics. Of the six links frequently associated with supply chain management — product development, demand planning, supply planning, sourcing & procurement, manufacturing, and logistics & distribution — over 50% of SC Leaders owned each of them. By comparison, only three areas were owned by a majority of SC Followers.

Most executives we surveyed say that *integrating with other company functions, vendors, and customers* is an extremely or very important objective for their supply chain. Many, however, also know that doing so is hard. Large percentages report that it is extremely or very challenging for their company to coordinate with the sales and marketing function (47 percent), with vendors (47 percent), and with customers (45 percent). Each of these merit some focused discussion.

Cross-functional collaboration

While most SC Leaders collaborate with other company functions, this is much less common among SC Followers (figure 5). SC Leaders are nearly twice as likely to integrate extensively with Corporate Strategy, Finance and Sales and Marketing. A lack of cross-functional decision-making can often lead to misalignment of plans and sub-optimal execution.

Figure 5: Cross-functional integration
Percent integrating “extensively”



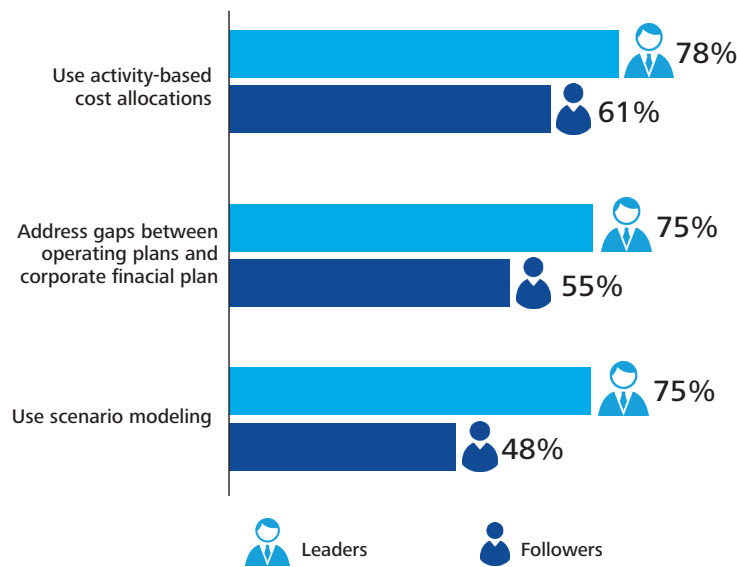
¹ “CSCMP Supply Chain Management,” Council of Supply Chain Management Professionals, <http://cscmp.org/about-us/supply-chain-management-definitions>

Many of the leaders make use of a variety of new analytical tools that enable tighter integration with financial data, faster and more flexible modeling, and intuitive dashboard interfaces designed to facilitate collaborative decision-making (figure 6). One example is Integrated Business Planning (IBP), which goes beyond simply resolving volume imbalances between supply and demand to support scenario-modeling by evaluating the profitability of various trade-offs. IBP can help support both short-term operational decisions, such as how to respond to cost fluctuations across regions, as well as long-term strategic decisions, such as planning for increased demand. These analytical capabilities help align the supply chain, sales, marketing, and finance functions around one common metric: profitability.

Supplier collaboration

In a highly globalized and digitally connected business environment, companies increasingly rely on third-party suppliers for raw materials; manufacturing of components or even complete products; assembly; logistics and distribution; and more. One analysis of 89 *Fortune 500* companies found they each had an average of more than 100,000 direct suppliers.² Most executives responding to the survey report that their companies outsource activities to third-party providers in logistics and distribution (82 percent), manufacturing (78 percent), and warehousing/storage (77 percent) — and in each area, roughly a quarter of respondents rely on such outsourcing “extensively.” Third parties are now viewed as virtual extensions of these companies’ supply chains.

Figure 6: Integrated business planning strategies



² “Concentrated Supply Chains Are High Risk,” *LogisticsToday*, June 15, 2009, (<http://www.cvmsolutions.com/sites/default/files/whitepaper/concentrated-supply-chains-are-high-risk.pdf>).

SC Leaders appear to have incorporated this reality into their operations more than SC Followers. For example, 88 percent of SC Leaders report coordinating with suppliers on *forecasting* and 73 percent on *risk sharing*, compared to 53 percent and 41 percent, respectively, among SC Followers (figure 7).

The importance of suppliers increases the need for collaborative supplier relationships. Developing a collaborative relationship requires time and effort, and all supplier relationships are not equally important. For SC Followers, the place to begin is with the most important suppliers, taking into consideration the complexity of the supplier’s activities, the value provided, and the risk if the supplier is unable to perform as promised. Collaborating with these strategic suppliers can both improve performance and address any areas of vulnerability.

Customer collaboration

Traditionally, the supply chain function takes its cues on customers from the sales function, which owns customer relationships. Today, more companies are creating cross-functional teams of supply chain and sales professionals to better understand customer requirements. Such teams often work with customers to create scorecards by which the company’s performance will be evaluated. The supply

chain function’s direct involvement with customers helps keep the focus on their needs and can highlight costs not directly tied to customer value.

SC Leaders are much more likely than SC Followers to work directly with customers in a variety of areas (figure 8). The gaps in customer collaboration between SC Leaders and SC Followers are especially large in *forecasting* (76 percent versus 55 percent) and *risk sharing* (57 percent versus 27 percent).

A variety of recently introduced technologies and analytical methods make supply chain partnering possible on new levels. To synchronize better around changes in demand, for example, companies can apply sensing algorithms to transactional data, which generate more accurate signals of how demand will take shape in the near term. We see consumer products companies partnering with retail customers in this way. Using point-of-sale data gathered in real-time in Demand Signal Repositories (DSR), they are able to adjust replenishment and production plans appropriately. Moreover, partnering companies not only respond quickly to demand variability — they can manage to smooth it. If sales are coming in lower than anticipated at specific locations, they can shape demand with targeted promotions and incentives.

Figure 7: Supply chain coordination with suppliers

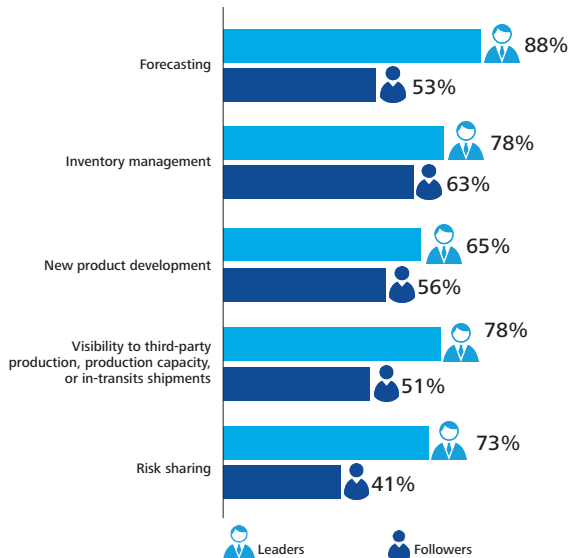
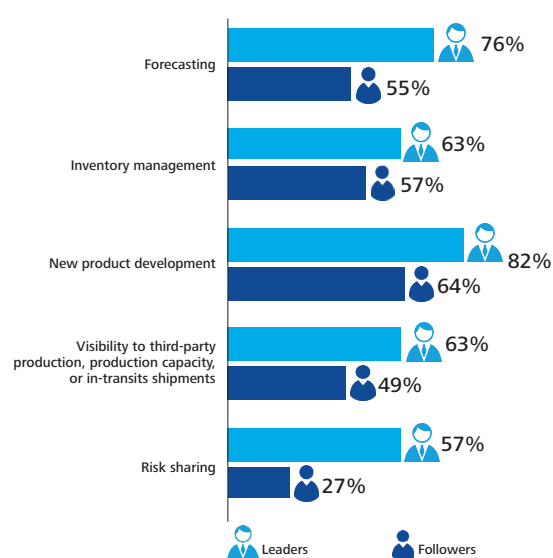


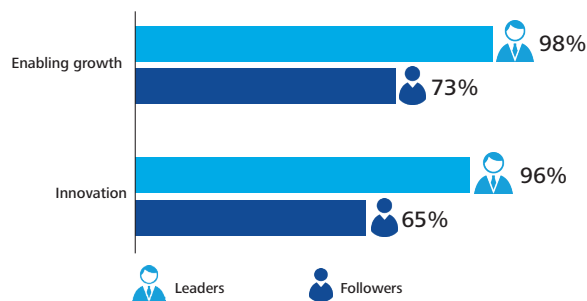
Figure 8: Supply chain coordination with customers



The innovation imperative

Nearly 40 percent of the companies listed in the *Fortune 500* in 1999 were no longer there 10 years later.³ SC Leaders recognize the imperative to fuel growth through innovation and are putting it at the top of their agenda

Figure 9: Supply chain objectives identified as extremely or very important



(figure 9). Innovation should not be confused with invention. It may include invention, but also include an understanding of whether a customer needs or wants it, how to work with partners to deliver it, and how it will pay for itself over time. SC Leaders know that important innovation is necessary if a company wants to shift the tradeoffs between service levels and costs, rather than simply move along the curve. They also know that, while discussions of innovation often center on new products, those innovations also tend to be the easiest to imitate. Business model innovations can have much greater impacts for supply chains in areas such as reinventing *networks* (e.g., Li & Fung's global sourcing from large- and small-scale manufactures), *processes* (e.g., The Toyota Production System), *services* (e.g., Amazon Prime Shipping), and *channels* (e.g., Dell's direct-order model).

It is important to recognize supply chain innovation in the context of the broader corporate strategy. It's not effective for each functional organization to independently develop their innovation strategy. This comes back to supply chain as an integrator. Innovation is a team sport and everyone in the organization should take ownership of it to be successful. Supply chain organizations can view their role as more than getting product to show up on time while taking a couple percent out of costs and inventory along the way. At least, that's how SC leaders see it.

Innovation doesn't have to be new to the world, just to a particular market or industry. Often looking outside your own industry and applying concepts to your business may create innovative solutions. In other cases, innovations can be preceded by potentially disruptive technologies such as additive manufacturing (3D printing) or advanced analytics.



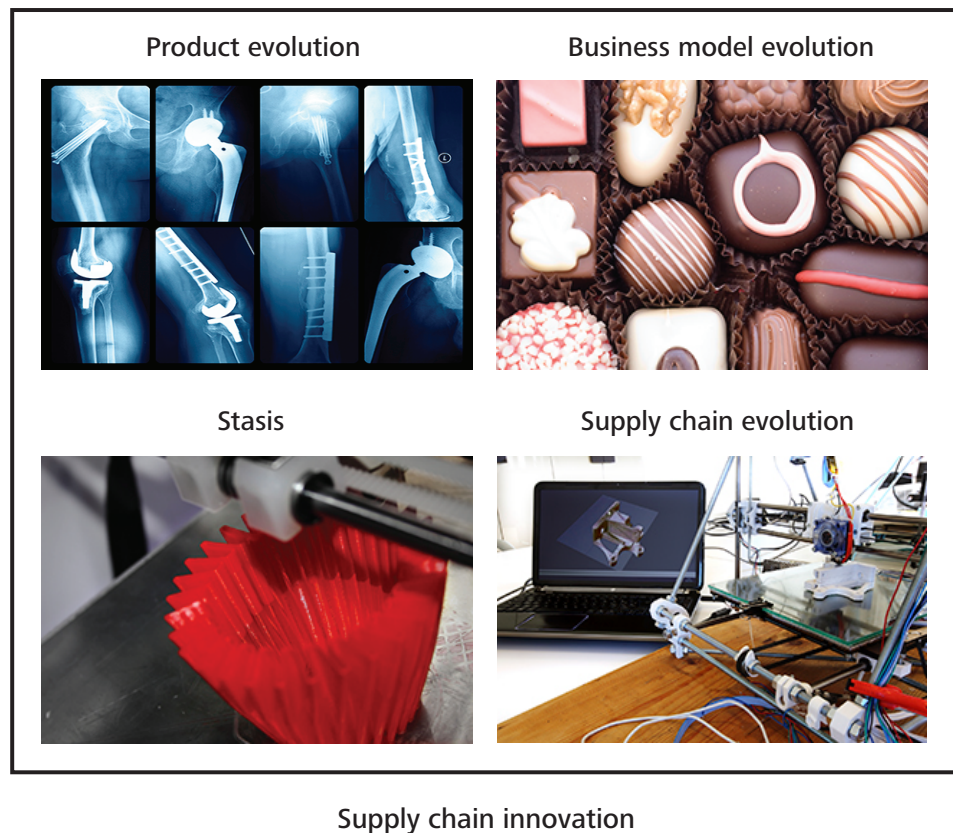
³ Larry Keeley, Helen Walters, Ryan Pikkell, Brian Quinn, *Ten Types of Innovation: The Discipline of Building Breakthroughs*, Wiley, 2013, p190.

3D printing – A catalyst for disruption

Additive manufacturing refers to technologies, such as 3D printing, that create physical products through the addition of materials (typically layer by layer) rather than by subtraction (through machining or other types of processing).⁴ The global market for additive manufacturing products and services grew 29 percent in 2012 to more than \$2 billion and is projected to reach more than \$10 billion by 2021.⁵

These technologies allow small runs of highly customized products to be economical; in many cases, an additive manufacturing device can shift from producing one product to an entirely different product with no alteration. Because they remove barriers to entry, they have disruptive impacts. A small shop could, for example, create a 3D model of a product and send it to a 3D printer for production, either locally or anywhere in the world.

Figure 10: The four paths of 3D printing application



⁴ Mark Cotteleer and Jim Joyce, "3D opportunity: Additive manufacturing paths to performance, innovation, and growth," Deloitte Review, Issue 14, January 17, 2014

⁵ *Additive manufacturing: opportunities and constraints*, Royal Academy of Engineering, 2013, https://www.raeng.org.uk/news/publications/list/reports/Additive_Manufacturing.pdf

UPS has installed additive manufacturing services in its local franchises to serve the needs of small businesses.⁶

3D printing can be used for both product and supply chain innovations. From a product perspective, it allows improved functionality of complex parts, or personalized customizations on the fly. From a supply chain perspective, it enables rapid production close to the point of consumption, reducing raw material waste, and inventory and shipping costs. As the technology improves, expect to see business model transformations disrupting entire markets.

SC Leaders are nearly four times more likely to extensively use 3D printing which can be employed in a variety of ways (figure 11).

Current common applications:

- Production prototypes and tooling
- Low frequency, highly engineered products
- Customized healthcare products (e.g., implants)

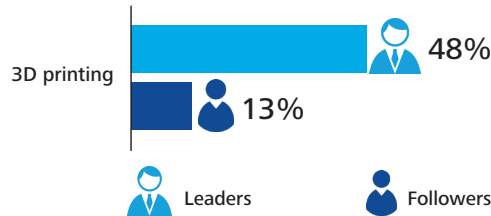
Trending applications:

- High-volume / highly engineered products
- Aftermarket / Service parts / Maintenance, Repair, and Operations (MRO)
- Seasonal, high value products with significant obsolescence

Long-term applications:

- Mass customization of high-volume products

Figure 11: Extensive use of 3D printing
Percentage responding "use extensively"



⁶ Mark Cotteleer and Jim Joyce, "3D opportunity: Additive manufacturing paths to performance, innovation, and growth," Deloitte Review, Issue 14, January 17, 2014

Analytics enables innovation and integration

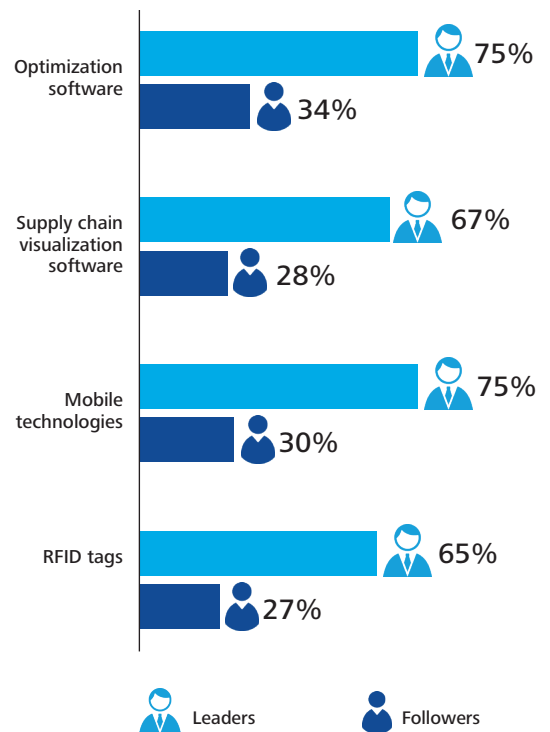
Perhaps nowhere does the gap between SC Leaders and SC Followers appear so dramatically as in their adoption of leading-edge supply chain technologies and analytical tools (figure 12). Deloitte's 2014 Supply Chain Survey inquired about five particular tools and found every one of them was at least twice as likely to be used by SC Leaders as by SC Followers. Even the one most commonly used by SC Followers — optimization software — was claimed by only about a third of those respondents. Contrast this with the 75 percent of SC Leaders currently using this valuable type of tool.

Advanced analytics

Advanced analytics, such as supply chain optimization and visualization software, can enable executives to unlock the insights hidden in massive datasets gathered from company functions, suppliers, and customers. Instead of simply analyzing past supply and demand data, the latest tools model and predict future developments, helping executives to identify inefficiencies, run scenarios, and make more informed (and profitable) trade-offs on such issues as vehicle routing, production scheduling, and inventory levels.

The reduction in the price of memory from \$1,107 per gigabyte in 2000 to just \$5.50 by 2013 has fostered the spread of in-memory computing, which allows faster analysis of the mountains of transactional data companies capture.⁷ The result is a clearer view of the cost-to-serve and profitability of specific customers and products. These insights enable companies to vary their strategies to distinct segments, such as developing differentiated service offerings for specific customer segments.

Figure 12: Extensive use of analytics
Percentage responding "use extensively"



⁷ "Average Historic Price of RAM," Statistic Brain, June, 18, 2013, <http://www.statisticbrain.com/average-historic-price-of-ram/>

As mentioned earlier, SC Leaders are more likely to have taken advantage of such segmentation strategies. SC Leaders are much more likely than SC Followers to use segmentation to customize decisions or trade-offs in *delivery mode* (87 percent vs. 51 percent); *procurement strategy* (83 percent vs. 50 percent); *production strategy* (79 percent vs. 52 percent); and *product flow-path* (79 percent vs. 44 percent).

An example from a manufacturer of a consumer durable product demonstrates the effectiveness of this approach. The company used advanced analytics to develop visibility into its supply chain, which was entirely offshore, primarily in China and Southeast Asia. By integrating cost data scattered throughout the organization as well as with their suppliers, it was able to enhance order volumes based on: internal and supplier cost structures; balance volume price breaks against inventory; and enhance its product flow to retailers based on factors such as promotions and seasonality. The result was better and faster decisions directly linked to bottom-line performance.

Visualization

Visualization technologies enable supply chain professionals to explore data, including unstructured data such as text in emails and memos, to quickly detect patterns that might otherwise go unnoticed. Illustrating data visually, e.g., in line graphs and heat maps, can make it easier for users to intuitively understand, explore, and apply their implications. Visualization should go hand-in-hand with rigorous analysis, rather than replace it. Used properly, these tools can help senior executives engage with analytics by bringing home the trends and implications in a visceral way.

Cloud computing

Cloud computing has enabled companies to reduce capital investment while gaining access to analytics and data; speed product development; and increase collaboration with company operations, suppliers, and customers around the world. In 2014, U.S. businesses are expected to spend more than \$13 billion on cloud computing and managed hosting services.⁸ By providing easy access to data, cloud computing enables mobile technologies, which are extensively used by 75 percent of SC Leaders, compared to only 30 percent of SC Followers (figure 12).

Asset intelligence

Asset intelligence technologies, such as RFID tags and chips, enable improved tracking of products and shipments. RFID provides automated, real-time information on products and assets as they move through the supply chain. RFID has been around for some time, especially in consumer products, but as costs have come down, its potential uses have increased substantially across various industries. Shipments can be dynamically re-routed to better balance supply and demand; transportation can be managed more efficiently by having improved visibility into rail and truck dwell times (i.e., time spent waiting at customer locations). This can result in faster deliveries, reduced inventory, lower operating costs, and more efficient use of assets.

⁸ T.J. McCue, "Cloud Computing: United States Businesses Will Spend \$13 Billion on It," *Forbes*, January 14, 2014, <http://www.forbes.com/sites/tjmccue/2014/01/29/cloud-computing-united-states-businesses-will-spend-13-billion-on-it/>

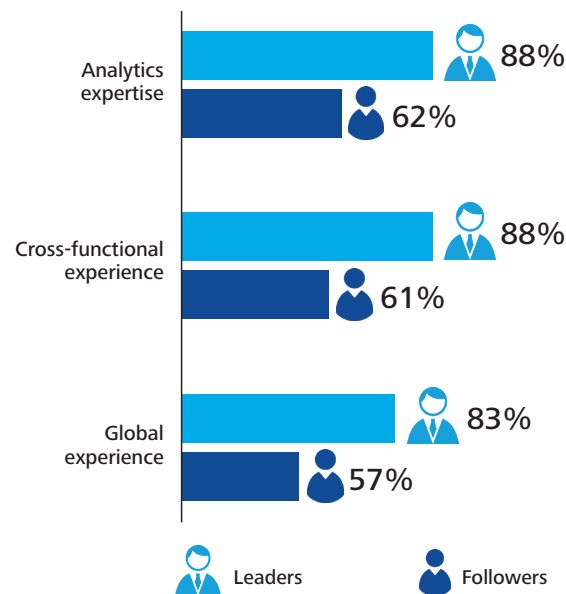
New talent strategies

One implication of the differences in mindset, collaboration, and technology use described here might already be clear: gaining an operational advantage over competitors requires new skills among supply chain professionals. Today it is not enough to keep costs under control by driving hard bargains with suppliers. Much more is expected of supply chain managers. Supply chain organizations now need professionals with experience in such areas as global risk management, supplier collaboration, product flow path decisions, network design, financial profitability, growth enablement, and sustainability. Experience working in other company functions is valuable when working to foster cross-functional collaboration. Supply chain professionals need to be comfortable working in a global business environment, especially in emerging markets. The increasing importance of advanced analytics means that more professionals are needed who have analytical skills and also the ability to succinctly present the analytical information needed by executives in making decisions of strategic importance. (Even executives who do not work directly in analytics still need to understand how to use the insights generated by these tools to inform their business decisions.)

SC Leaders seem to recognize that today's supply chain organizations need a broader set of skills and experiences than they did in the past (figure 13). SC Leaders are more likely to actively recruit supply chain professionals with analytics expertise (88 percent), cross-functional experience (88 percent), and global experience (83 percent) than are SC Followers (less than two-thirds in each area).

Many manufacturing firms around the world confront persistent talent shortages, especially for skilled positions. Adding to an organization's recruiting difficulties is the fact that younger professionals are becoming more selective about the positions they choose and are more likely to switch jobs if unhappy. Other research by Deloitte on "Millennials" in the workplace found that professionals in this rising generation are looking to join innovative

Figure 13: Types of skills/experience: sought by supply chain
Percentage responding 'actively recruit'



organizations — and are prepared to work independently if their professional needs are not met.⁹ Given all these developments, it is not surprising that 56 percent of respondents to the survey rate attracting and retaining talent as extremely or very challenging for their company. Large majorities of both SC Leaders and SC Followers say they are already following leading talent practices. Most executives report their supply chain organization has similar compensation and recognition to other functions (82 percent), has a clear and attractive career path (79 percent), has an effective training curriculum (77 percent), and is viewed as a critical element of a leadership development rotational program (77 percent).

These findings represent an opportunity for leaders to focus on the critical areas of their supply chain organization.

⁹ *Big demands and high expectations: The Deloitte Millennial Survey*, Deloitte, January 2014, <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-dttl-2014-millennial-survey-report.pdf>

Strength in every link

In today's volatile macro-economic and competitive environment, it can be difficult just to keep pace with external and internal pressures, let alone lead the industry. And a leader today can be a follower tomorrow without a disciplined strategy and approach to building sustainable innovative capabilities.

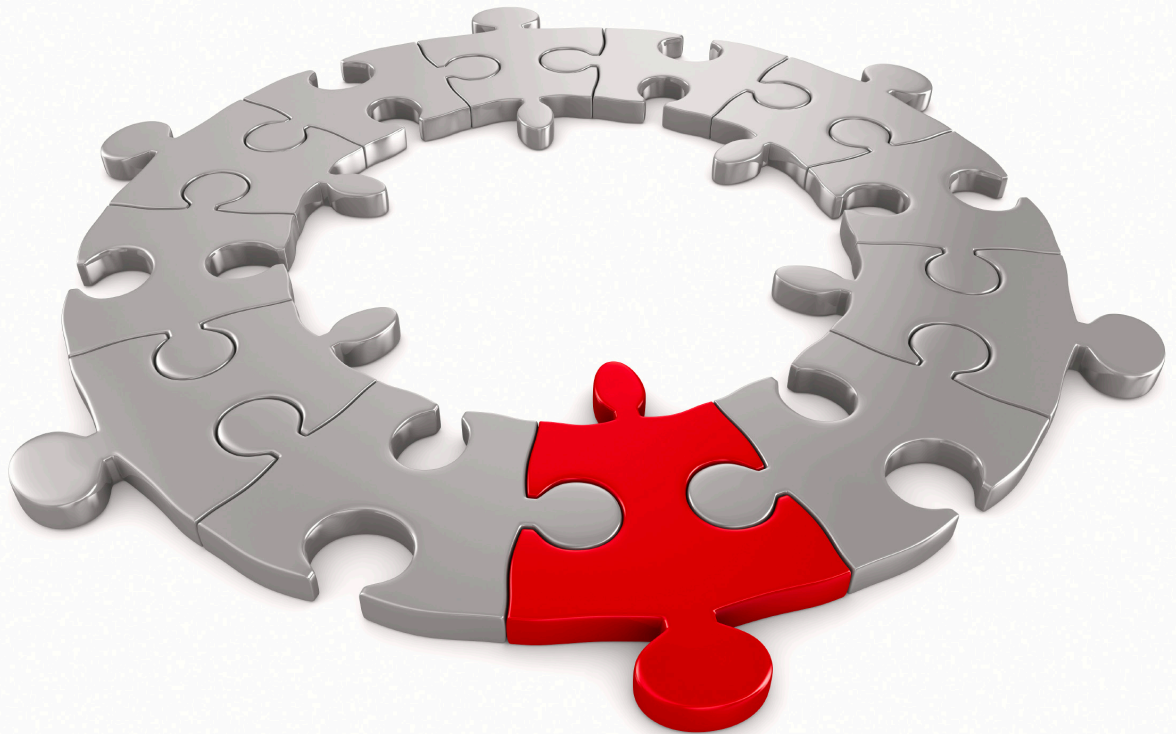
Closing the gaps to become an SC Leader may seem ambiguous and daunting, but every great leader has started with a vision and a call to action. Focus on building capabilities first. Take a long-term view, but create opportunities for early successes along the way — developing pilots that are big enough to matter, but small enough to win. In analyzing the key differences between SC Followers and Leaders, we can synthesize the key differences into a handful of actionable take-aways:

- **Get your house in order**
 - Redefine your supply chain boundaries with end-to-end span of control and connectivity
 - Empower strong, senior leadership with cross-functional credibility and a vision for a more strategic partnership with the business
 - Develop integrated stewardship metrics and analytics that highlight financial trade-offs and options
- **Connect the organization**
 - Recalibrate your supply chain strategies and capabilities with the overarching corporate strategy (leverage analytical tools to segment and support differentiated offerings)
 - Be a broker of information and decision-making between Sales, Marketing, Finance, and third parties (IBP is a place to start)
 - Extend visibility and connectivity to value chain partners, reducing costs and risks across the value chain (visualization tools are an effective way to manage the complexity of data)
- **Be a champion for innovation**
 - Think beyond supply chain — innovation is not a functional responsibility; every part of the organization must think about ways to innovate in multi-faceted ways and anyone can initiate it
 - Begin piloting potential disruptive technology applications — this can help you keep pace with technology improvements and avoid scrambling to play catch-up as broader applications emerge
 - Build innovation capabilities — this is best done through experience and discipline; take action now to pilot and launch a handful of bold innovations that provide invaluable lessons learned for future innovations
- **Develop talent strategies for a new era of supply chain professionals**
 - Increase visibility and create “brand appeal” for the supply chain as a strategic function spearheading major transformation
 - Outline cross-functional career paths and create targeted job rotations to develop broad functional and business acumen
 - Recruit the talents that will be required to be successful in the next 5, 10, and 20 years — as the role of supply chain as a strategic function elevates, qualitative skills like problem solving, logical structuring, communication, and persuasion will be more critical

SC Leadership is worth striving for; recall that SC Leaders are far more likely to experience significantly above-average revenue growth and EBIT margins. The findings of Deloitte Consulting LLP's 2014 Global Supply Chain Survey suggest, however, that it will not be easy to attain. The ways in which SC Leaders differ from SC followers are varied — and richly interrelated. Leadership requires a capacity for nuanced strategy execution and also for collaboration far beyond the walls of the supply chain function. It requires the energy for innovation and the enthusiasm to explore the possibilities presented by new technologies. Most of all, it depends on the quality and commitment

of the people in the supply chain organization. Without effective strategies for talent recruiting and retention, these advantages cannot materialize. And without high-level, forward-thinking leadership, the many parts of the supply chain cannot pull together.

If you are the executive at the helm of a multinational business — facing exciting opportunities, relying on effective operations — this is the message you should consider. Business success increasingly depends on supply chain superiority. To succeed at supply chain management requires strong leadership. And the leadership begins with you.



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Survey Methodology and Population

Deloitte Consulting LLP conducted a survey of 421 executives from manufacturing and retail companies with a minimum of \$100 million in annual revenues to understand their supply chain strategies and practices. The survey was conducted online in November 2013.

Company size:

56 percent of the companies had annual revenues of \$1 billion or more, 26 percent had annual revenues \$500 million to \$1 billion, and 19 percent of the companies had annual revenues of less than \$500 million.

Industry:

Diversified manufacturing (19 percent), consumer products (15 percent), high tech (15 percent), industrial products (14 percent), and retail (13 percent).

Headquarters:

Thirty percent in U.S./Canada, 29 percent in Europe, 29 percent in Asia (including 13 percent in China, and 10 percent in Japan), and 12 percent in Brazil/Mexico.

Identifying SC Leaders

To identify Supply Chain (SC) Leaders, executives were asked how the performance of their company's supply chain compares to that of other companies in its industry on two metrics: (1) inventory turnover and (2) the percentage of deliveries that are on time and in full.

- SC Leaders = Rated by their executives as significantly above average on both metrics compared to other companies in their industry. (12 percent of total)
- SC Followers = Rated by their executives as less than significantly above average on one or both metrics. (88 percent of total)

SC Leaders also have a higher financial performance. Measured against other organizations in their industry:

- 79% have revenue growth significantly above average
- 69% have EBIT margin significantly above average margin

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