



Disruptors Are Transforming Traditional Supply Chain

What Are the Implications for Leaders?

Supply chain, once relegated to the unremarkable, methodical role of delivering goods to market at the lowest cost, is in the midst of a significant transformation. With the pace of change accelerating in nearly every sector and market disruptors emerging regularly, supply chain leaders are embracing their expanded strategic role in global organizations and the growing expectations on the function.

Change has been driven by shifting consumer attitudes and preferences, the rise of omnichannel strategies, developments in technology and emerging data analytics capabilities — issues facing all organizations competing in the digital economy. Call it the “Amazon effect.”

The online retailing giant has changed the way people shop, raising the bar on customer expectations and setting new standards for data analytics and logistics. “Amazon is a game changer because they approach fashion in a completely different way, much more scientifically than the normal player,” observed Gianluca Tanzi, COO and board member of Brooks Brothers.

Organizations positioning themselves to compete across this emerging global platform have responded by turning to supply chain management for creative solutions for improving operational effectiveness and increasing growth. A recent Deloitte report¹ surveyed more than 400 global manufacturing and retail executives and found that organizations with superior supply chain capabilities demonstrate significantly above-average performance on both revenue growth and EBIT measures when compared to the industry average.

Because supply chain today can touch nearly every aspect of a business — inventory, manufacturing, product design, cash flow, outsourcing, workflow quality and customer satisfaction — successful chief supply chain officers (CSCOs) and COOs are visionary leaders who draw on functional, analytical and interpersonal skills to build diverse, collaborative teams. We spoke with several senior supply chain leaders to explore how the role of the supply chain and the CSCo has changed over the past decade.

CREATING A CUSTOMER-CENTRIC SUPPLY CHAIN

The reality for many supply chain leaders today is that customer satisfaction is the primary driver of the function. It is now critical for supply chain to know key customers and their needs. Supply chains are retooling to become more responsive, flexible and better aligned with the consumer in the quest to meet customer demands for the best price, the best selection and the most timely, convenient delivery.

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ROB SCHOLTE
FOUNDER OF ENTERPRISE CONNECTED

For fashion retailers like Brooks Brothers, the oldest clothier in the U.S., the pressure is on to adapt quickly. Tanzi said the traditional fashion business hasn't had strong capabilities in advanced analytics and statistics to help them understand what their customers want and their sensitivity to pricing online versus in-store.

Rob Scholte, founder of Enterprise Connected and former chief sales and supply chain officer at Metro Cash & Carry, said the key for creating a customer-centric retail supply chain is to view customers as individuals. “They (retailers) have to start collecting data and they need to start putting a face and a name and a buying pattern against an individual purchase in order to understand customers.”

He said many retailers struggle with connecting to customers initially, and then delivering when and where the customers want. “Supply chain strategy and execution need to be an integral part of your value proposition,”

¹ Supply Chain Talent of the Future: Findings from the third annual supply chain survey. Deloitte. 2015.

Scholte said. "Execution is mission critical. If you don't get it right — whatever you say in your strategy — there is going to be a disconnect with an increasingly demanding customer base."

Omnichannel strategies have been rapidly adopted by retailers as consumers have embraced online shopping on mobile and social platforms. To serve multiple channels consistently and effectively, top CSCOs have transformed supply chains to become faster, smarter and nimbler — from planning to product development to the direct delivery of individualized products.

Jerome Le Bleis, CSCO at French fashion and sportswear retailer Lacoste, said the e-commerce channel is a primary motivator in pushing them to become more customer-centric. "Customers now expect high service and low cost, so we are trying to better link our planning, supply chain and productivity to customer insight and meeting very specific product needs."

BUILDING A MODERN SUPPLY CHAIN TEAM

Along with acknowledging the power of data comes the need to find the people with the skills to isolate the most relevant information and translate it into insights that directly affect the supply chain. The most effective supply chain leaders are looking for talent with advanced analytics and statistics skills.

Enrico Mistrone, chief corporate officer of eyewear fashion leader Luxottica, said analytical skills are the backbone of the modern supply chain team. "From a recruiting point of view, we select young engineers with a good balance between men and women. We want to leverage computing capabilities and analytics to learn everything we can about consumers' behaviors, what they like and the trends they follow."

It can be a challenge to find mathematicians and statisticians when they are being snapped up by Apple, Amazon, Google and other tech giants. This has moved some supply chain leaders to be more flexible in the talent profiles they seek. "Sometimes it's not just data scientists or people with an IT background," Scholte said. "It could be someone with an economics background. It's more about an attitude and a mindset."

Roberto Canevari, CSCO of luxury fashion retailer Burberry, said building out the team calls for individuals with a broad range of skills. "The mix should be as diverse as possible, in terms of everything: gender, culture, experience and skills." That holistic approach to hiring was reaffirmed by Allan Kjaergaard, executive vice president of logistics at JYSK Group, who

said supply chain leaders should think beyond logistics and efficiency to how the customer journey impacts the supply chain. “I look at supply chain as more of a planning department staffed by smart people,” he said.

Sometimes the smart people who come from outside the industry can help invigorate the function with new expertise and perspectives. “I’m a big advocate of bringing in people from automotive, consumer goods or pharmacy into retail because I think we can learn a lot from each other,” Scholte said.

THE SHIFTING MIX OF LEADERSHIP SKILLS

Hiring and talent development are critical to the execution of supply chain strategies. For a CSCO, though, it’s just one component of an evolving skill set needed to lead a modern supply chain organization in a digital economy. In addition to mastering the detail-oriented routine of manufacturing and logistics, CSCOs today need to exhibit competence in creative problem-solving and interpersonal skills. Supply chain leaders need to be driven as much by curiosity and instinct as logic and rationality.

SPOTLIGHT

THE INCREDIBLE SHRINKING SUPPLY CHAIN

As it grows in importance, the supply chain for many retail sectors is shrinking in terms of physical distance, time-to-market and societal impact. Here are some of the disruptors responsible:

- » **AI.** Sophisticated algorithms continuously predict demand and automatically adjust inventory, condensing distribution to same-day or even one-hour shipments.
- » **Autonomous mobile robots.** These fast, smart and efficient bots fulfill customer orders and pull stock 24/7.
- » **Dark factories.** Fully automated facilities that use robots and AI for non-stop production with minimal lighting since there are so few human workers.
- » **3D printing.** From product testing to fast prototyping to customized products-on-demand, this emerging technology could drastically alter the basics of inventory and delivery.
- » **Blockchain.** This distributed digital ledger can increase the efficiency and transparency of global supply chains, streamlining everything from warehousing to delivery to payment.
- » **Bio fabrication.** Lab-grown products from animal-free leather to insect-free silk to petroleum-free plastics could be a reliable and sustainable source of material.
- » **Sustainability.** From sourcing raw materials to manufacturing to delivery to re-use, it’s about conducting business in a more responsible, efficient and respectful way.

This combination of quantitative and analytical balanced with intuition and creativity can be hard to find for an increasingly important executive role. The leaders we spoke with, however, stressed the urgency of finding such well-rounded talent. “The CSCO and the people in senior supply chain positions need to be very curious,” Canevari said. The job will be very different five years from now, he said, and supply chain organizations can’t continue to do what worked five years ago.

Kjaergaard said changing demands call for changing leadership styles. “In the past, a supply chain or logistics leader was more of an introvert. Today, it’s more of an extrovert and more communicative strong leader.”

With that skill set comes the ability to break down walls and collaborate across functions. Or, as Canevari put it, supply chain leaders need to be able to connect the dots — across sales, marketing, store operations, IT, CRM and product development. Beyond building experience and a knowledge base in supply chain, Scholte said, it’s the interpersonal skills required to interact with and influence colleagues that enables supply chain leaders to get things done. When leaders act with a functional emphasis, they create barriers to integration and collaboration.

A CULTURE OF LEARNING AND COLLABORATION

Underpinning the transformation of the supply chain is a concerted effort by leaders to become highly collaborative and shift from a results-oriented culture to a growth and learning-oriented culture. CSCOs increasingly are embracing agility and risk-taking. Looking beyond short-term results, they also serve as a change agent, who sees not only how the supply chain is affected by the organizational culture, but how it can play a role in changing that culture.

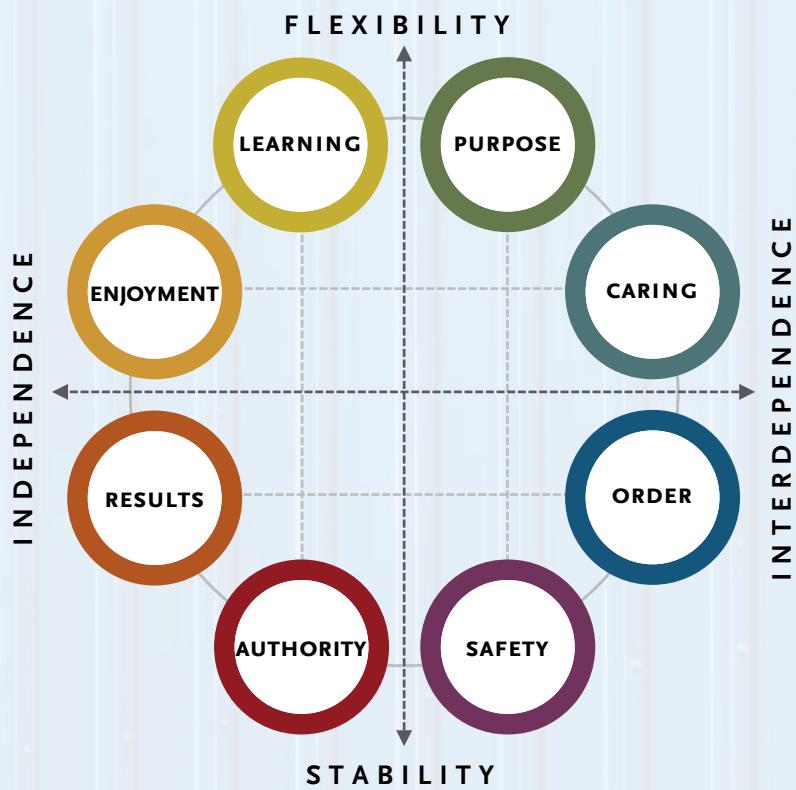
“We are developing a cultural framework aimed at recruiting and retaining people who are willing to take risks and drive innovations,” Le Bleis said. “We recruit new young executives with cross-functional expertise, and they need to be empowered to take risks.”

The supply chain leader is in an ideal position to know how the company works and where there are opportunities to create value. “If you are not able to collaborate, it’s unlikely that you can be successful,” Canevari said. “A good supply chain by definition should be very open and collaborative. If you are not collaborating, then you are creating boundaries.”

Building relationships with peers in sales, finance and IT is critical for gaining insights on customer demands, the risks of strategic investments and technology developments. Tanzi was selected to lead a company-wide

Culture matrix

Where does your organization stand?



Spencer Stuart has identified eight primary and universal styles that can be used to diagnose highly complex and diverse behavioral patterns in a culture. Where a culture falls in the model reflects its attitude toward people (from independence to interdependence) and attitude toward change (from flexibility to stability). Facing more disruptive forces today, many organizations are trying to shift toward more flexible, agile and innovative cultures, like those in the upper left quadrant of our model.

restructuring at Brooks Brothers aimed at destroying silos and improving communication and collaboration between functions.

"The big challenge is how to implement this customer mindset within operations," Le Bleis said. "The leaders need to be connected to the global business and the business strategy. They are expected to empower an agile supply chain, leverage innovations and cross boundaries of functions."

WHAT DOES THE FUTURE HOLD FOR SUPPLY CHAIN?

With seamless omnichannel operations becoming an imperative for competing in the digital economy, supply chain leaders are under intense pressure to complete an end-to-end transformation of the function.

"One of the biggest issues we have now is to combine resources so we can say we have a seamless cross channel between our stores and our online setup," Kjaergaard said.

"The supply chain role is changing from stressing bigger and faster to how can we deliver to meet evolving customer needs. To do that, we utilize artificial intelligence and robotic technologies, both system wide and to do smaller automation tasks. Automation is the future, especially in the Nordic countries, because they are so accelerated."

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ALLAN KJAERGAARD
EXECUTIVE VICE PRESIDENT
OF LOGISTICS AT JYSK GROUP

For many industries, the pressure on the supply chain function leads to uncertainty and paralysis. Considering that many disruptors — mobile and social platforms, voluminous customer data, the internet of things, artificial intelligence — have been firmly established over the past five years, many companies are still not moving fast enough, according to our supply chain leaders.

"If we talk about changes in retail and the way customers are dealing with e-commerce, it's five to 10 years old already," Scholte said. "Many retailers should have almost completed their journey. But the honest answer is a lot of them are at best at one-third or perhaps halfway there."

Canevari believes the supply chain function is generally in a good place. "I think supply chain is really seen as a more of a business partner and a bit less of a technical function than it was before," he said. "I'm very positive for the future because I think the more we see those disruptions coming from technology and everything, the more the companies will see that the role of supply chain is more relevant than ever."

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