Leading in extraordinary times

As 2022 comes to a close, we continue to experience a relentless drumbeat of turbulence. From extraordinary challenges with inflation and a recession on the horizon, geopolitical turmoil to complex global operational challenges, the strategic leadership requirements for Chief Supply Chain Officers do not abate.

At our IBM CSCO Think Circle in December 2022, we took a moment to recognize some of our best Supply Chain leaders and gave them an opportunity to reflect upon their careers and experiences. Mike Corbo, Chief Supply Chain Officer, Colgate Palmolive, and Sophie Bechu, EVP Operations, Philips provided the rest of the Circle with their experiences and the group joined together to discuss some of the most vexing challenges that we will continue to explore in 2023.

Risk management is a board issue

Risks are everywhere—chip scarcity; energy and water consumption management; sustainability ESG governance; automation (bots/AI) control; Y2Quantum security and the always-present talent dilemma, to name a few.

Not surprisingly, risk management is a "lean-in" initiative.

In commensuration, the IBV CSCO study reported that 79% of large organizations are pursuing resilience and risk management strategies. The study also predicts that by 2025, supply chain risk management will be a key driver of success for more than half of organizations.

Thinkers reflecting on the past and in looking to the future agreed that investing the time and money into a comprehensive risk management strategy was important in navigating the ongoing turbulent environment.

They asked themselves to consider scenarios where their supply chains might not work effectively—and to dream big in those scenarios.

"Energy is a massive risk across the globe. Our energy balances and dependencies do not work at the moment. Sustainable energy security needs more attention."

"The world isn't paying enough attention to the energy crisis in Europe. Plants are shutting down because they can't afford to run, and it will affect everything."

"ESG risk – we must start to change the social aspect. How are you treating people around the world? There is a lot coming that I don't think we're 100% prepared for."

"Technology risk. Autonomous AI bots that may get out of control."

"Climate risk and water impacts—from cotton to chips— the water dependency is huge."

From our recent CSCO study, we learned that:

– 58% of CSCOs have set goals for the next 2 years to improve reduction of energy consumption and improve energy-efficiency of their products and services.

– 53% are setting goals to increase renewable energy usage.

– 46% are setting targets to decrease water consumption and,

– 44% to reduce full product lifecycle waste.

But they also realize the challenges of regulations.

– 55% stated that two of their most important business objectives of their sustainability initiatives beyond the environmental benefits are to comply with regulations.

A seat at the table

As the Thinkers elaborated on the importance of risk management strategies and practices, they commented that because of the extreme and continued disruptions, supply chain executives need to ensure that they are communicating at the board level and not losing the seat at the table. They need to have a voice and make sure that it's heard. They need to remind their C-suite colleagues how complex supply chains really are and make them vested.

As they embed risk management into routine operations— and make it front and center, they see it as a great opportunity to engage the Board of Directors and develop strong relationships—to articulate an understanding of the key elements of the business before there is another crisis. They all agreed, also, on the importance of spending more time and resources getting ahead of... and prioritizing trends.

"Don't waste your resources on something that may or may not be a priority. But trends like sustainability are not going away – cybersecurity is not going away."

"Evaluate what is material to you, to your business, to your operation and ruthlessly select and prioritize. Selectivity and materiality. How does this fit into your strategy."

Globalization, regionalization, and localization

The environment created by extreme disruptions, and policy decisions by various governments has had massive impacts on supply chains across industries. Increasingly, regionalization and even localization of product supply and production is becoming an aggressive strategy, to decrease the risk of over reliance on a single region.

The overlap of supply chain optimization, global operations and sustainability emerged in the discussions as Thinkers shared views about the complexity encapsulated in Chip production. The very real threat of China and how to isolate that threat presents a 3 to 5-year problem that may cripple most industries if not resolved sooner. Thinkers agreed that even those industries not directly impacted by semi-conductors will suffer very real supply chain challenges should the geopolitical rise of China/ Taiwan play out.

The regional versus global strategies also emerged in assessing the various regulatory requirements for sustainability and how to address these needs in a manner that does not cripple the supply chain.

"My biggest nightmare right now is geopolitical. Are we wise to move to more local / regionalization of supply chain? Is the China/ US decoupling a sign for the next phase?"

"Globalization and localization—beyond redesigning our supply chain—where we struggle the most is meeting on-time demands of legislation and regulation and manufacturing for sustainability. But our industry is way behind—to meet those needs in absence of the technology needed to support us; that is what keeps me up at night recently."

The future of supply chain leadership

Our conversations also focused on these Executives' perspectives on leadership and the business, including how they are addressing challenges, what they see as opportunities and their visions for the future. Thinkers shared where the next phase of leadership for supply chain leaders may go and how future leaders can set themselves apart for success.

"The theme for the last few years was low-cost globalization and that is what our CEOs know. We need to change that way of thinking completely. When supply chains fail to be successful, we must remove cost-center thinking from the leadership mindset."

"Don't put all your eggs in one basket, even if it's the cheapest basket. What was previously costing us is now paying us."

"Educate the entire company on supply chain because your business IS supply chain. If you can't get your product into the hands of your clients, nothing else matters."

2023 and beyond actions

What's the next generation of supply chain? From the CSCO study we learned that 1,500 executives agree strongly with the Thinkers and say that issues related to continued supply chain disruptions, technology infrastructure, sustainability and geopolitical tensions will remain their greatest challenges over the next 2-3 years.

Yet, when addressed with an open mindset, these challenges may create opportunities within the enterprise —and extended across their industry ecosystems.

"You have two jobs: you need to measure the present and shape the future. You can't do one or the other, you need to do both, and they have to be done at the same time. Digital transformation will ignite and will help. I think that the future states will have to be fluid and dynamic."

"We need to have tight collaboration, tighter technology partnerships with strategic partners sharing data – trusted and secure data—and we need to drive the integration that historically only came from ownership. Digital transformation in all areas of the business is a must—data analytics, decision-making based upon data."

"We must recognize that speed—velocity—is more important than anything."

The people equation

We discussed the workforce scarcity, skills and wage challenges which is always prevalent. Discussions led to empowering people with motivations and targeted objectives—the connectivity of people, information and resources that intersect product movement from source to consumer, with an attention to circularity.

"The next challenge is going to be people—how to find them and how to keep them."

"What are we missing? We must devote time to think about what we are missing. People are our next risk—they are exhausted—I worry when plants shut down."

"We create separate teams that either focus on today's problems or tomorrow's plans. Then we bring them together once in a while to be sure that they are sharing what they know."

The CSCO study revealed that forward-looking enterprises are using automation and AI to augment their core strengths, supplement their gaps, and empower their people to focus on what's important. 48% said that they are focusing their workforce on higher-value tasks with increased workflow automation. And they are extending their reach for talent as well. Half also expect skills to be accessed from anytime/ anywhere talent pools within 3 years.

Radical and secure transparency

Jonathan Wright shared with the Thinkers, that security is a big ticket. There is a new proposition coming which many are referring to as Y2Q. It will be within all of our lifetimes —probably within our professional careers. Y2Q is the day that Quantum is scalable and somebody, in the realm of Quantum computing, will be able to hack every single encrypted system that exists and will be able to get into our systems as though there was a front door.

"My advice is risk management. There will be failures, but if we plan for all scenarios and look to the future, we can manage it. Y2Q and quantum computing are examples of that."

"The CSCO of the future will be a technologist."

IBV research shows that increasingly, CSCOs are taking active approaches to cybersecurity, avoiding crime-related delays, data breaches, and financial losses, which only exacerbate the other disruptions they face. Accordingly, 59% of innovative CSCOs are placing a deeper focus on cybersecurity.

Sustainability metric expansion

The Thinkers discussed that all of the big players realize the importance of data and integrated planning for real-time decision-making for both dealing with near-term challenges and also to continue building long-term, agile strategies. When it comes to data—cross-industry, multi-enterprise platforms require shared visibility, inter-operability, and verified chains of custody for data aggregation. This level of transparency and accountability makes ecosystem-wide metrics essential for understanding and tackling sustainability.

"I think generally that society is moving past the aspirational nature of sustainability to the reality of today's social perspective. We're looking at three types of value: shareholder, environmental, and social. CSCOs will need to trade financial value for environmental and social value. And you can't articulate value without measurement data."

41% of CSCOs see the importance to align sustainability metrics, as they are creating joint sustainability metrics/ dashboards with other organizations in their ecosystem. And 47% are applying a set of sustainability standards that organizations must meet before becoming their partners or suppliers.

Expect the unexpected

Our Think Circle supply chain executives have taught us that they have learned to expect the unexpected. They routinely manage daily "business as usual" challenges, hyper-caffeinated crises, and data-driven innovation while strategically planning—all at once. And they are building and executing future supply chains with Resiliency and Agility embedded within intelligent workflows and fluid operations.

"We need the balance of agility and resiliency – some people think these are competing principles, but they are complementary."

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