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Stronger links make a stronger chain

It is the people behind the
supply chain who create success.

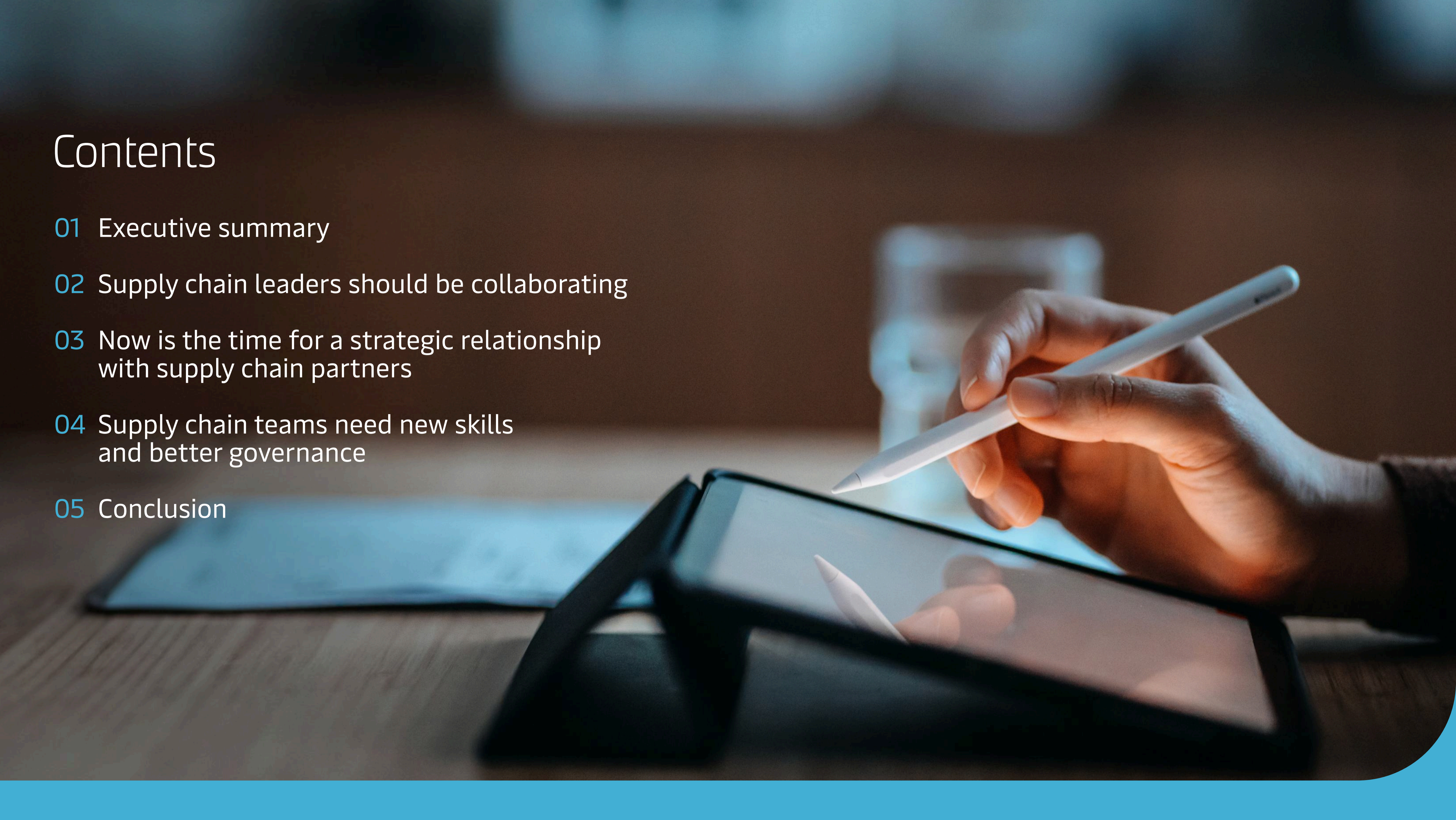


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ALL THE WAY

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01. Executive summary

Ask any business executive about optimising their supply chain and logistics and they will probably talk about nearshoring, dual-sourcing, automated warehouses and generative AI. They are much less likely to mention people.

But executives should not overlook the individuals who work in supply chain teams and for their business's partners. Our new research, which is based on a survey of 500 business executives in the technology sector around the world, finds that people are critical in transforming how supply chains and logistics perform and operate. Specifically, it is their ability to build long-lasting relationships within their business and with external supply chain partners that makes all the difference.

21%

But our survey data also shows that supply chain teams often struggle to forge these vital connections. For example, just 21% say supply chain leaders and executive management are very connected, which means they do not communicate often.

This report explores how far people in supply chain teams have got in building strategic relationships, and how those relationships can be strengthened. It also examines the human skills and capabilities that supply chain and logistics teams will need in the future.



What we learned from our research

Supply chain teams are often isolated and disconnected

Supply chain leaders and executive management communicate often at only a small number of businesses. That is a huge problem. In our [first report](#), we revealed that supply chains and logistics help businesses to meet their strategic objectives – whether that is decarbonising, launching new products or expanding into new markets. Without communication, supply chain leaders are left uninformed about long-term businesses strategy and unable to help.

Fewer than one in 10 businesses say the key performance indicators (KPIs) of supply chain teams are fully aligned with overall strategic objectives. Even if supply chain leaders are aware of business goals, unaligned KPIs may result in them focusing on secondary priorities.

Long-lasting supply chain partnerships are rare

Businesses want deep, collaborative and strategic relationships with their supply chain partners. But they struggle to form them. For example, six in 10 say collaboration with partners will be an important source of supply chain innovation in the future. But only one in 10 are very satisfied with their partners' ability to co-innovate and test new ideas.

Building open channels of communication between business and supplier at different levels of seniority helps to establish fruitful partnerships, and so does investing time in educating partners about business strategy.

The hunt is on for new skills

Today's supply chain teams need different skills and capabilities. According to our survey data, risk management skills are in highest demand, followed by digital expertise, data literacy and an ability to collaborate and communicate effectively.

Unfortunately, the stress put on supply chain teams since the onset of Covid-19 has caused many to leave the profession. So supply chain leaders will need to think carefully about how they can attract and retain the talent they need.

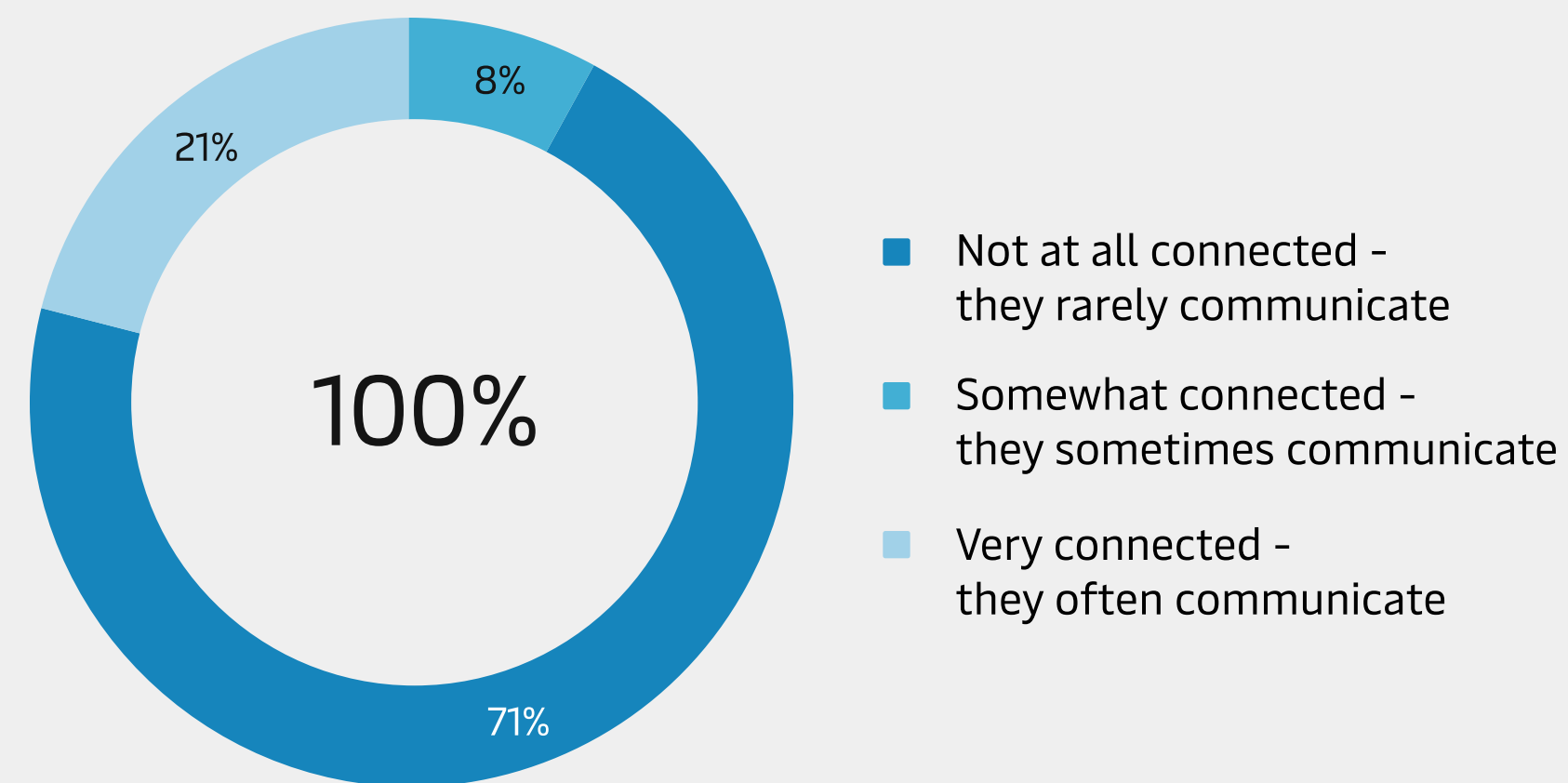
It is time to make supply chains a board-level issue

The supply chain is now strategically important enough to be on the board agenda. But at most businesses, it is not. Only 54% of businesses say it is a board-level issue at their organisation, and just 28% have a supply chain and logistics expert on the board. Improving their knowledge of supply chain matters would help board members to constructively challenge executive management on risks and opportunities.

02. Supply chain leaders should be collaborating

Supply chain and logistics has immense strategic importance, but leaders of supply chain teams are often isolated from executive management: just 21% of businesses say supply chain leaders and executive management are very connected, which means they do not communicate often.

Most supply chain leaders and business executives communicate infrequently



Which of the following best describes the level of connection between supply chain leaders and executive management in your organisation?

That is a problem. Supply chain leaders can only help businesses to meet their strategic objectives if they are fully up to date on business strategy. If they are unaware of a new business imperative to reduce greenhouse gas (GHG) emissions, for example, supply chain executives might overlook lower GHG emitting transport options such as electric trucks. Or if they do not know about a plan to manufacture a new product, supply chain leaders might not prioritize building strategic relationships with suppliers of the components that product needs.

Close collaboration also helps to improve day-to-day business operations. For example, sales teams would benefit from being rapidly informed of a significant change in shipping times.

“Since the onset of Covid-19, it’s become essential for supply chain leaders to be directly connected to the CEO, CFO and other executives, and communicate with them regularly. One of our great strengths is that the supply chain is part of the product development process, which leads to much better outcomes. But you can’t force your way into these conversations. You need engineering and product teams to pull you in. And this won’t happen unless the supply chain team has engineering expertise.”

John Kern

Senior Vice President,
Supply Chain Operations at Cisco

Match up performance metrics for the best results

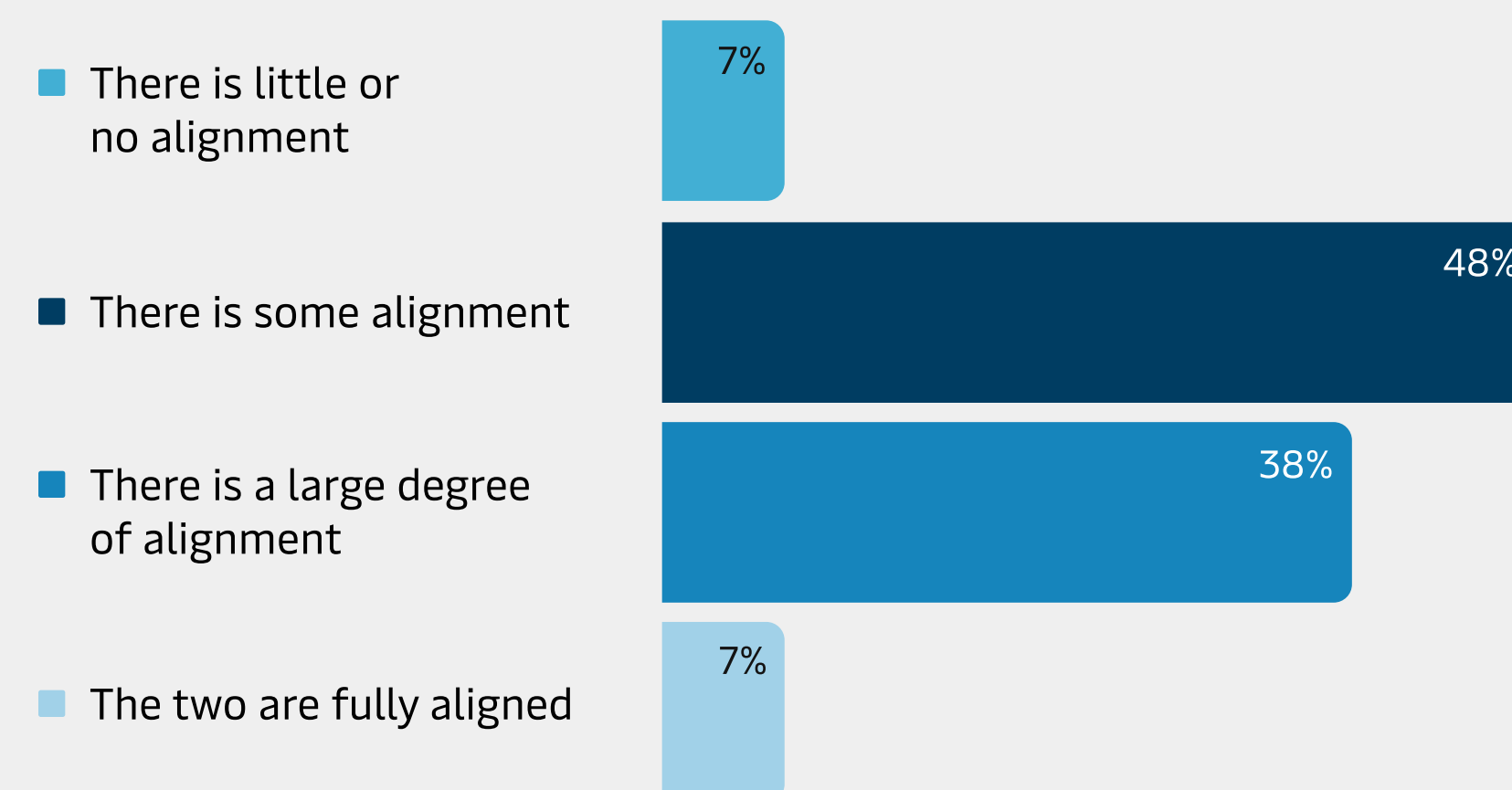
It is also essential to align the key performance indicators (KPIs) of the supply chain team with business objectives. For example, the supply chain team is less likely to improve visibility into the whereabouts of a specific component if it is only rewarded for reducing the costs of that component.

“In recent years, we’ve spent a lot of time aligning functional KPIs to corporate strategy. We review this every quarter so that supply chain teams know what they have to do to enable the strategy. This then filters down to our evaluation of suppliers. If criteria such as sustainability, reliability and continuity of supply create different value for ourselves or our customers, we can change the weighting of these aspects when evaluating suppliers.”

Michael Koralewski
Chief Supply Chain Officer,
First Solar

Just 7% of businesses say the KPIs of supply chain teams are fully aligned with overall strategic objectives; 55% say there is “some alignment”. Our survey data shows how crucial it is that businesses fix this: 60% of businesses whose supply chain’s KPIs are largely aligned with corporate strategy say they improved their ability to enter into new geographic markets in the past 12 months, compared with just 43% of businesses without alignment.

KPIs of supply chain leaders and the businesses are often unaligned



How strong is the alignment between the key performance indicators for supply chain executives and the overall strategic objectives of the business?

03. Now is the time for a strategic relationship with supply chain partners

Historically, many businesses had a transactional relationship with their supply chain and logistics partners. Engagement was limited to only the most important suppliers. And supply chain and procurement professionals focused on squeezing prices from suppliers, rather than encouraging them to improve their service over time. Since Covid-19, when severe supply chain disruption exposed the strategic importance of the supply chain, that has all changed.

"If you don't have a strategic partnership with your supply chain partners, you'll be in trouble when a crisis like Covid-19 hits," says Jessica Hoffman Kipp, Senior Vice President of Supply Chain Markets and Logistics at HP. "Many businesses could not find capacity to move freight during Covid-19, but those with long-term strategic relationships with partners were more successful."

"Managing your supply chain means managing an ecosystem, and you're only as strong as that ecosystem. Recognising that the supply chain accounts for such a high percentage of our GHG emissions, we launched our Zero Carbon Project three years ago, in which we work with the 1,000 vendors that contribute 70% of our upstream scope three emissions. We provide them with support, materials, tools and solutions to help measure and reduce their emissions."

Mourad Tamoud

Executive Vice President,
Global Supply Chain at Schneider Electric

Developing a collaborative relationship with suppliers is not just useful in difficult times – it also helps businesses to innovate and meet strategic objectives. For example, many businesses want to reduce their GHG emissions, and 60% of these are generated in the supply chain. Supply chain and logistics partners can help by suggesting lower GHG emitting transport options for reducing the footprint of key components.

Our survey data highlights the importance of a strategic relationship with supply chain partners: 49% of businesses that have made strong progress on decarbonisation in the past three years are satisfied with their partners' ability to co-innovate and test new ideas. Just 33% of those that have gone backwards in their decarbonisation efforts are satisfied with their suppliers' ability to do this.



Action does not live up to aspiration

Our survey data shows that most businesses now recognise the importance of a collaborative relationship with supply chain partners:

60%

say collaboration with partners is essential to resolve major, long-term supply chain and logistics challenges

56%

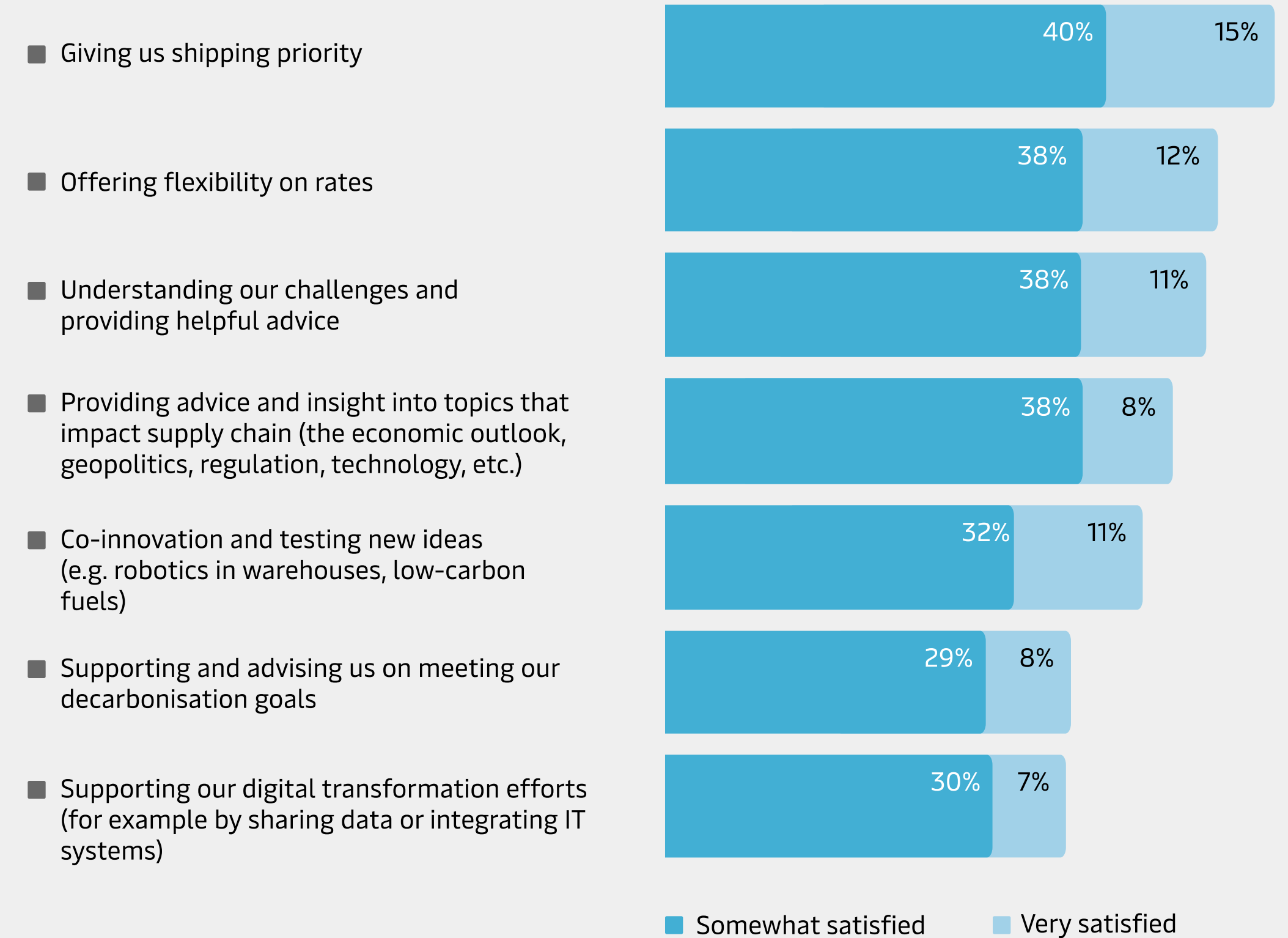
want their partners to do more to help them innovate and test new ideas, including 63% of those that spend more than \$100m on supply chain and logistics each year

59%

say collaboration with partners will be an important source of supply chain innovation in the future

But businesses are struggling to forge collaborative relationships with supply chain partners. More than half (53%) say their partners are solely focused on servicing their current needs rather than innovating for the future. Less than 15% are very satisfied with their partners' ability in co-innovating and testing new ideas (11%) and supporting and advising on decarbonisation goals (8%).

There is significant scope to improve supplier relationships



How satisfied are you with your supply chain and logistics partners in the following areas?



How can business develop close relationships with suppliers? The first step is to create channels of communication between executive leadership. Executives and board members should talk to their counterparts at suppliers regularly about the business's strategy and how supply chain partners could help.

This is working for Siemens Energy.

“We’ve developed a robust supplier relationship management programme in which our top 200 suppliers have an executive sponsor that is responsible for fostering that relationship. They meet their designated supplier in person regularly to discuss strategy.”

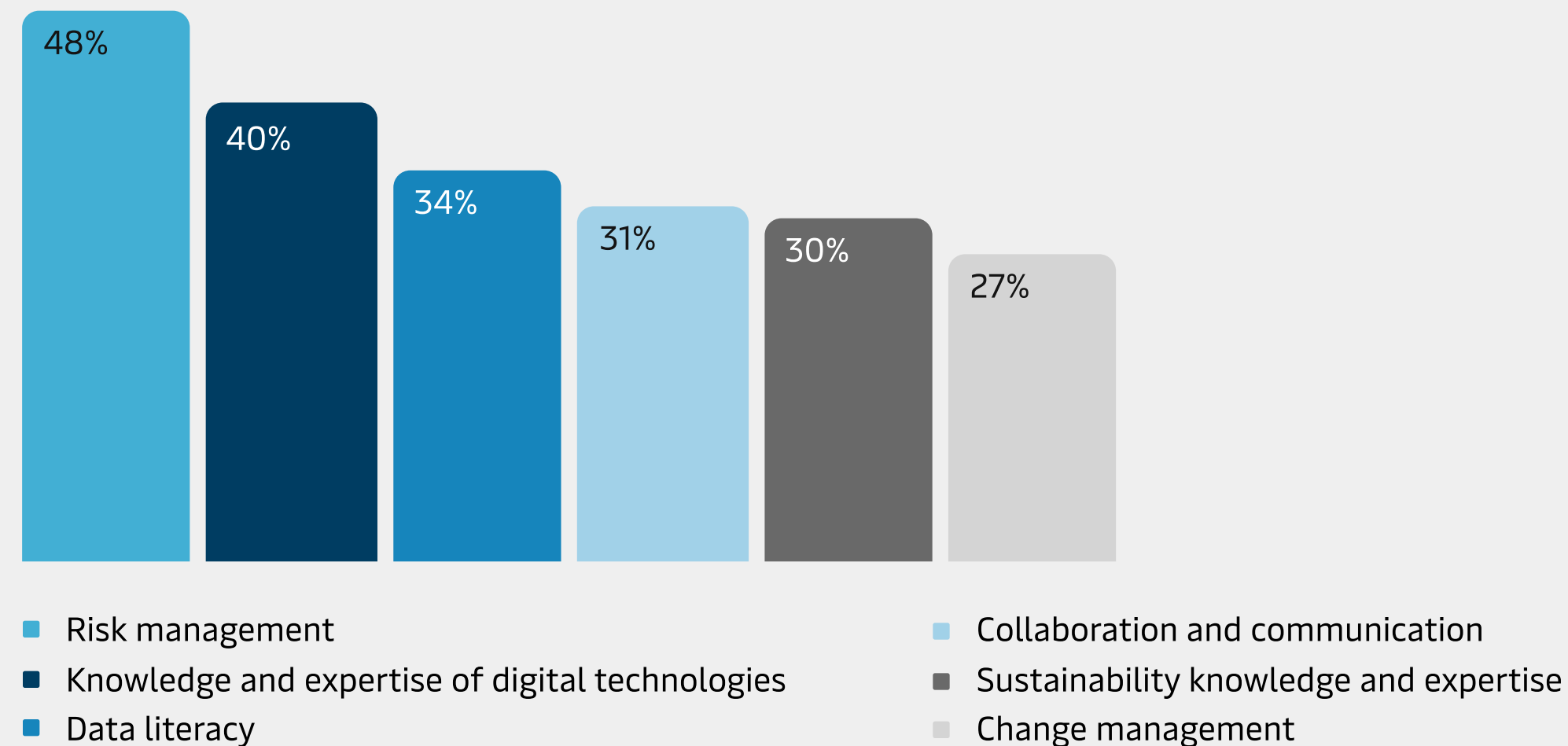
Arnd Hirschberg
Chief Procurement Officer,
Siemens Energy

To establish strategic relationships, every executive who engages with suppliers has to be aware of the business's overarching goals. “A key aspect that helps drive our collaborative approach is that I directly report into the CEO and am a peer to the Chief Technology Officer and Chief Commercial Officer,” says First Solar's Michael Koralewski. “We collectively create the innovation strategy, so we feel empowered to have high-level conversations with suppliers about our growth and innovation plans, and how they can be part of that.”

04. Supply chain teams need new skills and better governance

The increasingly volatile risk environment and the growing importance of new technology such as AI is changing businesses' skills needs. When we asked them which skills and expertise they are prioritising in the next 12 months, businesses rank risk management first, followed by knowledge and expertise of digital technologies and data literacy. Collaboration and communication come fourth. Individuals need these skills in addition to traditional capabilities such as negotiation, planning and forecasting as well as knowledge of the business's wider strategic priorities.

Risk management skills are in highest demand



Which skills and expertise are you going to prioritise for your supply chain and logistics team during the next 12 months?

Supply chain executives should not overlook another important capability: resilience. Recent years have been characterised by crisis after crisis, so teams need to be able to handle pressure when there is major disruption.

“When we look for new talent, we need people with a strong statistical background that can understand complex systems. We also need people with emotional resilience, because although it's a great area to work in, there are challenging times. We've seen many people leave the profession. It is becoming more challenging to recruit people to this function, so you have to be more creative and, for instance, hire people straight out of university.”

Federico Marchesi
Head of Supply Chain Management
Haier Europe

Technology can help attract and retain qualified staff. Employees are likely to be happy for tools such as AI to remove manual, process-orientated tasks from their jobs, freeing up time for more creative and rewarding work.

As new skills become more important and employees improve their capabilities through training, the business might struggle to keep track of who within the organisation has particular skills. This is another area where technology can help.

“We’ve invested a lot in building tools that enable us to have a clear view of how many people we have with the capabilities needed to work in the supply chain, and their level of expertise. That also means you can easily bring together experts from across the business when you need to.”

Mourad Tamoud

Executive Vice President,
Global Supply Chain at Schneider Electric

Boards need to step up

The strategic importance of supply chains means they should be high on the boardroom agenda. Risk governance is a responsibility of the board, and it should assess whether the business has the processes and governance in place to identify, quantify and then respond to supply chain risks.

Just 39% of the businesses in our survey have robust processes for supply chain and logistics risk management and scenario analysis, so they would benefit from board involvement.

But many boards are not involved with these topics:

Just 54% of businesses say that supply chain and logistics is a board-level issue at their organisation

28% have a supply chain and logistics expert on the board

33% have a supply chain and logistics committee

A lack of understanding of supply chain and logistics topics is stopping boards from engaging with management on these issues. They can improve their understanding through training and by directly communicating with supply chain leaders within the business.

Some businesses have already made a start. “I presented to the board maybe two or three times over an eight-year period pre-Covid,” says Cisco’s John Kern. “And then through the crisis I presented to the board every single quarter. Board-level engagement completely changed between pre-Covid and now.”

05. Conclusion

People are a critical but often overlooked component of successful supply chains. It is vital that supply chain teams build close ties with executives outside of their function and forge collaborative relationships with third parties. But the research shows that many struggle to do so, with supply chain and business leaders being very connected at only one in five business. Bringing in new skills into supply chain teams can help develop these relationships, internally and externally while better positioning businesses to navigate the emergence of new supply chain risks.



About the research

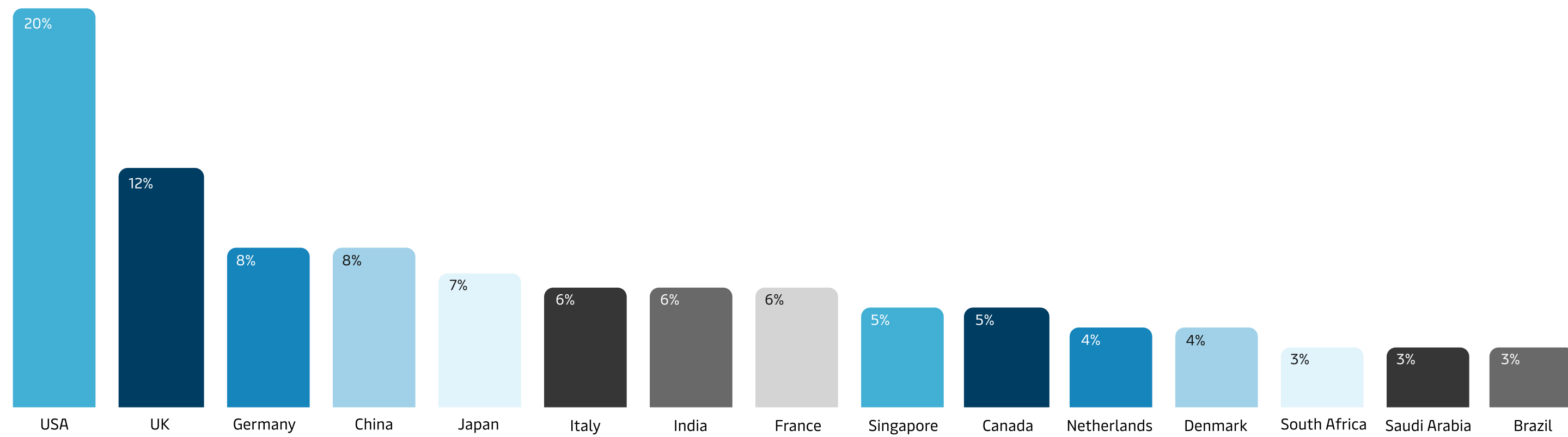
The findings in this report are based on an international survey of 500 business executives, conducted in January and February 2024. Every participant worked for a business generating at least \$50m in annual revenue and spending at least \$2m annually on supply chain and logistics. Half of them generated more than \$500m in revenue in the most recent full financial year, and 30% generated more than \$1bn.

The respondents worked in the following sectors:

- Cloud computing (i.e. public and private cloud providers)
- Consumer electronics (i.e. mobile phones, tablets, notebooks, wearables, healthtech, TVs, printers, PC or laptops, gaming devices)
- Home appliances (i.e. white goods, major household appliances and lighting)
- Power management and automation (i.e. energy and automation solutions for efficiency and sustainability)
- Renewable energy (i.e. wind, solar power and green solutions)
- Semiconductors (i.e. companies involved in design and fabrication of semiconductors)
- Telecoms and networks (i.e. network infrastructure and network providers)



Country Breakdown



To supplement the survey, we carried out interviews with:

- **Arnd Hirschberg**, Chief Procurement Officer, Siemens Energy
- **Jessica Hoffman Kipp**, Senior Vice President of Supply Chain Markets and Logistics, HP
- **John Kern**, Senior Vice President of Supply Chain Operations, Cisco
- **Michael Koralewski**, Chief Supply Chain Officer, First Solar
- **Federico Marchesi**, Head of Supply Chain Management, Haier Europe
- **Mourad Tamoud**, Executive Vice President, Global Supply Chain, Schneider Electric

Job Title Breakdown

