

Supply chains, reimagined

How can the supply chain
sector pave the path
to success?

verizon

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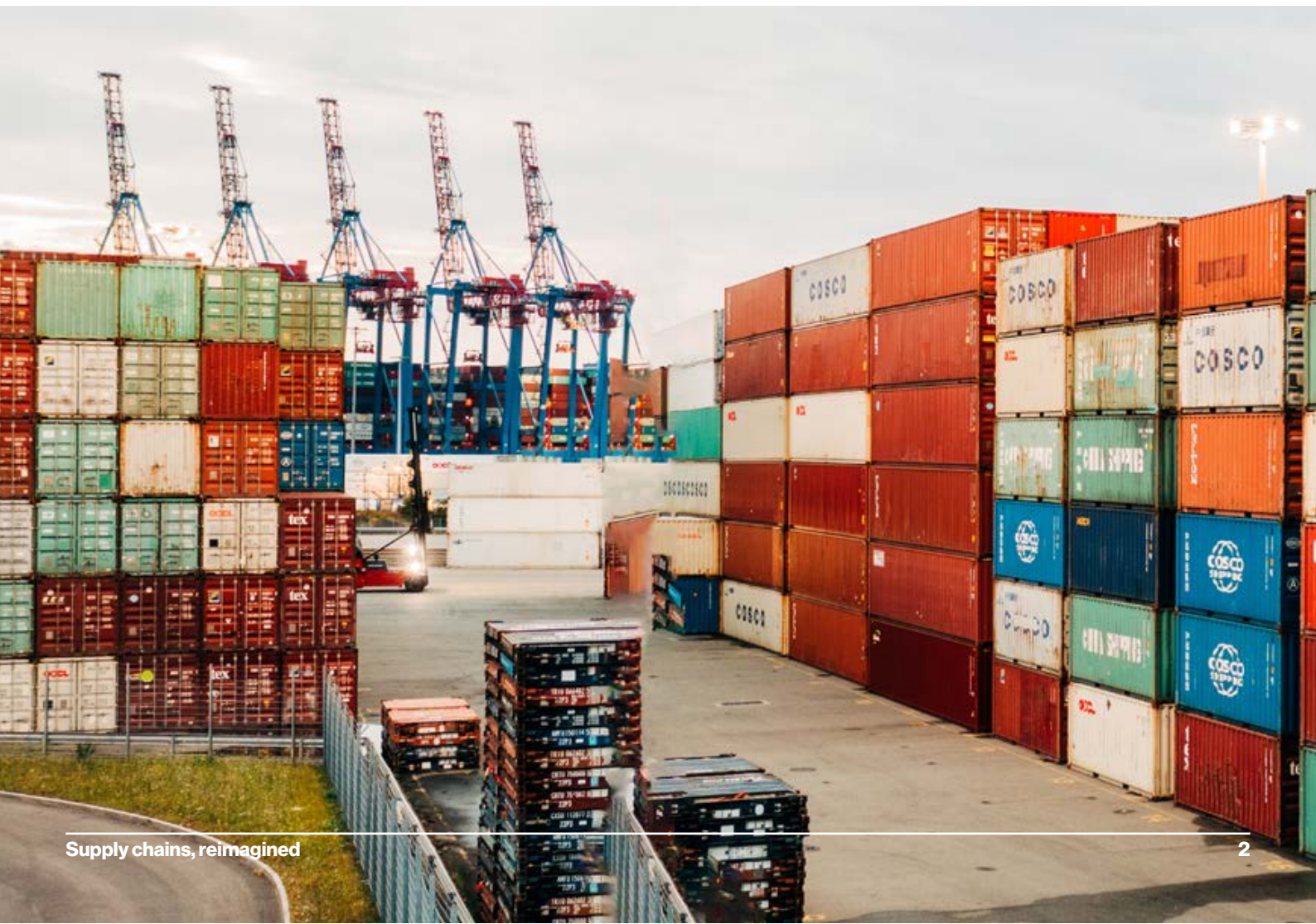
Supply chains, reimagined

How can the supply chain sector pave the path to success?

Over the past two years, global supply chains have come under unprecedented stress and scrutiny.

It is difficult to imagine more difficult operating conditions: unforeseeable interruptions to supply have made it even more difficult to satisfy volatile demand. Covid-19 has repeatedly shut down some of the world's biggest manufacturing centres, while the blockage of the Suez Canal in 2021 by the grounded Ever Given container ship crippled global shipping routes.

Meanwhile, there are more partners, suppliers and customers involved in supplying businesses than ever, expanding and complicating each business ecosystem and, by extension, the very nature of supply-chain management.



Reacting to change in the right way

Businesses face strategic challenges of historic proportions: decarbonisation and the net zero transition, the digital revolution, and now geopolitical instability and the increasingly gloomy global economic outlook. For some businesses the answer is a retreat from globalised business models and long, complex supply chains. The future of supply chains could look very different to the present. The question is, how can suppliers take full advantage of the opportunities such change will inevitably offer?

The global research carried out for Verizon's new research report, *Business, reimagined*, points to four priority areas for supply-chain businesses to focus on in order to recover strongly from the recent devastating set-backs and get set to accelerate into the future.



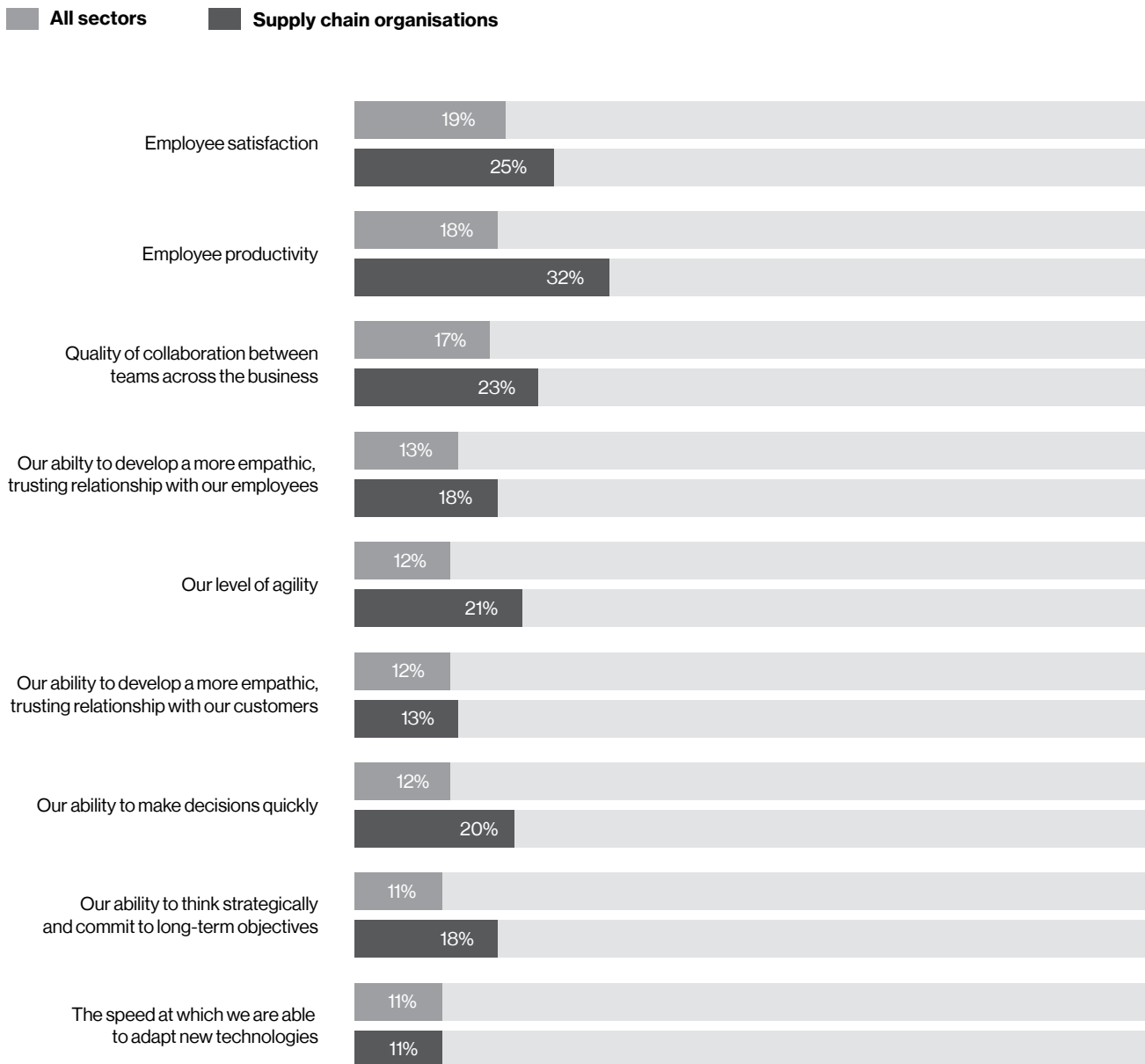
The pandemic and its aftermath

The Covid-19 crisis hit the supply-chain sector hard. Our survey of 600 executives globally across nine key sectors found supply-chain companies to be less likely than those in other sectors to report improvements in revenue and profit over the last year. Almost a third (32%) report that employee productivity has fallen, compared to 18% overall, while fewer report improved customer satisfaction levels (54% vs 63%).

Our research found that many firms have learned lessons and emerged stronger from the crisis in key aspects of future-readiness – however, supply-chain executives were less likely to point to such improvements. Fewer, for instance, feel that they have an enhanced ability to think strategically and commit to long-term objectives (68% vs 72% overall). Similarly, fewer believe their businesses have improved in terms of agility (63% vs 72% overall).

How, then can the sector bounce back from the blows of the past two years and maximise its readiness to seize the opportunities ahead?

To what extent did the Covid-19 pandemic negatively impact the following areas of your organization?



1. Accelerate automation to bolster future-readiness

Digital technologies will be game-changing for the supply-chain sector, including the use of smart sensors to automate processes; using AI to increase efficiency in distribution routes; and improving end-to-end visibility and traceability of goods to improve transparency, to name just a few potential applications.

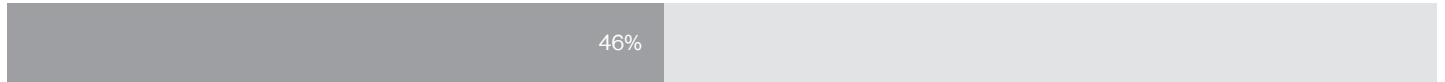
It is little wonder that almost three-quarters (73%) of sector respondents agree that improving integration and automation across the supply-chain ecosystem is a strategic priority in 2022/23 (vs 64% of firms overall). More than half (52%) plan to invest in improving automation between partners over the next 12 months, including vendors, suppliers and customers – again, above average across sectors (46%).

Adam Koeppel, Verizon's Senior Vice President for Technology Strategy, Architecture and Planning, says that complex sites can benefit from integrated networks, such as those Verizon is developing with Associated British Ports. "Network-connected machinery uses data to move shipping containers incredibly efficiently," explains Koeppel. "That is a major benefit." In addition, once established, today's 5G-enabled private networks provide "almost infinite flexibility" for the secure and reliable integration of partners, enthuses Koeppel.

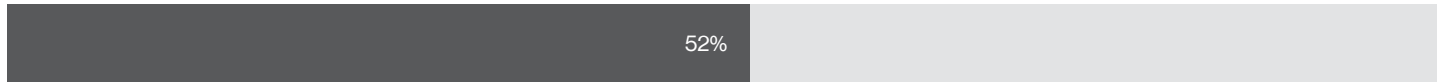
Given the inherent need for seamless integration of partners at all stages of the supply chain, this has to be a priority. Firms that have already committed strongly to automation and digital transformation are leading the way in terms of securing their supply-chain ecosystems.

Do you plan to invest in improving automation between your partners over the next 12 months?

All sectors



Supply chain organisations



2. Make technology a priority to improve resilience and adaptability

“We’ve just had a crash course in uncertainty and unpredictability,” says the entrepreneur, chief executive and management professor, Margaret Heffernan. Moreover, she warns, “We are stuck in an age of crisis.”

The volatility of the current business environment has put the supply chain at the heart of discussions about economic resilience and adaptability. The sector can enhance its own adaptability and robustness to withstand future shocks by intensifying its focus on key digital technologies. For instance, there are opportunities to optimise networks through enhanced demand prediction and modelling, to improve capabilities for in-transit rerouting, and to improve last-mile delivery.

Leading businesses are starting to use a wide range of technologies, such as Artificial Intelligence (AI) and machine learning, digital twins, the metaverse, blockchain, and augmented or virtual reality (AR/VR). Yet, supply-chain firms are comparatively unlikely to invest in key technologies such as 5G and network technologies (57% vs 70% across all sectors), cybersecurity (64% vs 78%), and AR/VR (45% vs 56%).

And despite the strategic imperative, fewer than half of supply-chain respondents (46%) report that their businesses’ senior leadership take an active role in technology adoption, compared to 62% across other sectors.

Leaders need to ensure their businesses are strategically and operationally focused on the successful adoption and implementation of the game-changing technologies needed to thrive in the years ahead. This is as true for the supply chain as anywhere else in business.



3. Re-energise the workforce with a focus on employee satisfaction and productivity

Accelerating technology adoption is not the only critical dimension of the future success of supply-chain companies. Unlocking next-level performance among their people is also essential.

Leadership author, Jacob Morgan, suggests that the pandemic and its fallout are “forcing organisations to put people first.” But our survey highlights this is not necessarily the case in the supply-chain sector: respondents were less likely to agree that senior leaders demonstrate empathy in communications with employees (50% vs 61% overall), and less likely to say their 2022/23 priorities included improving organisational culture (50% vs 62%) or supporting employees’ mental health (52% vs 69%).

While technological transformation may be top of the agenda, leaders also need to ensure their people are engaged and inspired to drive their businesses’ future success.



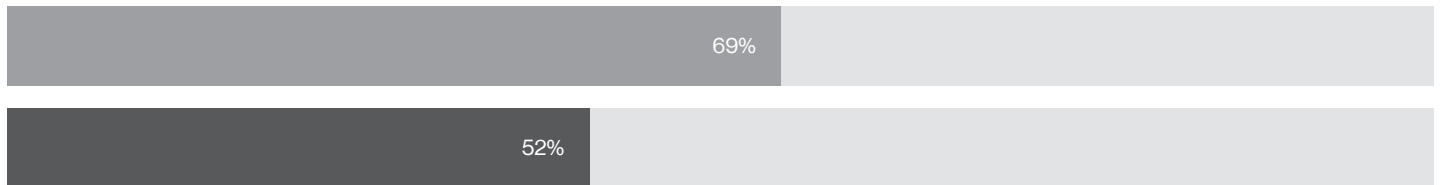
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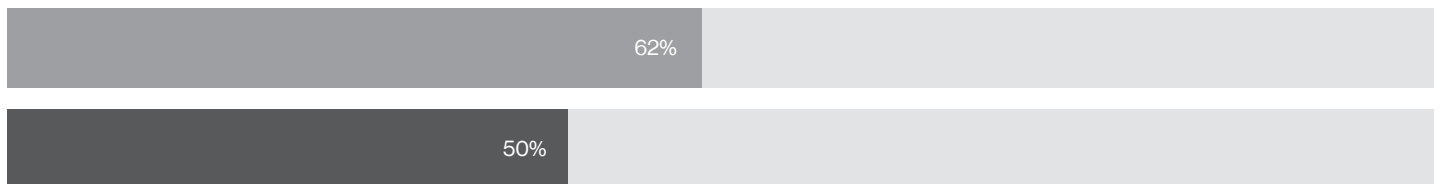
To what extent are the following issues strategic priorities for your organization in 2022/2023?

■ All sectors ■ Supply chain organisations

Supporting the mental health of our employees



Improving our organisational culture



4. Act now on ESG and DEI

The supply-chain sector has global reach and impact, a fact that often puts it at the centre of debates about environmental, social and governance (ESG) issues in business, including the global shift to net zero. However, our research found little confidence in the sector's progress on ESG metrics; supply-chain firms were less likely to say that they had developed a clear approach to measuring their carbon footprints, for instance (23% vs 33%).

Supply-chain firms also lagged behind many businesses on some of the critical dimensions of diversity, equity and inclusion (DEI), such as achieving diversity in senior leaders' roles or linking company performance on DEI to senior leaders' compensation.

Falling behind on ESG or DEI challenges could do significant damage to the sector's standing with key stakeholders (as well as negatively affecting its ability to attract and retain talent). Nevertheless, the sector has an immense opportunity to be part of global solutions to some of the key challenges facing society. Electric vehicles, alternative fuels and highly efficient, AI-determined distribution routes will do a huge amount to reduce carbon emissions, while the sector can also address demands for enhanced traceability and product authentication through smart sensors and blockchain ledgers.

Like all global sectors, supply chain has suffered damaging body blows over recent years. However, provided that supply-chain leaders focus on harnessing new technologies and recognise and act upon the imperatives of society and the changing business environment, these areas of vulnerability could be areas of opportunity for growth and future success.

