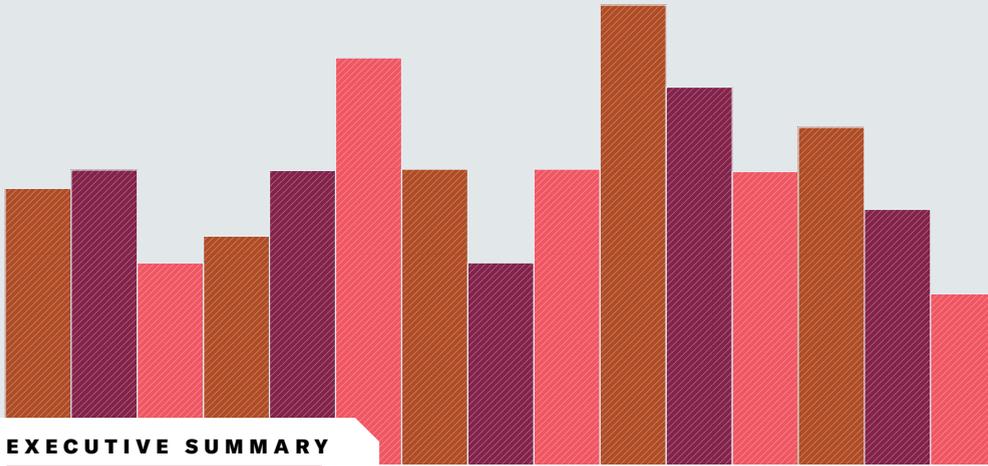


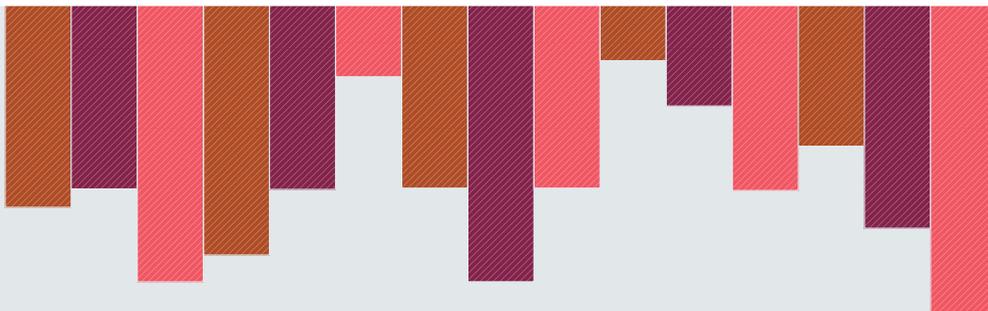


**Harvard
Business
Review**

ANALYTIC SERVICES



A Supply Chain Built for Competitive Advantage



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A Supply Chain Built for Competitive Advantage

In an era defined by disruption, organizations must be able to respond quickly to changing business needs and customer demands. In the past few years alone, a trifecta of events—the pandemic, political turmoil, and natural disasters—have wreaked havoc on the supply and demand equation, challenging organizations to rethink their supply chains so that they might build the visibility and flexibility needed to become more resilient. In fact, an October 2022 survey of 189 executives by Harvard Business Review Analytic Services finds that 94% of executives say supply chain operations are a higher priority for organizations today than they were three years ago. What’s more, nearly all (97%) respondents strongly or somewhat agree that having a resilient supply chain positively impacts a company’s bottom line.

Yet, for many organizations, challenges abound, from technological issues to an absence of qualified talent. For instance, while 90% of respondents believe a modern and fully integrated digital infrastructure supporting the supply chain is critical to business success, many organizations continue to rely on bloated legacy systems and a one-off approach to supply chain operations. This complex and fragmented IT environment can hamper the real-time decision making required to anticipate disruptions—whether a natural disaster or a geopolitical event—and solve problems proactively.

HIGHLIGHTS



97% of survey respondents agree that having a **resilient supply chain** positively impacts a company's bottom line.



90% believe having a modern and fully integrated **digital infrastructure supporting the supply chain** is critical to business success.



53% feel their supply chain isn't **flexible enough to adapt quickly** to market demands.

Fortunately, many business leaders understand the urgent need to update and integrate applications and establish best business practices to survive in today’s harsh business climate.

Key Findings

Years of disruption and the need for agility top the list of significant challenges facing supply chain operations.

When asked what significant challenges organizations are experiencing with their supply chains, two-thirds of executives say their supply chain is still recovering from a recent disruption, making it the most commonly cited challenge on the list. In fact, only around half (54%) of executives agree that their organization has recovered from the past two years of supply chain disruptions. Looking at other significant supply chain challenges, 53% of respondents fear their supply chain isn’t flexible enough to adapt quickly to fluctuating market demands. Other factors hampering supply chain operations include technology/data issues (37%), poor collaboration between internal supply chain teams and external partners (31%), difficulty finding talent with supply chain skills and expertise (30%), and a difficult regulatory environment (26%). **FIGURE 1**

Organizations mostly rely on customer experience, cost, and speed metrics rather than financial growth when assessing supply chain success. Sixty-two percent of respondents cite on-time shipping/delivery as a metric they use to measure supply chain effectiveness, closely followed by cost savings (59%), inventory turnover (57%), and supply chain cycle time (43%). Only 29% of executives use enhanced financial performance as a barometer for supply chain success, and only 26% monitor ROI.

When it comes to critical supply chain capabilities, there are gaps in executive expectations and their organization’s performance. Respondents were shown a list of different supply chain capabilities and asked to rate how valuable each was on a scale. The areas that 50% or more cited as “extremely valuable” (the top rating) were a clear decision-making framework/strategy to address risks (58%), strategic sourcing capabilities (55%), talent with supply chain expertise and experience (51%), and strong customer-facing capabilities, such as tracking and shipping (50%). When it comes to an organization’s actual performance in each of these highly valuable areas, 20-to-30-point gaps are revealed in each case. Twenty-three percent of respondents say they’re very or extremely satisfied with their organization’s execution of a clear decision-making framework to address risks, which is 34 percentage points lower than how many note this ability as extremely valuable. Strategic sourcing is 31 points lower (24% vs. 55%), talent is 25 points lower (27%

FIGURE 1

Disruptions Still Plague Supply Chain Operations

Faster recovery and increased flexibility are key concerns for respondents

What significant challenges is your organization experiencing with its supply chain operations? Select all that apply.



Source: Harvard Business Review Analytic Services survey, October 2022

vs. 51%), and customer-facing capabilities is 22 points lower (28% vs. 50%). This gap trend continues across all the supply chain areas listed. **FIGURE 2**

The technology-related challenges facing organizations mostly involve data usage and access. Sixty-five percent of executives cite lack of access to real-time supply chain data as a technology obstacle to their supply chain operations, closely followed by not enough data visibility (54%), digital



76% of organizations are currently, or are in the planning stages of, implementing improvements to the digital infrastructure of their supply chain.

applications don't communicate with one another well (47%), too many data silos (45%), and too many legacy systems (44%).

Most organizations rely on legacy systems and one-off applications rather than a single integrated platform to manage their supply chain. The majority of organizations do not have a supply chain digital infrastructure that is connected, seamless, and current. In fact, a large share of respondents currently relies on a slew of individual applications instead of a single integrated platform to manage their supply chain—63% rely on a mix of different one-off applications. **FIGURE 3** And when it comes to how up to date these tools are, the majority are relying either partly or entirely on old applications; 59% rely either completely or partly on a set of outdated tools. In addition, 11% use barely any tools or no tools at all to manage the supply chain. This finding leaves only 11% that have a modern, integrated digital solution for their supply chain.

Unhappy with current supply chain tools, many organizations are reimagining their digital infrastructure and IT support. Seventy-six percent of organizations are currently—or are in the planning stages of—implementing improvements to the digital infrastructure of their supply chain. In fact, 71% of executives say recent disruptions of the supply chain have caused them to rethink the supply chain technology they use. At the same time, 82% of executives do not agree that the digital tools their organization uses to manage their supply chain work well and do not need improving.

Increased market share and reduced costs are the most sought-after advantages of improving the supply chain digital infrastructure. Of those working to update their digital infrastructure, 23% say the main benefit their organization is looking to realize is an increase in their competitive advantage in the marketplace, closely followed by reducing supply chain operating costs (19%). Enhancing

FIGURE 2

Performance Lags in Many Supply Chain Areas

A strategic framework, sourcing capabilities, and talent are areas requiring work

In order to have a strong supply chain, how valuable is it for an organization to have the following areas firmly established? How satisfied are you with your organization's performance in each of these areas today?

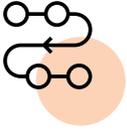


*Difference based on unrounded percentages.

Source: Harvard Business Review Analytic Services survey, October 2022

customer experience was the third most popular benefit organizations are seeking, at 14%.

Organizations are relying on a variety of strategies to improve supply chain resilience. In fact, three-quarters say their organization has been working to increase their supply chain resiliency within the past two years. Looking ahead, executives say third-party collaboration and data-driven initiatives are key to their organization's supply



A supply chain must have built-in visibility and flexibility for organizations to survive a highly competitive landscape and heightened customer demands.

chain resilience—but many must act on these strategies. Although 61% of respondents believe their organizations should be increasing collaboration with external supply chain partners to make their supply chain more resilient, only 39% of respondents say their organization is actually doing so or plans to within the next year (a 22-point gap). Other meaningful changes executives are quick to recognize but organizations are slow to act upon are focused on data and technology, including improving supply chain data analytics capabilities/metrics (58% vs. 40%), increasing use of real-time planning capabilities to better predict changing demand/disruptions (54% vs. 29%), and updating/modernizing the digital infrastructure of the supply chain (52% vs. 32%). In light of these results and given that a lack of access to real-time supply chain data (another data-related flag) was the top technical challenge executives cite, a stronger focus on supply chain data is imperative.

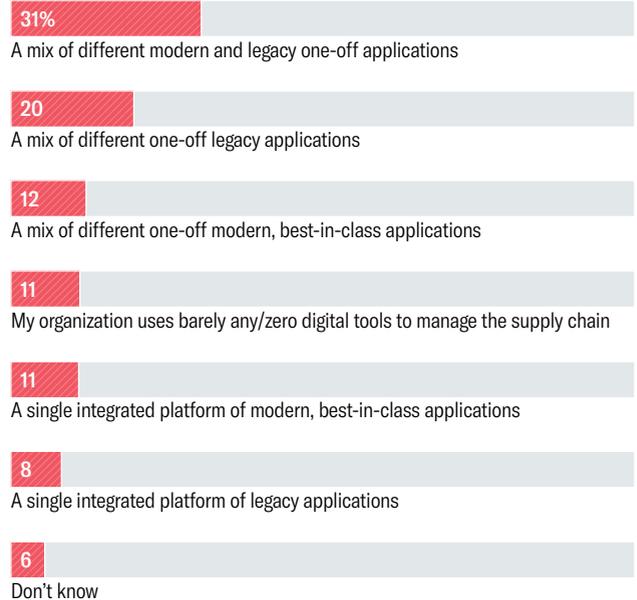
Despite competing priorities, leaders recognize the role supply chain resiliency plays in business success and a robust corporate culture. Seventy-one percent of respondents agree with the statement “My organization wants to focus more on improving the digital infrastructure of its supply chain, but other aspects of the business take higher priority.” Fortunately, there are signs of a shift as more than three-quarters (76%) of organizations say increasing the resiliency of the supply chain is top of mind for their organization’s leadership, and 91% of respondents strongly or somewhat agree that a corporate culture that recognizes the value of modernizing supply chain operations is critical to success.

FIGURE 3

A Hodgepodge of Systems Dominate

Most respondents rely on a mix of modern and legacy one-off apps

Which of the following best describes the digital infrastructure your organization currently uses to manage its supply chain?



Source: Harvard Business Review Analytic Services survey, October 2022

Conclusion

These days, a supply chain must have built-in visibility and flexibility for organizations to survive a highly competitive landscape and heightened customer demands. The good news is today’s leaders recognize the value of increasing the resiliency of a supply chain. But fully realizing a supply chain’s competitive offerings will require organizations to modernize their digital infrastructure with integrated technology tools and data-driven practices. Strengthening IT support of the supply chain calls for technologies that can provide unfettered access to real-time supply chain data and offer greater data visibility across the enterprise. At the same time, organizations must secure talent with the skills and experience required to manage a digital infrastructure and the valuable supply chain data it generates.

METHODOLOGY AND PARTICIPANT PROFILE

Harvard Business Review Analytic Services surveyed 189 members of the *Harvard Business Review* audience via an online survey conducted in October 2022. Respondents qualified to complete the survey if their organization operated a supply chain and they were familiar with those operations.

Size of Organization	Seniority	Key Industry Sectors	Job Function	Regions
30% 10,000 or more employees	32% Executive management/ board members	36% Manufacturing	26% General/executive management	43% North America
29% 1,000–9,999 employees	38% Senior management	8% Technology	14% Logistics/ purchasing/ procurement	22% Asia Pacific
8% 500–999 employees	20% Middle management	All other sectors less than 8% each	10% Sales/business development/ customer service	19% Europe
25% 100–499 employees	10% Other grades		8% Operations/ production/ manufacturing	7% Middle East/Africa
8% 50–99 employees			All other functions less than 8% each	8% Latin America
0% Fewer than 50 employees				1% Other

Figures may not add up to 100% due to rounding.



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