BUILD A RESILIENT AND AGILE SUPPLY CHAIN TO ENABLE FLEXIBILITY IN THE FACE OF CHANGE

Even in the most ideal market scenarios, organizations need to be able to react quickly to change and want their supply chains to be responsive and nimble. This now-fundamental expectation is a matter of process capabilities and maturity. How well does the supply chain perform? And to what extent have end-to-end supply chain processes been optimized?

There needs to be a permanent infrastructure in place (with objectives, resources, plans, governance, and metrics) to ensure a focus on continuous improvement and fully optimized supply chain processes.

This performance driver is both a guiding principle for all supply chain management efforts and a call to ensure process optimization is a formalized aspect of supply chain planning. For plans to be realistic, supply chain planners need a clear assessment of their supply chain function’s maturity, capacity, and current performance. And when the supply chain’s process capabilities fall short of organizational need, process improvement needs to be a formalized element of supply chain planning.

In its initial survey of 2020 priorities, APQC found that most organizations feel that flexibility in the face of challenges will be vital to thriving during chaos—which has turned into a spot-on prediction for the year. And supply chain planning topped the list of priorities for 90 percent of respondents, which indicates the point from which process optimization is likely to be initiated.

In fact, APQC is seeing an increased interest in operational process innovation, which now shares top standing—along with analytics, automation, and digitization—for supply chain priorities. Within the discipline of supply chain planning, immediate priorities for most organizations include implementing new technologies, implementing best practices, and standardizing processes.

APQC’s survey of supply chain professionals found that supply chain process improvement efforts are being hindered most by regulations, followed by:

- lack of support for collaboration across functions and externally,
- technology shortfalls or disruptions,
- too much change,
- limited workforce engagement,
- lack of resource allocation for process improvement,
- communication challenges,
- hard-to-access knowledge, and
- lack of governance.

Such obstacles to process improvement need formalized project management and change management guidance.
Facing down a time of great market uncertainty, APQC recommends focusing on operational innovation and process improvement for the greatest long-term benefit. Core efforts should focus on defining and using processes, measuring performance, and ensuring clear accountability and responsibilities. By bending the curve on efforts proven to improve performance, organizations can gain time on long-term supply chain improvement concerns.

In 2019, an APQC survey found that half of organizations had failed to meet their goals for the year and the same amount was unable to keep pace with competitors. Organizational performance was even worse regarding supply chain goals, with the majority failing to meet goals for customer service and satisfaction, cost savings, sales, inventory, and ROI. These results show that supply chain organizations were in a precarious place even before the impact of COVID-19. Clearly, an ongoing focus on process improvement in supply chain planning is necessary to both weather hardships and in less turbulent times.

CASE IN POINT: 3M
The immediate, global shift in demand resulting from the pandemic is an obvious example of the importance of resilient and agile supply chains. Global manufacturer 3M took center stage as global supply chain issues across industries became headline news. 3M needed to massively scale up its production of PPE and healthcare equipment. The company was able to quickly shift gears thanks to the process optimization efforts it put in place before the outbreak. Its efforts to integrate manufacturing, supply chain, and customer operations had reduced production planning cycles by 70 percent across its many businesses. It had also built “surge” manufacturing capacity that could remain idle, except for spikes in demand. Because of this foundation-setting, 3M was able to double its typical production of N95 respirators. Its long-term focus on optimizing supply chain processes—along with the infrastructure to scale up when needed—is helping the company contend with marked drops in demand from other industries during the pandemic.

TAKE ACTION
For more insight on supply chain planning performance, see APQC’s Supply Chain Planning: Blueprint for Success. APQC goes beyond the information in most benchmarking reports to provide insights into the actual best-practice process enablers that are driving the results. This research outlines a blueprint for success that organizations can follow to help set them ahead of the pack, including a process framework for supply chain planning activities, key performance measures and benchmarks, and performance drivers to improve planning at strategic and tactical levels.

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