

## What's Trending In Supply Chain Management

### Supply Chain Leadership and Chronic Disruption

29 April 2014

Jonathan Thatcher  
Director of Research  
APICS Foundation



## What Does APICS Research Do?

### Build the APICS Research Library –free to members

Member Reports – research results on many topics

Folios – insight and starting point for cutting-edge topics

Career Packs – develop career competency, attract top talent

OM Outlook – salary, skills, hiring and layoff expectations over the next 6-12 months

### Support APICS and the APICS Foundation

Perform Certification Job Task Analysis (JTAs)- **Take the upcoming CSCP JTA!**

Provide content for APICS Magazine, APICS Extra, Webinars, and other products

Speak at APICS, partner and industry events

Answer YOUR questions

2 © APICS Confidential and Proprietary

# Part 1: Supply Chain Leadership: Research Findings

Industry-wide strengths and weaknesses

Formal and informal leadership

Differences between supply chain  
leadership and management

Career advancement toward supply  
chain leadership

Different perspectives by age,  
geography, management level

APICS

## APICS Supply Chain Leadership Survey

26 questions

Survey invitations went to 20K randomly selected APICS members and customers

366 complete responses (502 total responses)

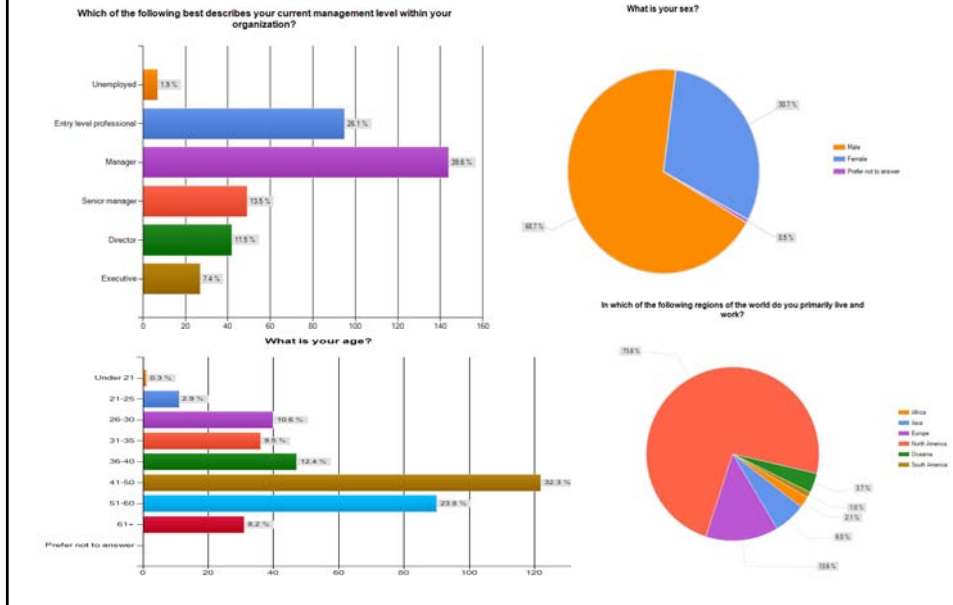
Margin of error is about 5.12% using a 95% confidence interval

Survey ran from 4 December 2013 through February 2014

Questions that helped design this survey

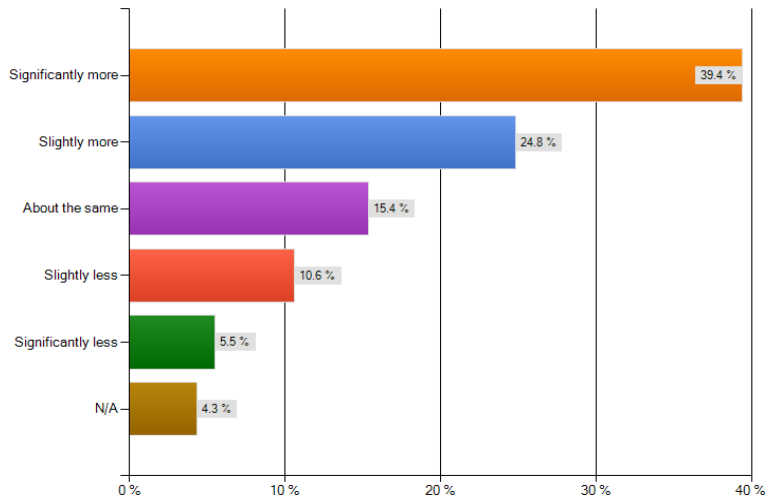
- How much leadership is there in supply chain management?
- Are supply chain leaders formal leaders, informal leaders, both?
- What supply chain tasks tend to need the most leadership?
- As practitioners what leadership practices do we find difficult?

## Demographics: Who are the Survey Respondents



## Supply Chain Leadership Trend Line

In comparison to your last professional position, how much leadership is required of your current position?



## Who is a Supply Chain Leader Versus Manager?

**The survey defines a "supply chain manager" as**

- \* a supply chain professional
- \* holds a managerial position or job title
- \* administers and/or manages assigned supply chain duties, resources, and staff on behalf of an organization

**The survey defines a "supply chain leader" as** a supply chain professional who

- \* has followers, or teams of followers
- \* has a generally recognized scope of leadership capability, large or small
- \* is a primary source of guidance, direction, or inspiration in pursuit of important, enduring supply chain related objectives

A supply chain professional may be *either* a supply chain leader *or* manager

***both a supply chain leader and manager***

***or neither one – e.g. entry level, consultant***

7 © APICS Confidential and Proprietary

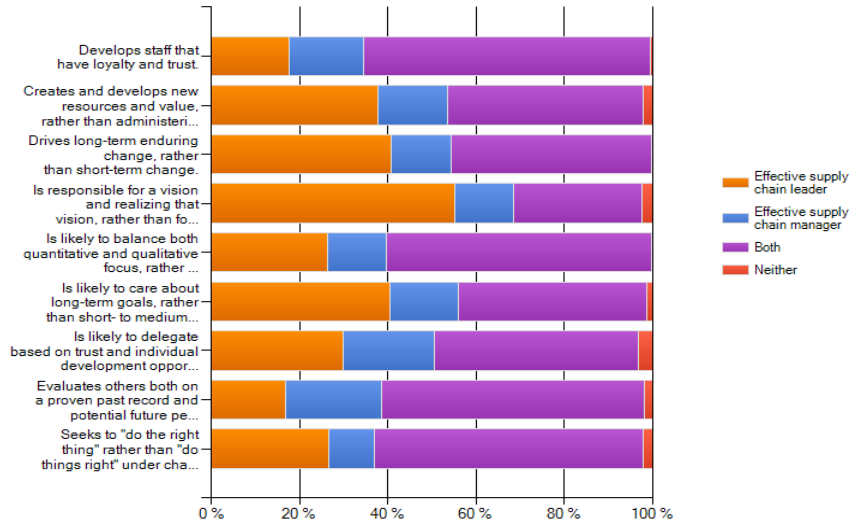
## Survey Attributes: Leader AND/OR Manager?

- Develops staff that have loyalty and trust
- Creates and develops new resources and value, rather than administering resources
- Drives long-term enduring change, rather than short-term change
- Is responsible for a vision and realizing that vision, rather than focusing on budgets and completing assignments
- Is likely to balance both quantitative and qualitative focus, rather than a primarily quantitative focus
- Is likely to care about long-term goals, rather than short- to medium-term goals
- Is likely to delegate based on trust and individual development opportunity, rather than structure and position
- Evaluates others both on a proven past record and potential future performance, rather than on a proven past record alone
- Seeks to "do the right thing" rather than "do things right" under challenging conditions

8 © APICS Confidential and Proprietary

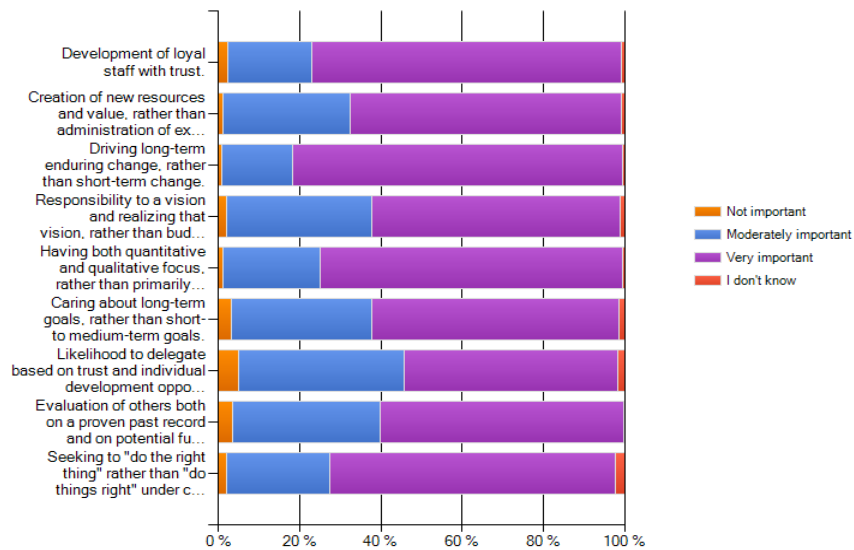
## Effective Leadership and Management

Based on your professional experience, are the following statements generally associated with an effective supply chain leader, an effective supply chain manager, both, or neither?



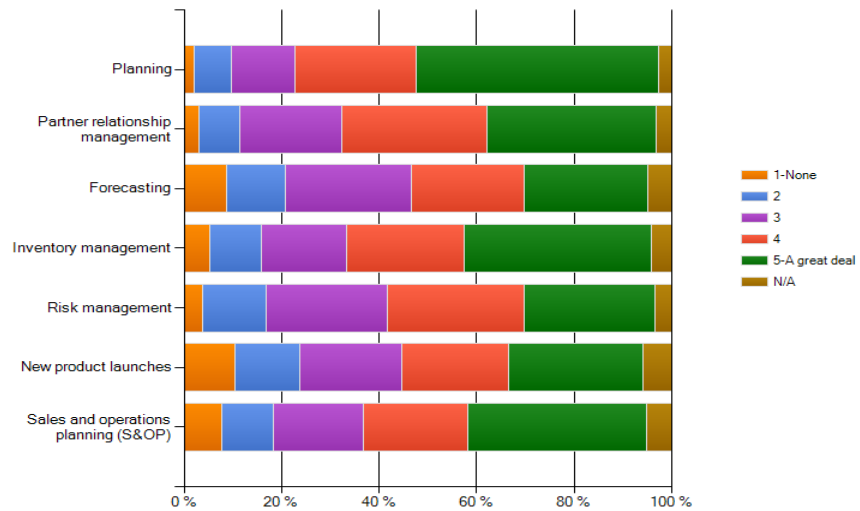
## Advancing a Supply Chain Career with Leadership

Based on your professional experience, how important are each of the following for supply chain career advancement?



## Supply Chain Leadership – Where Does Leadership Effort Go?

In your current position, how much supply chain leadership do the following areas demand? (1 = none, 5 = a great deal)



## Formal Versus Informal Supply Chain Leadership

A **formal** supply chain leader is a professional whose job title contains the word 'leader.' Note that some organizations include the title of leader in all management positions, no matter the level.

An **informal** supply chain leader is a supply chain professional whose position does not include wording that formally includes, or directly implies, leadership; but nonetheless acts as a supply chain leader.

### Survey Results:

- \* Informal supply chain leadership is important
- \* Compared to the past, there is more informal leadership now and expected in the future

## Why is Formal Versus Informal Supply Chain Leadership Important?

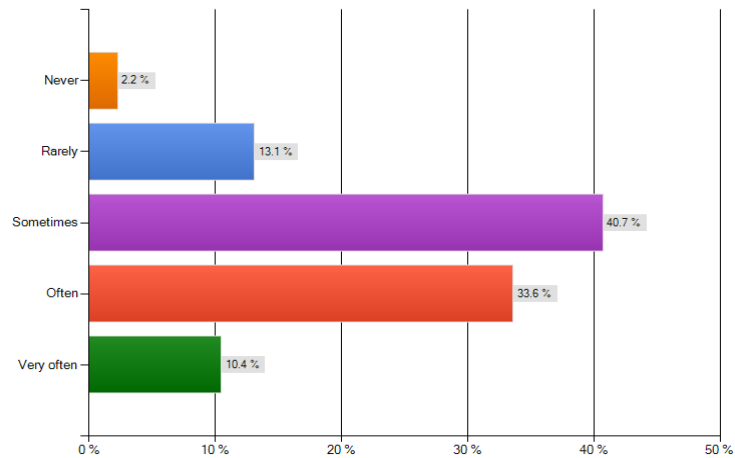
### Survey Results:

- Informal supply chain leadership is a significant source of supply chain leadership
- Compared to the past, there is more informal leadership now
- Informal leadership is a potential career pathway to formal leadership
- Everyone is -- or can be -- at least an informal leader in their own area of responsibility

13 © APICS Confidential and Proprietary

## Does Informal Supply Chain Leadership Work?

Throughout your career, how often have you been motivated to perform to the best of your ability by an 'informal' supply chain leader? An informal supply chain leader is a supply chain professional whose title does not formally include or directly imply leadership, but nonetheless acts as leader.



14 © APICS Confidential and Proprietary

## Balancing Formal and Informal Supply Chain Leadership – Today

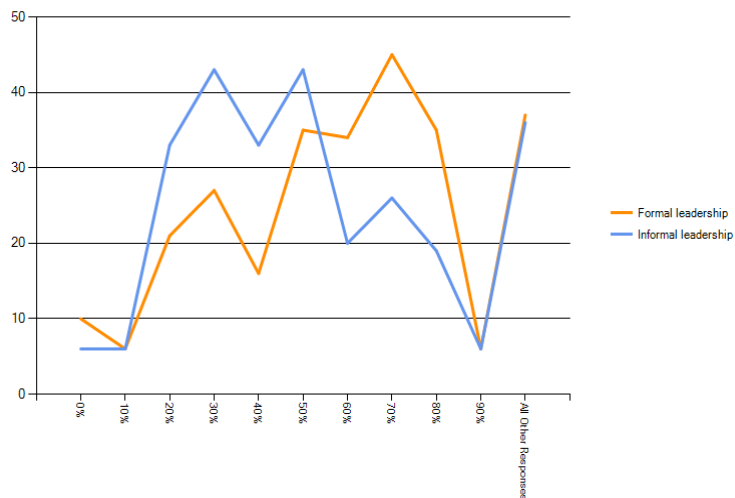
Approximately what mix of formal and informal leadership does your current position require now? (Percentages should add up to 100.)



15

## Balancing Formal and Informal Supply Chain Leadership 5-7 Years Ago

Approximately what mix of formal and informal leadership was required of positions equivalent to yours five to seven years ago? (Percentages should add up to 100.)



16



## Balancing Formal and Informal Supply Chain Leadership in the Future

Approximately what mix of formal and informal leadership do you estimate will be required of a position equivalent to yours five to seven years in the future? (Percentages should add up to 100.)



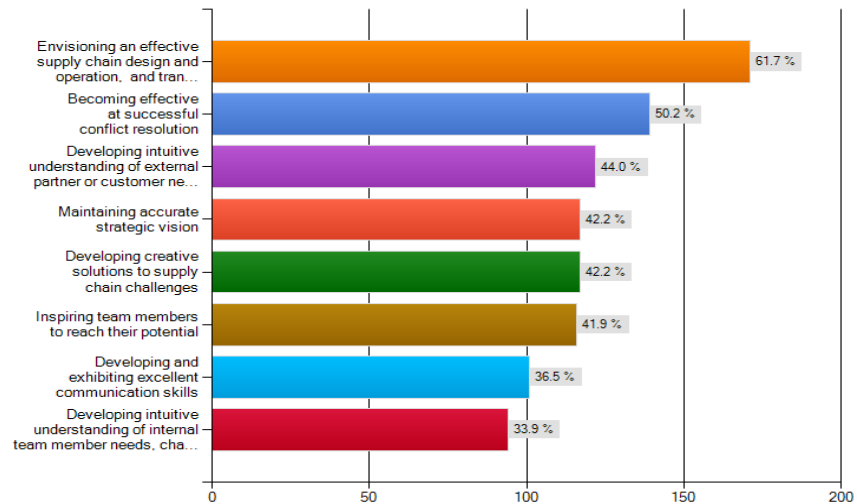
## What Makes Supply Chain Leadership Difficult?

Survey Results:

- Change management and aligning strategy to actual practice
- Poor leadership in other departments of my organization
- Envisioning an effective supply chain design and realizing that vision
- Getting experience to become a supply chain leader

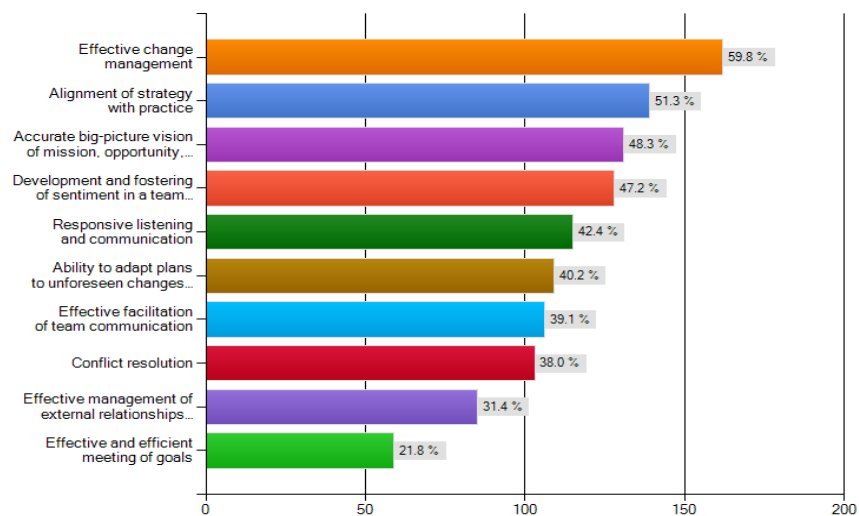
## What Is So Hard About *Becoming* a Leader?

Based on your experience, which of the following supply chain leadership abilities are particularly difficult for practitioners to develop? (Please select all that apply)



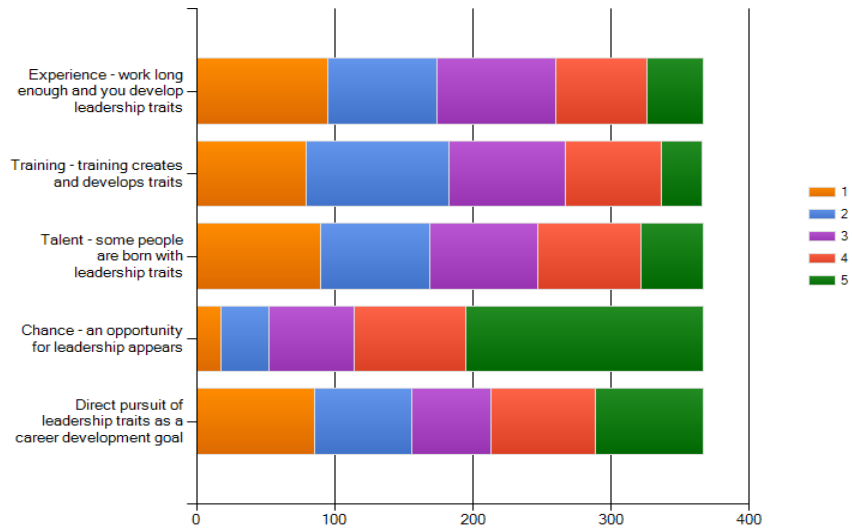
## What Is So Hard About *Being* a Leader?

Where has supply chain leadership most often exhibited substandard performance based on your professional experience? (Select all that apply)



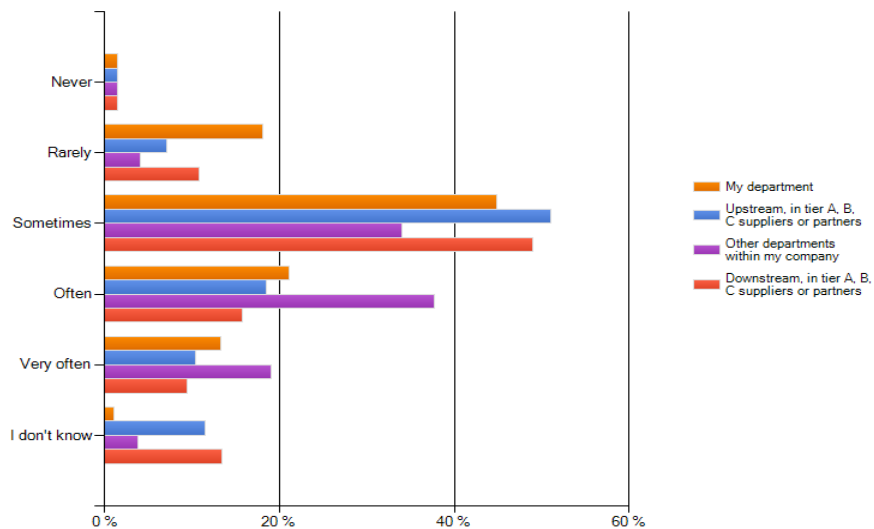
## What Helps Create Leadership Skill?

Please rank the following in order of importance, with respect to the development of leadership skills.(1 is most important, 5 is least important)



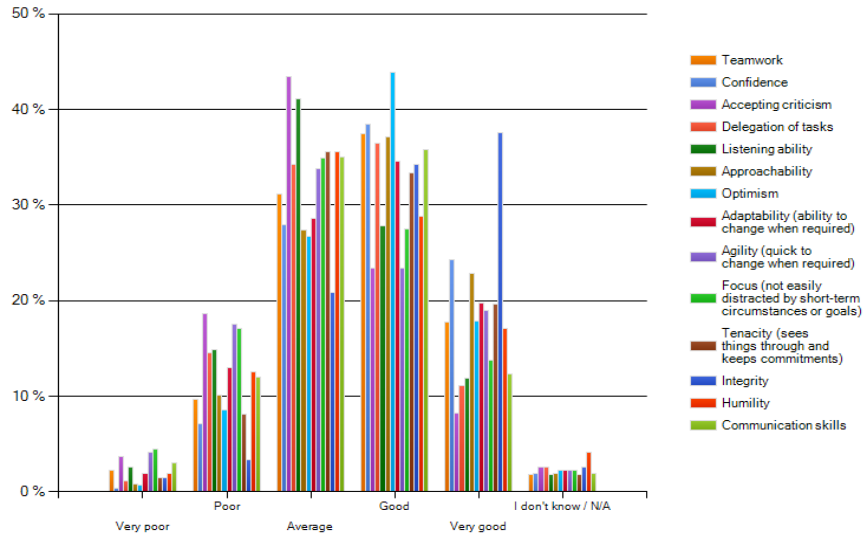
## Ineffective Supply Chain Leadership - Where?

How often does ineffective leadership present a challenge to the following areas?



## Supply Chain Leader Attributes

Overall, how do you rate your organization's supply chain leader (s) in the following areas?



## Part 2: Using Leadership– Resolving Supply Chain Chronic Disruption

A Research Area

Definition

Importance

Causes

Steps to eliminate Chronic Disruption

The following slides are a quick reference  
–should you ever encounter chronic  
disruption

## Defining Supply Chain Chronic Disruption

- 1) Persistent disruption that degrades, but does not halt, supply chain operation – AND
- 2) Disruption that fails to resolve with traditional disruption solutions

What is NOT Chronic Disruption? Disruption that

- responds to traditional, tactical remedies
- interrupts, not merely degrades, supply chain
- does not persist

25 © APICS Confidential and Proprietary

## Why Should We Care?

73% of survey respondents report experiencing Chronic Disruption in their career – (2013 APICS survey)

Chronic Disruption is hard to get rid of because

- root causes are hard to detect
- visibility is poor
- companies tolerate it due to lack of a solution

– this makes Chronic Disruption persistent

Yet the supply chain manager is responsible to get rid of Chronic Disruption. But how?

26 © APICS Confidential and Proprietary

## Example Scenario – “Nothing Works”

You are responsible for supply chain with about 80 troublesome SKUs, on-going stock outs occur despite every effort

Mostly sourced from overseas suppliers with little interest in improvement

Your formal task: Develop appropriate inventory boundaries in the distribution center

Your current efforts are to evaluate and adjust

- ordering frequency
- minimum order quantities (MOQs)
- lead times
- safety stock levels

“What else can I do?! What haven’t I thought of?”

27 © APICS Confidential and Proprietary

## Eliminating Chronic Disruption – 5 Steps

- I. Detect Supply Chain Chronic Disruption – *Is and Is Not Analysis*
- II. Define Chronic Disruption's Root Cause(s) – *Internal and External*
- III. Break the Tolerance Cycle for Chronic Disruption – *Visibility for Costs, Strategy Alignment, Competitive Disadvantages*
- IV. Execute Your Chronic Disruption Solution – *i.e. Projects and Allies*
- V. Follow-up: Long-term Strategic Plans and Activity – *Be Persistent!*

28 © APICS Confidential and Proprietary

## I. Is It Be Chronic Disruption?

### Identifying Chronic Disruption versus Routine Disruption

- 58.3% Chronic disruption involves more complex causes and consequences than routine difficulties
- 35.3% Length of time - routine difficulties resolve themselves in the short-term
- 31.7% Routine difficulties have routine solutions - chronic disruption does not
- 27.1% Routine difficulties are visible to most everyone while chronic disruption is not very visible

29 © APICS Confidential and Proprietary

## Detecting Chronic Disruption

### How long does it typically take to recognize chronic disruption is occurring?

- 36% few days to a few weeks
- 41.7% few weeks to a few months
- 20.6% few months to a year

### Who generally recognizes that chronic disruption is occurring?

- 60.9% myself
- 61.3% supply chain colleagues
- 46.1% operations management colleagues
- 21.3% customers
- 17.4% senior management

30 © APICS Confidential and Proprietary

## II. Root Causes of Chronic Disruption

Often there are combined internal and external causes

### (1) Unstable demand + long lead times + constrained distribution

- Persistent shortages, bullwhips, forecasting challenges

### (2) Long Series of Acute Disruptions

- Disorders synchronization, fails to recapture synchronization

### (3) Poor 'Must-use' Suppliers/Procurement in Supply Chain

- Vertical enterprise-owned units not well suited to purpose

And When Business Unit Strategy, Supply Chain Strategy, and Tactics Stay Out of Alignment

## Yet At First It Is Easy To Fault Suppliers:

### Chronic Disruption: Supplier-Related Difficulties

- |       |  |
|-------|--|
| 50%   | Our business was not substantial enough to warrant sufficiently high supplier priority<br>- Poor strategy= 56.5% Good strategy=40.5% |
| 44.2% | Our orders often fell outside the supplier's usual expectations of volume, delivery, or payment methods                              |
| 32.1% | Our orders were for rare or difficult to produce products or services  |
| 18.8% | Our orders did not fit the supplier's core offerings<br>- Poor strategy=34.8% Good strategy=18.9%                                    |



## Open Text: Supplier-Related Difficulties

“Supplier payment terms too short or up front.”

“Typical chronic disruption exceeded suppliers lead-times and capacity constraints, and smaller suppliers cannot respond”

“Suppliers don't deliver when promised! Period.”

“Highly seasonal product line plus shelf life concerns”

“In our business, with volatile demand & critical financial buoyancy, suppliers are often the first to suffer in the whip lash effect going down thru the supply chain where the impact is more and more important as you move further away from the end user.”

33 © APICS Confidential and Proprietary

## Internal Causes Often Exist

### Open Text: Internal Causes and Supplier Difficulties Causes

“Myopic management”

“Internal barriers prevent effective action”

“Short notice to suppliers”

“Complexity of designs”

“It could be our orders are erratic”

“No visibility to supplier issues, especially tier 2-3”

34 © APICS Confidential and Proprietary

### III. Breaking the Tolerance Cycle for Chronic Disruption – Tolerance Enablers

- Soft Risks
  - 67% Unexpected, unstable demand
  - 55.1% Falling levels of supplier trust or relationship
  - 47.1% Increasing supply chain complexity
  - 32.6% Shifting customer preferences
- Strategy: Poorly suited supply chain strategy to current needs
- Risk Management: Slowly unfolding, underestimated challenge
- Open text responses:
  - “Blame games”
  - “Lack of compliance”
  - “Corporate issues with overseas”
  
  - “But What Can We Really Do About It?”

35 © APICS Confidential and Proprietary

### To Break Tolerance Build Situational Awareness

#### (1) Compare Pre-Chronic Disruption Performance

Forecasts formula that rely on recent past performance gradually begin to define a “new normal”

#### (2) Increase Visibility of Chronic Disruption, its Causes, Enablers and Consequences Among All Stakeholders

#### (3) Tally up and Communicate Total Losses and Costs to Stakeholders

hard costs  
opportunity costs  
competitive costs

Share the Evidence and Dialog to Find Allies and Establish Solutions

36 © APICS Confidential and Proprietary

36

## Open Text Solution Responses

“Root cause analysis reveals issue is internal and not with suppliers and, therefore, does not change”

“Purchasing is off limits to being the possible root cause; but they are the problem no discipline”

“S&OP & MTRP never considers the short term strategy that damages the correct working of the supply chain”

“Difficult to maintain sustainable trust when there are huge forecast inaccuracies & constant renegotiation on payment terms and supply arrangements. Time to volume and supplier time to yield make it difficult to arrive at a win-win...”

37 © APICS Confidential and Proprietary

## IV. Execute Your Chronic Disruption Solution – *i.e. Projects and Allies*

Connect your supply chain risk manager with the supplier's – *“We want to solve the supply chain risks we're experiencing”*

Investigate with the supplier useful changes to logistics, distribution, finance, buying/planning – small changes across many domains can add up

Investigate group purchase organizations (GPOs)

Investigate taking equity in a good local supplier if vertical sourcing requirements are a challenge.

Investigate sourcing of difficult components through reverse supply chains

Request senior management

- Clarify business unit strategy given conflicting tradeoffs in ending chronic disruption
- Formally sponsor projects to eliminate chronic disruption
- Engage supplier's senior management about prioritized strategic supply issues

38 © APICS Confidential and Proprietary

38

## Supply Chain Strategic Analysis

Chronic disruption may be a sign of a less than optimal supply chain strategy, or execution. Compare an optimal supply chain to your current supply chain in terms of:

Make-buy

Mix of supply and suppliers

Locations of facilities

Information system strategy

Long-term contract language

**What hampers improvement in these areas now?**

Resources? Authority? Skills? Opportunities? Priorities? Visibility?

How well would an updated supply chain strategy be executed?

“Default” supply chain strategy (no strategy) is not good enough

39

© APICS Confidential and Proprietary

39

## Solutions Attempted

57.4% Jointly investigated with supplier structural changes such as logistics, distribution, buying processes, information sharing

54.4% Requested that my organization's senior management speak to the supplier's senior management

36.4% Engaged risk management in both my organization and the supplier's organization

11% Investigated group purchasing organizations (GPOs)

40

© APICS Confidential and Proprietary

## Comparison of Supply Chain Strategy To Solutions

### Poor internal supply chain strategy survey responders:

- 54% “We have not yet resolved it”
- 16.7% “We substantially changed supplier standards, metrics, contracts”
- 8.3% “We changed our logistics or distribution”

### Good internal supply chain strategy survey responders:

- 32% “We have not yet resolved it”
- 40% “We substantially changed supplier standards, metrics, contracts”
- 29.7% “We changed our logistics or distribution”

Supply chain strategy does matter to Chronic Disruption

## V. Follow-Up: Long-term Strategic Plans and Activity

Have someone “represent” Chronic Disruption enablers in S&OP, Risk Management, New Product Launches, and Strategic Planning.

- What will isolate and eliminate chronic disruption enablers?
- What supporting soft skills are needed
- Ensure a supply chain wide perspective on chronic disruption
- Maintain alignment of supply chain strategy-tactics
- Engage all stakeholders

## Persist in Execution

- All supply chain risk management faces human nature's tendency to reduce or end risk management when risk no longer seems obvious –**persist anyway**

Initial improvement may tempt halting remaining efforts.

- Complete projects anyway
- Follow-through to eliminate lurking enablers
- Reset long-term expectations among all stakeholders

43 © APICS Confidential and Proprietary

## Chronic Disruption Overall Solution Results

### **36.6% Not Yet Resolved**

32.9% Found substitutes for components, products, services

28.8% Changed our supplier or partner standards, metrics, contracts

26.7% Changed or updated our supply chain strategy

23.9% Increase supply chain diversity or flexibility

20.2% Senior Management elevated resolved the issues

19.8% Substantially changed or logistics and distribution

**2.1% No longer serve affected markets or customers**

44 © APICS Confidential and Proprietary

## Chronic Disruption Take Aways

### Keep looking for internal causes and enablers

Even if supplier is 100% responsible, the supply chain manager remains 100% responsible for finding new suppliers, tactics, strategies

### Develop Supply Chain *Co-destiny*:

The evolution of a supply chain from **intra**organizational management to **inter**organizational management. (APICS Dictionary Definition)

Evaluate current Supply Chain strategy – improve strategy and alignment of tactics and strategy (supply chain management)

## Healthy Supply Chain Ecosystems Help Banish Chronic Disruption

- Good alignment of supply chain strategy and **business** strategy
- Good alignment of supply chain strategy and **supply chain** tactics
- Continuous upstream and downstream improvements to safety stock strategies, substitute products, and scheduling triggers, and order points
- Good risk management with sensitive early warning signs for all types of disruption
- Proactive discovery and recovery of risk to prevent bottlenecks, service levels, and single points of failure
- **Widespread awareness of chronic disruption and how to counter it**

## Q&A – Thank You

Jonathan Thatcher

Director of Research

APICS Foundation

+1 773-867-1780

[jthatcher@apics.org](mailto:jthatcher@apics.org)

For all APICS research please visit

[www.apics.org/research](http://www.apics.org/research)