

# Supply chain resilience vs. agility

## A new balance is required

Over the last several weeks, Korn Ferry has conducted virtual cross-sector roundtables with chief supply and chief procurement officers from around the world to understand how COVID-19 has impacted their businesses.

The overarching message from participants was that agility alone will not be sufficient to overcome this crisis and that resilience will now be at least as important within supply chain's future design.

Going forward, organizations will need to find a better balance between efficiency, agility and resilience. The need for cost efficiency will remain important, but the supply chain executives we spoke with said organizations will need to take bold, strategic steps. This is a unique window to make significant digital investments to achieve increased and/or accelerated end-to-end visibility to better deal with volatile demand and supply shifts posed by COVID-19.

**The following are core priorities supply chain leaders need to address as they reimagine their supply chains.**

### Revisit Supplier Relationships and “Glocalization”

Companies need to radically pivot sourcing strategies toward a more localized, multi-tier supplier model, integrating real time risk modelling into their management of key partners whilst still leveraging their global volumes and relationships, moving towards a “glocalized” approach.

At the same time, organizations need a deeper understanding of the health of their own suppliers. Companies big and small have embarked on a “dash for cash,” while limiting what they pay out. Without effective communication between customers and suppliers, the effort might be creating even bigger problems downstream.

Open communication and collaboration can help

### Support from the top?

- 45% of CSCOs surveyed report directly to the CEO
- 52% of CSCOs say they need either greater alignment or more support from the CEO

Chief Procurement Officers segment their supply base very carefully, not only to drive cost efficiency but also to help stabilize critical suppliers that could go out of business. Vodafone, for instance, has been very systematic engaging with each supplier to assess how they would be impacted if the telecommunications firm altered its payment terms.

The feedback the company gets from its suppliers “will then allow it to forecast which suppliers could potentially become distressed and, therefore, which ones Vodafone could provide extra support”, says Ninian Wilson, CEO of the Vodafone Procurement Company.

Developing these type of close, collaborative relationships with strategic suppliers will be extremely beneficial in the medium and long term.

“You can, very quickly, understand who your friends are. You are seeing the people who are with you for the long-term haul versus who



is looking at making cash quickly,” says Ian Harnett, executive director of human resources and global purchasing at Jaguar Land Rover.

### Trust-Based Leadership

All the CSCOs Korn Ferry spoke with are proud of the personal resilience that their teams have shown. Their trust in their team’s capabilities has only increased even as the realities of remote working have sunk in. Moving trust to the top of a Chief Supply Chain Officer’s leadership agenda has streamlined communication, empowering their frontline teams to make decisions.

Malcolm Harrison, CEO of CIPS said, “how organisations treat their employees during this crisis will pay dividends in the future in terms of commitment, confidence and the development of capabilities. My own pride in the procurement profession has never been higher, as I have seen both teams and individuals go above and beyond to respond in an agile way with real creativity to minimise business disruptions.”

Trust, empathy and increased engagement, made simpler by travelling less and communicating more frequently/informally through digital platforms, has enabled supply chain leaders to get closer to their teams.

Thomas Udesen the Chief Procurement Officer of Bayer, bringing to life his “Tea with Thomas” on a Thursday evening as an example of the informalities that have enabled him to form a closer bond with his team.

Jodi Dudley, a global business services executive at Ford who oversees over 12,000 employees, has utilized live polling as a method of enhancing the engagement of her function and providing real time acid tests of people’s morale.

**Effective talent management will be a key success factor on the path to recovery and long-term success. Korn Ferry has identified six Talent Priorities:**

1. Identify, nurture and keep your existing “Top Talent”.
2. Plan for your talent around a new operating model of “resilience.”
3. Align your top team.
4. Activate new ways of working.
5. Start building contingency plans today.
6. Re-align your internal talent replacement with your revised business strategy.

Source: Korn Ferry 2020 Pulse Survey

### Accelerate the Digitization Journey

Many companies are facing a seismic channel shift toward e-commerce. This goes hand in hand with the need to leverage big data and new technologies to drive end-to-end visibility and real time risk management for improved and often “touchless” decision making. The greatest bottleneck will be the lack of talent with both “best in breed” technical knowledge, and that are transformative leaders. COVID-19 has propelled the CSCO’s push for greater focus upon the cross-pollination of data between the function, customers, and key suppliers.

As Dave Ingram, Chief Procurement Officer at Unilever outlines, despite the current focus on cash and resilience Unilever will further invest in digital capabilities to drive sustainability and ethical sourcing



practices. He states that with the advancement of “blockchain and AI, we will now have a line of sight right back to the ‘first mile’ of a raw material from the field or farm to our consumer’s hand”. These technological innovations are one of the multiple pillars that have enabled Unilever in his words “to continually set the bar very high” evidenced through their Unilever Sustainable Living Plan which turns a decade old this year.”

#### **Advanced Planning**

As companies move through the stages of recovery (as we refer to it, “React, Restart, Reimagine”) the businesses that will excel are those that have invested in their people, their business processes and their planning technologies,

At the moment, the companies that are most successful have robust scenario planning and modelling capabilities combined with global S&OP/IBP capabilities.

As Stuart Clarke, Managing Director of Dynamic Supply Chain highlighted “unfortunately, that type of investment hasn’t been particularly widespread.”

Managers and senior leaders have found themselves unable to control the levers of their business operations. CSCOs must realize that once the pandemic fades, demand will be more volatile and supply less reliable for months to come.

However, as Marc Engel, Chief Supply Chain Officer of Unilever outlined, “business agility trumps forecasting any time”. With increasing consumer demand for shorter lead times and hyper-segmented SKU portfolios Unilever’s aim is to “produce

tomorrow what we sold yesterday.”

#### **Start Reimagining Now**

Whilst the future is not what it used to be and, everyone is in agreement that nobody knows what the “new normal” will look like, it is important to start immediately developing a range of scenarios and how they might impact the reimagining of the supply chain. A large American automaker, for instance, has reimagined its supply chain in a manner that nobody would conceive possible just 24 months ago, The automaker is now ramping up its e-commerce platform to create a “Virtual Show Room” enabling customers to buy vehicles without ever test driving or seeing them in the flesh.

The onus upon Chief Supply Chain Officers is to become increasingly entrepreneurial in the “reimagine” stage.

As Alexandre Baubert commented, leaders over the next six months are driving through “thick fog where COVID-19 has created such a high level of uncertainty that one can no longer solely rely on the traditional data points and demand sensors to help navigate through to the other side. Whilst staying focused on the customer “road”, one has to take risks to emerge from the fog unscathed but at all times there is the need to be hands on, one foot on the accelerator and one on the brake.”

As Carsten Rasmussen, the COO of Lego, stated a knee-jerk reaction to appease outside noise would be “a grave error when there is so much uncertainty ahead.”



## Future-state of the supply chain leader, reimagining the role.

### Strategic insight

Boardrooms and CEOs are asking themselves if they have the right leaders in place. They are starting to question if their leaders are strategic enough to drive them out of the crisis whilst reconfiguring the supply chain to enable a move towards a new operating model and in some cases even towards a new business model. As one HR Director of a global Private Equity fund suggested, “we are now looking for supply chain leaders that are not just good operators but have started their career in strategy consulting”.

### Diversity breeds resilience

The burden is upon supply chain leaders to convince and educate the C-Suite around the benefits of a more resilient supply chain. Within their own teams, Chief Supply Chain Officer’s need to increase their commitment towards finding diverse talent. Korn Ferry research shows that in a transformation, diverse perspectives and breadth of thought drives creativity.

### Eco-system configurator

Chief Supply Chain Officers need to improve their abilities to build networks and collaborate across traditional boundaries. Building a more adaptive and resilient supply chain ecosystem requires all the stakeholders across the supply system; manufacturers, shipping providers, port operators, road transport providers, retailers, technology providers, advisors, and government regulators, just to name a few. CSCOs need to both show and tell that the chain of supply is truly connected.

### Purpose oriented and personal resilience

Korn Ferry has concluded that the best prepared leader for tomorrow’s disruptive environment is “The Self Disruptive Leader”. The key traits required are a high level of learning agility, self-awareness, emotional and social intelligence, assuredness but humble and being purpose driven. Julian Birkenshaw, Professor at London Business School outlines, “resilience in leaders will be as important as resilience in the actual supply chain. Resilient organisations have a clear sense of purpose, they help employees find meaning in their work”. Bernhard Raschke comments that “having purpose makes it easier to bounce back in challenging times by providing perspective, stability, confidence and determination.”

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