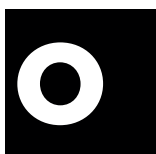


A Break in the Supply Chain

Except during holidays, even the C-suite tends to ignore a critical link in operations. Will tariff wars and tech disruptions change that?

BY CHANA R. SCHOENBERGER



f all the operations that companies have—finance, cybersecurity, human resources—rarely does the supply chain get a lot of attention. That is, until something goes

wrong. Very wrong.

The hot holiday gift of the year never makes it to store shelves because a computerized tracking firm messes up. A critical part costs double for a factory because the supply firm went bankrupt—and the plant forgot to have another lined up in advance. Promises of two-day deliveries, very big this time of year, aren't kept. In the C-suite and boardrooms, people notice and start asking: the supply what?

But this year may very well become the Year of the Supply Chain. Events like Brexit and, more recently, the United States-led tariff wars—not to mention tech disruptions, the continued use of online buying, and even the purpose movement—have brought supply-chain matters front and center even before things go wrong. The question now is whether a company—and virtually every industry can be affected—will have enough time to stay ahead of the critical links in its business.

By some estimates, the logistics sector, which is the backbone of all supply chains, has itself ballooned into a \$4 trillion-plus per year business. That isn't surprising, given how closely it reflects all of the key trends in business, from global economy shifts to the emergence of artificial

intelligence. Firms can now use technology to track goods in split-seconds, while forecasting how, say, a hurricane may affect the availability and price of a key product, while also responding to sudden shifts in consumer fashion tastes sparked by a viral Instagram posting. The so-called purpose movement is now a part of this, too, with supply chains ensuring and document-

ing, for example, that diamonds are coming from socially responsible suppliers.

The Takeaway

Firms that are waking up to the growing significance of supply chains will have a competitive edge.

As the former chief supply officer at Chiquita Brands International, Waheed Zaman describes a head-spinning process. "There are many more products now and they are being

purchased and consumed in different locations," he says. Yet, at the same time, the possibility of having much closer to real-time details on where products are throughout the entire supply chain, using machine-learned algorithms, can radically change a company's strategy, he says. "Supply-chain agility has become absolutely critical."

And it's even more critical this year, now that tariffs and major tax law changes are in effect. Companies with operations in China, for example,

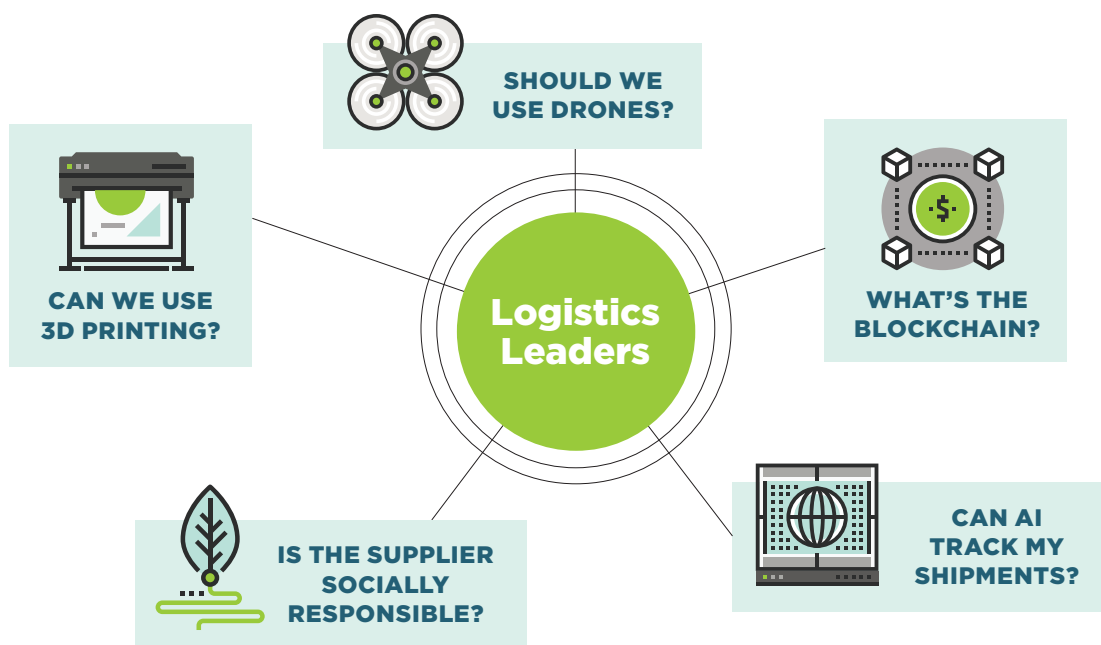
fighting to minimize the impact of new US tariff laws, have been rushing to bring in orders from Asia. Similarly, companies funding overseas supply chains with money kept offshore may be vulnerable to this year's widespread changes in tax law, say Gregor Fiabane, a Santiago, Chile-based senior client partner at Korn Ferry. "It's react, anticipate, and change your supply-chain network; that's the ultimate goal," he says.

To generate new ideas, some companies have given their supply-chain managers a budget for

says it's easy to define the skill sets—agility and flexibility—but says strategic thinking to reinvent supply-chain networks matter, too. "It was a non-factor a few years ago, but today it's very often mentioned when companies transform their businesses," Fiabane says.

Still, it's an education in process. Raschke says most executives think about supply chains in terms of cost reduction, focusing on whether their process can deliver the right quality product at the right time for the right price. They might

NEW QUESTIONS LOGISTICS LEADERS DIDN'T HAVE 10 YEARS AGO:



experimentation, says Bernhard Raschke, who runs the Supply Chain practice for Korn Ferry in London. One pilot: A beer maker relying on weather data to forecast demand and improve deliveries.

But perhaps the most important change happens in the leadership running all this. Not surprisingly, as tariff and tax headaches reach the boardroom level, "we are seeing more and more requests for executives who have had careers in supply chain," says Raschke. For his part, Fiabane

not realize how their sourcing or manufacturing can put the company at risk—such as when a food supplier tweaks ingredients and consumers, noticing the change in taste, spread negative reactions across social media. "What has increasingly become an issue is that supply chain needs to lead with risk management because of the vulnerability of supply chains," Raschke says. "Companies now have to manage a trust issue, and it's intrinsically linked to their supply chain." ▀