

Supply Chain: A Function in Transformation

By Tankut Sensurucu



For Supply Chain, a function used to operating in the background of consumer consciousness, COVID-19 was transformative. When the pandemic hit, Supply Chain leapt to center stage. Overnight, everyone began to worry: Would the factories keep running? Would we be able to get not only critical essentials such hand sanitizer and PPE, but also small pleasures like biscuits and beverages? Supply Chain leaders, skilled at managing a complex ecosystem of internal and external stakeholders, found themselves at the front lines of the war on a raging virus.

Supply Chain function came through that crisis, but the war on COVID-19 will not be a one-battle affair. As global industry survived the initial shock, Supply Chain leaders started thinking about how to continue to transform their organizations, even as a much-feared second wave arrived. Recently, Egon Zehnder gathered Supply Chain leaders for a discussion about what Supply Chain leaders have learned from the pandemic thus far and what lies ahead for the function.

Our discussion was wide ranging, but one compelling theme emerged: Supply Chain challenges are a combination of new issues raised by COVID-19 and long-term challenges now heightened by the global crisis. The response will demand new talent, creative solutions, and a commitment to continued transformation. Even when the pandemic is past, the spotlight on the Supply Chain function will linger.

Some Things Never Change

Many leaders noted that despite the upheaval of recent months, some themes, such as customer focus and cost optimization, remain at the top of their agenda. As one leader put it, “competitive advantage still comes from managing costs, as focus shifts from cost efficiency to cost competitiveness.” Even during the worst of the pandemic, costs and customers remained key.

So, too, leaders said, was the Supply Chain function’s commitment to sustainability, a topic long before COVID-19 arrived. The pandemic did not shake the industry from its goals. “We are continuously looking for new technologies and research to reduce environmental footprints,” said one.

But New Challenges Emerged

Still, COVID-19 put a spotlight on many new issues Supply Chain leaders must now confront. Growth, for example, emerged as a key priority. As commercial growth occupies increasingly more of the Supply Chain agenda, leaders must create capacity and emphasize agility to spur growth. Furthermore, Supply Chain, like other functions, found itself scrambling to put its digital transformation plans into overdrive. While few Supply Chain leaders had begun the digital transformation process before the pandemic, once the virus hit, it was clear much more needed to change. “Historical data is of no use. Real time visibility is necessary to communicate with customers as

well as people on the shop floor in a timely fashion,” said one leader. Indeed, the crisis forced everyone to think about digitalization beyond e-commerce, said another. “Digitalization is not just e-commerce, not just a tool, but a way to reframe as a digital organization, like Amazon does.”

Innovation also emerged as a new priority as companies struggled to adapt their processes to the fast-moving events. The key, said one leader, is giving new ideas a fast start. “Developing products over a year is not acceptable anymore.” Instead, companies must adopt a start-up mentality, and focus not just on deploying new technologies but also fostering the right technology partnerships and acquiring new technical and cultural tools to innovate.

The pandemic placed a new spotlight on the issues surrounding geo-politics and localization. Building regional capabilities became a new mandate as COVID-19 rates rose and fell in different patterns around the world. A function that used to rely on multi-region structure now looked to develop closed-loop ecosystems. “We need to create end-to-end supply chain capabilities within a region,” said one leader. This allows a supply chain to build a resilient organization locally in order to respond to local customer needs quickly. For some companies, changes had to follow global politics. “U.S.-China competition, once a trade problem quickly became a national security issue,” noted one leader. “This requires re-engineering the supply chain model, from one concentrated supply chain in China to bifurcate it, supporting the company’s business in China differently from the U.S. While not the most cost efficient way, it is what is needed in the long term.”

The Talent Mandate

Amid the change, Supply Chain leaders realized they would have to make adjustments in people capabilities to stay ahead of the upheaval. The search for talent shot to the top of the priority list. “Growth is a great problem to have, but it must be supported by talent to make it sustainable, to keep promises to customers, to continue investing in marketing and to ensure availability of products while improving customer experience. Companies that can keep on top of these stay on top,” said one leader.

To cope with the extraordinary business challenges presented by COVID-19, Supply Chain leaders had to adopt an Enterprise Leadership mindset, which also highlighted what people can do if given the right circumstances. When the initial shutdowns began, companies scrambled to run Supply Chains under vastly new circumstances, often having to inspire frontline workers when some of their peers could work from a relatively safer home environment. The experience underscored the true value of the human talent. “When you have 15,000 people in your SC organization, people capability becomes critical. Being local elevates the need to grow the organization upwards. COVID-19 taught us what we are truly capable of.”

Looking Ahead to Post-Pandemic

While COVID-19 remains an ongoing threat, Supply Chain leaders say they are also looking ahead to the next round of challenges – many of which span the full length of the enterprise: from those on the front lines to those in the corner office. One leader summed up his challenge in three keywords: Green, Digital and Inclusive.

Building diversity and inclusion is a top priority going forward, said one leader. The need for innovation during the pandemic highlighted the need for new talent and new ideas so that Supply Chain organizations can be at their smartest. Supply Chain must “be inclusive, and reflective of the societies in which we operate. It is imperative to build diversity in a heavily male dominated function – where only 10% of senior leaders are female.”

Ultimately, Supply Chain leaders acknowledged that transformation was not just for others in the organization. Leaders themselves must look at the lessons learned and the challenges ahead and consider their own personal mission. Transformation of an organization is not possible unless leaders are willing to evolve personally as well, seeking the new skills and behaviors that will be necessary to shepherd the business through this round of change – and beyond.



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