Adaptive Supply Chains
Building Capabilities for an Uncertain World
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Companies dependent on complex supply chains must develop the responsiveness and resilience needed to prepare for the increasing volatility and vulnerability that will affect their operations.

**WHAT’S AT STAKE?**
No company can succeed in the highly competitive environment of the twenty-first century without an adaptive supply chain that is able to withstand the disruptive forces—economic, political, social, technological, and natural—that are increasingly affecting operations. The supply chain strategy must be closely aligned with the company’s overall business strategy, and the entire supply-chain ecosystem must be managed and monitored holistically to ensure that all the players understand and carry out their specific roles.

**GUIDELINES FOR SUCCESS**
Building the adaptive supply chain requires three key capabilities: the ability to respond quickly to sudden changes in demand; a deployment strategy that can adapt to shifts in key markets, labor rates, and other factors; and a strategy for responding resiliently to unforeseen disruptions, whatever the cause.
Throughout history, generals, merchants, and politicians have recognized the crucial importance of logistics and supply chains. As Alexander the Great famously put it: “My logisticians are a humorless lot… they know if my campaign fails, they are the first ones I will slay.”

Today, we live in a world that’s vastly more complex than was Macedonia in the fourth century BC—faster, more global, and more interconnected. And while the consequences of failure are less dramatic than for Alexander’s lieutenants, supply chains are increasingly susceptible to economic and natural disruptions that can quickly expose their weaknesses. The role that supply chains play in driving business success has become broader and more important, and the pressure to build supply chains that are adaptive in the face of changing circumstances and resilient to shock is growing quickly.

Apple is just one of the many great examples of this, having achieved extraordinary success over the past ten years. Of course, product innovation, sleek design, and user-friendly interfaces have played key roles in that success. But the company has enabled its own rapid growth and ability to innovate quickly by relentlessly promoting operational excellence and making its supply chain integral to every key business decision. Yet even Apple doesn’t always get the degree of flexibility right, as revealed by various events: shortages during the 2012 iPhone 5 launch, Apple’s contentious relationship with screen supplier Samsung, and numerous prelaunch information leaks. But overall results make clear that Apple gets it right far more consistently than its competitors do.

Supply chains have also been integral to business success at Amazon, the world’s largest e-tailer. Its supply-chain strategy in the U.S. was focused on shipping from large distribution centers, often located in low-cost states that don’t charge sales tax on online purchases. But when Amazon’s business strategy changed, the company’s supply-chain strategy changed with it. The company is now competing directly with the convenience of main-street retailers by promoting same-day delivery, so it is adapting its supply chain: instead of focusing on a few huge distribution centers, it is making large investments in many smaller local distribution centers.

For both Apple and Amazon, success has hinged on a combination of supply chain excellence and strategic adaptability. In fact, tight alignment between business strategy and supply chain strategy is a hallmark of leading companies. The twenty-first-century supply chain is now “a critical function that is truly horizontal and that touches absolutely everything,” Roberto Canevari, chief supply-chain officer at
clothing retailer Burberry, told The Boston Consulting Group (BCG). Burberry has reversed its fortunes in the past six years by focusing on faster time-to-market, greater cost advantage, innovative collections, new store layouts, and a synchronized monthly flow of new products, strongly supported by the company’s considerable investment of time and money in its IT systems and its supply chain.

Numerous other companies across diverse industries have achieved similar successes by ensuring that their supply-chain strategy closely mirrors their business strategy and stays flexible and adaptive—all key elements in an increasingly uncertain and volatile business environment. The failure to maintain these features can have catastrophic effects: a comparison of Kmart and Wal-Mart provides a timeless example of the perils of a mismatch between business strategy and supply chain strategy. (See the sidebar “Wal-Mart’s Winning Strategy.”)

In this report, we will explore the key trends and market forces pressuring supply chains and describe some approaches and best practices that top-performing organizations use to adapt, respond, and thereby stay ahead of the competition.

Trends and Uncertainties
As supply chains become more complex and more globally interconnected, the impact of external forces and disruptions in the business environment continues to grow. These forces are placing unprecedented pressure on supply chains: the nature and degree of customer demand have become harder to anticipate, product lines have become more complex, and the pressure to lower the cost of goods, reduce working capital, and improve performance continues to mount. At the same time, the cost and availability of key supplies and materials are becoming more volatile, while macroeconomic and geopolitical maps are evolving at varying speeds.

The result is a confluence of trends in eight areas that are affecting how companies design and operate their supply chains:

- **Customization and Diversity.** Increased customization and personalization of product and service offerings are boosting supply chain complexity.

- **Consumer Connectivity.** Social media and mobile commerce are driving multiple new channels and greater volatility in consumer demand.

- **Differential Growth and Inflation.** Growth in developed markets and China is slowing down whereas other markets are aptly described as rapidly developing economies; differential trends in global labor costs are shifting the sources of low-cost production.

- **Margin Pressure.** Slowing growth in many industries and regions is driving a greater focus on containing costs and reducing working capital.

- **Information Economics.** Technologies such as sensors, big data, and analytics are making it easier to coordinate supply chain activities across regional and company boundaries.
• *Regulatory and Fiscal Environment.* Taxation, trade barriers, minimum wages, and currency issues continue to have an impact on supply-chain-network decisions.

• *Commodity Volatility.* Effects include short-term swings in the price of commodities and other inputs, lead-time variance, and rapid technological shifts.

• *Vulnerability of Networks.* Regional concentrations and the interdependence of networks magnify the impact of disruptions.

Enabled in part by the rise of technologies and business practices that rely on online shopping and social media, consumers have grown increasingly demanding.

### WAL-MART’S WINNING STRATEGY

For years, Wal-Mart and Kmart battled for supremacy in the discount, big-box category. Ultimately, Wal-Mart won, in no small part because of its relentless pursuit of the lowest costs through operational excellence, which gave it a consistent price advantage. The exhibit below is a timeless example of the perils of a mismatch between business and supply chain strategy.

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<tr>
<th>Matching Business Strategy and Supply Chain Strategy Pays Off</th>
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<td><strong>Company</strong></td>
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*Source: BCG analysis.*

about the products they are willing to buy. In the hope of meeting the degree and variety of demand, companies in industries as different as apparel, food, and consumer electronics have seen an explosion in the number of products and variants they need to offer.

For example, in an effort to provide as wide a range of options as possible—including such considerations as style, length, fabric, color, sleeves, lining, collar, buttons, and belt—Burberry Bespoke now offers 15 million different combinations of clothing.

Even industrial companies feel this effect: one abrasives manufacturer sells more than 2,000 varieties of its three main types of abrasive materials. Trying to plan, manufacture, stock, and deliver ever-growing product ranges is becoming much more complex—and thus carries much greater risk. Procter & Gamble saved $1.5 billion in 2009 by installing inventory models locally optimized for the thousands of different products in its supply chain.

Other companies are looking to mass customization to cater to consumers’ individual needs, preferences, and expectations for a unique customer experience. A 2011 Forrester Research study indicated that as many as 35 percent of online consumers in the U.S. said that they are interested in being able to customize product features or have items built to order according to their own specifications.

More and more companies—including Kraft Foods Group, Mars, Wm. Wrigley Jr., Nike, Adidas America, Dell, Ford Motor, BMW, and Apple—are launching customized products. The Internet is now peppered with mass-customization providers across a variety of sectors, but the trend extends to the physical world as well. NikeID, launched in 1999 with a limited range of customizable footwear, was one of the first examples of mass customization that managed to produce real revenues. Now it is one of the most successful. More than 20 percent of Nike’s store sales are reported to have been generated by NikeID in 2010. In another example, Coca-Cola’s Freestyle vending machines allow consumers to mix their own flavor concoctions from more than 100 Coca-Cola beverage brands.

The increasingly viral nature of consumer connectivity is also driving volatility in demand. Word-of-mouth opinions, both positive and negative, about companies and products can spread instantly. A 2012 Infosys study showed that 78 percent of consumers trust peer endorsements, whereas just 14 percent trust advertisements. When endorsements become viral, shifts in demand can be sudden and overwhelming.

The cost and availability of raw materials on the supply side are becoming increasingly unstable as well, with rapid changes in commodity prices occurring more frequently than ever before. A case in point: the market for rare earth commodities is dominated by China, and current world stockpiles are very low. Lanthanum oxide, used in ceramics and fuel catalysts, increased in price per kilogram from $8.71 in 2008 to an average $117 in the third quarter of 2011, then collapsed to just $11 by January 2013. Similarly, the per-kilogram price of cerium oxide, used in catalytic converters, among other things, rose from $4.56 in 2008 to $118 in 2011, then fell back to $12 in April 2013.
Energy costs, too, are a major factor in the cost of processing and transporting both raw materials and finished products. Oil prices, always relatively volatile, have been extremely volatile since 2012, in part a consequence of the Arab Spring and the European Union’s embargo of Iranian oil imports. At the time, natural-gas prices worldwide had fallen considerably as a result of the shale gas revolution in the U.S., a disruption that few energy analysts had predicted—and the prices became only more volatile when Japan unexpectedly stopped much of its nuclear-energy production following the Fukushima disaster, causing a surge in the country’s demand for natural gas.

These changes in the nature of consumer demand and commodity supplies are coming just as companies are facing new economic, technological, and regulatory pressures. The global macroeconomic map is in flux. Growth in mature economies is slowing while new markets are developing quickly, and the advantages to be found in locations with low labor costs are continually shifting among countries and regions. As a result, some companies are repatriating production to developed markets as low labor costs elsewhere erode, and others are looking to relocate to regions that offer even lower-cost options. Trade and taxation issues are also exerting a growing influence on companies’ decisions regarding supply chains. For example, tax breaks offered by the Brazilian government contributed to the decision by technology giant Foxconn Technology to invest nearly $500 million in a facility in São Paulo to supply smartphones, tablets, and other electronic devices; the facility is set to open in 2014.

The drive to access new markets, source materials, and technology globally has meant that supply chains have become much more extended in their scale and scope, and their interdependencies have become more complex. Even so, key sources in some industries are often concentrated in a single location. The result has been to greatly increase supply chains’ vulnerability to both natural and man-made shocks, with large single points of failure rather than the multiple “watertight compartments” of old. The 2011 floods near Bangkok, for example, not only devastated the local population but also disrupted about 25 percent of the world’s manufacturing capacity for hard drives, prompting worldwide shortages and price increases.

The Strategic Response

In the past, settling on a supply chain strategy typically meant that a company made tradeoffs among costs, assets, speed, and service levels and then hard-wired those tradeoffs into its supply-chain operations in pursuit of performance improvements. But such compromises often led to overinvestment in certain elements of the supply chain, rigid agreements with suppliers, and inflexible segmentation, all of which can prevent organizations from being able to adapt quickly to changing business requirements and disruptions.

It is now critical not just to more directly align the supply chain with the business strategy but to build in the flexibility required to adapt to rapid changes in that strategy and to the influence of key external trends affecting both the supply chain and the business overall. This process involves three equally important elements: articulating the supply chain’s “strategic intent,” or how the supply chain should...
support the company’s business strategy; defining the “supply chain ecosystem”—the supply chain’s critical suppliers, vendors, partners, distributors, and clients—and how the company needs to interact with and manage them; and determining the right “execution capabilities,” which are the key elements and talent required to drive a high-performance supply chain in the environment in which the company operates. (See Exhibit 1.)

EXHIBIT 1 | Leading Companies Explicitly Align Their Supply Chain Model and Practices with Their Business Strategy

SUPPLY CHAIN STRATEGIC INTENT
This first element involves determining and regularly reviewing how the supply chain will support and reinforce a company’s competitive advantage. The demands that the business places on the supply chain are normally a combination of service, agility and speed, and cost and capital requirements, and they will vary within each location, market, product segment, and sales channel in which the business operates. (See Exhibit 2.)

The link between the business strategy and the supply chain’s strategic intent is critical, but it is possible to forge that link only if the company, from the C-suite on down, has a clear, shared understanding of what is required, by product division, by market, and by distribution channel. A failure to develop this common understand-
ing will lead to an invisible disconnect between the company’s business strategy and its ability to execute supply-chain-related undertakings as each function along the value chain—R&D, sourcing, manufacturing, sales, and others—strives to optimize only its own silo, not the chain overall.

Finally, the strategic intent must be clearly translated into specific objectives and targets, which are agreed on and communicated throughout the supply chain.

Intel is a case in point. A key part of the company’s business strategy lies in constantly improving its in-house manufacturing capabilities in the belief that an approach that integrates design and manufacturing, despite the potential for higher investment costs, will produce leading-edge technology at a rate that no other manufacturer can replicate, and will give Intel a huge advantage in cost per transistor. So, Intel continues to invest to ensure that it can carry out the same integrated strategy for each new generation of chips.

**Supply-Chain-Ecosystem Management**

The second key element of an appropriate strategic response is a clearly designed and fully engaged end-to-end supply chain ecosystem: the universe of participants required to execute and deliver on the business’s supply-chain intent. All the key players must understand the part each plays in the whole.

Not all elements of the supply chain ecosystem merit equal engagement, and not all elements are evident at first sight. Businesses must look past their tier one
suppliers and also engage with key tier-two suppliers and beyond. And they must develop a clear map of their ecosystem and prioritize the areas that they should invest in, on the basis of how critical those areas are to the supply chain’s strategic intent and the company’s business needs.

**SUPPLY CHAIN EXECUTION CAPABILITIES**

If companies are to respond to the trends transforming supply chain operations, they need to develop a rich and diverse set of capabilities, in three areas. First, companies need to build high-definition demand responsiveness into their supply chains to clearly and transparently identify and analyze rapidly changing market signals and respond to them quickly. Second, smart deployment is critical if supply chains are to be organized in a way that helps companies win in their various markets. Third, supply chains need to incorporate the planned resilience necessary to respond to external shocks without disrupting operations. Effective companies will build these three capabilities in varying proportions, depending on their industry and the nature and extent to which the prevailing external forces and uncertainties affect their supply chain. (See Exhibit 3.)

**High-Definition Demand Responsiveness.** Online commerce, connectivity through social media, and mass customization have all boosted the amount and variety of products that companies must make and sell. This has driven an increase in volatility and demand diversity in both the business-to-consumer market and the business-to-business market. There is also more volatility in raw materials, including commodity pricing, availability, and lead-times. In addition, a downward pressure on working capital, which traditionally buffered supply chains against sudden demand change, has further increased the impact of volatility.

If companies are to build the supply chains needed to react to this volatility, they must be able to capture and analyze the rapidly increasing amounts of rich and specific information on customer demand and then be able to respond throughout the supply chain ecosystem. And they must be able to develop innovative new

**EXHIBIT 3 | Global Trends Are Increasing the Need for Supply Chain Capabilities in Three Areas**

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<tr>
<th>Global trends</th>
<th>Implications</th>
<th>Supply chain capabilities</th>
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<tr>
<td>• Customization and diversity</td>
<td>Demand is becoming more diverse, fragmented, complex, and volatile.</td>
<td>High-definition demand responsiveness</td>
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<tr>
<td>• Consumer connectivity</td>
<td>Potential markets and optimum manufacturing locations are continually shifting.</td>
<td>Smart deployment</td>
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<tr>
<td>• Differential growth and inflation</td>
<td>Increased interdependencies are making supply chain networks more vulnerable to disruptions.</td>
<td>Planned resilience</td>
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<td>• Margin pressure</td>
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<td>• Vulnerability of networks</td>
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*Source: BCG analysis.*
products rapidly, make product changes quickly, and ensure that their supply chains can get those products into the market when and where demand requires.

This isn’t simply a matter of pushing the legacy supply chain and systems harder. Rather, it requires understanding the relationship between demand volatility and supply chain complexity. Owing to the poor availability of spare parts at its dealers combined with an overabundance of options, for example, truck builder Freightliner faced declining satisfaction among customers, which weren’t getting their broken trucks back on the road quickly enough. So the company reduced complexity by limiting the range of parts and ensuring that dealers quickly replenished the most commonly used parts. Customer satisfaction increased significantly.

A further practice that can help companies sense and respond quickly to changes in demand involves segmenting and tailoring the supply chain to match market demand. Nike, for instance, designs its supply chain differently depending on the type of shoe being made. At the high end, it collaborates with its suppliers to ensure quality and speed to market and then hands over manufacturing to the supplier, while carefully coordinating supply through monthly orders. At the low end, Nike allows very little involvement of suppliers in the design, preferring to drive out costs by using several suppliers, and leaves suppliers to cope with spikes in demand through their own production planning.

None of these practices would be possible without the ability to integrate real-time data on demand with information about inventory levels and then to share the results with suppliers and others to optimize planning, procurement, replenishment, and other processes. The benefits include improved responsiveness to demand, reduced inventory, and lower working-capital needs.

Few industries have been more affected by the rapid changes in the nature of consumer demand, or by the resulting need for accurate and transparent data, than makers of consumer goods. That’s why, as early as 2007, U.S.-based Kimberly-Clark began transforming its supply chain, with the help of Terra Technology, from the traditional model, where demand data followed the physical flow of material, to a much more responsive, demand-driven model in which real-time data are available at any point in the supply chain simultaneously. Now, point-of-sale data flow directly back to the plants, allowing demand changes to be sensed early and production schedules to be optimized accordingly.

By shipping products directly from plants and managing retailers’ inventory, Kimberly-Clark has increased response times and reduced its inventory and cash-to-cash cycle times. The results have been impressive. The volume of total sales shipped directly from plants to retailers increased by 35 percent from 2007 through 2011, and the volume directly managed by vendors increased by 30 percent over the same time period. The cash-to-cash cycle time is now down by 20 days, while overall distribution costs have declined, and the on-shelf availability of Kimberly-Clark’s products has improved.

Unilever, a longtime leader in sales and operations planning, is using cloud-computing technology to link the many nodes in its supply chain and provide the detailed
real-time data needed to manage the entire ecosystem tightly. The result has been greater collaboration with both suppliers and customers, improved analytical capabilities, and better integration with its finance function, leading to faster commercialization of new products and lower costs.

Timothy Carroll, vice president, global execution, integrated supply chain, at IBM, which has built a strong reputation for its analytics capability, put it this way in a conversation with BCG: “We now understand how to use business analytics to get a better understanding of demand patterns, and foresee any quality issues and what their impact might be eight-plus weeks earlier than we used to. This is a big advance for us.”

Forward-looking companies have devised other tools and practices to make sure they can sense and then respond quickly to consumer demand. These techniques include reducing product and supply-chain complexity, postponing final configuration until the last moment, managing vendor inventory to increase responsiveness, and becoming intimately involved in their customers’ planning processes. In every case, success has been highly dependent on choosing methods that closely match the company’s individual circumstances.

**Smart Deployment.** Labor rates, access to raw materials, and transportation costs are continually shifting. Varying rates of growth in different markets and the rapid urbanization of developing economies are adding to complexity. In response, companies must develop the right deployment capabilities across the entire supply-chain ecosystem. These will inevitably include critical strategic decisions—whether to outsource or keep in house, centralize or localize, manufacture near centers of consumption or in low-cost locations—and they must redeploy their supply-chain assets accordingly. The “right” answer, among the many possible strategic options, will vary depending on the industry and even at different companies within the same industry.

Li & Fung, based in Hong Kong, understands the importance of smart deployment in the garment industry. It pioneered the convergence of broker and procurement to provide a bespoke service that combines the convenience of a local agent with the benefits of an in-house sourcing team. The company is now uniquely positioned to find the very best sources of materials and labor relative to the dynamics of the products’ final market, beat competitors on price, and still make comfortable margins.

Regional labor-cost advantages are in flux all over the world. In many countries in Eastern Europe and Asia, it is now just as costly to manufacture for the North American market as it is to do so in factories in the U.S., once transport costs and flexibility are taken into account. So it is critical for businesses to have up-to-date data and to take a total-cost view when choosing low-cost manufacturing locations.

A case in point is China, which has been the longtime destination of choice for low-cost manufacturing. Pay and benefits for the average Chinese factory worker rose by 10 percent a year from 2000 through 2005 and by 19 percent a year from 2005 through 2010, and the Chinese government has set a target for annual increases in the minimum wage of 13 percent from 2010 through 2015. In a 2012 survey of U.S.
manufacturing companies that was conducted by BCG, 37 percent of respondents with annual sales of more than $1 billion said they were planning to shift or actively considering shifting production facilities from China to the U.S. Of the very biggest U.S. manufacturing companies, with sales exceeding $10 billion, 48 percent are considering “reshoring.”

Since 2009, for instance, General Electric has been moving manufacturing for its North American appliance business from China back to the U.S., and in 2012, it announced a $1 billion investment in new facilities. Chinese companies, too, are considering such options. Laptop manufacturer Lenovo opened a manufacturing plant in North Carolina in 2013 to supply computers and notebooks in North America and has also attracted attention for deciding to make its Nexus Q, a new-media streamer, in San Jose. There may not yet be a flood of reshoring, but these examples show that all companies can benefit by being vigilant in taking advantage of fluctuating manufacturing costs.

On the horizon is 3-D printing, which offers the possibility of producing locally what used to be produced in large, centralized plants. The technology is more likely to affect products for which the elimination of shipping and buffer inventories and the potential added value of customization can offset increases in the cost per unit. Companies that can shift quickly from centralized mass-manufacturing to localized micromanufacturing for such products will benefit soonest.

**Planned Resilience.** Because supply chains are more complex, more global, and more interconnected than ever before, they are more susceptible to shocks anywhere around the world. Recent natural disasters, geopolitical upheavals, and economic uncertainties have led to well-publicized disruptions in global supply chains, and the highly integrated large-scale networks that companies have come to depend on, both physical and digital, appear increasingly vulnerable. Volatility, too, is on the rise: commodity prices swing widely, demand fluctuates rapidly, and novel technologies engender new and disruptive business models. As a result, companies must develop the ability to absorb a wide range of shocks to their supply chains without disrupting output and distribution.

In this environment, managing risk is critical. Companies need to prepare for and hedge against uncertainties such as sudden changes in costs and exchange rates, problems with suppliers, and the theft of intellectual property. Scenario planning and other crisis-management techniques can help companies prepare for disasters. The supply chain itself should be designed to reflect this need for resilience, through the use of multiple suppliers, redundant assets and locations, and ensured long-term security of commodities and other supplies.

In spite of recent product recalls, Toyota has traditionally had a long history of responding well to crisis. In 1997, a fire roared through the single-sourced supplier of a key brake valve that Toyota used in most of its cars. With only four hours of supply available, most plants, it seemed, would have to halt production for up to six months. Instead, through the response of its close-knit family of parts suppliers, its factories restarted after just five days. The experience taught Toyota an important lesson about balancing efficiency and risk.
But perhaps nothing could have prepared Toyota, and many other companies, for the devastating impact of the March 2011 earthquake and tsunami in north-eastern Japan. Beyond the catastrophic impact on the local population, the tsunami also wiped out entire ecosystems of auto parts production, affecting automakers not just in Japan but in the U.S. as well. Toyota was particularly hard hit, losing an estimated 800,000 units of production; it took the company fully six months to reach full production capacity again. Ironically, Toyota was very much a victim of its own efficiency: its vaunted just-in-time production system meant that it had virtually no inventory of parts on hand to maintain production when the tsunami hit.

As a result, Toyota is once again determined to improve both its resilience to such disruptions and its deployment of its supply-chain assets. It is moving to increase inventory levels for supplies and parts that may be at risk in the future and working to standardize many auto parts with competitors in order to increase the supply base globally. The company also plans to increase the independence of its production assets in different locations to ensure that regions unaffected by future disruptions can keep producing.

Conclusions
Supply chains are complex organisms. They play a vital enabling role in rapidly evolving business models, even as they are becoming more exposed to a barrage of external forces, from increased volatility in inputs and demand to the use of new technologies such as big data, cloud computing, and 3-D printing; from more and more product variants to evolving macroeconomic maps and increased spread across locations. Managing the supply chain effectively requires not only technical skills but a holistic and systematic business approach, a real understanding of how all the pieces fit together, and an ability to adapt as the environment and technology change. (See the sidebar “Is Your Supply Chain Truly Adaptive?”)

CEOs and the entire C-suite have a key part to play in the debate about how their supply chains will support and drive—or unwittingly undermine—business strategy. They must clarify the strategic intent of the supply chain, drive the impact of that intent across the entire supply-chain ecosystem, and ensure that the supply chain has the investment in the capabilities it needs. And finally, most supply-chain executives we have spoken with recently have pointed to scarcity of talent as a serious challenge. The key lies in finding businesspeople who understand supply chain operations, and supply chain people who are comfortable with the language of business.

Sustained supply-chain excellence, however, is not only about effective design and execution. The name of the game is adaptability: recognizing and responding to changing conditions. Leading companies don’t simply wind up their supply chains and let them run. Instead, they regularly review their supply chains’ strategic intent, understand the impact of that intent on their newly implemented and ever-evolving supply-chain ecosystems, and continually adapt—and sometimes rip out and replace—elements of the supply chain in the relentless pursuit of business advantage.
IS YOUR SUPPLY CHAIN TRULY ADAPTIVE?

How well will your supply chain support your business strategy in an uncertain world? Here are six sets of questions to make you think:

- Is the role that the supply chain needs to play in order to support your business strategy clearly and explicitly understood? Is this understanding shared across management, and is it reviewed regularly?

- Does your supply-chain ecosystem give your company the right performance across cost, speed, service quality, and risk?

- Have you identified the key partners outside your company and the relationships you need to develop with them? Are the roles of the end-to-end supply-chain ecosystem mapped and understood? Are key suppliers and channel partners involved and incentivized in line with the strategy?

- How well does your company’s supply chain identify, analyze, and respond to signals from the market? What is the level of end-to-end data integration?

- Does your company understand the potential external shocks that present the most significant risk to its business? Is there a response strategy in place for each area of risk?

- Are the supply chain’s capabilities and infrastructure sufficiently adaptive—able to respond quickly to changing business needs and risks? Is there a process in place to systematically review alignment on a regular basis?
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