Globalization, Complexity, Speed, Agility

Is Your Supply Chain Talent Ready for Growth?

By Geoff Deines

In today's highly uneven and complex global economy, with growth slowing and recession fears increasing, companies are looking at new opportunities to manage costs and drive growth. Further complicating business models is the fact that growth is occurring almost entirely in emerging markets, and a two-speed economy has developed that is likely to endure for some time to come. In this new era of globalization, emerging markets require more resources (investments, materials, commodities and talent) than mature markets, which are being asked to do more with less and still deliver expected profitability.

This disparity contributes to a hyper-competitive, complex environment of rapidly evolving customer expectations and eroding margins. Most supply chain workforces are unable to execute at the pace required to excel in this environment.
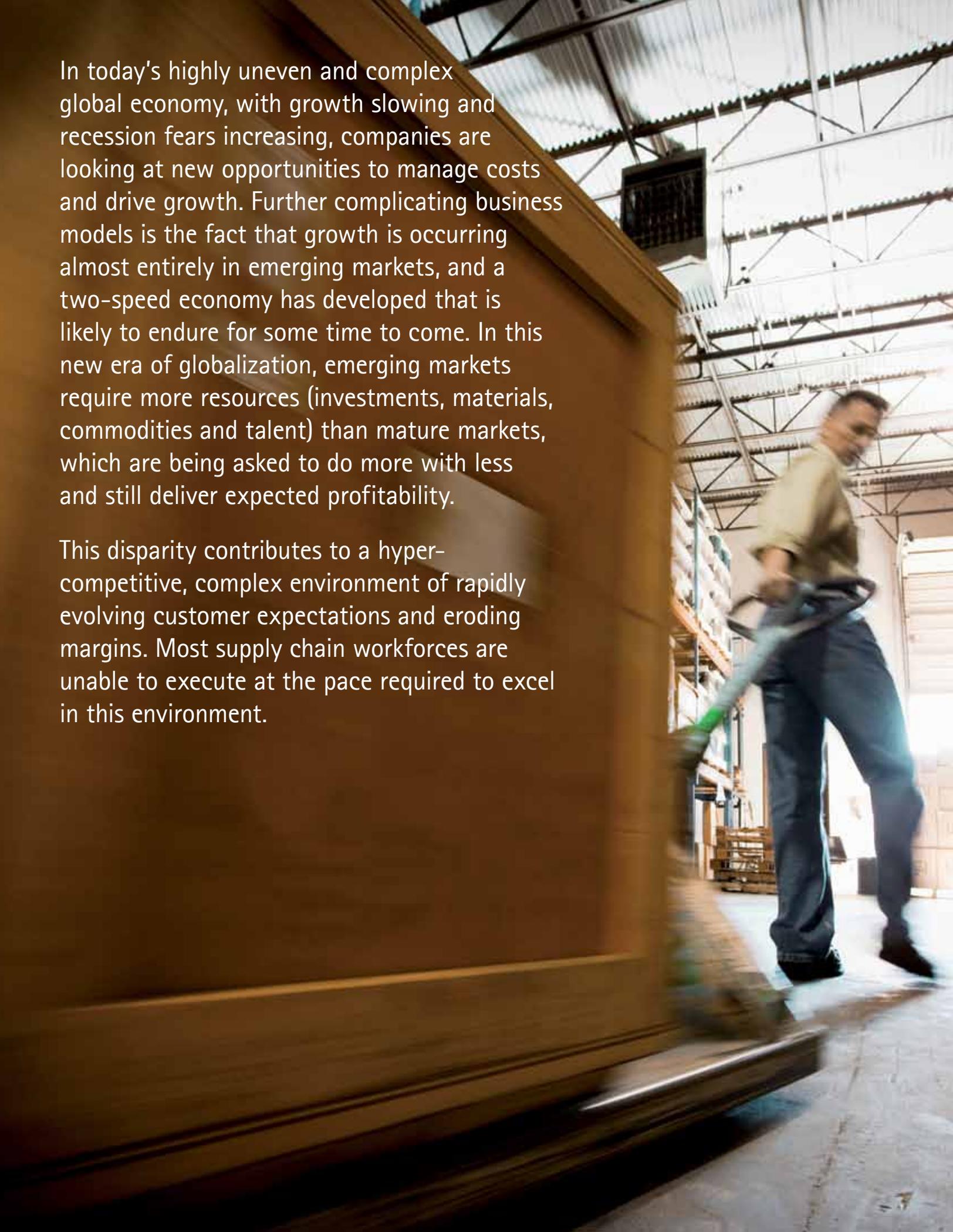
Why are supply chain organizations struggling to adapt?

Many companies used the downturn to streamline operations and become more efficient. Some companies invested in new technology, capital and infrastructure; and some focused on luring talent from less fortunate companies. These tactics, while useful, were typically executed in isolation and outside the context of a clear talent strategy. As a result, few companies reaped the returns they expected.

Supply chains must now embrace a constant diet of volatility and create a level of operational excellence that will allow them to "sustain performance no matter what is occurring in the larger economy."[1] And while both of these are core operational objectives, we believe that, to excel, supply chains must also create a human capital strategy that integrates operational performance objectives with the organization, talent, culture, leadership and analytic capabilities required to drive sustainable growth and create a lasting talent advantage.

Putting these human capital elements together in alignment with supply chain operational strategies is the critical action that high performers are pursuing today. Witness the success of supply chains at UPS, P&G, Danaher and Reckitt Benckiser in leveraging talent to outperform their peers in a consistent and enduring manner.[2]

What are the first steps in creating a human capital or talent advantage in a supply chain organization?

In the current two-speed recovery, companies can create a supply chain talent advantage by aligning their operational strategies with an integrated human capital program focused on:

Removing

operational and organizational complexity to increase agility and speed to business results.

Creating

leadership and talent strategies to create an environment of improvement and accountability for success.

Leveraging

analytics to enable and predict business and human capital performance to align supply chain operations and results.

Before Diagnostic Prioritization and Sequencing

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strategic and
structural issues

complex projects
with high benefits

rapid
improvements
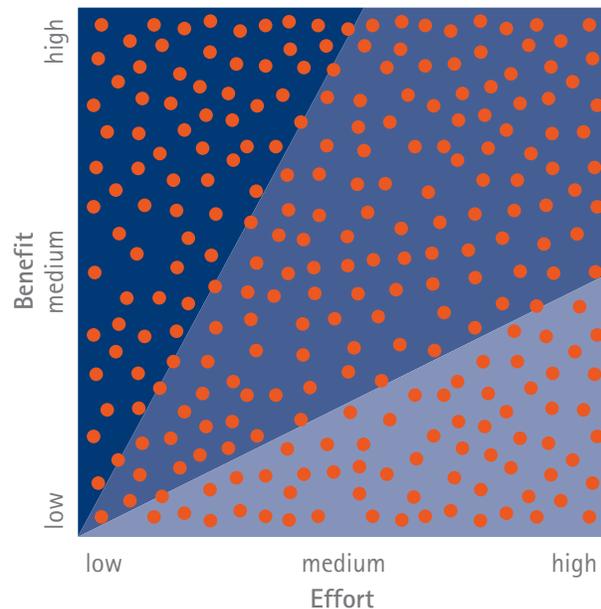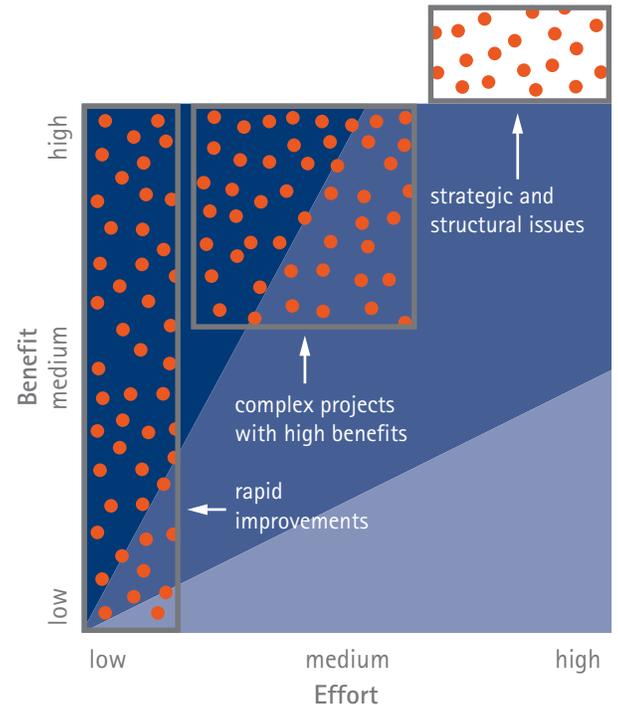
Remove complexity from the supply chain

Complexity in supply chains grows by accretion, one process, product, and software tool layered on top of another. A wide range of factors in the current global market —the global dispersion of production facilities, lack of access to commodities, increased volatility in commodity pricing, and political disruptions, to name a few — spurs on this increased complexity.

Removing complexity from the supply chain requires concerted will and continual effort from all levels of the organization. Such simplification is necessary to align processes and build an operating model and organization capable of balancing emerging business strategies, talent strategies and available talent globally.

The payoff is well worth the work: more efficient and agile organizations can better respond to existing and emerging consumer demands, and the ability to execute allows supply chain organizations to maximize the productivity of their talent. In a seller's market, with top talent once again in high demand, an agile organization is a strong drawing card for attracting and retaining key talent.

In our work with supply chain organizations, we see leading supply chains taking a holistic, end-to-end approach rather than the tactical spot fixes sometimes associated with continuous improvement (CI) efforts. As part of this holistic and foundational approach, companies develop the organization, talent, culture and leadership to remove complexity and then activate with "enablers" such as:[3]

• Focus

• Simplicity and speed

• Discipline

Enabler: Focus

Focus allows companies to identify, pursue and measure operational and organizational improvements that are likely to have the largest impact on business results with the least effort. Prioritizing these efforts, along with longer-term projects with high returns, enables the organization to quickly improve performance and contribute to the short-term and long-term bottom line.

Figure 1 shows how a supply chain team can map opportunities (projects) on the benefits/effort matrix. Then the team prioritizes and filters the opportunities based on the criteria and buckets the opportunities into short- and longer-term categories.

These high-value impact areas are further solidified when organizational structures and capabilities are aligned to these business priorities. High-performance supply chains create the structure and decision-making practices (governance) that institutionalize the constant focus on measurement and operational improvements.

Consider the leading global retailer that has integrated its supply chain and process improvement capabilities to focus on "perfect" customer order fulfillment while optimizing processes and business profitability. This focus area could drive inventory costs beyond sustainable levels, given the need to be in-stock and meet customer demand. To balance this risk, the retailer has applied Lean Six Sigma principles to its operations while evolving its organization to increase usage of predictive analytics. The combination of Lean principles with advanced analytics capabilities has provided a sustainable foundation to link process improvements, business performance and organization priorities.

Enablers: Simplicity and Speed

Inflexible processes, too many offerings, inefficient distribution, long cycle times, and poorly understood customer needs are all root causes of complexity. To simplify, companies need to eliminate complexities that are neither seen nor valued by customers. And where customers value complexity, processes need to be standardized. Process variation is a drag on an enterprise's speed and agility, like a weight tied to the leg of a runner.

Often, companies focus on the pain points (e.g., budget overruns, transport delays, high employee turnover) rather than the root causes of complexity. Or they simply eliminate low-volume products and services to streamline operations — all under the guise of efficiency. These approaches fail to give companies insight into which customers and offerings are truly profitable and which services build flexibility and brand loyalty. Supply chains that attack and remove

process and organization complexities create agility in their workforce to deliver new outcomes in new markets and increased customer value (see the sidebar "Using Talent Data to Sustain Simplicity").

Agility requires the alignment of operating metrics, targets, and incentives across the supply chain organization with the goal of driving speed, reducing complexity and eliminating waste. These enablers create a cultural mindset that is critical to sustained results. Our experience and research suggests that companies that excel at creating agility in their organization through simplicity and speed do so because they have created a culture that demands it.

UPS is an example of a supply chain company that has created a culture of "constructive dissatisfaction"[4] that fosters change and agility. The company has mastered the ability to reduce complexity in process execution (e.g., global delivery standard practices for drivers) while

Using Talent Data to Sustain Simplicity

The increasing need to remove complexity from supply chain operations is presenting unique challenges related to talent. Many companies have taken costs out of their supply chains via process improvements and operational cost changes. However, leading supply chain organizations have taken an additional step. They use data and talent analytics to drive focus, speed, and discipline into their organizations — in essence, institutionalizing these enablers.

By analyzing performance management data, supply chain organizations can identify compensation imbalances that over- or underpay resources. These imbalances in pay-for-performance can severely impact the culture of discipline we have described here.

For example, consider the value of identifying employees who are significantly overpaid (e.g., two standard deviations above their peer set) based on the outcomes and performance they drive (e.g., two standard deviations below). At one company, we identified almost $5M in annual compensation costs that fell into this category — costs that weren't driving business results or reinforcing focus, speed and discipline.

Our belief that talent is the "new currency" for high performance further reinforces the need to optimize investments and expect returns on these costs. Creating a recurring and robust capability — most likely by partnering with HR — that uses talent data and analytic modeling is essential for high performance. This capability gives supply chain leaders another data set to drive results and maintain organization agility.

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managing business complexities that customers are willing to pay for (e.g., overnight delivery, real-time tracking, financial services offered).

Additionally, supply chain leaders and managers with experience in both the production (where the products come from) and the commercial (where the products are going) sides of the business will drive the cultural elements often needed to reduce complexity and enable speed. This type of background fosters a collaborative mindset and an intuitive business savvy that is essential for success in today's global supply chain.

Enabler: Discipline

The discipline enabler is an essential foundation for the focus, simplicity and speed enablers. Discipline is required to "swim against the current" and continuously remove complexity out of the supply chain. To do that, companies need a performance management system aligned with their strategic goals so that the metrics, targets, review cycles and corrective actions all support the achievement of those goals. Leadership serves as the critical conduit for sustaining this discipline.

Leadership focus on discipline should not be underestimated. Today's supply chain leaders face multiple challenges to their efforts to maintain discipline, such as global and diverse talent, complex stakeholder groups, and the need to develop local leaders in emerging countries.

Discipline in the supply chain is just as important when times are good as in times of economic crisis. High-performance companies strive to create a leadership culture based on a vision of execution excellence. These outcomes benefit the enterprise (e.g., by making jobs easier or less frustrating and by building transferrable skills) as well as improve overall performance. Such a vision celebrates the benefits of collaborating both inside and outside the supply chain organization.

Companies need to eliminate complexities that are neither seen nor valued by customers.

Create Environments for Supply Chain Talent to Succeed

Talent is one of the largest investment costs for a company. And talent is also the means by which organizations put tangible assets to work. Employees manage costs, identify efficiencies, streamline processes, manage inventory and make it possible to delight customers. For an increasing number of companies, future growth is dependent on the success of these costly, intangible assets.

In fact, Accenture research and experience suggest that talent is becoming the global currency for high performance. High-performance organizations create talent surpluses, invest in the right local talent pools, and maintain a strong global balance to hedge on future talent needs. In contrast, companies that under-invest in their talent currency curtail their capacity for success.

Global and agile supply chain organizations require new ways to lead, learn and collaborate to effectively develop their talent. Role clarity, from senior leaders to the shop floor, is essential. And organizations need talent strategies and workforce models that capitalize on clearly defined roles as well as the capability development programs to drive collaborative results.

Role Clarity for Execution Excellence

The first requirement for a successful talent environment is role clarity at all levels of the organization. Clarity drives predictability and accountability in the execution of supply chain processes. And clarity is critical for defining required competencies.

When an organization rigorously follows competence standards, people at all levels of the organization know what they must do to execute their jobs well. At UPS, truck drivers memorize the "340 methods," which cover everything from the most efficient way to carry keys (to avoid fumbling for them) to the number of steps per second that would be considered walking at a "brisk pace."[5]

In addition, companies need an aligned supply chain leadership team composed of champions in each region or business. These leaders drive the talent vision forward through the performance metrics they choose for their workforce, the learning options they sanction, and the license they give employees to fit development into their daily work schedules.

Then, as part of the discipline involved in driving operational excellence, these leaders communicate the importance they place on tracking and measuring talent programs. They pose questions such as: "Are people taking advantage of learning or seeking development opportunities?"

and "Are employees able to articulate the skills and knowledge they have gained and how they apply their expertise in their daily work?"

At Accenture, our Supply Chain and Talent & Organization Performance practices are jointly applying these principles of discipline internally to improve our consultants' performance. Our practice leaders have determined the desired industry, business and supply chain acumen needed to effectively serve our clients.

This curriculum is then supported by senior leaders teaching, measuring and mentoring consultants on these principles while also leveraging new collaboration and learning techniques (e.g., knowledge portals, podcasts, social media formats). This approach helps align metrics and performance expectations with leaders who are responsible for enabling their teams to serve and deliver outcomes for clients.

Talent Strategies for a Workforce of One

Once role clarity and competence expectations are defined, high performers then look for ways to customize their talent strategies to meet the needs of a "workforce of one." This concept has sprung from creative efforts to engage and retain talent in today's hyper-competitive labor market. Workforce-of-one approaches include:[6]

- Segment the workforce (e.g., based on learning styles, values, personality, wellness profiles, mobility).
- Offer modular choices from a list of defined and sanctioned alternatives (e.g., international job rotation opportunities).
- Define broad and simple rules (e.g., Google's rule of having engineers spend 20 percent of time on projects that create value for the organization).

- Foster employee-defined personalization (e.g., using social media to create a customized learning experience).

While significant literature and research have delved into these customization approaches, the critical focus for supply chain organizations should be on partnering with HR to define the talent needed to achieve supply chain results. Once the talent demand is defined, the approaches to hire, develop, retain and engage the workforce may incorporate workforce-of-one ideas.

Limited Brands is an example of an organization segmenting its workforce to focus on specific value potential. Limited Brands has identified merchants, merchandise planners, and allocators as critical segments. These segments make the buying and product flow decisions to achieve the company's financial targets. On the basis of that analysis, Limited Brands has created customized development and career path programs for these talent segments. As a result, the

company believes it is creating a talent advantage in the market.[7]

Furthermore, developing programs that enable these talent management approaches supports role clarity and enables collaboration. A supply chain organization that focuses on driving workforce performance and strengthening its talent encourages job rotations and movement in and out of traditional supply chain roles.

A supply chain workforce that includes individuals experienced in sales, customer management, planning, procurement, manufacturing and the like is significantly more collaborative, agile, and prepared for global business realities. People who understand and appreciate the value of these roles as well as the expectations of each of these disciplines can better meet customer demands and drive greater business outcomes.

Fostering New Learning and Collaborative Channels

Rapidly changing markets and competitive landscapes require a nimble supply chain workforce — and a flexible learning architecture.[8] Structured learning available anytime, anywhere, combined with effective use of social technologies helps keep content fresh. For example, insights from conference calls, presentations and third-party vendors can be turned into 3- to 5-minute podcasts or vodcasts easily accessible to mobile workers and uploaded within a day of the event.

As with the discipline enabler, the learning strategy must be disseminated top-down and reinforced bottom-up. Furthermore, the learning strategy must draw on expertise outside the core competencies of the supply chain organization. For example, organizations need to research and support delivery, collaboration and learning technologies that engage new

generations entering the workforce and keep pace with best practices across industries. Social media, mobile applications and wikis, for example, are important alternatives to the traditional classroom.

People learn best when they understand the relevance of the experience. To meet the diverse needs and demands of a workforce that spans three generations, supply chain organizations must transition from standardized, HR-driven curricula to personalized learning experiences targeted to the strengths, competency gaps, career goals and learning styles of individuals.

Supply chain learning solutions have traditionally been founded on competency-based coverage of supply chain functions such as procurement, planning, forecasting, inventory management and logistics. Filling competency gaps, however, is only part of the story. It is just as important to identify people's strengths and to find opportunities to develop and communicate these

Figure 2: Analytics capability[10]

- **Workforce mix scenario modeling**
- **Build workforce optimization**
- **Recruitment optimization**
- **Constraint based optimization**
- **Optimized broadband rollout**

- **Attrition prediction**
- **Demand prediction**

- **Demand forecasting**
- **Supply forecasting**

- **Causality/driver correlation**

- **Exception alerts**

- **Efficient drill to detail**

- **Rapid analysis**

- **Rapid report development**
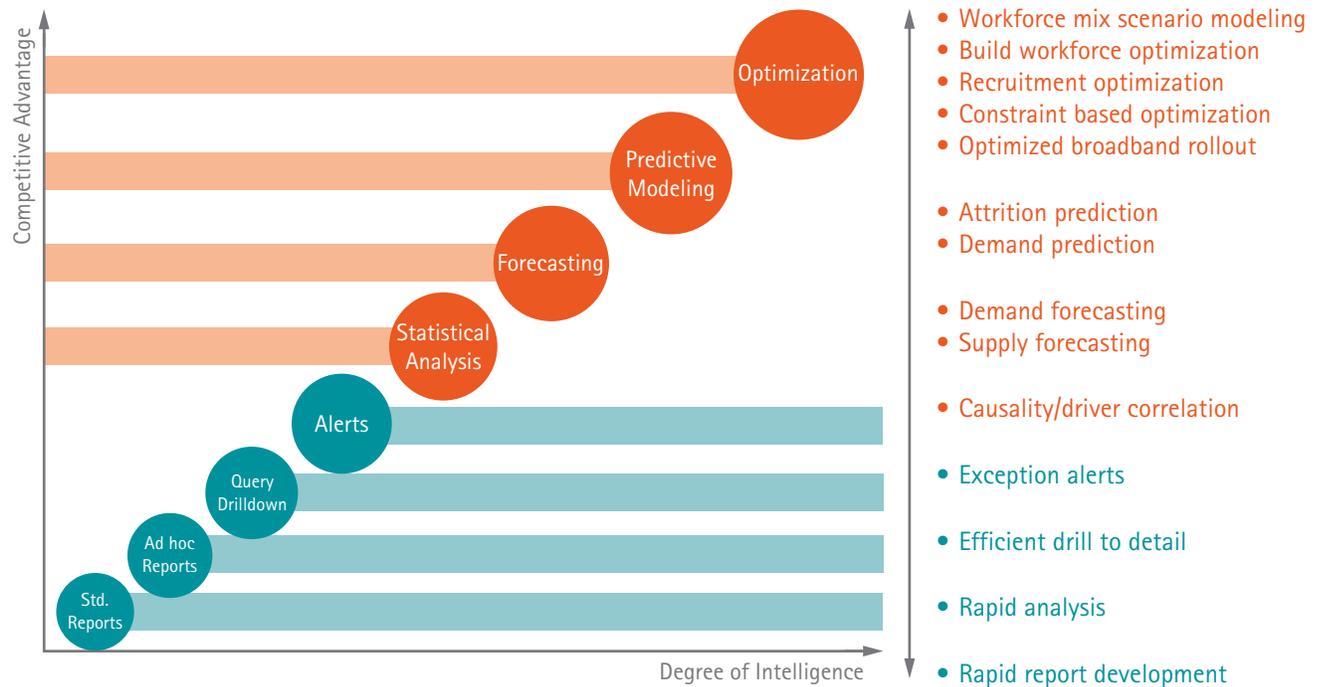
strengths for the benefit of the individual and of the company. For example, having recognized experts in different areas provides opportunities for mentoring and informal assistance that are a vital complement to any set of formal courses.

A blended learning architecture supports these formal and informal learning opportunities. A good blend includes instructor-led sessions, simulations, classroom workshops, blogs, webcasts, and online self-study, to name a few. Learning opportunities should be provided 24/7 in a variety of languages and draw on expertise from consulting, business and academia.

Cross-training through job rotations or collaborations with other parts of the business should have a prominent place in the blend. Because of the interdependencies between the supply chain and other parts of the organization, supply chain talent must understand how the business works as well as how the company's positioning in the competitive landscape influences the supply chain.

Consider the example of a major retailer addressing an issue with the on-shelf availability of four product categories. Poor communication between the supply chain organization and its 6000 suppliers was identified as the first root cause of the problem, and a lack of understanding of each other's supply chain operations was the second.

The retailer adopted a two-pronged solution: Training to ensure all parties were speaking the same language and using the same processes for forecasting and satisfying demand, combined with new technologies to support timely communications and real-time decision making. As a result of this initiative, shelf availability of the four product categories moved back to acceptable levels.

Align Talent and Supply Chain Analytics

The value of quantitative data in shaping decisions in the supply chain has been well recognized for over a decade. For example, we know that High-performance companies are five times as likely to use analytics strategically, compared with low performers.[9] These companies use analytics as a differentiator by ensuring they have the processes, culture and expertise in place to gather raw data, distil it into insights and use those insights to shape decisions and create value (see the analytics value chain in Figure 2).

Supply chain organizations can use analytics in the same way to drive talent performance and therefore improve execution and business outcomes. Just as companies predict demand for transportation needs using statistics and robust

models, leading companies are now predicting the talent needed to optimally staff their organization and deliver on consumer expectations.

Leading supply chain organizations are moving beyond traditional reporting and looking at emerging opportunities to use talent as a critical analytic opportunity. These organizations solve business issues by using robust tools and data models, including business and human resource inputs, to predict supply chain talent impacts.

For example, workforce skill segmentation can be combined with customer demand to schedule service technicians during the hours customers will most likely need their specialized skills. This type of analytics has measurable business outcomes that drive critical alignment of talent and supply chain metrics — customers are happy, service technicians are engaged, and the company achieves higher profitability.

Most supply chain organizations, however, lack the analytical muscle and organizational commitment to translate insights into action and to integrate analysis into everyday processes. In one of our recent surveys, fewer than one in five respondents used a disciplined, repeatable analytical approach to inform how work gets done and decisions are made.[11]

As a result, execution is hampered in every aspect of the supply chain, such as sourcing, transportation, inventory management and talent management. Of these, the role of analytics in talent management is the least recognized. "The best organizations see their people not only as individuals but also as a rich source of collective data that managers can use to make better decisions about talent."[12] For a supply chain organization, the rich collective data could cover:

- Human capital facts (head count, turnover, recruiting success, willingness to recommend the company) across unique supply chain workforces.

- Workforce investment analysis to determine the impact of variables such as work climate, employee satisfaction and retention on supply chain performance.

- Workforce forecasts to analyze turnover, succession planning, and business opportunity data and fill potential shortages of key supply chain capabilities.

- Talent value model, which uses analytics to determine what employees value and then create personalized performance incentives and development plans.

- Talent supply chain, which covers how to make real-time decisions about talent-related demands.

Human capital data and reports have long been used in organizations. Analytic solutions for human capital, however, have only recently adopted the rigor and analytic capabilities that have been traditionally used to analyze networking, logistical and inventory challenges in the supply chain.

High-performance organizations couple the robust and predictive methods used in supply chain analytics with the emerging trends in human capital analytics designed to address workforce optimization, organizational analysis, functional diagnostics and benchmarking capabilities. Human capital analytic solutions now use the same mature analytic platforms that supply chains have used (e.g., SAS, Cognos) for some time. This analysis, based on consistent platforms, drives new insights and capabilities.

As an example, a large, global conglomerate needed to address an underperforming healthcare business. A new supply chain function had been created to serve new regions and the organization wasn't executing as expected. This data-driven company was searching for insights to address the poor performance. An organization value analysis, based on robust statistical models and structured executive interviews, was used to assess the client's culture and barriers to business outcomes.

This analysis demonstrated the cultural and business performance breakdowns across regions, functions and individual leaders. The CEO then spearheaded cultural, leadership, talent and organization changes to create "interlock" between the supply chain culture and business performance. This interlock was created through revisions to the operating model across the enterprise and then creation of two new leadership competencies and expectations to address the desired business outcomes. Additionally, human resources processes were revised to sustain and enable these new accountabilities and expected outcomes.

High-performance organizations couple the robust and predictive methods used in supply chain analytics with the emerging trends in human capital analytics to address workforce optimization, organizational analysis, functional diagnostics and benchmarking capabilities.

Do Not Leave Value on the Table

Supply chain organizations are leaving value on the table. They are not growing as fast as they could and they are missing market opportunities because their supply chains are unable to execute successfully in what is likely to be a permanent era of volatility.

In response, high-performance organizations are developing a concerted plan of action that includes all three of the following initiatives:

- Creating a simplified and "at speed" organization as well as talent strategies that create the future rather than sustain the past.
- Developing new leadership, learning and collaboration capabilities that enable the pace of change for supply chains.
- Building talent analytic models and predictive capabilities that mirror supply chain analytics and process models.

It is important to move on all three fronts in an integrated manner. The highest value to the organization is achieved when these three elements are focused on achieving the same outcomes in a defined time period.

High-performance organizations demonstrate an urgency to deliver streamlined operations that enable new leadership and collaboration while using talent analytics to sustain their performance. These high performers also realize that the organizational changes these three initiatives drive is substantial. Thoughtful change management programs are required to support and sustain them. In today's volatile market, in which resources are at a premium, companies must create a talent advantage in their supply chain to deliver short- and long-term results.

About the Author

Geoff Deines is a senior director in Accenture's Talent & Organization Performance Management Consulting practice. He has over 15 years experience in talent management and organization change management across Retail, Consumer Goods and Automotive clients. He has supported many clients in developing their workforces to improve and sustain high business performance. He is currently the Global Supply Chain Workforce Practice co-lead, responsible for developing client solutions across all industries. Based in Detroit, he can be reached at geoffrey.b.deines@accenture.com.

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