

SUPPLY CHAIN 2030

Doubling Down On the Evolving Challenges,
Opportunities and Technological Possibilities



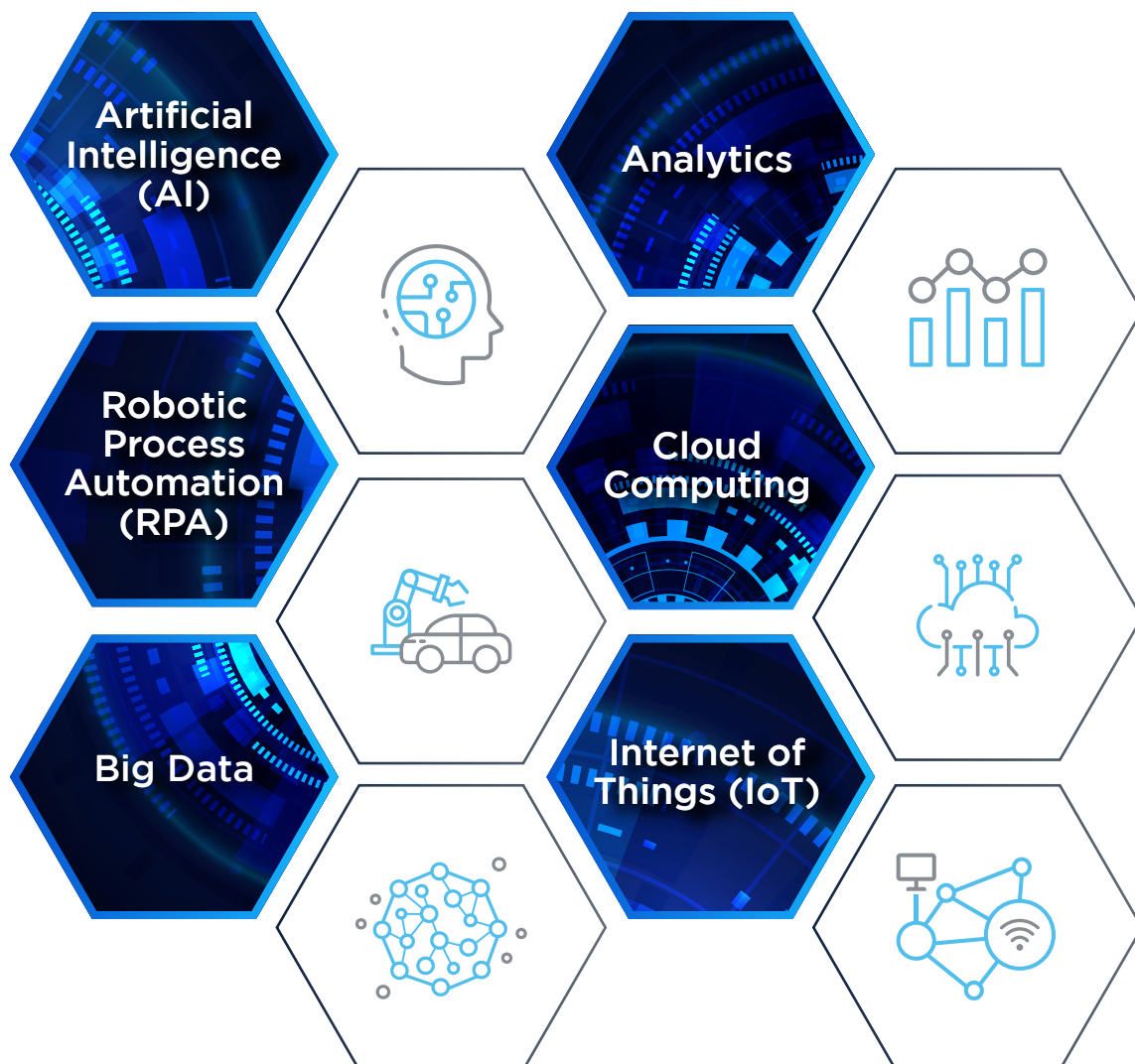


Foreword

Change is the Only Constant

There is a popular saying that – “Uncertainty is the only certainty there is”. Now more than ever, global organizations have come to realize that change is constant and there’s no value in resistance. The procurement and supply chain management space is no exception to this. The writing is on the wall – a revolution is on the horizon.

This whitepaper from Avetta will explore the future trends that will impact procurement and supply chain planning, the evolving contractor risk management landscape in the next decade and the role that next-gen technology will play in helping procurement leaders, contractors and supply chain managers prepare for the future.





Understanding the Key Forces of Change in The Next Decade

How Will the Procurement and Supply Chain Landscape Shape Up?

A decade ago, the supply chain used to be a different function than what it is today. With time supply chain has shifted from being seen as the back office function it once was, to a strategic driver of business growth. Newer business models, technological advancements and innovative processes have made supply chains seemingly efficient and reactive.

Going forward, supply chains will become more globally dispersed and complex. Keeping that in mind, procurement leaders need to build on newer capabilities that can help them navigate the changing business landscape with agility, respond to every change and adapt fast to stay ahead of the curve.

Here are some of the key supply chain requirements that are expected to evolve as priorities for CPOs and supply chain risk managers in this decade.

Increasing cost savings and optimizing capital

Delivering tangible cost savings has always been a critical ask for procurement and will continue to be high priority in the next decade. Considering this, procurement leaders will have to look for newer ways to achieve cost efficiency. According to the Deloitte 2020 Chief Procurement Officer Flash survey, the majority of respondents highlighted cost management as their top priority, commanding nearly 8 times more focus in their everyday operations. Additionally, the survey also reveals that two-thirds of organizations are planning to pursue aggressive cost reduction strategies post-pandemic compared to just one-third who planned to do so before the pandemic.¹

The good news is that with the new availability of technology and an abundance of real-time data now it's much easier to facilitate dynamic decision-making among stakeholders in the procurement value chain. This in turn can support cost savings and help procurement better manage finances. For instance, procurement leaders and supply chain managers can leverage real-time supplier information to negotiate contract requirements and conduct competitive bids with new suppliers to reduce costs.



Figure 1: Determinants of a Strategic Supplier Relationship⁴

Rationalizing the Supplier Base and Rethinking Sourcing Strategies

According to the Procurement 2025 survey from the Efficio group, around 63% of the survey participants expect contractors, suppliers and vendors to have a bigger role to play in the future. Additionally another 64% of the respondents agree that going forward, organizations across industries will become increasingly dependent on external partner ecosystems to meet their objectives.²

In light of this trend, organizations need to rationalize their supplier ecosystem by reducing the number of third parties, contractors and suppliers commanding unnecessary procurement spend. A research report found a small number of organizations claim to have 80% of their procurement concentrated within 20% of their supplier base. This means that several companies continue to distribute their procurement functions thinly across multiple contractor networks, thereby driving up the cost of procurement as a whole.³

Optimizing supply chains not only helps organizations cut costs but also foster operational efficiencies while reducing risk and uncertainty through improved supplier traceability, transparency and mapping. A more streamlined and clearly mapped contractor network creates opportunities for both the hiring organization and contractors to closely collaborate on innovation projects and long-term development opportunities. This is particularly important given that every organization needs to ensure that its contractors are up to date with the latest technology developments and market trends.

Finding Effective Solutions to Determine and Act on Contractor Risk Intelligence

In the last decade, supply chains have had to constantly revisit their risk mitigation strategies in response to growing natural disasters, rising labor costs and aggressive protectionism policies. However, it took the COVID-19 pandemic to completely expose structural flaws in supply chains. Going forward, the probability of geopolitical events, data security threats, economic uncertainties and stricter safety regulations disrupting supply chains will only increase. And with that, legal requirements and stakeholder expectations for supplier audits and risk screening will also amplify.

A key element of supply chain risk mitigation process is the identification and management of supplier risk. Organizations need to assess their contractor pool against a checklist of potential risk vectors such as:



Market Reputation

You need to determine whether there is a significant risk of your contractor negatively impacting the reputation of your company. Do not neglect serious signs of disputes that may eventually result in unwanted breach of contract or litigation.



Business Capacity

Before awarding a contract to a supplier ensure that it has adequate operational capacity to fulfill your business requirements.



Business Continuity

Assess whether your key contractors have a proper business continuity plan (BCP) in place. Constantly monitor conditions and look for alternative contractors across alternative sourcing destination with a robust BCP.



Financial Stability

Ensure that the contractor you are working with is financially sound. Check the contractor's financial risk ratings in real-time using high-end data aggregators and stay prepared with an exigency plan

Figure 2: Checklist of Potential Supplier Risk Vectors

Given this scenario, it's critical for procurement leaders to leverage high-end tools, capture critical supplier information and monitor for risks throughout the contractor network. Unfortunately, the level of supply chain risk reporting and risk management technology still remains low and there's room for improvement.

Research reveals that around 24% of companies do not record, measure or report factors inducing supply chain disruptions.⁵



Focusing on Sustainability Goals

Over the past few years, a growing number of progressive enterprises have promised to work with contractors and suppliers that adhere to specific environmental and social standards. Typically, these organizations expect their tier 1 suppliers to comply with the designated standards and then those suppliers, in turn, expect tier 2 suppliers to follow sustainable and ethical business practices. The entire aim of this model is to create a chain of sustainable practices across the supplier network.

However, recent incidents of forced labor, unethical procurement, human rights violations in global supply chains prove that designing sustainable supply chains is often easier said than done. In order to mitigate serious reputational, financial and environmental risks that come with supply chain malpractices, organizations need to include contractors and suppliers from all tiers in their sustainability management. Successful supply chain managers leverage technology tools to achieve this crucial visibility of subcontractors throughout the supply chain.

Spurring a Procurement-Tech Revolution

Future-Proofing Supply Chains with Technology

To devise an effective, long-term procurement strategy, key decision-makers across the procurement value chain will have to understand the key trends impacting supply chains and revisit their procurement strategy accordingly.

And, it is here where technology can come in handy.

Research reveals that incorporating digital into procurement is gaining increased acceptance from supply chain leaders, with a whopping 63% having revisited their approach due to the emergence of new technologies and 78% believing that it should be considered as a boardroom priority.

Going digital will not be an easy task. In such circumstances, finding the right combination and balance of solutions and/or technologies will be the key to maximizing ROI from digital procurement initiatives in the future.

To take complete advantage of these exciting technological developments, supply chain leaders and



Figure 3: Benefits of Tech Implementation in Procurement⁶

decision-makers will have to build a state-of-the-art collaborative ecosystem that involves multiple layers of technology implementation. Technology as a solution enabler across the supply chain function can be broadly divided into four distinct categories:

Data Aggregation and Process Automation for Real-Time Decision Making

Technology can help companies build transparent supplier relationships by automating the information exchange between an organization and its suppliers and contractors.

According to the Procurement 2025 survey from Efficio, 78% of the respondents agree that with accurate data, suppliers can help their hiring organizations to become more successful.⁸



Take supplier performance data for instance. This data often resides in multiple systems across an organization with varying quality levels. This makes it difficult to standardize and understand supplier performance across the network. To tackle this issue, companies need to conduct a thorough data gap analysis by evaluating existing data to identify the areas where data analysis process can be improved.

Clean and actionable data serves as a foundation for next-generation technologies like Artificial Intelligence (AI) and RPA which have the potential to simplify tasks and relegate them to intelligent automated systems. This helps companies reduce turn-around times and save costs.

Real-Time Trackers and Data Management Systems for Increased Supply Chain Visibility and Management

As companies expand their footprint across continents, operations of global procurement and logistics teams become increasingly complex and challenging. Inconsistent vendor onboarding, delayed shipments, and inefficient inventory management are common bottlenecks. In this context, big data and analytics have offered a promising solution. Some of the ways in which big data and predictive analytics are transforming supply chain management are:

Data Integration for Complete Transparency

Not so long ago procurement decisions were largely driven by goodwill and intuition. Critical tasks like vendor selection and supplier management were often neglected. Today however, companies are fast waking up to the reality that poor vendor communication and lack of supplier visibility can have far-reaching impacts.

Collecting, verifying, and storing supplier data – right from when a new supplier is onboarded – is the first step toward ensuring supplier risk management. A high-end analytics engine can analyze this data to generate supplier performance insights in real-time. Such insights empower sourcing professionals to easily monitor the supplier/vendor pool, their credentials such as certificates of insurance (COIs), and their compliance status.



Effective Supplier Analysis for Better Decision-Making

Critical supplier information is often trapped in data management systems across different divisions, marketplaces, and geographies. When all that information is consolidated into one common repository, operators get better visibility into spend across the entire value chain. A centralized data architecture complimented by an analytics engine, for example, can help decision-makers identify suppliers associated with higher costs or better performance.

A central data management system can also be seamlessly integrated with the legacy system architecture with the help of application programming interfaces (APIs). Avetta's secure API allows customers access to Avetta's native supplier pre-qualification data through ERP, vendor management, CRM, or other third-party reporting applications. With such technologies in place, operators can access the information they need without logging into multiple systems.



Thorough Supplier Profiling

Analytics can help companies gauge supplier/vendor capabilities across key product categories and track data on supplier's compliance or performance. Traditionally, this information was amassed by different departments through paper records. This meant that any decision-maker needed to sift through piles of papers or electronic files to get the information they wanted.

Today, advanced analytics allows operators to align unlimited attributes to supplier definitions and categorize the same into logical profile sections. Extensive supplier profiles make it easier for operators to quickly retrieve, process, and validate supplier information in a matter of seconds.

A case in point is Avetta's 360-degree supplier feedback management system. CEMEX, a global building solutions company, teamed up with Avetta to identify and maximize the presence of compliant suppliers across its business units. Avetta's solution included an advanced feedback system that helped CEMEX site managers easily assess supplier performance. The solution eventually generated around 6,000 reports in the year, enabling the company to easily identify high-performing contractors.



Quick Supplier Onboarding

With access to a ready database of suppliers, vendor onboarding becomes much easier. Such a database should have configurable supplier profiles that include credentials like contacts, address, service/product category, banking details, business diversity classification, and so on. A prospective supplier or contractor can create an independent profile on the central database as a part of the initial prequalification procedure. To support conditional prequalification procedures, administrators can publish Request for Information (RFI) documents that capture compliance and profile information of a prospect in a questionnaire format.

Knowledge Management Systems for Supply Chain Workforce Training and Development

Cloud computing and the Internet of Things (IoT) is already transforming the way how the supply chain operates. These technologies can deliver both operational efficiencies and additional revenue opportunities by improving transparency.

Remote Supplier Management

A cloud-based worker management system can help organizations easily manage their vendors down to each individual worker, across geographically dispersed worksites. By serving as a common link between an operator and a supplier, a cloud-based system allows an organization to take control of supply chain with employee-level prequalification and training.

Avetta's Worker Management system for instance, empowers companies to manage and deliver their supplier training on-site. Workers can complete site-specific orientation and induction training online even before they start working, and operators can track training completion and assess knowledge retention through online evaluations.





Real-time Monitoring

Cloud can also help companies respond to supply chain exigencies in real-time. With spreadsheets and, worse, paper files, information may be weeks or months out of date. With a cloud-based, mobile-enabled solution, supervisors can fill in information from the worksite, and operators can be notified immediately. For instance, Avetta's insurance verification solution comes with an intuitive analytics dashboard that operators can access anytime, anywhere to stay updated about any changes in suppliers' insurance status. This solution eliminates the need for manual processes and eases the administrative burden of physical contractor management, allowing staff to focus on value-adding activities.

Cloud-based solutions like this can be extremely effective in helping companies ensure that all current and potential suppliers are thoroughly prequalified and that their compliance and regulatory standards are active and up-to-date. In fact, this solution can also be leveraged to evaluate whether a supplier has been previously red-flagged for non-compliance actions such as human rights violations, workplace safety violations and so on.

Conclusion

The growing pace of technological innovation has fueled an ever-expanding pipeline of digital supply chain management solutions. Organizations that rapidly adopt these emerging solutions while incrementally replacing legacy systems will be better placed to navigate this decade with greater insight and efficiency.

Thankfully, embarking on the digital journey has never been easier. The next-generation supply chain management applications are mostly characterized by minimal integration requirements and low-cost installation. Over and above, the post-pandemic market landscape serves as the perfect testbed to try out solutions that promise to offer greater visibility into the supply chain while facilitating effective communication between stakeholders.



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⁶Source: IBID ii

⁷Source: IBID ii

⁸Source: IBID ii



About Avetta

Avetta connects global organizations with more than 100,000 qualified suppliers, contractors, and vendors across 100+ countries. We support the continued growth of supply chains through trusted contractor prequalification, safety audits, monitoring, and more. With real results in reducing incident rates, our highly configurable solutions elevate safety and sustainability in every workplace.