

# Organizational health as driver of performance

A.T. Kearney May 2018

# Chemical supply chains face the perfect storm, therefore many executives have placed supply chain at the top of their agenda

# Supply chain related trends in chemicals

### **Push for digitization**

Digital is omni-present; Most chemical company CXOs rate supply chain as a key opportunity as well as one with high immediate impact

### **M&A velocity**

The constant redesign of the chemical landscape by M&A drives the need as well as opportunity for supply chain optimization

### **Increased volatility**

Supply chains have to adjust to increasing market volatility resulting in new markets, changing trade/product flows and networks

### **Proliferation of solutions space**

Many new solution providers in advanced analytics, visualization, IoT, and block chain are promoting their supply chain capabilities

### Lagging maturity

Chemicals supply chains still rank low in maturity versus other industries and are often challenged by their more advanced customers

### Major software transition

SAP S4/HANA drives many companies to review their supply chain system choice, often triggering a wider supply chain review

These trends trigger the need for the next development stage of Chemical supply chain organizations

## **Chemical supply chain development**

From traditional supply chain organization ...

... to "new" supply chain requirements

**Experienced based** Big Data / Analytics driven insights **Established networks** More flexible set-ups Internally focused Value chain partnerships **Delivery oriented Business integrated Deterministic** Scenario based Prepared for high volatility Managing "normal" cycles

# But so far most supply chain executives in chemicals apply traditional methods to the known supply chain challenges

# Chemical supply chain challenges & the industry's response

Selection

### Challenges

... and traditional responses

Constant strategic changes in **Network Configuration** as a result of M&A, outsourcing/partnering and volatility

Standardization of processes & interfaces within the supply chain

Fragmentation of Data across internal departments and other supply chain participants

Harmonization of data structures as well as cleansing initiatives

Frequent Changes of supply chain decision parameters

Respond as best as possible to dynamic changes

Customer requirements are often in contrast to **Supply Chain Realities** of a complex, long lead time, utilization driven supply chain setup

Segment supply chain to capture synergies and enable complexity management; outsource high complexity customers to distributors

# The Pivotal Supply Chain requires a very different supply chain organization

### **Development of Supply Chain organization**

Examples

# Organization elements

## Organizational requirements

#### **Structure**

- Integrated structure with market interface and value chain partners
- "Plug & play" supply chain set-up
- "Towerless" organization (Maintenance of new technology solutions)

#### **Processes**

- Self-driving planning (Smart Sensing/Machine Learning, Frictionless Work/RPA, Continuous S&OP/Simulation & AI)
- Future of Manufacturing ("Uber of Manufacturing", Role of the Factory)
- Seamless Omnichannel

# **Capabilities**

- Profiles move from Experience-based to "Big Data/Analytics insight" driven
- Supply chain driven business decisions and entrepreneurial thinking
- IoT capabilities to drive technology enablement

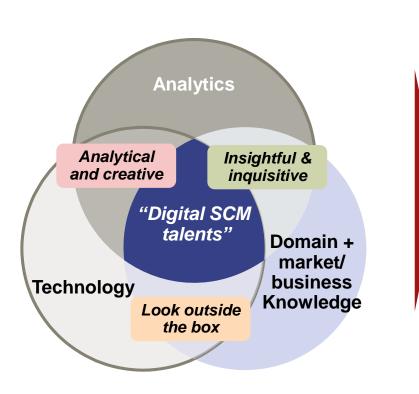
#### **Enablers**

- Next generation IT and sensible digitization
- 360° Data capture (Volume & value, cross functional, value chain partners) via broader sources (e.g. IoT, AI)
- From KPI reporting to "real time data mining" to enable pivoting
- HR collaboration for talent acquisition, development and retention

# The future supply chain capabilities require the integration of diverse talents especially in analytics and IoT technologies

# **Supply Chain capability profiles**

Example: Capabilities



### Key capability cluster

### Analytical & creative

 Enhanced data management and modeling skills Big data analytics & modeling

### Insightful and inquisitive

- Domain knowledge and the ability to think critically and strategically
- Market/business insights

Functional & market insights

#### Look outside the box

 Entrepreneurial, creative and willing to take challenges More focused on decision making

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