Hello, I’m Bill Moller, your host for the Accenture Management Consulting Podcast Series and we are expanding our previous discussion on Corporate Agility and how in this age of volatility, Accenture has found that more than a few companies view the ongoing uncertainty as non-stop opportunity. A recent feature article in the Accenture Outlook Journal called, “Corporate Agility – Six ways to make volatility your friend” examines just how global organizations that are most agile have decided that volatility offers more opportunity than threat. In researching this topic, there were several themes that came up time and again with business leaders and subsequently six ‘lenses’ were revealed through which different types of organizations in the private or public sector view volatility.

With us today are Mark Pearson and Gary Godfrey they’re experts in the area of operational performance. Mark and Gary have recently collaborated as the authors of Why “dynamic” is as crucial as “efficient”, discussing how executives are viewing corporate agility and in this volatile age. Mark and Gary, welcome and Mark let’s start with you, in this period of permanent volatility, many executives are questioning if, in an effort to lower costs, organizations also have made themselves less agile and less dynamic. And if that’s the case, how can they revive flexibility, transparency, and redundancy without loading up on inventory?
So I think it is clear that cost has been a major driver of efficiency in supply chain development in the last 10 years. Efficiency and integration have been the two critical buzz words of work we've done in and around supply chain development. We've focused very heavily on topics like lean, just-in-time, cost reduction, working capital reduction and overall end to end supply chain integration and these have brought huge benefit to supply chain directors. But with new market volatility being driven from the financial crisis, from the natural disaster that have happened around the world. Emergence of far faster dynamic supply chain and the shift of supply and demand patterns between the hemispheres, it’s clear that yesterday’s supply chain strengths are becoming today’s weaknesses. And what we are seeing is that supply chain directors are looking to 3 major responses to this new normal of supply chain volatility and the three responses fall into the categories of, first of all building redundancy into the supply chain, not a particularly smart strategy, but the natural one that the supply chain director falls back to. And this means building more safety stock, building extra capacity in order to potentially cope with shifting demands, potentially outsourcing capacity at the same time. The second response is not to build redundancy, but instead to move your organization to be far more flexible both in sensing demand, planning the supply chain at both a strategic and a tactical level and then in supply chain execution. And this shift requires specific new skills in many supply chain organizations specifically in the supply chain planning and the ability to sense, shape and respond to the market as well as in the development of the agile execution based supply chain. Thirdly we think strategy is now emerging which take a more financial view of supply chain looking at how specific identified risks can be covered by insurance or other financial instruments that allow supply chain director to mitigate against risks that he sees emerging in the supply chain. Instruments like hedging have been around for a long time, but we’re seeing some quite smart strategies now being applied around supply chain insurance and overall supply chain risk management. So a combination of strategies are being used by supply chain directors in order to mitigate against the risks that we are seeing out of the new era of permanent volatility.

Mark, these are great points for organizations to consider, but unfortunately many organizations do not yet have this level of insight and suffice it to say that supply chains—and, to some extent, manufacturing operations—are not as dynamic as they need to be. Supply chain integration means that a supply chain can be only as good as its weakest link. Gary, where, most often, is that weakest link?

That's a great question Bill. I actually think that there may not be necessarily one weakest link and what I mean by that is that it is going to vary by industry or it is also going to vary by supply chain operating models. So in some cases the weakest link could be the rigid infrastructure that is unable to adapt to the changing market conditions and that’s why we talk about the need for an adaptable infrastructure. In other cases it could be the extended supply chain and its suppliers or third party providers or contract manufactures and then finally it could also be the inability of an organization to sense and capture the market insight and then be able to disseminate them across the organization that they can rapidly make decisions and then turn those into actions.

Gary, I find that really interesting. But let me ask you, what are the capabilities that organizations need to think about to become more dynamic?

Well Bill, I was just talking about the fact of organizations in-ability to sense the market, capture the insight and then be able to disseminate and make decisions very rapidly so one of the core capabilities that we talk a lot about is this idea of insight to action, the ability to capture real time insight from the market and from sensing engines that you have. The ability to then be able to understand how do I want to respond to those changing market conditions and then be able to disseminate that into action across the organization. So that would be one. The other three would be around having an agile execution layer, that allows you to be able to rapidly change how you're going to execute through these changing market conditions. Having an adaptable infrastructure that allows you to have the flexibility in terms of your global network and how you want to operate and choose to operate. And then lastly having a flexible innovation engine. We believe those are some of the four key capabilities that are important parts of becoming more and more dynamic.
Gary that really makes it quite clear. So Mark any final thoughts from you?

I think it is very clear that this is a major topic now on the agenda of most supply chain directors and in our recent research around the topic of supply chain risk and supply chain resilience we found that 80 percent of the supply chain directors we spoke to are concerned about the resilience of their supply chain to the types of volatility I was mentioning earlier but only 11 percent of them believe they have the capabilities in place to actively manage supply chain risk. What’s more, out of that research we also found that those that were able, or did have an active supply chain risk strategy in place were 75 percent more profitable than those that didn’t. So this is a very hot topic and one that is emerging in almost all the discussions that I am having with supply chain directors today.

Mark Pearson and Gary Godfrey, thank you both so much for this interesting discussion.

And thanks to you for listening. If you would like more information about the topics we have been talking about in this podcast, or to learn how Accenture can help you achieve high performance, you can visit us on the web at accenture.com/managementconsulting or just email us at consultingpodcasts@accenture.com, Thank you.

About the Speakers

Mark H. Pearson is the managing director of Accenture Operations.

Gary R. Godfrey is a strategy planning senior executive within Accenture Operations.

Bill Moller is a radio personality based in Chicago and the host for Accenture's podcast series.

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