



AN AGILE SUPPLY CHAIN FOR COMPETITIVE ADVANTAGE

AUDIO TRANSCRIPT

Q1) BRIAN VABULAS: Outdated supply chain technology is dragging down the bottom line for a lot of companies and driving up prices for their customers.

Today, on the Competitive Agility Podcast, we're talking to one of Accenture's experts on supply chain agility and how it can be a differentiator. I'm your host, Brian Vabulas and joining me is Mo Hajibashi. Mo is the Managing Director in Supply Chain and Operations Global Consulting Lead. Wow, Mo, what does that mean? Tell us about yourself?

MO HAJIBASHI: Hello, Brian, it's nice to talk to you today. I lead our Supply Chain and Operations and our Industry X.0 Practice for Accenture and our products industries. Essentially what that means is thinking about the different supply chain areas and that's anything from planning to fulfillment, which is inclusive warehouse management, transportation, sourcing and procurement, manufacturing, product design and development. So it's a slew of different, very complex process areas.

Q2) BRIAN VABULAS: A lot of enterprises are built on technologies that are 20 years old. What are some of the things that you're seeing that really need to change?

MO HAJIBASHI: I've been with Accenture 26 years and a large part of the last 20, 25 years has really been kind of a single story, right. It's been really driven through the enterprise platform transformations that's occurred, the SAPs, the Oracles. And the vision behind that

was really driving standardized processes around the entire business. And getting to single data infrastructures, getting to single architecture infrastructures. So that is a stepping stone for a lot of the transformation that we're seeing today. But, you know, the thing that needs to happen now is we've got incredibly transformative technologies that have basically come into the marketplace to enable a lot of the vision and truly connected value change.

What that means is you're actually connecting not only functional capabilities and organizations and processes within an organization, but starting to integrate those businesses across functions, but then across the tiers or the players in the entire value chain, think about it from sourcing materials, all the way through the manufacturing of product and then the direct fulfillment of those products to whatever customer base that is. Whether it's a large customer base from a corporation standpoint or an end consumer, I think we're all feeling the disruption in the marketplace.

So, you know, what truly is missing today is some transformative visions of taking advantage of those technologies that are out there in the marketplace now.

Q3) BRIAN VABULAS: How do I know what technology to use if I come talk to you, Mo, and I'm like, hey, I've got a supply chain, I've got my SAP, I've got my Oracle, what is the right combination of technology to really connect the value chains?



MO HAJIBASHI: Brian, you're asking the great question that everybody's asking themselves right now. And it's amazing because there's been so much disruption across so many different areas, of so many different technologies and across so many different dimensions of the functional areas of the business, that that question is incredibly complex. So, number one, you have to start out with a vision of where you're trying to take the organization from a combination of both trying to solve for the cost equation, which is supply chain, but then how are you enabling the growth side of the story with a lot of the capabilities that are truly transforming the marketplace.

And where companies really need to focus is having that clear vision and then translating that down into the organization and operational capabilities that are required to fulfill that vision? And that translates into an overall roadmap because you cannot transform and take advantage of all of these capabilities overnight or even in a single transformation program. It is going to be an evolution of capabilities over time.

Q4) BRIAN VABULAS: So if companies are doing that, do you have any examples that you've worked with where you've seen them be successful in building to the new?

MO HAJIBASHI: Yeah, absolutely. So everybody's talking about big data and how do I leverage big data to improve my operations. This is an area that I think that there are some significant proof points in the marketplace. In particular, in the supply chain space if you think about the areas of improved demand forecasting and how am I leveraging advanced data sciences and analytics and improve the algorithms to improve what I believe the demand for my business is actually going to be.

Another area is in the inventory optimization space, which is really looking at data sciences once again to try and drive the optimal inventory positions to not only improve the cost structure of my entire operations, but also balancing the cost of my inventory to maximize where I'm going to be driving growth and profit for my business, which is a very, very complex problem to solve.

We're doing many client programs that are

actually transforming the way that companies are not only using data to drive that process in a different way, but also how they're organized structurally to bring that capability to their operations.

Q5) BRIAN VABULAS: Are there pitfalls or things that you would warn against as you're starting to embark on these journeys especially as you're looking at analytics?

MO HAJIBASHI: The major pitfalls that most companies really deal with is the change in the organization. It's always easy to implement a technology or even hire the talent to be able to drive some type of capability. But making that an embedded part of your organization and how you think and how you operate is the most challenging part.

And this is where you're dealing with a combination of having the right leadership in place, right, to really have that vision and being an evangelist for where you're trying to take the capability or the business itself and driving that change. But then if you think about the skills and the talent requirements that are really needing to pivot because you're executing the processes around this intelligent supply chain thing in a completely different way, that is driving a labor transformation.

And then moving into much more of an innovation type of culture and constantly disrupting yourselves and not necessarily just being stuck on the legacies of how things have been done without being able to facilitate really significant change within the organization.

Q6) BRIAN VABULAS: you mentioned organizational change. How important then is that support from a leadership level? What are some things that you need to be thinking about as you're making sure that they're involved in the value that that brings?

MO HAJIBASHI: You know, historically, the supply chain area has been viewed as a cost center. It's an area that has driven significant operational improvement for the business, but in that realm, it's been treated as kind of an operational functional area that just works based off of whatever demands are given to it versus a leader to drive the change or the disruption in the organization to really enable and drive the growth.



So we did some research last year and 70% of the chief supply chain officers out there really believed that by 2020, supply chain would be a fundamental driver for how the company is going to drive a differentiated consumer or customer experience. The fact that most chief supply chain officers are not necessarily sitting at that C-level round table on the strategic visioning and building the strategy for the corporation is something that is a gap.

And even if you look at also another point from our research, where the investments and the dollars that are actually being sent in the organization, there's still very much control by the CIO from a technology agenda or by the CFO on where they're actually trying to make the investments. And we believe the chief supply chain officer, given the capabilities that the supply chain owns and can drive or enable the transformation of new growth opportunities for the corporation, they have to have a seat at the table, completely aligned with the Chief Technology Officer or the CIO to really enable that vision.

Q7) BRIAN VABULAS: You talk about how to do it. Do you have an example that comes to mind?

MO HAJIBASHI: This is actually a client that many people know and it was a particular division president, who was trying to do exactly what I described, right. He wanted to demonstrate how some of these advancements in supply chain can really change the game. And what he focused on were a couple of the areas that I mentioned before and now being able to leverage deep data science in the data analytics space in and around the demand forecasting capability to truly predict and shape the demand of what was being sold in the market, but then also combining that with an inventory optimization analytic capability to not only identify how to improve the demand signal, which drives sales, but then also how do I optimize my cost structure from an inventory perspective to meet that demand?

And not only did he bring the idea from an analytics standpoint, he also disrupted the operating model. And he partnered with us as a service provider to be able to stand up these capabilities very, very quickly, which would have

taken them probably three to four times as long to build the capability internally. So it was a brand new operating model construct that he was able to implement to truly prove the power of these capabilities and really run the business a very, very different way, not only on the capabilities and technologies used, how data is being used, but also organizationally how they brought it to the market or brought it to their operations.

And that drove, significant value for the company. And now that the capability was proven – we trained them and handed back that capability to where they were able to build that capability internally within their organization. So at the end of day, they accomplished what they wanted to do organizationally, they were able to achieve the value incredibly fast and they were able to do it through real proof points.

Q8) BRIAN VABULAS: I'm going to shift gears a little bit and talk about companies competing and growing in the disrupted marketplace. There's a lot of that going on. What role is supply chain playing as we see all this disruption going on in the marketplace?

MO HAJIBASHI: The disruption that I was mentioning is happening all over supply chain. So what supply chain has to do is basically adopt it. I mentioned the cost center view of supply chain, but it's also very risk averse. If you think about some of the challenges, you know, an operation when they're pumping massive numbers of orders through and they're dealing with billions of dollars in inventory and orders. If you have on one hiccup in the supply chain, whether that's an inventory problem, a warehouse problem, a transportation problem, these are things that show up in the news. And they will have an incredibly negative effect on the perception of the company and it has a direct impact on the valuation of that company in the marketplace, if it's a public company.

So there is a lot of scrutiny that happens and this drives a level of constraint in really being able to focus on a lot of new disruptive things because they don't want to disrupt and put any risk to the supply chain itself. And this is the balance that supply chain organizations and leaders are having to think through because our message is while you cannot take risk in many parts of the



large volume of your supply chain and disrupt your operations, you still need to embed this culture of real innovation. And there are ways to do that, so that you are driving constant disruption and taking advantage of the new capabilities, which at the end of the day are going to help you operate more efficiently and help you grow your company the right way.

Q9) BRIAN VABULAS: And you mentioned real innovation, embedding innovation into the organization. How do you do that? What's the best way to get started on people thinking about that and starting to build that within the organization? Because to your point, you're a little bit risk averse, but yet, you want to innovate.

MO HAJIBASHI: You have to start with a differentiated vision that drives energy within the organization, right, and passion within the organization to go achieve that vision. And if you think about some of the most disruptive things in our time, they are driven by people that are incredibly dynamic in how they explain what they're trying to achieve, but then they have a clear view of what they're trying to achieve.

Now that vision doesn't necessarily have to be realized on day one, but there are baby steps that are thought through on how to achieve that vision. And to me, that's probably the most important thing is laying out a very clear vision of where you want to be and then you translate that into the strategic and tactical steps to achieve that vision. You have to change the culture to reward innovation and people taking risks to go achieve that vision versus traditional KPIs. Most people are just measured on their standard business performance. And if they are trying to do something new and they don't necessarily hit that KPI, then they're penalized. And that to me is one of the largest constraints that most large organizations are dealing with today because they are running so lean and they have so much pressure from the complexity in the marketplace that they're not willing to take that step. And I think corporations as a culture shift, really need to be able to support and reward that.

Q10) BRIAN VABULAS: Are there then technologies that support this?

MO HAJIBASHI: So if you think about all the big capabilities around artificial intelligence, deep analytics, machine learning, cloud computing, robotics and automation, RPA, I mean just given what's happened over the last 10 years, the number of opportunities from a technological standpoint to go do what we're talking about is – we have never seen anything like this before. But now it's the challenge is getting the organization to pivot, so that you're willing to invest not only the dollars, but you're willing to invest the time of your organization and some of your smartest people to really take advantage of those technologies and prove things out.

Q11) BRIAN VABULAS: Yeah, it's so true, right. It's not the necessarily the technology, it's the technology and the people. Otherwise, you're going to fail. The age-old change management in conjunction with technology.

MO HAJIBASHI: Yeah, it's exactly right. And now it's even more because there are so many opportunities out there. There isn't a playbook, a single standardized kind of proven playbook anymore that everybody's executing. It truly is how fast can you actually innovate across a number of different dimensions and that's where you have to empower every part of your organization to do just that.

Q12) Some companies are winning just by offering speed and convenience, but that's a really expensive thing for a traditional company to accomplish. What are some alternatives?

A. You can't just play in one channel in the business. If you played in traditional brick and mortar, everybody's having to establish some type of direct to consumer capability. So, the thing I would say about that is there is a significant opportunity there in direct to consumer, but you really have to understand the value proposition and for some industries, it is a cost of doing business because your competitors have basically done it and they've set an



expectation for the consumer and if the expectation is there, then you have to meet it.

But then there's also the opportunity that, you don't necessarily have to do everything that your competitors are doing. Does everybody have to do distribution within hours for their products? Not necessarily. Be able to say, offer options to consumers that I'll be able to get it to you within a short period of time, so it's reasonable within a 24, 48 hour period, which brings down the cost of the transportation. But perhaps, I'll share the fact that I am having a lower carbon emission footprint because of that decision. So you may pay a little less, you may get it a little later, but you know you're having a positive impact on the environment, for example. So that's a very different business proposition achieving the same goal for that same disruption.

Q13) BRIAN VABULAS: That's great. Any final takeaways or messages that you'd like to get out there for folks?

MO HAJIBASHI: Well, from my perspective, we all have to recognize the role supply chain plays in the entire organization. I'm talking about probably the largest area of spend for any company. And what I mean by that is the cost of doing business is in supply chain and recognizing that supply chain is not just an efficiency play, it truly is a capability that can enable transformation for the company in the business, in the products that they take to the market, how they're interacting with their consumers. And basically, the relationship that they create in the marketplace with consumers is all around supply chain capabilities. And certain companies are out there in the marketplace proving that point for us. So now everybody kind of really needs to take advantage of that opportunity.

BRIAN VABULAS: That's fantastic. Mo, thank you for making me smarter today on supply chain and thanks for your time and insights.

MO HAJIBASHI: Absolutely.

BRIAN VABULAS: Everyone else, stay tuned for more Competitive Agility Podcasts and follow our Accenture channels on social media to get alerted when we post our next show. Thanks everyone for listening.

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