

SUPPLY CHAIN MANAGEMENT CHALLENGES

Globalization's impact on supply chains of the present and future cannot be underestimated. Often what leads to mishaps is not the complexity of supply chains but the lack of management, transparency and monitoring which is fundamental from the beginning of the supply chain through to the end consumer. Organizations that are aware of supply chain challenges—and take proactive steps to address them—will be in a much better position to capitalize on their supply chain's ability to serve existing customers better, operate more efficiently, penetrate new markets and, overall, grow more profitably. Here we highlight some of the biggest supply chain management challenges.

1. TALENT:

The ability to find and retain employees with the skill sets required to manage supply chains is a major challenge for many companies. Supply chain careers have historically been portrayed as dry and boring. Reality is that sophisticated skills are required to manage complex supply chains and the talent to fill this need is not available.

2. VISIBILITY:

Supply chains have become ever more complex. Achieving visibility to Tier 1 suppliers is difficult enough and the task becomes orders of magnitude more difficult for Tier 2, 3 and beyond suppliers. Supply chain disruptions in the past five years have shown how critical these sub-tier suppliers can be.

3. TRACEABILITY:

Recent events, like food safety in China chicken suppliers and compliance with conflict minerals legislation, highlight the difficulty in tracing materials from origin to finished product. Similar to supply chain visibility, global and complex supply chains make it very difficult to quickly and efficiently trace materials back through the supply chain.

4. COMPLEXITY:

In the drive to reduce costs supply chains can become very complex, creating an intricate web of global third parties. Attempting to track and control supply chains in the face of complexity is challenging, contributing to many of the other issues listed herein.

5. COSTS:

Competition is fierce and cutting costs is often a necessity to maintain an edge. Lean concepts, procurement strategies and squeezing suppliers all contribute to improved efficiencies and reduced costs. Yet these techniques also introduce risks to supply chain disruptions and supplier performance issues.

6. SUSTAINABILITY:

Consumers are demanding sustainable operations from companies, and this is no more apparent than in supply chains. The challenge is to balance the need to demonstrate sustainable sourcing while maintaining cost competitiveness.

7. SUPPLIER PERFORMANCE:

As suppliers are squeezed on costs and tight delivery schedules, they may be enticed to cut corners. This can result in quality problems which can have significant knock-on effects throughout the supply chain.

8. NATURAL DISASTERS (E.G. EXTREME WEATHER, EARTHQUAKES, FLOODS):

There is little doubt that global weather patterns are changing and the incidence of extreme weather events seems to be on the rise. Extreme weather events such as typhoons, floods and extended deep freezes, coupled with earthquakes and volcanoes, can have a significant impact on supply chains depending on location and duration.

9. TECHNOLOGY:

Technological innovations can markedly improve supply chain visibility and performance. It can also create significant difficulties if it doesn't perform as expected, cannot be managed appropriately, or cannot adapt to dynamic changes in supply chains.

10. CYBER RISKS / IT ISSUES:

Supply chains are highly dependent on the flow of information up and down the value chain, and the integrity of that information. Cyber attacks are a constant threat and can result in loss of commercial information, exposure to stolen confidential information and inability to conduct business for some period of time.

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