



**2017
SUMMARY**

APICS
SUPPLY CHAIN
COUNCIL
**EXECUTIVE
SUMMIT**

At the end of February, more than 50 leaders gathered in Scottsdale, Arizona, for the APICS Supply Chain Council Executive Summit to hear original and thought-provoking ideas presented by leaders from a variety of industries. Speakers challenged attendees in areas related to technology; the rise of supply chain; talent; agility, responsiveness, and innovation; data security; and political impacts.

GLOBAL TRENDS CHANGING BUSINESS

Kyle Lacy, an executive advisor for OpenView Venture Partners, opened the summit and discussed how technological developments are changing personal and professional culture. Lacy said it's time to put the customer in charge, and he presented examples from Google, Amazon, Apple, Alibaba, and Facebook. Combined, Lacy reported, these industry leaders have \$205 billion in cash reserves.

These businesses, Lacy said, own their audiences. But, among these tech giants, there's another commonality: These leading companies invest heavily in trends and changing technology. "Those who own the audience, own the future," Lacy says.

Lacy touched on four disruptions technology leaders are embracing that other businesses should too: mobility, instant gratification, artificial intelligence, and blockchain.

As for mobility, the average American spends five hours a day on mobile devices. Likewise, 493 million mobile users access Alibaba each month.

These industry leading businesses create positive experiences for people on their phones. For example, in 2015, Alibaba had 115 million shoppers order something on Singles Day, the world's busiest online shopping day. Of those shoppers, 94.6 million made purchases on smartphones.

Instant gratification becomes obvious in our tech-driven cultures. Lacy quoted a 2016 Trustev statistic that reveals 56 percent of millennials expect the option of same-day delivery. And, because Millennials now have overtaken Baby Boomers as the world's largest population, leading businesses are taking note.

For example, think about how Amazon is revolutionizing delivery. It's buying its own planes to get its goods to customers more effectively. Amazon also has a patent on flying Amazon blimps that act as warehouses in the sky with drones serving as the delivery mechanism.

For artificial intelligence, Lacy leaned on the expected "Terminator" reference, moving from artificial, through assisted, to assassin intelligence. Seriously, though, assisted intelligence now is being used on shop floors, in office cubes, and in homes to help people do everything from schedule meetings to assemble parts correctly. Lacy pointed out true artificial intelligence still requires some advances—namely, deep learning, natural language processes, and quantum computing.

Here, too, Amazon presents an example of assisted intelligence in the form of a self-driving car. Alibaba also is exploring the technology. And, of course, Google owns 6.8 percent of Uber, which already has launched self-driving car pilots in Pittsburgh and Tempe, Arizona.

The last disruption Lacy described is blockchain, a distributed information database that maintains a continuously updated list of organized records, called blocks. Lacy says this disruption is about eliminating the middle man by recording transactions, establishing identity, and verifying contracts.

Overall, when considering the future, Lacy asked all supply chain professionals to remember their true careers, not their day-to-day challenges: "You are experience makers and managers."

THE RISE OF SUPPLY CHAIN

APICS CEO Abe Eshkenazi, CSCP, CPA, CAE, started the second day of the summit by discussing the future of supply chain and the specific, individual factors composing the imminent rise of the profession.

“We looked at the future of supply chain,” Eshkenazi said. “We had to decide: Are we going to be impacted by it, or are we going to impact it? We wanted to come from a position of strength.”

Eshkenazi explained how APICS leaders and staff used futurecasting to develop an ongoing strategic framework, which leaders call “The Rise.” The rise of supply chain corresponds with eight other factors, which include

- the rise of urbanization
- the rise of Africa
- the rise of the young and elderly
- the rise of the role of women in global society
- the rise of technological autonomy and intelligence
- the rise of data
- the rise of transparency
- the rise of the speed of change.

As with all futures, people play a vital role in supply chain’s future. Therefore, APICS must work to increase its engagement with, and responsiveness to, supply chain professionals and others. Said another way, APICS must raise its influence and involvement with the world.

One persistent theme of the day was in addressing the talent gap that exists in the supply chain profession. “It’s not just about getting warm bodies to fill positions; it’s about finding competent individuals,” Eshkenazi said.

He emphasized that APICS is shifting the way it approaches education to more closely consider the factors of The Rise. He urged employers also to think about hiring and talent development differently. “Yesterday’s workforce won’t lead you into tomorrow.”

GROWING AND SECURING SUPPLY CHAIN TALENT IN THE GIG ECONOMY

Supply chain leaders consistently voice their concerns about bringing in the next generation of professionals. There are simply too many openings and not enough people to fill them. John Healy, vice president and managing director of Kelly OCG, urged Summit attendees to think differently and “break your mind-set.”

While there’s no doubt that technology will continue to influence the way people work, Healy advises hiring professionals to be willing to accept alternative methods for getting work done.

“Are you looking within your organization and recognizing that many of the tasks that are there are going to change? The jobs are going to get reconfigured over and over,” Healy said. “Are you still focused on the job?”

Healy suggested business leaders move away from the job title or description and focus on the knowledge, skills, and competencies needed to complete tasks. If an organization remains too focused on specific jobs, it will suffer, he warned.

One important aspect of attracting talent is offering professionals what they want. That encompasses being able to envision and describe the importance of an open position—appealing to peoples’ emotional interests. For example, the word “supply chain” doesn’t mean a lot to today’s incoming workforce. However, Healy suggested professionals explain supply chain as the network that connects products and people to make communities and lives better.

“Supply chain is a very easy thing for people to start getting, but we have to break out of our own language,” Healy says.

One summit participant asked how professionals can engage executive leadership in the quest for better supply chain talent. Healy responded that diversity and inclusion will help break existing paradigms, which is essential for moving forward. Professionals must present leaders with ideas and stories they haven’t heard about and challenge their current thinking so they can understand that recruitment approaches need to change.

Small groups discussed workforce recruitment and retention among themselves and shared the highlights of their discussions with the larger crowd. Overall, the discussions centered on finding employees who embody leadership qualities in addition to supply chain knowledge. Further, participants agreed partnerships with local universities and community colleges could be beneficial to help shape curriculum and provide existing workers with further learning opportunities. Lastly, some participants suggested “borrowing” talent instead of “buying it”—meaning, contracting with capable individuals instead of hiring them to keep organizations nimble.

ADVANCING AGILITY, RESPONSIVENESS, AND INNOVATION

Tanya Foxe warned participants at the beginning of her presentation that health care is a tough market to be in if you don't get the processes right. Foxe should know. She is Johnson & Johnson's vice president, strategic initiatives for medical devices, supply chain.

Johnson & Johnson health care encompasses everything from HIV drugs to cures for hepatitis-C. The company sells 4 billion contact lenses a year, plus its brands include Listerine, Tylenol, Aveeno, and Johnson's Baby.

While Johnson & Johnson has been around for more than 130 years, Fox says it can't rely on its past successes. "We absolutely need to change," she said. "Our consumers demand more. Our patients demand more. Our surgeons demand more. Our hospitals worldwide are absolutely demanding more." She explained how Johnson & Johnson set forth a new vision for its supply chain. "Set a new standard in health care, fueling industry-leading growth by becoming the best supply chain in the world," she said, adding that the vision rolls up into a broader mission. "Strengthen customer trust by reliably supplying high-quality products to better the lives of billions."

Foxe explained that, to fulfill this lofty vision, company leaders set their sights on three "game changers":

- Transform the customer experience, including connectivity and transparency, solutions and services, partnerships, and agility and flexibility.
- Shape the portfolio, which entails value chain management, network optimization, design to value, and complexity reduction.
- Manufacture for the future, including 3-D technology, Industry 4.0, data and analytics, and innovation.

To achieve this transformation, Foxe said "the depth" is necessary, but what Johnson & Johnson is learning is the importance of the breadth—the global understanding. She warned business people seeking supply chain transformation to beware of spending all their time in one sector, on one brand, or on one franchise.

When an audience member asked Foxe how supply chain strategy can be reinforced throughout organizations, she suggested that supply chain professionals work to better define the value they bring to the overall business. "Listen to your internal customers, tell them how you can serve them, and it's amazing how much things will start to shift," she said. "I just love the fact that supply chain is ... really sitting at the table and saying we want to grow, we want to serve our customers, we want to be fast, and we want to be agile."

In their small-group discussion, participants conferred on the necessity of creating agile, responsive, and innovative supply chains. For example, one group discussed the potential for harnessing big data to learn from and anticipate customer behavior. Attendees also emphasized the necessity of working with partners to engage "outside innovators." Finally, they explored how a supply chain should create a seamless and positive customer experience.

DATA SECURITY AND THE IMPACT ON SUPPLY CHAIN RISK MANAGEMENT

In a world of hackers, malicious users, hacktivists, organized crime, and even nation states that support hacking, cybersecurity is more important now than ever before. Cisco Systems' CW Foong, director, supply chain transformation data, analytics, and solutions architecture, advised attendees to think beyond what they read in the news and consider the implications of a data breach within their own organizations and what they need to do differently.

Foong said response to cyber threats must become a part of organizations' overall risk management protocols. These threats are real. "From a value chain security perspective, it's about looking at the end to end—our life cycle in hardware, software, and services that we provide."

There are many aspects of data security that need to be considered from the supply chain risk angle, Foong said. The most serious include

- denial of web services
- social engineering
- malware
- account privilege misuse
- forgery or copy
- tampering, modification, and substitution.

Foong's advice for dealing with these threats should sound familiar to supply chain professionals. "We believe that it's placing the right security in the right place at the right time." For example, he suggested something called role-based access. This means workers see only the system information they need to do their jobs. This idea should extend to all external partners coming into the system.

Next, Foong described technical security, which, at Cisco, includes inserting smart chips into products to deter counterfeiting and demonstrate that they are genuine Cisco products. It also is more difficult for these products to be reverse engineered. Another security aspect is physical, which involves cameras in factories being used to make sure people are following security protocols. Cameras can have facial recognition technology that ties back to a human resources database of terminated operators, thereby ensuring unauthorized people are kept out of the factory.

Behavioral security is the last type of protection Foong illustrated. "If you look at it, this is about increasing awareness with all our employees," Foong said. "A lot of times, when we do things, security and data breaches are the least thing in our mind."

Foong said these security considerations are part of an overall security culture, which means a change in mind-set for most workers. They must recognize that it is not only about a task or activity. Security has to be embedded into everything you do.

“As a leader in supply chain, you have to start communicating the importance of security. Do we want to be on the front page because of a security breach? Just imagine the impact to your customers,” Foong warned.

Discussion groups worked to identify the top security risks facing organizations and their supply chains. One major concern groups echoed was counterfeiting, especially for materials coming from suppliers that might be in far-off locations. Another area identified was employees, intentionally or unintentionally, sharing data. Participants agreed that educating and training all employees about risk, in addition to acting swiftly when a breach happens, are important components of any security program. Lastly, participants noted the risk in moving data to the cloud instead of internal servers.

HOW POLITICAL CHANGE INFLUENCES THE GLOBAL SUPPLY CHAIN

Throughout the summit, speakers and participants discussed current political environments around the world and how they are affecting or could potentially affect supply chains. Iain Anderson, executive chairman of Cicero Group, pulled together many of these thoughts for his presentation, the last of the day.

“I tend to work with financial markets—those who invest in your companies,” Anderson said. “Believe you, me, ladies and gentlemen, they are really, really trying to decode that risk more than ever.”

Anderson asked if attendees had the tools to get ahead even if the impossible happens politically. That is what happened on election day 2016 in the United States. Major news sources, such as CNN and The New York Times, predicted Hillary Clinton would win the presidency. Similarly, when the United Kingdom sought to leave the European Union via a referendum, most commentators expected the idea would be crushed. Instead, US voters elected President Trump, and Brexit is a reality.

“That was a bubble,” Anderson said. “We all need to step out of the bubble and get rid of the group think because the group think is taking the corporate world, particularly the globalized corporate world, in exactly the wrong direction.”

Citing elections in France, the Netherlands, and Germany, Anderson illustrated how nationalistic sentiment is spreading throughout Europe. Parties that are gaining momentum are those that are against the European Union, immigration, globalization, and free trade.

“The global supply chain that has relied on a set of rules and understandings may be about to get fundamentally unpicked and unpacked,” Anderson said. He asked if supply chain professionals want to hang on to current ideas and practices because it’s what they know. Or, he challenged, should you shift what you know or break it apart entirely?

Anderson’s work includes examining trade flows around the world and forecasting the trade outlook. Overall, he predicts that China and Mexico will continue to see healthy growth in their trade into the future. North Korea also has a positive trade outlook.

Anderson suggested that business people look to macroeconomic trends to help them make decisions when politics are uncertain. He also said multinationalism is important. For example, if you lead an international organization, you should not have a single world view, such as that from “Wall Street or Washington, DC.”

Instead, “make sense of the multinationalism by listening in and, in fact, assigning folks in the supply chain or communications in every single territory that you’re active or want to be active in,” Anderson said. “That way, you can listen, but also talk.”

During their small-group discussions, participants identified supply chain risks resulting from geopolitical uncertainty. Professionals are worried about delays from customs challenges and tariffs. They also identified higher prices and the necessity of transferring those higher costs to the consumer. Lastly, if the push is to move manufacturing back to the United States, participants cited infrastructure and the need for updates, along with the ability to hire skilled workers, as significant challenges.

