

Using Tech to Build More Resilient Supply Chains



A new survey finds that most companies are using the same materials management business practices that they were five years ago, long before the global COVID-19 pandemic turned their supply chains on end.

The global pandemic has taken a toll on the world’s supply chains and the situation isn’t expected to ease anytime soon. With nearly all Fortune 100 companies seeing supply chain disruptions from COVID-19, it’s clear that few—if any—organizations were able to avoid the pandemic’s wrath. Even those that may have made it through 2020 relatively unscathed were then met with an onslaught of supply chain disruptions that have yet to let up.

As they work to right the ship and plan ahead, procurement professionals are playing a dual role as “fixers” of the immediate issue and “strategic thinkers” who are helping their organizations develop more resilient supply chain strategies for the future.

“Supply chain begins and ends with the customer, and it’s clear that many companies are trying to become more agile to better meet their customers’ needs,” Verusen points out in its [2021 State of Supply Chain](#) report. “However, as demand increased at a faster pace than expected coming out of the pandemic, this created extraordinary [levels of] supply disruption and many customers were disappointed.”

The Road to Recovery

Conducted in August 2021, Verusen’s study includes input from global supply chain executives, of whom 81% are with companies that have between \$5 billion and \$20 billion in revenues. With two-thirds of these companies using the same materials management business practices they used five years

ago, the road to recovery could be long for some of these organizations. It also says that 86% of its survey respondents experienced supply disruptions during the first half of 2021 that resulted in lost sales.

“The response to this severe disruption has highlighted the lack of preparation across the industry. Businesses are trying to reduce cost and operational risk at the same time, which are often in conflict with each other,” it points out, adding that 50% of organizations have yet to actively start building a roadmap for supply network digital transformation. This is yet another oversight that may hold organizations back from a speedy recovery and future success.

Top Procurement and Sourcing Initiatives

Right now, Verusen says the top procurement and sourcing initiatives are:

- 90% focused on cost reduction
- 74% focused on operational risk
- 50% focused on inventory management

When asked to compare their current materials management processes to those of five years ago, 65% said there’s been “minimal to no change,” while 35% say they’ve adopted new technology and implemented new processes. Verusen says very few organizations are using advanced technologies like artificial intelligence (AI) and machine learning (ML), and that the majority have stuck with their legacy technologies and manual processes. More specifically:

- 37% use common productivity tools like Excel spreadsheets
- 22% rely on ERP/EAM to implement optimization
- 13% use in-house tools
- 10% rely only on field knowledge
- 10% use a dedicated inventory optimization platform
- % have adopted AI and ML

Asked about the biggest challenges to establishing digital transformation within materials management, most companies cite a lack of resources, difficulty proving return on investment (ROI) and poor data quality. “Despite resource and cost concerns, long and expensive data cleanses are still the leading approach companies are using to solve their data challenges,” Verusen points out in its report. “This approach has yet to prove sustainable nor deliver transformative results.”

Data is the New Oil

According to the survey, data complexity driven by poor data quality, siloed, disparate and excessive legacy systems is by far the most prevalent cause cited for poor materials management and planning. To deal with the problem, 42% of companies said a one-off data cleanse project is still the leading approach to improving their data, and 37% of respondents are still using tools like Excel to optimize materials management.

These tools may not adequately carry companies through to the next potential disruption. If COVID-19 has taught organizations anything, it’s the importance of being prepared for that inevitable event.

“Unfortunately, companies are struggling to prepare themselves for the next disruption, and are largely turning to legacy technologies to solve tomorrow’s problems,” Verusen concluded in its report. “These approaches have failed companies’ supply chains in the past and are unlikely to deliver any different outcome in the future.”