Supply Chain... and Demand

When it comes to the ‘networked value chain,’ EY’s Glenn Steinberg says the future belongs to the connected

Although not always among the hottest topics in consulting, a company’s supply chain has always been a hugely critical part of its business infrastructure. Emerging technologies, along with new ways of looking at how the supply chain functions have moved it from a behind the scenes consideration to a real driver of value and differentiation. This is a big part of the evolution of the supply chain EY describes as the networked value chain. Consulting caught up with Glenn Steinberg, EY’s Global and Americas Supply Chain Leader, to talk about the business and consulting opportunities around the supply chain, and why he says the future belongs to the connected.

Consulting: What is the overall state of the supply chain consulting market?

Steinberg: It’s an amazing time to be a supply chain professional. We’re in nirvana. It’s always been about visibility end to end, making faster and better business decisions with data, maximizing customer service levels at the optimal cost, reducing inventories and flexibility to respond. What’s really great is that the technology is finally here to pull it off. Supply chains are no longer linear, but they’re complex ecosystems and that requires a fundamental reinvention of the supply chain and operations of a company. Companies have been selling products and services through linear value chains, and companies owned dedicated parts of that value chain. So traditionally you have supplier, manufacturer, distributor, customer, and all systems were internally focused, on-prem. With digital technologies we’re disrupting the entire linear model and we’re creating networked value chains that can respond simultaneously rather than serially. Near real-time information across the value chain accessible to all. All the data is in the cloud. I would say the future belongs to the connected in this world, powered by IoT and fueled by data in a fully interconnected society. That’s what’s going on in supply chains that move from a linear to networked value chain. Couple this move with the convergence of events that we’re seeing right now and you’ll understand why my phone is ringing off the hook right now.

Consulting: What are some external forces driving clients to think about supply chain?

Steinberg: Think about U.S. tax reform, Brexit, EU anti-dumping rules, the global trade war, all of those are direct hits on our clients’ supply chains. Every client is really looking at their footprint, where they should manufacture things, where they should source materials from, where should they do final assembly. This is increasing the pressure on...
supply chains and requires a fundamental rethink of the concepts of supply chain management and supply chain strategy. We call that supply chain reinvention.

**Consulting:** What are some of the biggest challenges clients are facing in managing their supply chains and coping with the technology influx?

**Steinberg:** Many enterprises, especially the large multinationals, are really struggling. Some are restricted by legacy asset base, a lot of them don’t know where to start with all of this digital innovation. They know there’s a risk of being marginalized by the next disruptive innovation. I tell them there’s no silver bullet here from a digital innovation perspective. You’ve got to focus on solving the real business problem and then apply the right combination of digital technologies, which is likely to encompass AI, robots, additive manufacturing, mobile, blockchain, augmented reality, cloud, or other technology.

**Consulting:** How do companies avoid the “shiny object syndrome” in making those decisions?

**Steinberg:** It’s all about focusing on the business problem. I see a lot of companies doing prototypes and proof of concepts, and then they don’t really get the value. So focus on the problems that, once addressed, can drive the most value and then do the proof of concept, but quickly scale it, and have a plan to scale. That’s what we’re helping clients do.

**Consulting:** Are you seeing a lot of engagements around digitization?

**Steinberg:** We are. But it really does start with what’s the purpose of your business; what’s your supply chain strategy. We created this supply chain reinvention framework to help our clients navigate the complexity with confidence. It’s complex, moving from a linear supply chain to a networked value chain. There are four layers to it. There’s a supply chain intelligence layer, which of course is the end-to-end supply chain visibility. There’s then the strategic architecture of your supply chain, which needs to be completely looked at given the convergence of events. What gets done regionally, locally, globally, what’s your trade flow. The third layer is around operational excellence, and then of course around supply chain resilience. Embedded within it, we’ve built five strategic solutions we bring to clients. Clients are getting tired of PowerPoint, tired of big studies that end up on a bookshelf. We’ve purposefully built our supply chain practice with asset-backed solutions, so we bring something to the table. And that seems to be resonating all over the globe with our clients.

**Consulting:** Is this technological wave something companies can just wait out?

**Steinberg:** No, you cannot sit this one out. Just look at the largest hotelier in the world, they don’t own a hotel—Airbnb. Look at the largest taxi service in the world; they don’t own any cars—Uber. This requires partnerships, being connected. This interconnected society we’re in requires everyone to be connected and working with partnerships. EY included, consultancies included. Any consultancy that says they have everything and anything a client could need—one-stop shop, all in-house—they’re not being honest with their clients. It’s moving too fast, there are too many different technologies out there.