

# Supply Chain Responsiveness Study

## Executive Summary

### Competitive Advantage through Market Responsiveness

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#### About Hitachi Consulting Corporation

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, Hitachi Consulting is a recognized leader in delivering proven business and IT solutions to Global 2000 companies. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions.

Hitachi Consulting's client base includes nearly 25 percent of the Global 100 and many leading mid-market companies. From business strategy development through application deployment, we help clients quickly realize measurable business value and achieve sustainable ROI.

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## Study Results: Executive Summary

Hitachi Consulting and AMR Research recently surveyed 164 companies in eight manufacturing segments on what leading companies are doing to be more responsive to customer needs and market conditions while reducing costs.

### Study Overview

Most companies understand the need for responsiveness to help respond to shorter product lifecycles, increased customer expectations, fluctuating inventory levels and changing costs. But few recognize the impact of that strategy on their supply chain, nor the shifts they will need to make to move from simply being efficient and to becoming truly responsive.

This survey was conducted to help our clients better understand:

- The business processes and underlying technologies needed to coordinate a responsive supply chain with the demand signal
- Which supply chain business practices lead to real business benefit, are most important to users and which need improvement
- The primary reasons driving companies to become more responsive as well as the primary impediments keeping companies from becoming more responsive.

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### Key Findings

- Mature supply chain organizations do experience benefits. Each four year investment in supply chain excellence represents a 1% improvement in ROA.
- All industries reported that the key factor driving responsiveness efforts is cost. Given today's economy, that is not surprising. But several previous studies have shown that responsiveness and agility lead to higher ROA than a strict focus on cost reduction. The companies that focus on the other drivers mentioned (increasing customer expectations, unpredictable demand, increasing competition and a more global scope of operations) will improve responsiveness over the longer-term.
- There is a substantial increase in demand variability. New product launch has the biggest impact on forecast accuracy, followed by changes in market preferences and competition from other products. The opportunity lies in the integration of growth strategies into commercialization excellence.
- A focus on Demand/Supply Planning (S&OP) processes and linking Product Lifecycle Management to planning will have the biggest impact on responsiveness capabilities.
- Companies are trying to reduce order-to-delivery lead times. However, despite years of technology investments, companies have not reduced order lead times. Collaborative technologies have even elongated lead times in some industries. Hands-free B2B is an opportunity for all industries.

## Key Findings (continued)

- Available to Promise technologies while widely hyped, have limited adoption. Those companies with mature ATP processes have a 35% faster order cycle time.
- One of the most surprising results - the top barrier to improving responsiveness is culture. We believe this is indicative of people intuitively knowing they need a more collaborative organization structure, better planning and more visibility and information sharing. The larger the company, the greater the need for cross-functional coordination.
- There is a significant need to reduce complexity. Value chain complexity is increasing in the form of increased outsourced volumes, item complexity, SKU proliferation and the length of the supply chain.
- Accounting systems are also a major barrier to improving responsiveness. Though respondents placed people and process investments higher than technology investments.

[Click here for the full survey results](#)

## Recommended Actions

The link between supply chain maturity, agility, and financial success has been proven through previous research. This study asked the question “What is stopping companies from making more progress towards becoming responsive?”

The shift to being responsive calls for fundamental change. Companies that have made this shift have designed their supply chain to deliver a customer experience. They have identified and track the factors that are early indicators of change. And they understand their levers for responding to those changes. It comes down to having visibility and control across the supply chain. To do this, they have invested in:

- Defining holistic processes and Key Performance Indicators (KPIs) that reward cross-functional, customer-driven metrics.
- Developing collaborative processes, both within their company and with partners and customers
- Defining an organization structure that rewards integrated, not siloed thinking
- A World-class Sales and Operations planning to set the tone for the entire supply chain by analyzing and deciding on demand and supply tradeoffs
- Transportation Management - One of the quickest ways to impact order-to-delivery times and customer satisfaction, this short-term lever that can have a significant impact on cost.
- Strategic sourcing to establish capacity, flexibility and expectations with the supply base and provide visibility into landed cost decisions
- A mature supply chain network design capability that is responsive to change
- Implementing information systems to give them visibility for decision-making

These are the cornerstones towards moving to true Supply Chain excellence. Focusing on these things lands you in an exclusive list.

## Study Questions - Table of Contents

Functions of Supply Chain Management  
Revenue from service-based supply chains  
Gaps in the design of supply chain response  
Factors driving need to improve responsiveness  
How companies measure responsiveness  
Gaps in techniques to improve responsiveness  
Effectiveness of efforts to reduce demand variability

Supply Chain Maturity  
Use of ATP technologies  
Barriers to improving Responsiveness  
Ownership for responsiveness initiatives  
Gaps in Analysis Techniques  
Factors that impact demand variability  
What investments help responsiveness?

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