


How to reclaim  
supply chain's  
influence as a  
driver of growth



Building a better  
working world

The background of the entire page is a photograph of a construction site at sunset. The sky is a mix of orange, yellow, and red. In the foreground, the silhouettes of three construction workers wearing hard hats are visible. They are standing on a structure of rebar and steel beams. One worker on the right is holding a large set of blueprints. The overall mood is one of industry and activity during a golden hour.

EY survey shows that executives and the C-suite have diverging views about supply chains after the pandemic. Here's how to stay competitive, not complacent.

During the pandemic, supply chain issues quickly became a top priority on corporate agendas,<sup>1</sup> and supply chain leadership rose to the occasion and delivered significant value. However, a new EY survey of C-suite and supply chain executives suggests that, as the worst of the crisis subsides, the sense of urgency around this issue may be giving way to complacency.

Businesses continue to face global disruptions and increased complexity in supply chains. These challenges are more intense and interconnected, arising rapidly and often simultaneously and with a more widespread impact. Such structural changes demand that organizations mobilize their supply chains differently and invest in them accordingly.

However, the influence of supply chain leaders may be waning, as the new EY Supply Chain Survey reveals, and the C-suite increasingly views their strategic importance through the narrow lens of cost management. In this business climate, agile, integrated, high-performing supply chains can be strategic differentiators – requiring a unified approach on how companies are investing in, using and measuring supply chain integration, such as through the use of digital, artificial intelligence (AI) and automation.

Before the COVID-19 pandemic, boards only considered supply chain disruption their 10th most significant business risk,<sup>2</sup> and the penalty for inaction was steep. Today, supply chain executives must recapture the momentum for change and reposition themselves as vital allies driving business expansion. Based on our findings, we provide five key focus areas to reframe discussions about the supply chain, positioning it as an engine of growth rather than merely managing it as a cost center.

<sup>1</sup>Harapko, Sean, "How the supply chain can be an engine for growth," EY website, [https://www.ey.com/en\\_se/supply-chain/how-the-supply-chain-can-be-an-engine-for-growth](https://www.ey.com/en_se/supply-chain/how-the-supply-chain-can-be-an-engine-for-growth), 18 January 2021.

<sup>2</sup>Sutherland, Sharon, "Four ways boards can oversee risk management beyond COVID-19," EY website, <https://go.ey.com/3JP14Us>, 15 October 2020.

## About the research

In the second quarter of 2024, Ernst & Young LLP (EY US) commissioned a third party to better understand the current challenges and priorities of supply chains across various sectors. We surveyed 347 US supply chain leaders of companies with a minimum annual revenue of US\$500 million with the following distribution: US\$500 million to US\$999 million (45%), US\$1 billion to US\$4.9 billion (29%), US\$5 billion or more (26%).

The sampled population represented both C-suite and supply chain executives: 57% were C-suite executives including chief executive officer (CEO), chief financial officer (CFO) and chief operating officer (COO) (henceforth referred to as "C-suite") and the remaining 43% were chief supply chain officers, executive vice presidents, senior vice presidents or vice presidents of supply chain functions (henceforth referred to as "supply chain executives").

Responses were collected across eight industry sectors: manufacturing and industrials (21%); technology, media and telecommunications (19%); consumer products (19%); life sciences (12%); energy (10%); construction (9%); health-related enterprises (7%); agriculture (4%).<sup>3</sup> The margin of error for the total sample is +/- 5 percentage points.

<sup>3</sup>Due to rounding, totals may not add up to 100%.



# Chapter 1:

## Consensus on priorities but disconnect on how to achieve them

### Bridging the divide between C-suite and supply chain executives on value, digital maturity and collaboration

Our survey of C-suite and supply chain executives shows a strong consensus on the pressing challenges and key priorities facing today's supply chains. Both groups are united in their recognition that modernizing the supply chain through technology and digitalization stands among the top priorities. This strategic focus is driven by a shared goal: enhancing visibility and transparency across their supply chains, which is one of the most significant challenges they have faced in the past year.

Visibility and transparency across the supply chain is one of the top priorities for these executives and may help with identifying bottlenecks, refining operations and adapting to market disruptions in a world that is becoming more complex and interconnected. Despite this consensus, many organizations' supply chains are still mired in manual processes for both internal

and external collaboration. A concerning 22% of supply chain leaders overall describe their digital connectivity to suppliers is limited to sharing spreadsheets and emails, while 42% report that their organizations are in the early stages of adopting digital tools and cloud-based platforms for various supply chain functions.

One of the top priorities for supply chain leaders is modernizing the supply chain through tech/digital and deploying AI and generative AI (GenAI) programs. These priorities may not just be a competitive necessity in a digital-first world but can also be a critical response to acute labor shortages, the latter of which they rank as one of the most pressing challenges in the last year. The current priorities of supply chain leaders underscore the urgency to drive transformation within the supply chain industry.

#### Top challenges

- ▶ Limited visibility and transparency across supply chain functions
- ▶ Modernizing the supply chain at scale through tech/digital
- ▶ Addressing labor or skill shortages

#### Top priorities

- ▶ Modernizing the supply chain at scale through tech/digital
- ▶ Addressing labor or skill shortages
- ▶ Deploying AI/GenAI programs within supplychain functions

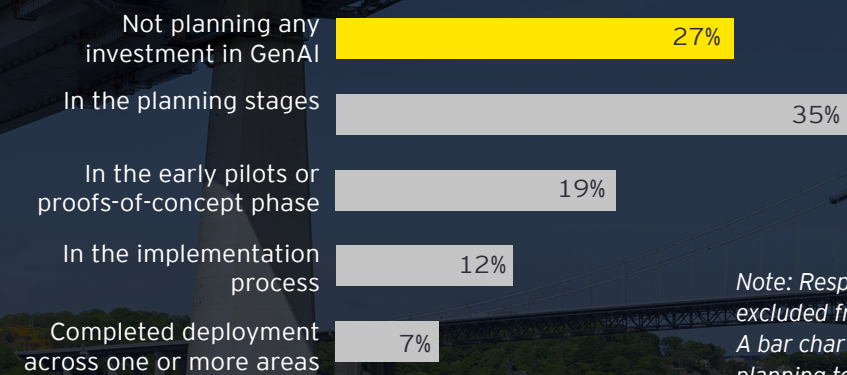
While there's widespread agreement on challenges and priorities, our survey revealed some concerning gaps between the perceptions of the C-suite and supply chain executives in three key areas: the value of supply chains, digital maturity and the benefits of supply chain integration. These discrepancies call to mind views from the pre-pandemic past, not a modernized and integrated future.

# 1

## The value of the supply chain: cost center or engine for growth?

While 90% of supply chain leaders overall say their CEO appreciates the supply chain's impact on financial performance, 88% report their C-suite considers it a cost center. Although most (78%) supply chain leaders report their organization is back to focusing on supply chain cost management post-pandemic, 88% of supply chain executives say their organization's supply chain has a vital role in enhancing the customer experience by promptly addressing customer needs (vs. 76% of C-suite). This can have implications for how performance is measured and whether supply chain executives have a seat at the table for discussions on growth and financial priorities.

## The majority of organizations are planning to deploy GenAI in their supply chain



*Note: Respondents not planning any investments in GenAI were excluded from the rest of the data and analysis. A bar chart showing where the majority of organizations are in planning to deploy GenAI in their supply chain.*

<sup>4</sup>“How will GenAI prompt a step change toward autonomous supply chains?”, ey.com website, [https://www.ey.com/en\\_gl/insights/consulting/how-will-genai-prompt-a-step-change-toward-autonomous-supply-chains](https://www.ey.com/en_gl/insights/consulting/how-will-genai-prompt-a-step-change-toward-autonomous-supply-chains), 6 June 2024.

# 2

## Digital maturity: when can supply chain autonomy be expected?

There is a notable gap between the expectations of C-suite and supply chain executives regarding digital maturity within the organization and the timeline for their organizations' supply chains to become mostly autonomous, with the C-suite more conservative and skeptical compared with supply chain executives:

- ▶ The C-suite (26%) say that their organizations' digital connectivity with suppliers is limited to email and sharing spreadsheets (vs. 16% of supply chain executives).
- ▶ The C-suite (25%) are less likely to believe their organizations' supply chains will be mostly autonomous by 2030 (vs. 39% of supply chain executives).

Skepticism on the part of the C-suite could reflect past supply chain technology implementations that failed to deliver promised productivity benefits or were scaled back due to challenges during implementation. These challenges are exacerbated with emerging technologies, such as GenAI, as highlighted in recent EY research into GenAI in the supply chain. This confirmed that despite great optimism about the technology, moving beyond pilots was more difficult than anticipated: 62% of supply chain and operations executives paused to reassess GenAI projects, with only 7% completing implementation.<sup>4</sup>

# 3

## Breaking down silos: Are the benefits overlooked by the C-suite?

In our research, supply chain executives are significantly more likely than the C-suite to recognize the benefits of breaking down silos and collaborating internally across functions (e.g., planning, procurement, manufacturing, logistics) as well as externally with vendors.

### Believe internal collaboration has resulted in positive benefits for:



### Believe external collaboration has resulted in positive benefits for:



While supply chain executives are attuned to the operational benefits of collaboration and technology, likely due to their closer involvement with day-to-day supply chain activities, the C-suite prioritizes financial outcomes and strategic objectives. In our experience, there's an expectation on the part of the C-suite that any necessary collaboration is already taking place at an operational level. Our findings suggest that these assumptions need to be revisited.

## Implications

Although every company possesses a unique culture and leadership style, disconnects can be substantial enough to hinder supply chain performance, diminish the morale and motivation of supply chain teams, and restrict the strategic use of the supply chain to enhance revenue growth and elevate customer satisfaction. Although gaps will vary widely across companies and industries, alignment on these issues has a direct relationship to how the supply chain is valued, funded and measured.

# Chapter 2:

## Five questions to kick-start leadership alignment

With new technology, supply chains play a pivotal role in delighting customers through agility and building resiliency

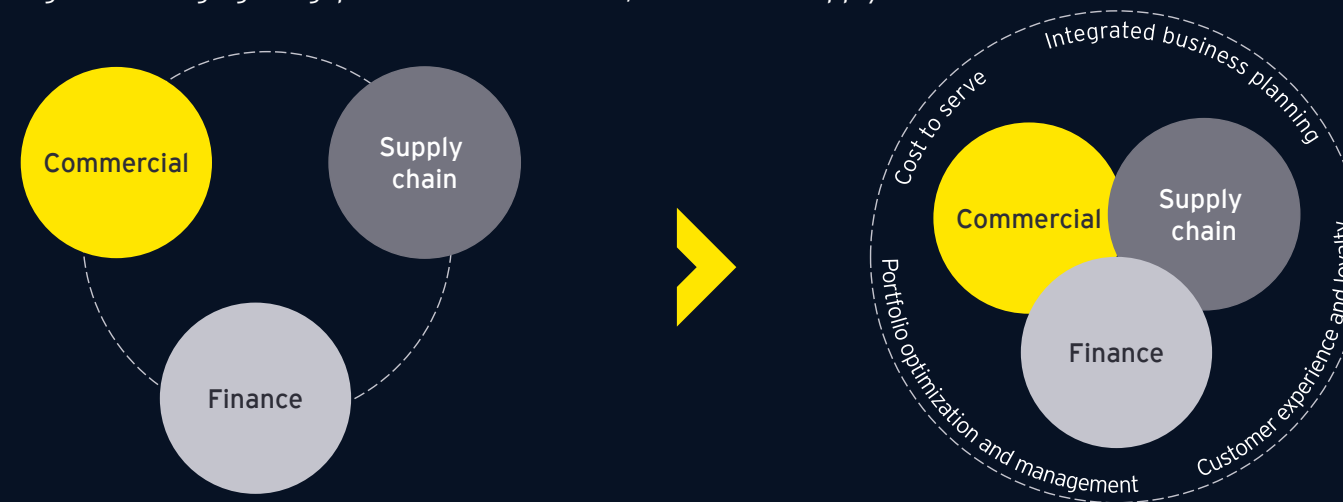
Disconnects between the C-suite and supply chain executives, across organizations, highlight the need for more communication and debate to air different perspectives and agree on a way forward. Supply chain executives can then align their objectives with the broader business goals that resonate with the C-suite – including by reframing metrics, championing digital transformation to bolster resilience and address talent shortages, and enhancing customer experiences through a more agile supply chain. Below we suggest five areas of focus for companies to discuss and identify topics for action.

# 1

### How does the supply chain drive value by helping integrate finance, commercial and supply chain?

Leading companies are focusing their convergence and integration efforts on the intersection of these three areas, and the greater this intersection can be expanded, the greater the rewards.

Figure 3: Bridging the gap between commercial, finance and supply chain



This required collaboration goes far beyond monthly team calls or relationships at the top: it happens at an execution level. It is fostered by developing an appreciation of how supply chain decisions impact the entire organization's performance and value creation, then cascading it into daily working practices. Achieving this requires redefining how the supply chain integration processes are going to work at the execution level; otherwise, people are only optimizing for the local level.

Every year, 30,000 new products are launched, and 95% of them fail.<sup>5</sup> To counter this, all three groups must work together to achieve optimal results:

- ▶ Commercial has the market knowledge to select the right product to promote at the right time, working with supply chain leaders to quantify demand for the promotion.
- ▶ Finance uses these numbers to ensure sufficient cash is on hand to support extra inventory for product launch.
- ▶ Supply chain optimizes production of high-quality goods, as well as logistics and warehousing.

Without this collaboration, companies may have a wildly successful product launch but not enough product – with knock-on effects for lower sales commissions, customer delays and potentially unfulfilled orders. Equally, if demand is overestimated, supply chain leaders might manufacture too much product, leading to excess inventory that ties up capital, increases storage costs and risks obsolescence or spoilage.

Technology can and should be used to support more collaborative ways of working across these three groups to enhance supply chain performance. Greater visibility and transparency can clarify where there are opportunities to use the supply chain to boost growth, enhance competitiveness and support strategic initiatives. All of this accelerates progress toward autonomous supply chains.

<sup>5</sup> "95 Percent of New Products Fail. Here Are 6 Steps to Make Sure Yours Don't," Inc.com website, <https://www.inc.com/marc-emmer/95-percent-of-new-products-fail-here-are-6-steps-to-make-sure-yours-dont.html>, 6 July 2018.



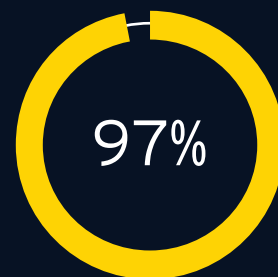
# 2

## How can we align supply chain metrics more closely to business objectives?

It's commonly accepted that what gets measured gets done. Yet nearly all supply chain leaders (97%) say that their organizations are currently facing challenges as it relates to supply chain metrics, and that challenges come from a lack of integrated data and cross-functional metrics being in conflict with each other, among others.

Our research finds that, as expected, supply chain leaders are currently focusing on key performance indicators (KPIs), such as rates of return (49%), cash-to-cash cycles (46%) and supply chain costs as a percentage of sales (45%). Ideally, supply chain metrics would also reflect strategic contributions, such as customer satisfaction, revenue growth and market share.

In our experience, aligning supply chain KPIs with organizational objectives involves trade-offs and is best approached with proactive, transparent conversations between operational and strategic leaders. Capacity is not unlimited, so if the organization's objectives are to drive better availability in various product categories, other initiatives will need to be deprioritized. This prioritization is key to success and will prevent expensive workarounds to meet conflicting priorities, such as overtime and running manufacturing lines longer.



of organizations are facing challenges relating to supply chain metrics

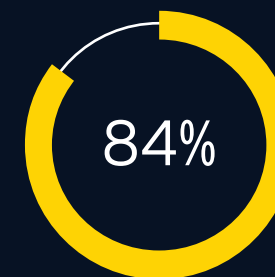
# 3

## How could we encompass customer experience in supply chain metrics?

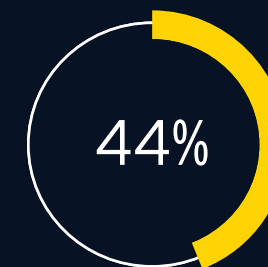
The survey indicates that 84% of supply chain leaders say they are more focused on internal operations than customer needs, with 76% indicating they prioritize making new and innovative products over creating the best customer experience. In fact, only 44% of supply chain leaders report tracking customer satisfaction (e.g., net promoter score or similar metric) as a supply chain KPI. In our interpretation, this may account for some of the disconnect between the C-suite – which often tracks customer satisfaction and loyalty to help determine bottom-line performance – and supply chain leaders.

There is an opportunity to elevate the way the supply chain is measured by including customer satisfaction (possibly including net promoter score), order fill rate/on time in full, delivery time or complaint resolution time for tracking integrated supply chain performance. Adding customer experience metrics to KPIs provides clear evidence for the supply chain's impact on growth. In addition, communicating success stories where the supply chain has boosted revenues and generated new business opportunities is a persuasive tool to address the disconnect with the C-suite.

By being on the forefront of advanced technologies, such as GenAI, supply chain leaders can make a strong business case for a faster pathway to the autonomous supply chain and improved customer experiences.



of supply chain organizations spend more time focused on internal operations than customer needs



of organizations report tracking customer satisfaction as a key supply chain KPI

# 4

## How can we shape a workforce to meet C-suite and supply chain goals?

Organizations can nurture a supply chain workforce that achieves operational excellence while simultaneously harmonizing with the strategic objectives of the C-suite. However, an acute shortage of talent is holding back organizations in their efforts to accelerate digitalization and implement advanced systems. Our research shows that supply chain leaders' organizations are in the process of adopting automated logistics (48%), driverless vehicles including forklifts and trucks (48%), control towers (47%), robotics (46%) and demand sensing (45%).

Progress toward supply chain integration requires talent in digital technology, data science, automation engineering, AI and machine learning, cybersecurity, change management and strategic innovation. These talent recruitment efforts require leaders who can provide a holistic perspective across the deeply specialized skills in each supply chain function, as expertise in planning does not necessarily translate to expertise in logistics or manufacturing or procurement.

So how can organizations attract the talent they need when these skills are in such high demand? Two strategies may be useful here. First, rotating middle management across different functions can create a broader understanding of how the organization operates and the importance of integrating technology and data. Second, our observations reveal that data silos and disjointed systems not only exasperate employees but also impede comprehensive visibility and transparency across the entire operation. To address this issue, supply chain executives can empower their teams with technology, providing them with collaborative tools that illuminate the ripple effects of decisions throughout the organization and facilitate an understanding of the trade-offs involved.

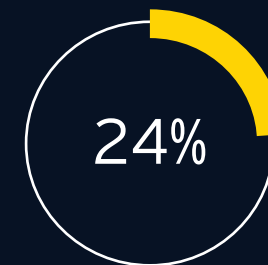


# 5

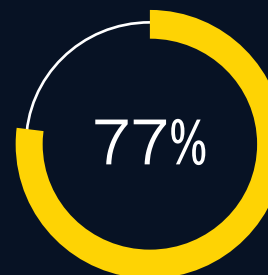
## How can data and AI boost supply chain agility and value and drive growth?

To meet C-suite objectives of cost reduction, risk management and revenue growth, supply chain resilience and agility have become paramount. Resiliency is firmly established as a top supply chain objective, with 87% of supply chain leaders overall saying their organizations have made significant investments to improve it. Diversifying suppliers across regions (80%) and improving cross-functional collaboration in their organization (80%) were among the most highly rated strategies to achieve this. Yet, 24% of supply chain leaders report that their organization is not very or at all prepared for a pandemic or widespread health crisis, and 19% are similarly unprepared for supply shortages, signaling the need for further enhancement of supply chain robustness.

While resiliency verifies the supply chain's ability to withstand disruptions, agility allows for rapid adaptation to change. These complementary concepts are crucial for organizations aiming to go beyond resilience and achieve agility. Integrating data through a data fabric or data lake is a key step in this direction. Surprisingly, while 77% of supply chain leaders report having a data lake and actively using it, 17% have one but do not utilize it for their supply chain and operations, and 6% are considering implementing a data lake.



24% of organizations admit they are not very or at all prepared for another pandemic or widespread health crisis



77% of supply chain leaders have a data lake and use it, but 17% have this type of storage platform but don't use it

Employing the right data architecture, technology and analytics enables supply chain leaders to respond swiftly to market fluctuations. Furthermore, aligning these data-driven efforts with the business's technology platforms, and enhancing them with AI, not only serves supply chain objectives but also advances C-suite priorities by refining forecasting accuracy and event capture across the supply chain ecosystem, including suppliers, distributors and retailers.

## Sounding the clarion call

Differentiated supply chains are pivotal assets that build resiliency, deliver customer satisfaction and drive revenue growth – not just year-over-year cost savings. The new EY Supply Chain Survey highlights that lessons learned during the pandemic are at risk of being lost even as the business risks of a disruptive landscape grow potentially more intense. Leaders must be aligned on what business goals the supply chain achieves, how those goals are enabled through technology and integration, and how success is measured. Supply chain executives must continue to reassert their place at the leadership table and collectively help set a trajectory for future innovation and expansion.

## Ernst & Young LLP contacts



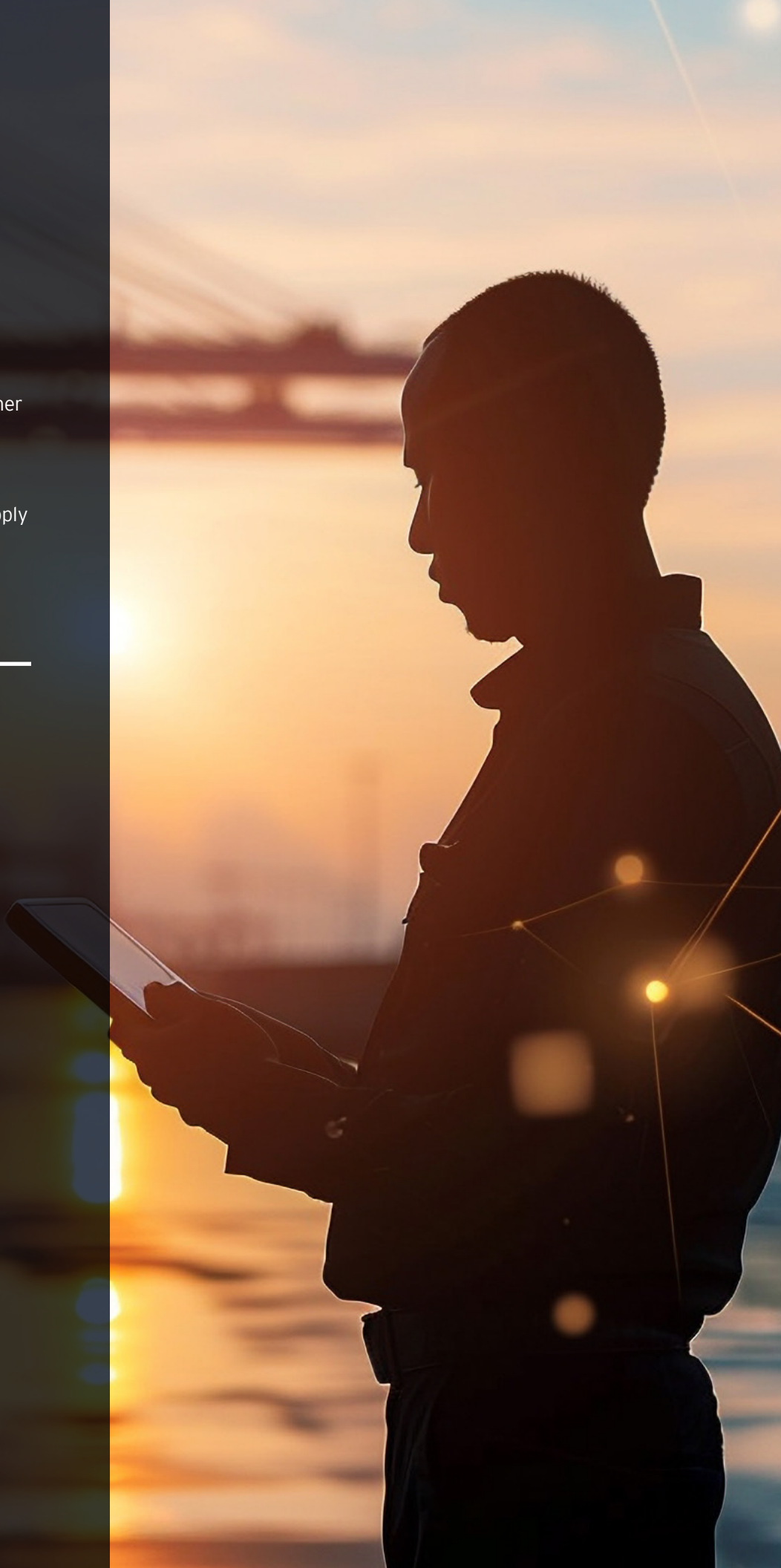
### Ashutosh Dekhne

EY Americas Supply Chain & Operations  
Practice Leader  
ashutosh.dekhne@ey.com



### Takshay Aggarwal

EY Americas Supply Chain Technology & Platforms Leader  
takshay.aggarwal@ey.com



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP.  
All Rights Reserved.

SCORE no. 24307-241US  
2407-4562709  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com](https://ey.com)