



# CALIBRATING SUPPLY CHAIN MANAGEMENT

Findings from a survey jointly conducted by Computer Sciences Corporation (CSC)  
and *Supply Chain Management Review* magazine



This report was prepared by Charles C. Poirier, a partner with CSC's Consulting Group and Frances J. Quinn, editor of *Supply Chain Management Review*.



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Everyone talks about the importance of supply chain management. To what extent, however, have companies truly advanced their supply chain capabilities?

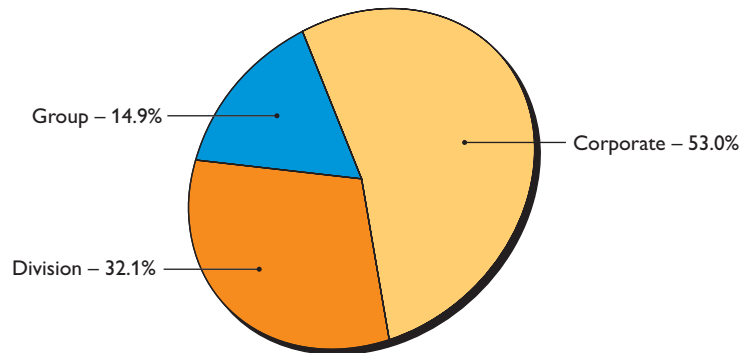
A recent survey of 142 organizations reveals that a few 'leaders' have mastered collaboration, internal process improvement, and digital commerce to stake positions of dominance in their industries. The survey's results also show, however, that many firms still have great strides to make before they have fully optimized their supply chains — but little time left to do it.

Questions One and Two asked for background information about the organizations responding to the survey.

Of the 134 who described the organization for which they were responding, 53 percent said they resided at the corporate level of their organizations; 32.1 percent belonged to a division, subsidiary or single business unit; and 14.9 percent were at the group level.

**QUESTION 1:**

Describe the organization for which you are responding.

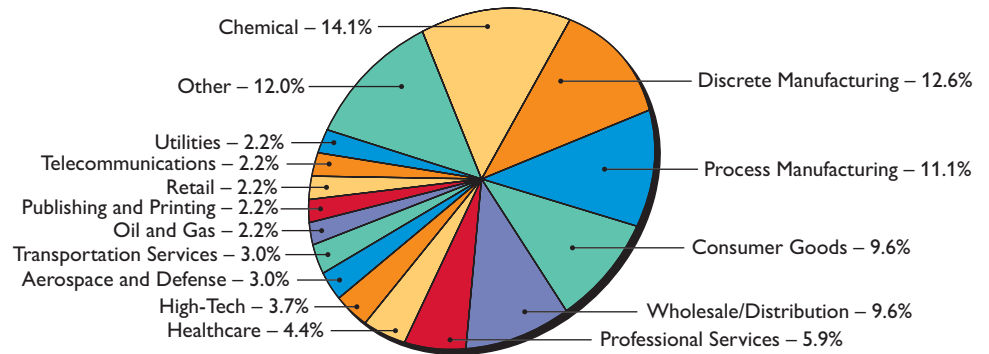


Of the 135 who identified the primary industry in which their organizations operated, the largest contingent (14.1 percent) were from the chemical industry. Discrete manufacturers were the second-largest group (12.6 percent), followed by process manufacturers (11.1 percent). More than 25 other industries, from consumer goods, to healthcare, to aerospace and defense, were represented among those industries who represented 10 percent or less of the question's respondents.



**QUESTION 2:**

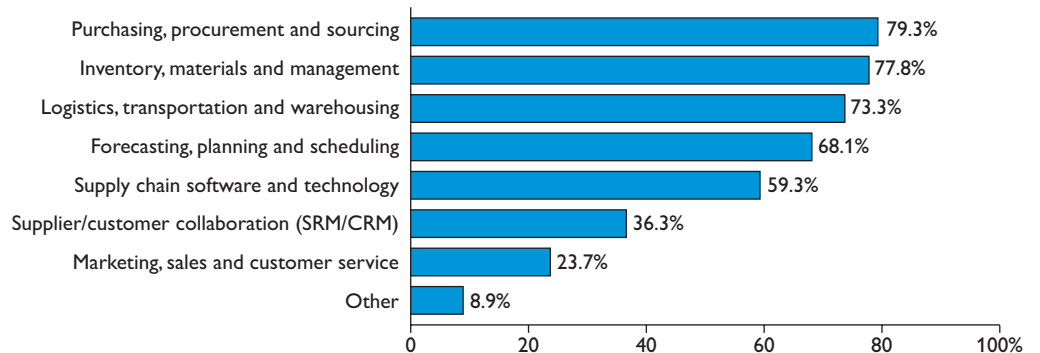
In what primary industry does your organization operate?



The third question asked which of 17 identified functions came under the respondents' supply chain organization. More than three-quarters said purchasing/procurement/sourcing (79.3 percent), and inventory and materials management (77.8 percent), report to them. Almost as many respondents had logistics/transportation/warehousing (73.3 percent), report to them. More than half listed forecasting/planning/scheduling (68.1 percent), along with supply chain software and technology (59.3 percent), as part of their organization. More than a third (36.3 percent) named supplier/customer collaboration as being under their umbrella and almost a quarter (23.7 percent) said the same of marketing/sales/customer service.

**QUESTION 3:**

Which of the following functions come under your supply chain organization?



Question 4A-4G challenged the supply chain executives to rate (between Level One and Level Five) their firms' current stage of development in seven business applications.

In the area of purchasing/procurement/sourcing, most firms (43.5 percent) rated their efforts as being at either Level One or Two. More than a third (36.6 percent) rated it at Level Three and about one fifth (19.9 percent) rated it at either Level Four or Five.



In the area of logistics/transportation/warehousing, 46.0 percent felt they were at either Level One or Two. Close behind, at 41.3 percent, were the firms who ranked their effort in the middle. Just 12.7 percent felt their program merited Level Four or Five status.

The forecasting/planning/scheduling application has quite a ways to develop, according to the executives. Three-fifths of the group (60.8 percent) rated their progress at Level One or Two. Another 28.8 percent positioned their program at Level Three while just over 10 percent put it at Level Four or Five.

In the area of inventory/materials management, 55.4 percent felt they were at the starting gates of Level One and Two. Almost a third (32.3 percent) put their program at Level Three and more than 12 percent confidently identified their progress as being at Level Four or Five.

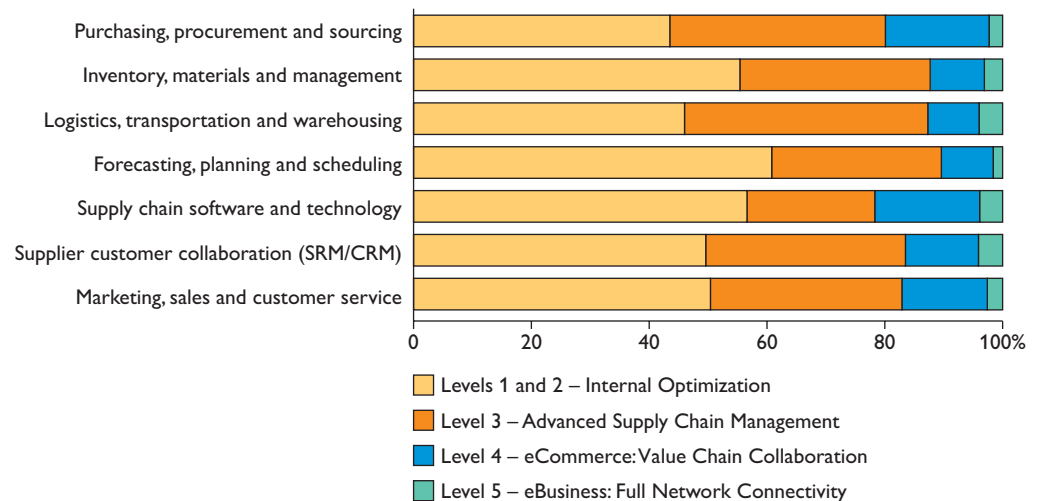
The breakdown was similar in the area of marketing/sales/customer service. Slightly above half (50.4 percent) said they are at the first or second level, slightly below a third (32.5 percent) believe they are in the middle and 17.1 percent said their program has evolved to Level Four or Five.

The supplier/customer collaboration application got higher marks. Just under half (49.6 percent) still feel they are at Level One or Two in this area. A full third feel they are dead center and more than 16 percent perceive their program to be at one of the more advanced levels.

The executives did feel they still have significant room to grow in the area of supply chain software and technology. More than 56 percent identified their progress here to be only at Level One or Two. Another 21.7 percent see it as being at Level Three and 21.7 percent rank it at Level Four or Five.

**QUESTION 4:**

Please identify your company's current stage of development for each of the seven business applications.

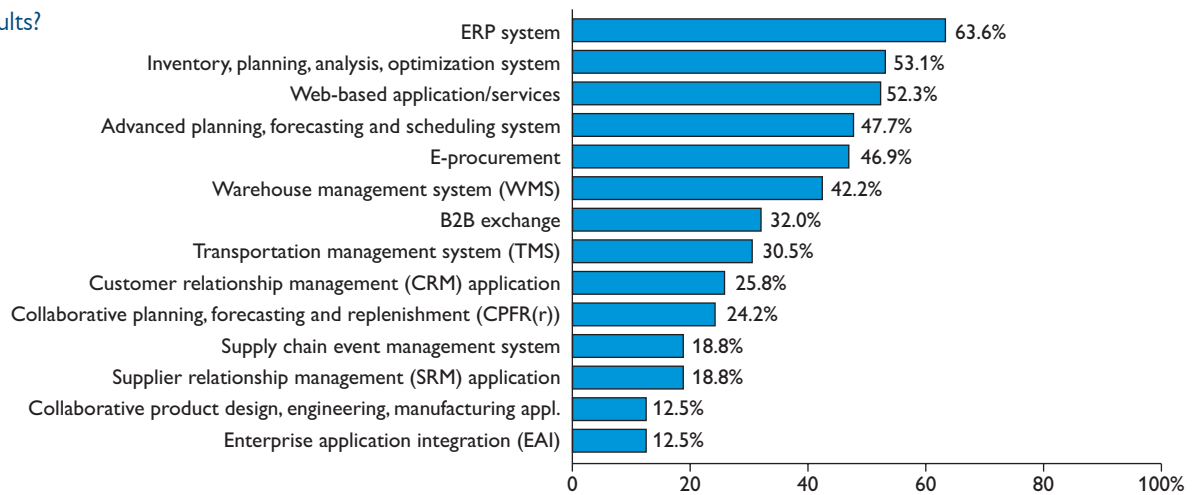




Question Five sought to identify the technologies most commonly being used to evolve the supply chain and drive results. More than half of the respondents listed an ERP system, an inventory planning/analysis/optimization system, and Web-based applications as part of their toolkit. Just under half listed an advanced planning/forecasting/scheduling system, e-procurement technology and a warehouse system. Other technologies in the mix included a B2B exchange, TMS, CRM, CPFR, EAI applications, supply chain event-management systems, collaborative product design technology and a supplier relationship management system.

**QUESTION 5:**

What technology are you using to advance your supply chain evolution and drive results?



Responding to questions 6a-1 through 6A-13, the executives rated the progress of a host of initiatives their organizations are pursuing to drive supply chain management. As for the strategic sourcing of direct materials, the largest group (41.3 percent) said their effort was in progress, more than 29 percent said that initiative was complete and 19 percent had no plans for such an initiative. The strategic sourcing of indirect materials is in progress at 37.5 percent of the organizations that responded, but a full 30 percent said they have no plans for putting this type of initiative in place.

Initiatives directed toward supply chain visibility and event management are nowhere near maturity, according to the survey. Only 1.6 percent of the respondents said they have completed one, 36.3 percent said an initiative of that nature is in progress and more than 61 percent said one is either planned for the next 12 months, or not at all.



**QUESTION 6A:**

What initiatives are you pursuing to drive supply chain advancement?



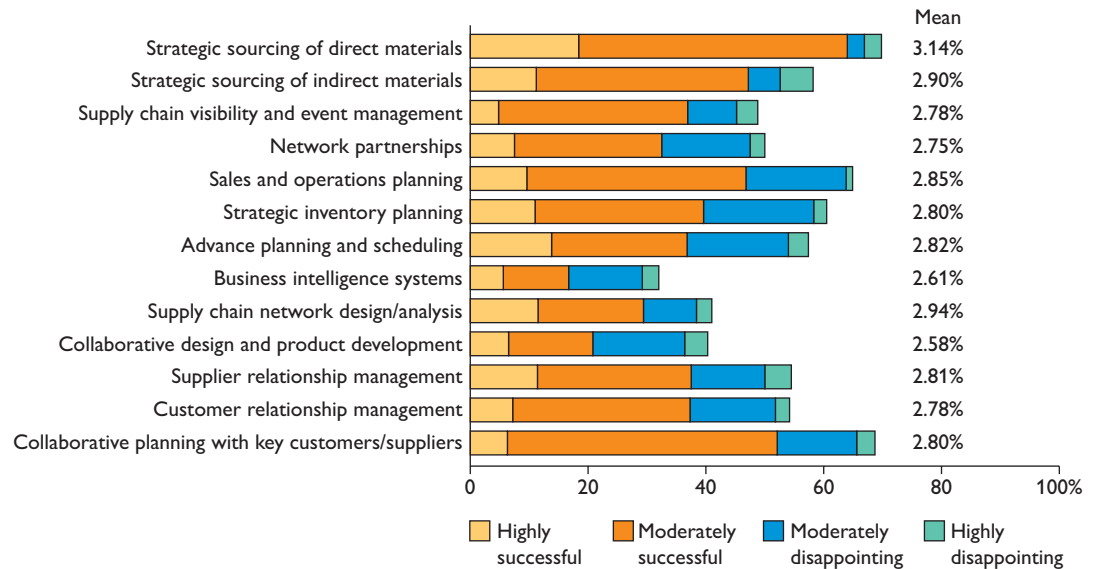
A majority of respondents said they have no initiatives planned around network partnerships, business intelligence systems, supply chain network design/analysis and collaborative design/production analysis. However, a majority of the respondents said they are in the progress of implementing initiatives designed to enhance sales/operations planning, strategic inventory planning, advanced planning and scheduling, supplier relationship management, customer relationship management and collaborative planning with customers/suppliers.

A related set of questions (6b-1 through 6b-13) asked the executives to rate the success to date of whichever of the aforementioned initiatives they have completed. The initiative with the greatest satisfaction rate thus far was the strategic sourcing of direct materials, rated either highly or moderately successful by almost two-thirds of those who have completed it. Initiatives centered on collaborative planning with customers and suppliers also fared well, rated either highly or moderately successful by 52.1 percent of those who have completed that. The completed initiatives generating the least satisfaction are those focused on strategic inventory planning (20.9 percent rated their initiatives here either moderately or highly disappointing), advanced planning/scheduling (20.7 percent) and collaborative design/product development (19.5 percent).



**QUESTION 6B:**

What initiatives are you pursuing to drive supply chain advancement?  
(Realized Results)



Question Seven required respondents to name the three factors that played the greatest role in their most successful supply chain initiatives. Of the factors presented, a visible and active senior executive who showed commitment to outcomes, and performance measures aligned to desired outcomes, received the most frequent mention (61.1 percent and 42.7 percent respectively). Factors in the middle were an awareness of the need to reduce inventories (32.8 percent), project management that was clearly established and executed (32.1 percent), technology enablers that were established and operating (28.2 percent), an awareness of the need to increase customer satisfaction ratings (26.7 percent) and collaborating with supply chain partners (26.7 percent), high goals set at the outset (17.6 percent) and a realistic business case established to track results (16.0 percent). Mentioned least were trust between workers and senior management (10.7 percent), close work with collaboration partners (0.8 percent) and an alignment to business strategy (0.8 percent).

**QUESTION 7:**

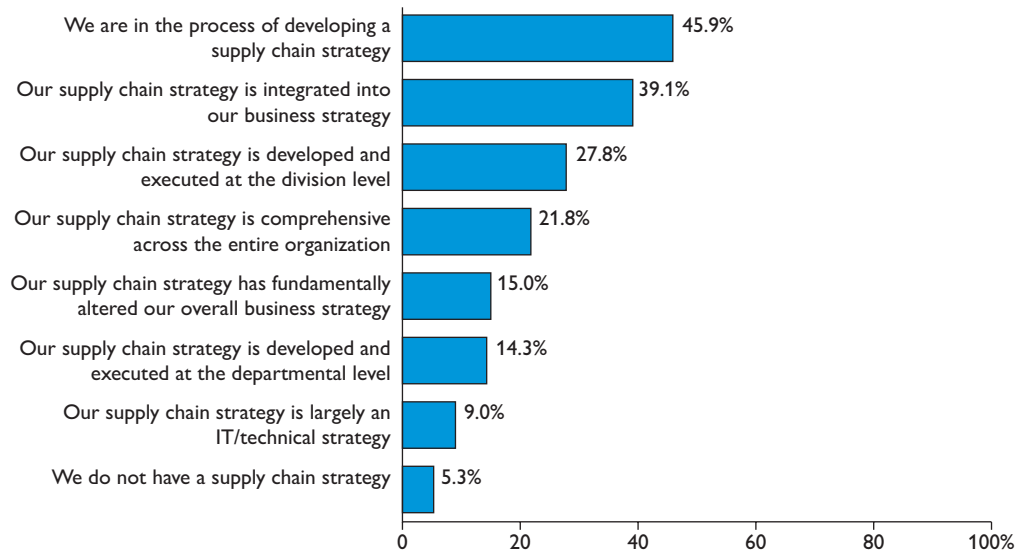
What three factors played the greatest role in your most successful supply chain initiatives?





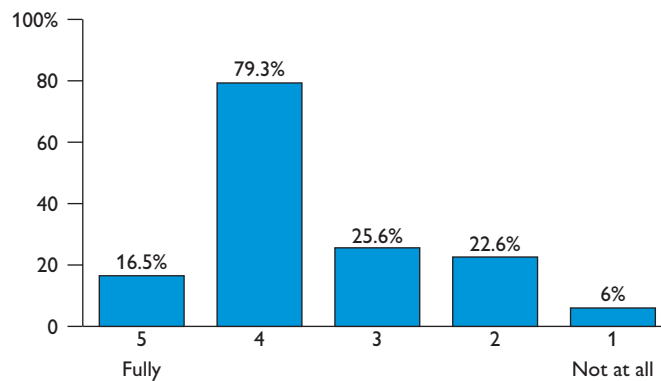
Question Eight provided the executives with a list of statements and asked them to mark those that applied to their supply chain initiatives. The statement that applied most frequently (45.9 percent) was, “We are in the process of developing a supply chain strategy,” followed by, “Our supply chain strategy is integrated into our business strategy” (39.1 percent). The statements identified as least applicable were “We do not have a supply chain strategy” (5.3 percent) and “Our supply chain strategy is largely an IT/technical strategy” (9.0 percent).

**QUESTION 8:**  
Mark all statements that apply to your company’s supply chain strategy.



The executives were next asked how well their supply chain strategy aligned with their overall corporate strategy. On a scale of 1-5, with five representing fully aligned, the largest percentage (79.3 percent) rated their alignment a ‘4,’ 25.6 percent rated it a ‘3,’ 22.6 percent rated it a ‘2,’ 16.5 percent rated it a ‘5’ and six percent said it was not at all aligned with their corporate strategy.

**QUESTION 9:**  
How well is your supply chain strategy aligned with your overall corporate strategy?

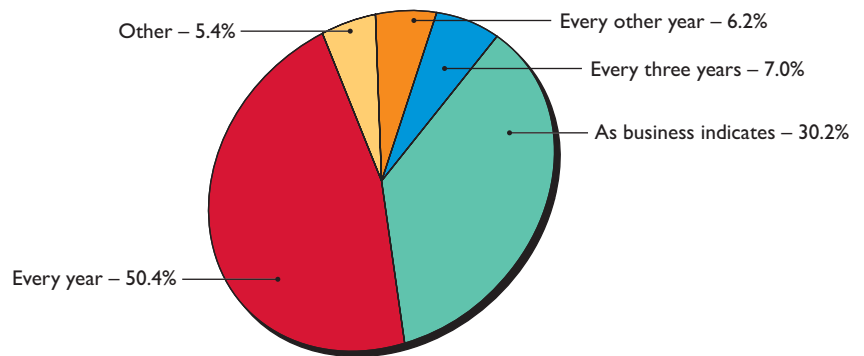




How often does the organization formally review and update its supply chain strategic plan? Just about half (50.4 percent) said once a year. Roughly 30 percent review it as business conditions dictate. The remaining 20 percent of the responses varied from every other year to not at all.

**QUESTION 10:**

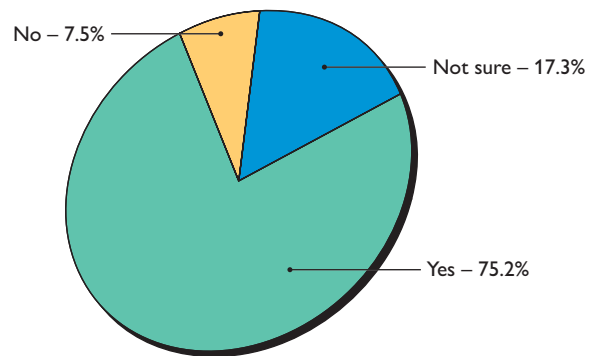
How often does your organization formally review or update its supply chain strategic plan?



From the responses to Question 11, it appears most CEOs consider supply chain management to be a source of competitive advantage. Three-quarters of those surveyed said their CEOs feel that way, 17.3 percent weren't sure how their CEOs felt and just 7.5 percent felt their CEO did not have that perception.

**QUESTION 11:**

Does your organization's CEO consider supply chain management to be a source of competitive advantage?

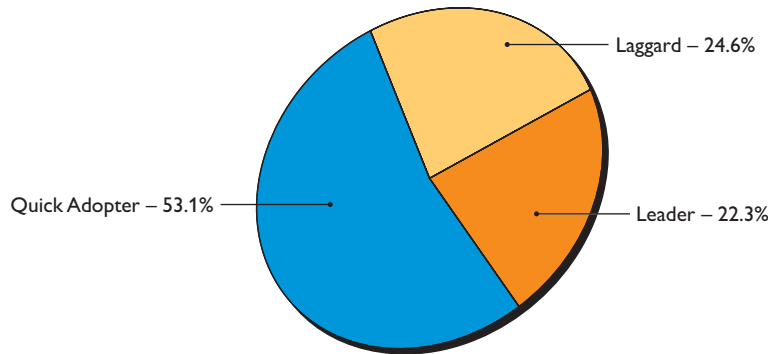


The surveyed executives demonstrated humility when asked to compare their supply chain's performance against those of other firms'. 53.1 percent identified themselves as 'quick adapters.' Almost a quarter (24.6 percent) actually said they were laggards compared to other firms. Only 22.3 percent felt confident enough to say they were leaders in supply chain management.



**QUESTION 12:**

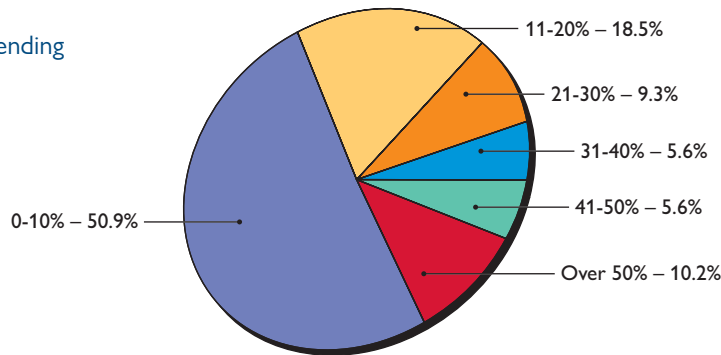
How does your company compare to other companies in your industry in terms of supply chain excellence?



Asked what percentage of their company’s revenue is spent on supply chain activities, the largest percentage (50.9 percent) said less than 10 percent. At the opposite end, just over 10 percent said they spend more than 50 percent of their company’s revenue on supply chain management. The costs they most frequently included in this calculation included logistics/transportation/warehousing (80.5 percent), purchasing/procurement/sourcing (77.1 percent), and inventory/materials management (76.3 percent). Least frequently included in costs, they said, were customer service (1.7 percent) along with credit services/account payables, maintenance of make processes, manufacturing and raw materials/containers/conversion (all at 0.8 percent).

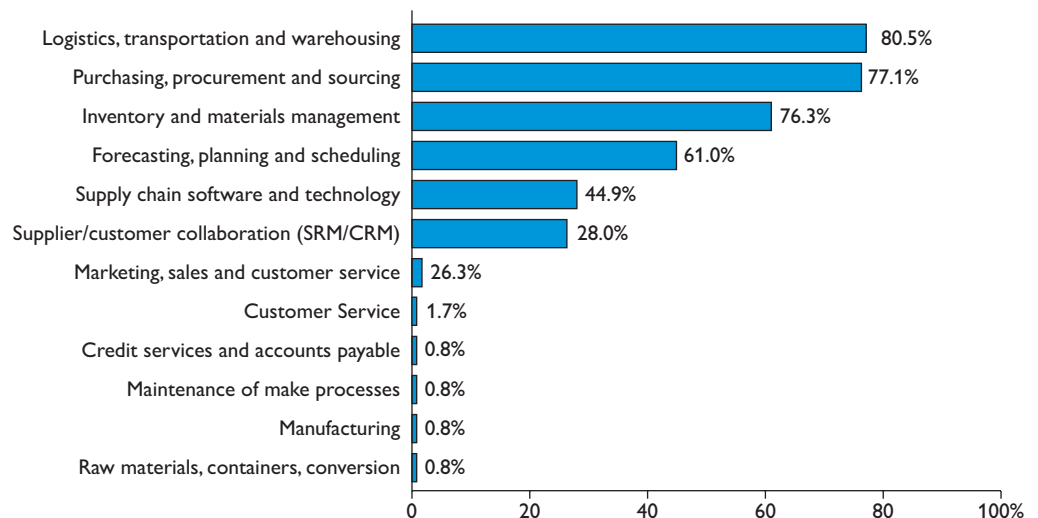
**QUESTION 16:**

What is your supply chain spending as a percentage of revenue?



**QUESTION 17:**

What costs are included in this?

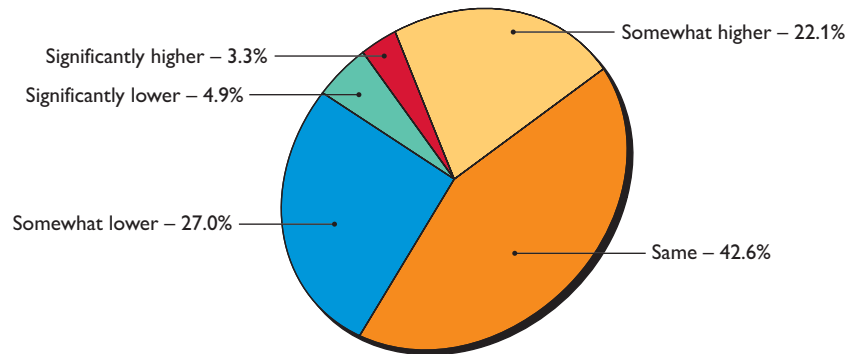




The decline in the economy over the past three years has apparently not had a substantial impact on the companies' supply chain expenditures. 68 percent of those surveyed said their expenditures are about the same as, or higher than, they were three years ago; just 32 percent say their outlay is less than in 2000.

**QUESTION 18:**

How has your relative level of supply chain spending changed over the past three years?

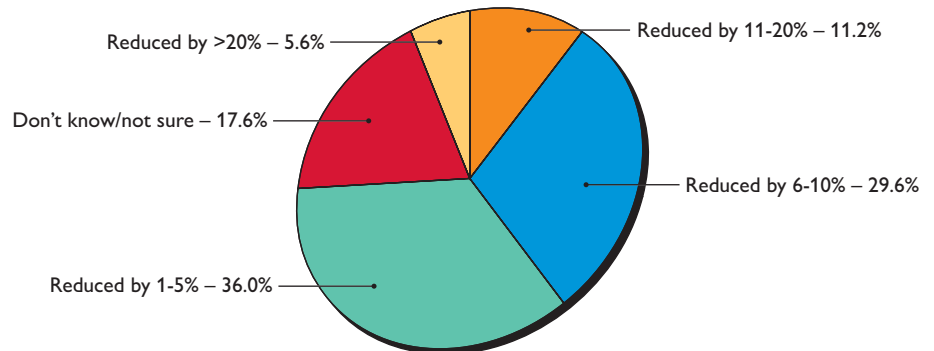


Questions 19A and B asked those surveyed to identify the impact their supply chain initiatives have had on costs and revenue. In the category of costs, the highest percentage (36 percent) said the impact has been between 1 and 5 percent. Almost 30 percent put it at between 6 and 10 percent. 16.8 percent put the impact on costs at 11 percent or more — more than 17 percent did not know the impact.

In terms of revenues, more than half (51.4 percent) said they did not know what impact if any their supply chain initiatives had had. About a quarter (24.8 percent) pegged the impact at between 1 and 5 percent and the remaining quarter placed it at 6 percent or higher.

**QUESTION 19A:**

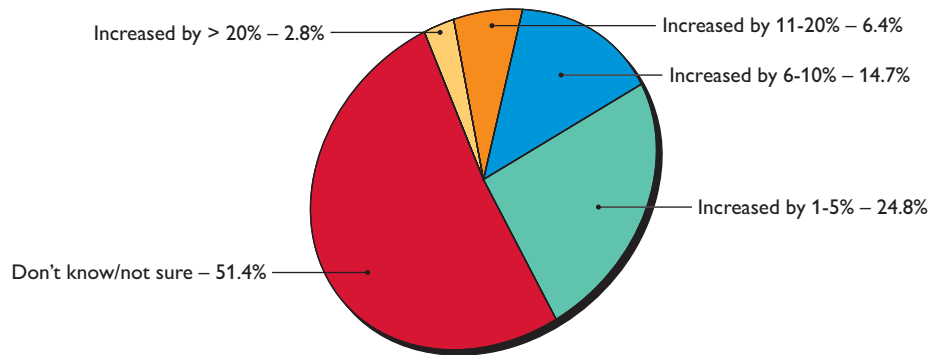
In the past year, what has been the overall impact of your supply chain initiatives on costs?





**QUESTION 19B:**

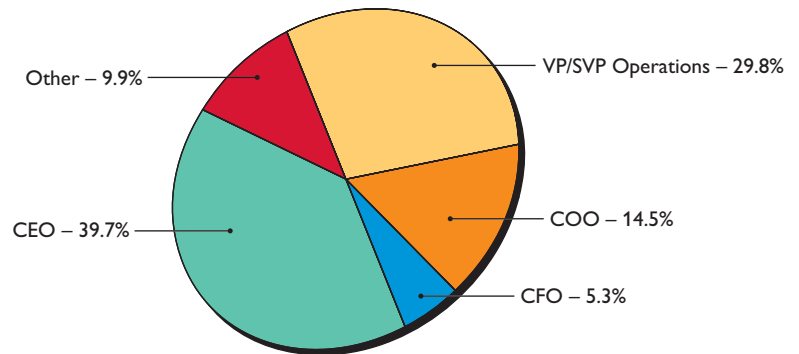
In the past year, what has been the overall impact of your supply chain initiatives on revenue?



The survey reveals that the supply chain function has solid access to the most important office in the corporate tower. Almost 40 percent of those who answered Question 20 said the supply chain organization's highest executive reports to the company's CEO. Another 30 percent said that person reports either to a vice president of a senior vice president for operations. Still another 14.5 percent said the person reports to the chief operating officer.

**QUESTION 20:**

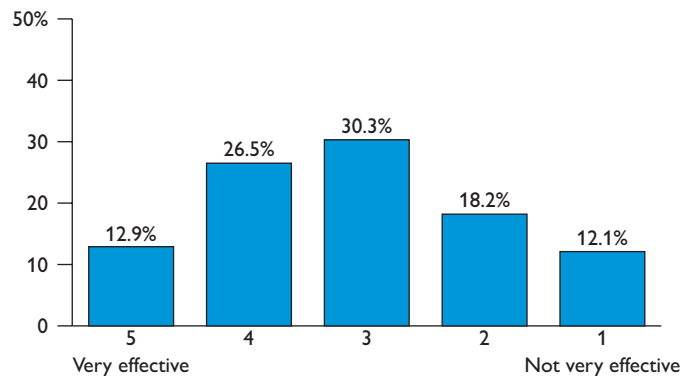
To whom does your organization's most senior supply chain executive report?



Results to Question 21 also showed the relationship between supply chain leadership and IT leadership can be strengthened. Only 13 percent of those surveyed termed the relationship in their companies 'very effective.' An almost equal number (12.1 percent) considers it 'not very effective.'

**QUESTION 21:**

How effective has your supply chain leadership been in working with IT leadership to introduce new technologies that can improve business performance?

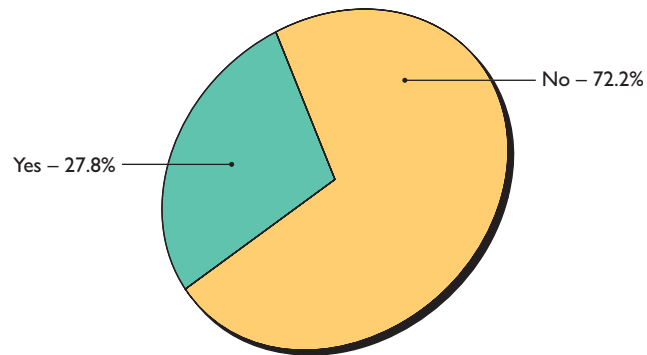




Question 22 asked whether the respondent has a formal program in place to help staff stay abreast of the latest supply chain technologies and techniques. Only a little over a quarter (27.8 percent) said they did.

**QUESTION 22:**

Do you have a formal staff development program in place to keep abreast of the latest supply chain management technology and techniques?

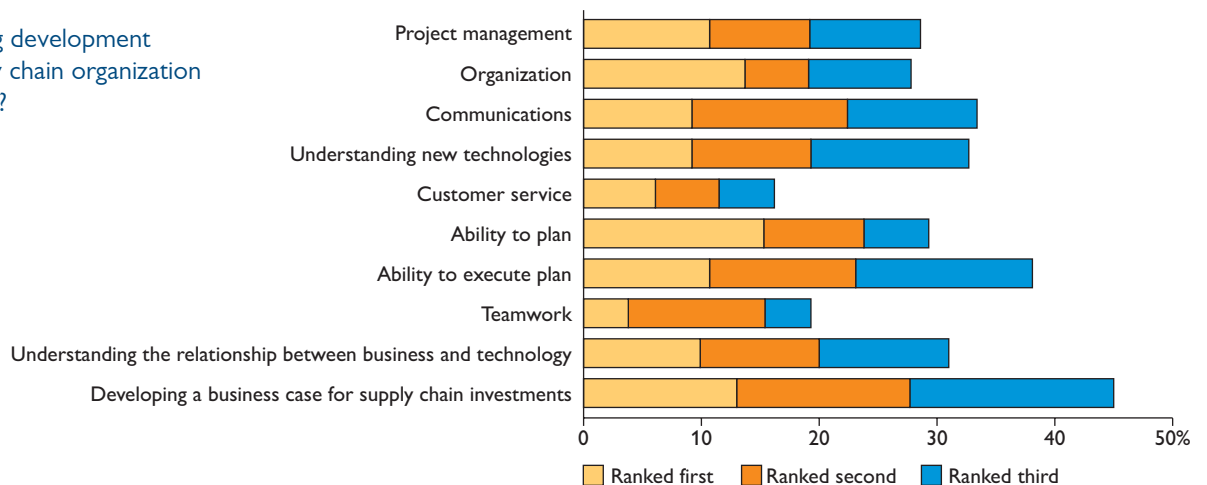


In Question 23, the executives were given a list of development areas and were asked which their organization needed to work on most. ‘The ability to plan’ was ranked first most often (15.3 percent), followed by ‘organization’ (13.7 percent) and ‘developing a business case for supply chain investments’ (13 percent).

That development of a business case was the area most often ranked second (by 14.7 percent) and third (by 17.3 percent), as well.

**QUESTION 23:**

Which of the following development areas does your supply chain organization need to work on most?

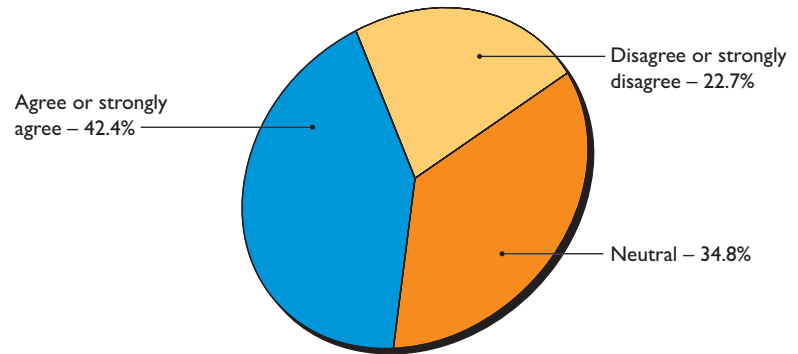




The survey next asked the executives to choose a response to the following statement: “I am concerned that my supply chain is more vulnerable because of new import or custom regulations, unstable global sourcing points, potential security breaches or terrorist attacks, and the uncertainties associated with implementing new supply chain improvement programs.” Almost twice as many respondents (42.4 percent) said they agreed or strongly agreed with the statement over those (22.7 percent) who disagreed or strongly disagreed with the statement. About one-third (34.8 percent) were neutral.

**QUESTION 24:**

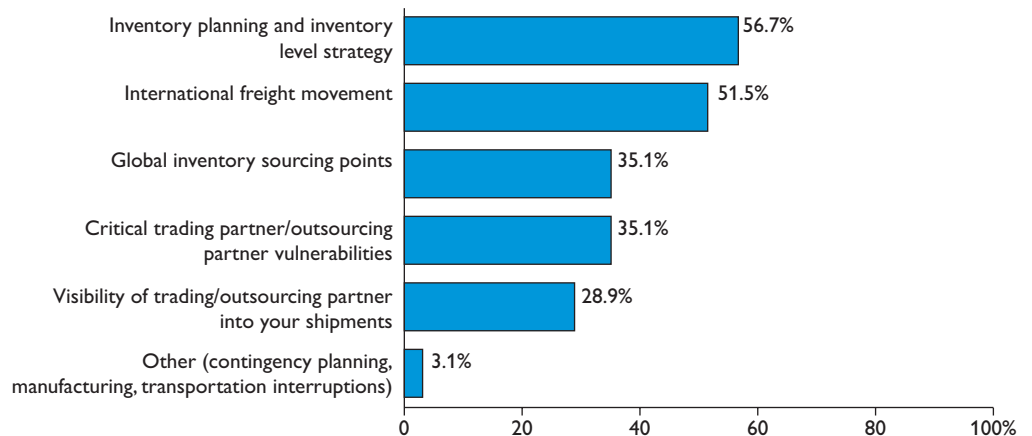
What is your response to the following statement: “I am concerned that my supply chain is more vulnerable because of new import or customs regulations, unstable global sourcing points, potential security breaches or terrorist attacks, and the uncertainties associated with implementing new supply chain improvement programs.”



Question 25 provided a list of supply chain areas, and asked the executives if they had initiated — or were planning to initiate — a vulnerability review in each. The areas whose possible vulnerability is getting the greatest attention are inventory planning/inventory level strategy and international freight movement. Those receiving the least attention are contingency planning, manufacturing and transportation interruptions.

**QUESTION 25:**

Have you or are you planning to initiate a supply chain vulnerability review in the following areas?

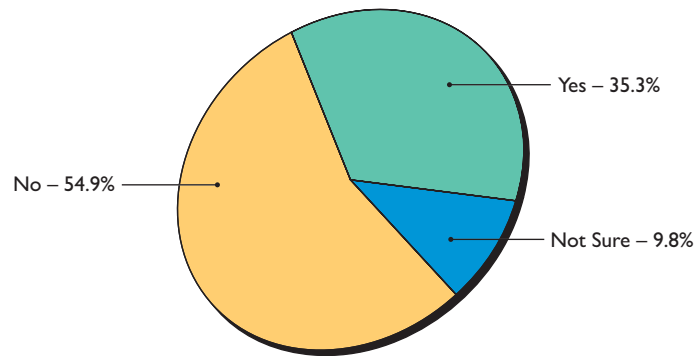




The next question asked whether the executives' supply chain organization has written contingency plans in the case of a significant disruption. A majority (54.9 percent) said they did not, while just over a third (35.3 percent) said they did. Almost 10 percent were not sure. Question 27 then asked if their supply chain contingency planning process includes critical trading partners so that, if it were disrupted, there would be a significant impact on their business. To this, 45 percent said 'yes,' 41.9 percent said 'no' and 13.2 percent indicated they were not sure.

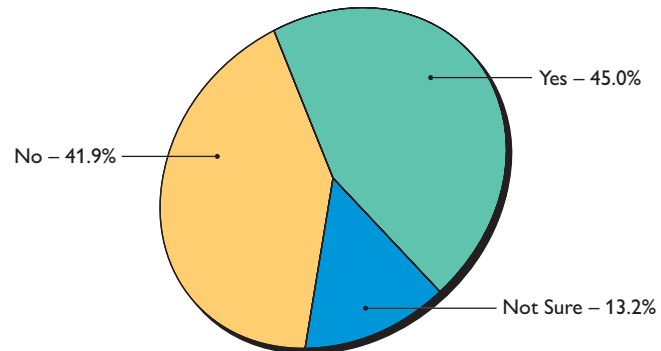
**QUESTION 26:**

Does your supply chain organization have written contingency plans in the case of a significant disruption?



**QUESTION 27:**

Does your supply chain contingency planning process include critical trading partners that, if disrupted, could have a significant impact on your business?

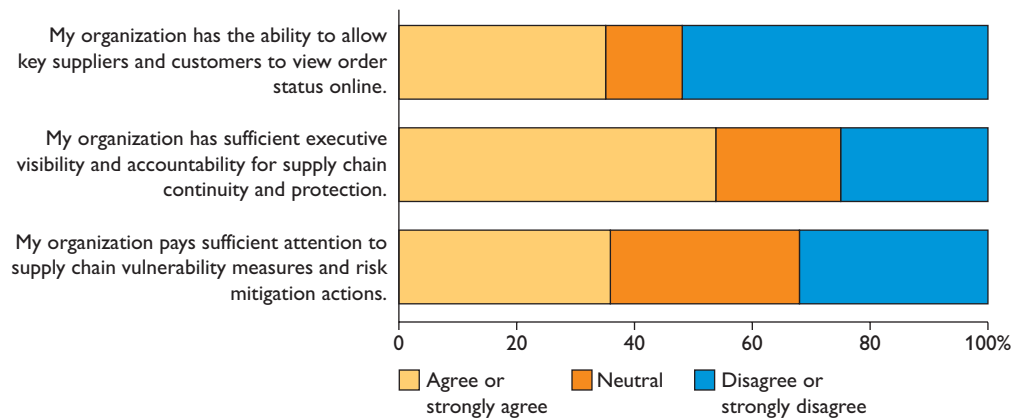


Question 28 requested that the executives indicate their level of agreement with three statements. To the first — “My organization has the ability to allow key suppliers and customers to view order status online” — more than a third (35.1 percent) said they agreed or strongly agreed, but more than half (51.9 percent) said they disagreed or strongly disagreed. The second statement said, “My organization has sufficient executive visibility and accountability for supply chain continuity and protection” and more than half (53.8 percent) agreed or strongly agreed while just a quarter took issue with that statement. The third statement the executives were asked their opinion on was, “My organization pays sufficient attention to supply chain vulnerability measures and risk mitigation actions.” The reaction was more evenly split, with 35.9 percent agreeing or strongly agreeing, and 32.1 percent disagreeing.



**QUESTION 28:**

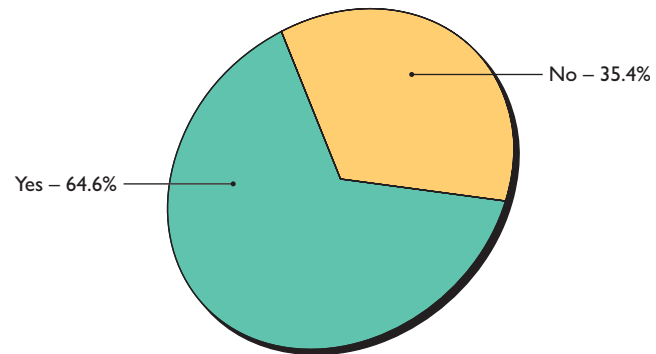
Please indicate your level of agreement to the following statements.



The survey's final question asked whether the respondents' organizations had tagged specific, executive-level positions as responsible for the readiness and continuity of their supply chains. Almost two-thirds (64.6 percent) said they had.

**QUESTION 29:**

My organization has identified specific executive-level position(s) that are responsible for our supply chain readiness and responsiveness to supply chain continuity scenarios.



## Computer Sciences Corporation

### Consulting Group

275 Second Avenue  
Waltham, Massachusetts 02451  
United States  
+1.781.890.7446

### Worldwide CSC Headquarters

#### The Americas

2100 East Grand Avenue  
El Segundo, California 90245  
United States  
+1.310.615.0311

#### Europe, Middle East, Africa

Royal Pavilion  
Wellesley Road  
Aldershot  
Hampshire GU11 1PZ  
United Kingdom  
+44(0)1252.534000

#### Australia/New Zealand

460 Pacific Highway  
St. Leonards NSW 2065  
Australia  
+61(0)2.9901.1111

#### Asia

139 Cecil Street  
#08-00 Cecil House  
Singapore 069539  
Republic of Singapore  
+65.221.9095

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