

## **Supply Chain Excellence Drives Revenue Growth, Not Just Operational Efficiency**

Material Handling Industry of America

Companies increasingly view their supply chain as a driver of revenue growth and competitive advantage, rather than just operational excellence, according to the annual *Chief Supply Chain Officer Report 2012*. This global study of nearly 1,400 executives found that better customer service, faster new product introduction and stronger supplier relationships are among the key drivers by which supply chain professionals are creating added value for their businesses.

While almost two-thirds of those surveyed said operating cost reduction was a "very important" driver for their supply chain function, fifty percent also stated that increasing sales revenue and differentiating customer service from that of their competitors was also "very important." Specific ways in which supply chain excellence boosts top-line growth, according to survey participants, include the ability to launch new products on schedule, ramp up production quickly, encourage repeat purchases through enhanced customer loyalty and receive priority treatment from suppliers during periods when key materials and components are in short supply.

As a result, the importance of the supply chain function is growing. Six out of ten respondents agreed that "supply chain is understood as an equally important part of business success as sales and marketing or R&D/product development," compared with just ten percent who believed it was still seen as a cost center or service function.

Dr. Hau Lee, Chairman of SCM World and Thoma Professor of Operations, Information and Technology at Stanford University who co-authored the report, said, "Our research shows that more and more companies are using supply chain excellence as a means to create value and competitive advantage. Those that still view supply chain management as a supporting function, or see it only as a way to reduce operating costs, have a lot of catching up to do. They are missing great opportunities."

Capitalizing on these opportunities, Dr. Lee added, demands close alignment between supply chain activities and business objectives. "A value-creation view of supply chain management requires supply chain executives to work closely as an integrated part of the company's top executive team. The supply chain function is not in the background in driving the company's strategic performance; rather, it becomes part of the steering team in the executive suite."

### **Key Findings of the Survey Include:**

--The steady growth of online shopping is increasing supply chain complexity at many levels and forcing those closest to the consumer to adapt.

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--The trend towards social and environmental responsibility initiatives seems unstoppable, and companies are becoming less tolerant of violations.

--The vast majority of companies have been hit financially by disruptions recently, and executives are on high alert when it comes to their suppliers.

--Supply chain leaders report increasing difficulty in the past year in finding, hiring and retaining skilled people - particularly in China.

Commenting on these findings, Kevin O'Marah, Head of Faculty at SCM World, said, "The implications for talent management in a global supply chain strategy include a need to diversify away from Asia, and China in particular. A move back toward high-wage countries may make sense for organizations working to balance their talent portfolio."

The Report is based on research conducted by SCM World and sponsored by E2open. [Click here](#) [1] to download a full copy of *The Chief Supply Chain Officer Report 2012*.

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[1] <http://www.e2open.com/csco2012>