

The Future of Supply Chain Podcast

Episode 15: How to Manage the Supply Chain Balancing Act with Accenture's Michel Roger

Michel Roger: The Future of Supply Chain will be to establish what I call the Supply Chain Nerve Center. And by that, I mean something that can embrace automation, sustainability driver, manage the complex balancing act, bringing the right automation with the right human control in order to take the good decision for the good of the company and the planet.

Richard Howells: Welcome to the Future of Supply Chain podcast. My name's Richard Howells. I'm a Vice President for Thought Leadership for SAP's ERP, Finance and Supply Chain Solutions, and I'm joined by my co-host Nicole.

Nicole Smythe: Hi everyone. I'm Nicole Smythe and I'm a blogger, podcaster, and marketer in the supply chain space here at SAP. So today we're joined by our guest, Michel Roger, to discuss how to manage the supply chain balancing act in a world of disruption and pressure.

So welcome, Michel. Thank you so much for joining us today, and it's so great to have you on the series. If you could just take a moment to introduce yourself and give a little insight into your role today and your career.

Michel Roger: Hello, Richard, hello, Nicole, pleased to be here, and hello everyone listening to this podcast. So I'm Michel Roger. I'm the Global SAP Supply Chain lead for Accenture. And I'll be happy to share some of my thought with Richard, hopefully this is gonna be a nice exchange between us.

Richard Howells: So let's start with talking about some of the business challenges that we're seeing across the globe today. What challenges are you seeing keeping supply chain executives up at night at the moment?

Michel Roger: Yeah, that's great question. So obviously agility and resiliency are still on top of the agenda. And I would say if you look more closely at the last few months, with the rise of fame of ChatGPT and Generative AI, in general, I think it's more that expectation of being fully automated. And especially when you think about supply chain and how many touch you have, how many decision point you have, the expectation is how we can make it more seamless.

Nevertheless, it's a complex world. Those challenge are there to stay and it's not only about kind of a mix of solution. There is some fundamentals that are changing in terms of what means to be agile, what means to be more sustainable. The solution side is one answer, but there are some fundamentals on, you know, how you manage your R&D process to give the right incentive, to have the right type of suppliers, meeting your goals of sustainability. And then you can start tracking and monitoring and tracing in full transparency.

Some client that we are working with are more advanced than others especially sustainability that drive some fundamental change. And it's not only about measuring on top, it's really about changing the process first, and the incentive first, and the node in your network first. And then you can add more way to cope with the uncertainty and risk management type of things.

So it's kind of a combination act that I don't know if anybody on the planet has yet succeed to fully manage and that's great. We still have a long life in front of us on how we can advise our client to go through those times.

Richard Howells: So you talked about some of the challenges. You talked about needing agility and sustainability, and resiliency has been the buzzword du jour for the last three years. How are you seeing companies address some of these challenges and risks? What actions are you seeing actually happening in the field?

Michel Roger: Yeah, so what I've seen the last two years has been a movement of reconfiguring supply chain. So from insourcing or reshoring type of movement that were already happening prior to the pandemic, and got somehow boost or kind of a injection of cash and priority on many of our client. It's still not effective yet because when you think about an asset in some industries, building a factory, it's almost a two year process. So we are about to see some of the impact of that right now. That's more from a physical world.

From a more solution type of world, I think is a bit more nimble, meaning that we have seen a lot of creativeness during the pandemic. From there, catching up on some missing capabilities, like the collaboration piece got a massive boost to get more commitment on component that got scares more and more, things like that.

But again, this is a bit more reactive. And now what we are seeing more is that new phase of being proactive. In that state of perma crisis you plan for the worst. You have like contingency plan, you have risk sniffers that you know that is coming, that is brewing and that get ready. And what if I put that as my new hypothesis and how I can cope with that the best I can. And the best I can is not only diverting pollution from one side to the other or to take even mid-term or long-term plan to have a way to better cope with that with the organization.

So I think we are entering that phase of worst case scenario type of approach, and if we talk about SAP, when you do the planning, in financial worlds, it's always a range. In planning world, it's super precise. There is only one number. We fight for that statement for many years, and now we realize that one number is never accurate. We think it's accurate. We think the MRP is accurate. We think everything is like analytical and it's never. There is so many variable that you cannot manage.

So I think that this simple realization of applying what has been already applied in the finance world, but also for the planning world. It's like what are the four, five scenarios that you need to plan around and not only one that will never be achieved.

Richard Howells: That's interesting because we always say we plan in the perfect world, but we don't execute in the perfect world. So having that ability to have risk mitigation strategies, have alternate sourcing plans, have simulations in place of different potential scenarios, is now becoming the norm. You're absolutely right. And also I'm seeing the clock speed of planning processes getting much quicker and that line between planning and execution is blurring.

Nicole Smythe: Absolutely. Well, I think the best way we can describe it is certainly a balancing act. Executives and every top companies have multiple plates that they're now trying to juggle and really navigate as they're going throughout this transformation. You know, whether it be cost and efficiency, customer service versus profitability, or modern times nowadays, resiliency versus risk, and now we're

increasingly seeing sustainability move into that already crowded field. So what advice would you give supply chain executives who have to navigate this balancing act?

Michel Roger: No, that's right. Like, when you look back to the history of supply chain was really a cost-driven equation. It's like minimize the cost and the rest... who cares? And then it went from there to okay, the service is not such a bad idea to have high service, even if the cost is a bit higher. And then it went, you know what? Supply chain can actually drive revenue if we do it well. Think about Apple like the first release 10 years ago.

And then now, the new team is, hey, wait a second... so we have all this commitment that we are making to the analyst about sustainability goals and so on, but most of the time, are quite disconnected with the day-to-day decision on supply chain. And we are seeing that statement being challenged now because it's not enough to say all the good objective you're gonna meet, but it's how you're gonna do it. And what we are seeing is instead of just relying on average saying, we can estimate the saving we're gonna do. Now we are reaching the time where it won't be an average anymore. We may even imagine future where, like in finance, it's good to say you have amazing profit and so on, but you need to comply with ECC rules that it has to be real and the way you project your number should be auditable. And I think that's what's gonna happen on sustainability. And company needs to be prepared for that to not only rely on good average and projection. But to be able to audit the way you actually generate what you are promising to do. And once you reach that stage, then the balancing act is changing because what is more important - achieving that? All the revenue, all the profit, like all balance of the three.

Right now, the sustainability is a good thing for the planet. We all agree. And it depends maybe on the zone of the world you're listening that; in the US it might be a bit behind of those regulation coming while in Europe is in full force already. So global company needs to also balance the way of working that is only coming from some part of the world, which are not yet major in other part of the world.

More concretely, the way we are seeing emerging, and I would say more use case, is not fully embraced by all, it's kind of a CO2 budget driven planning. So instead of having the planning process and all your emission tracking separated, it's how you link both. It's like here is my plan A, and here is gonna be the impact on how far or will I achieve my goal on the CO2 budget emission or not? And you can start doing the math, and at least directionally, showing, in that scenario, it's completely like out of the picture. And then that's gonna drive also some of the reconfiguration of the supply chain because you can be clever and find ways, but at one point you won't pass the test of the data.

But I don't think we're yet at that stage. I think right now it's more exploration still. The measurement is coming. But the influence of supply chain planning, using sustainability driver, it's yet to be really fully achieved in my view.

Richard Howells: But as you say, it's coming, and we have to be in a position where we can plan based on those different constraints because I think just emissions will become a planning constraint in the planning process, the same as capacity is today.

Nicole Smythe: Absolutely. And there's the recent Oxford Economics research that just came out and one of the highlights was the sustainability leaders, you know, and they're really becoming market differentiators through those sustainable efforts that are fully embedded now into their business

processes. So it's really clear that this topic is top of mind in most companies, which is now being driven by consumers, customers, and shareholders.

So like those sustainability leaders, how are companies embedding this topic into their business processes? And what role do you see supply chains taking in a company's sustainability initiatives?

Michel Roger: I think it starts from the R&D and it's not applicable for an industry depending on what you produce, but if we talk about companies that produce goods, it's really driving from the R&D process, who have a full transparency with your sourcing, getting the right incentive for your supplier to comply with your goals. So you start from where the process starts.

Then, throughout, you need to increase the way you can measure all this transaction. I'm not sure of the number, but they say that 60 to 70% of all the CO2 emission are coming from supply chain companies. So it's huge. So just tracking what you are doing it seems like, yeah, duh. At the same time, it's still not an easy feature to translate into a reality. How you measure that, how you can report, and I'm gonna repeat a bit myself, but like in the finance world, there is no two way to report finance information. And right now, you can argue this is still up in the air, and hopefully something will emerge because it's gonna create a hard time to really track fairly across industries. And some industries are harder than others to claim to be green. So there are maybe ways to get some credit, and balancing your footprint in other ways, which is good for the planet at the end. We're not gonna change some of the heavy industries on their fundamental, but they have maybe ways to find a balancing act.

Richard Howells: It's interesting, you mentioned about 60% or 70% of the emissions coming from supply chain companies, and I think companies are getting their arms around tracking Scope One and Scope Two emissions, but Scope Three emissions is first of all, where the majority of the emissions are outside of the walls of your organizations with your supply chain. But that's where the most benefit can be gained, but it's also the most difficult to get. So capturing that information is critical.

And it always comes down in my mind to improve visibility. Whether we're talking about supply chain resiliency, and how do I mitigate risks? Or whether we're talking about sustainability or a combination of these things. It's coming down to having the right data to make the right business decisions.

So do you think companies have the visibility both into their organizations and across their business networks to make these informed decisions? And if not, where do you see the gaps and what should they be doing to address them?

Michel Roger: No, I think it's still a challenge. Like I could have said the same thing 10 years or 15 years. I'm 25 years now in the business, and I'm sure you felt the same sometime, Richard, like as a broken record, like visibility is still the key, data is still the key and so on.

Richard Howells: It seems like it's always whatever the problem is, visibility is the answer. Improve visibility is the answer.

Michel Roger: And then, I'm a positive guy, so every time I'm believing in a new thing coming, and then hopefully there is something new. But, in all honesty, that's still hard to achieve from a practical way. If we want to share information, but, you know, we don't align on the taxonomy, on how we describe the product or the attribute of a product and so on.

You see that the industry did a lot of harmonization of product category and IDs and stuff like. That's great. So I think we're getting there, well, everybody will have SAP at the end, so it might also ease that collaboration anyway.

But in joke apart, I think that's where the solutions and I put solution with big S, are many, and in including especially SAP, that are facilitating that a bit. And I think SAP Business Network is actually pretty amazing - and I'm not being paid for saying that, so I can say it openly - in a way that it's easier to integrate even if you have not a perfect data harmonization and so on. But you create those connection easier.

And then also the fact that API, now it's more and more accepted; I say more and more, it's not fully accepted. Everybody agree on a principle, but nobody wants to go to the pain of changing. But hopefully we'll get there, which facilitate that type of integration. And, last is bringing the new players on board. Like SAP's there a great way to harmonize and so on, but, there is still need to have those very high end type of companies. I want to mention Google, that is very creative on how to use unstructured data and make sense of them and then add value on them.

And either you try to collect your data or try to find a way to get the best information from your average data. And, like I said, maybe in 10 years from now we are gonna listen to this podcast and we'll still talk about visibility or not, or maybe Generative AI will help you to figure out a good conclusion with bad data. And that's my hope: at the end we, probably, reach the limit of the human power and we need to combine with other source to say something different. Like, we cannot correct the data. The data is always a mess. If a human touch the data, it's gonna be wrong all the time, on average, it's statistically proven.

So I think that's where a new way of manipulating the data and Gen AI the talk of the last few months. And maybe soon there's gonna be an improvement of that and a more control, a less biased way to manipulate the data. It's also another risk, all this generative algorithm use some data and then those data set can be biased and therefore the result can be biased as well. And, we're going a bit beyond supply chain here, but it's still very much applicable in supply chain. When you look at the amount of data that you need to organize and structure supply chain in ERP, I tend to say it's like it's at least 50 to 60% of the data are relating to supply chain. And that's a huge amount of data. And then you use very little of it.

When you think in supply chain, like lead time. We love lead time cause lead time is a great way to predict when things gonna arrive and everybody wants to have a confirmation of your order. But you can learn from your recent history and have an automatically learning type of mechanism. And I think the expectation is to have all this data being self curated, self feeling, with, of course, some rules of the game and so on. But that's gonna help hopefully to fight back that data is a problem and visibility is helping to achieve. I think there is more behind that.

Richard Howells: Yeah. The other thing is we've got so much data that in many cases we just don't know what to do with it. The key is having that data and leveraging that data in some way, whether it's through, as you mentioned, AI, whether it's through machine learning, but also, how do I put it in the context of a person's job, you may want certain bits of information at certain levels of granularity. I may want it at a different level of granularity, but slightly different slice of that data.

So it's putting it into the context of the role that you are doing, contextualizing that data to the specific problem you're trying to solve or the specific role that you are involved in within an organization.

Nicole Smythe: Mm-hmm. But it is so true because there are already those established technologies that are making such a difference in supply chains. But like you, Michel, and you, Richard, mentioned there's so many emerging technologies that are gonna completely shape and change the way we work in the future. So you mentioned AI, machine learning, predictive analytics. It's gonna change how we view that visibility and how we process that data.

So, kind of tagging on to what you mentioned earlier, which emerging technologies do you expect to see play an important role in 2023 and beyond? And why really? Because it's endless and I think just all of the changes that are coming, it's really gonna be some time of innovation.

Michel Roger: I have a few comments here on because there is like remote technology, like you know, you can talk about quantum computing to wish to the next level about resolving complex problem that today we have resolved but probably not resolved the best way we can. But let's maybe farfetched, to be honest. But I'm a more practical and realistic guy, like talking to clients and sometimes the futuristic is the basics. Like missing basic capability and how you can quickly do it.

An example of a client was I have a good solid transportation plan, but my challenge is that I need to staff the people to optimize my truckloads. And daily I realize that my perfect plan is no perfect because this and that happen always on the staffing side. And they came with a simple idea, they used small niche company and they took the plan and they took the different constraint and then find a way to optimize two or three person. It's not a lot, but transportation costs, in some companies it could be like 40% of the total cost of the supply chain. And that two or three person is amazing and I think I see that more and more like, you still need a strong core. In many companies it can be caused by acquisition or the way the organic growth has happened. The process are suboptimal. They know that to change them is harm and you don't need AI to revamp all that. You still need some, I would say old school business process for engineering, aligning and all that, and it's still valid. And for many reason, maybe there was an acquisition that you didn't plan. Maybe there was some growth or, or some new way of working that happened, whatever. Most of the client are never perfect in terms of organization, operating modern, and it's always start from there.

That being said, we are seeing the two track. It's like you still need to touch the fundamental and try to improve your process and add those automation but let's not wait for that. Let's do that micro improvement on my transportation plan so that I get some benefiting right away.

So we see that those two track being a bit easier, to be honest, especially the second track with all these new technology, all these new player coming along and including SAP providing, you know, more simple solution like, we mentioned the Business Network. We're not talking about years, just a matter of few months and you get it. And I think that's the other thing that is probably not technology, but it's more an aspiration that is enabled by technology is to compress the time to get your value.

We call it in Accenture, Compress Transformation but that's a real thing, is like client expect that, I mean, now client expect also that geni just solve all the problem but that might be part of the solution. I was talking in it's actually use case I think within Accenture. It's like how to screen all the contract that

we, our client to, to find some specific clause so that we have pattern of clause and we know exactly which one we should use or not.

I mean, this seems simple, but now it's possible. And like I said, all these add on capability are doable, more doable than it used to be before. Because, if you talk about SAP, it's more open than it used to be. Like the BTP platform, that enabled to open the data and then, and start playing with your data. That's pretty amazing. I mean, you can finally start considering SAP as a source of innovation, which sometimes not be seen like that. And now it is. And it's much more open than many other platform and I can compare. So I think that is really helpful, because many clients still need to do the hard reconfiguration of their process from, I won't say from scratch, but from the reaching better practice. But at the same time, you cannot wait for five years anymore. And for the one that are still facing those massive transformation, they need to feed the beast. They need to feed the value as you go through those long journey.

Going back to my transportation optimization, I doubt that there's gonna be really needed in the future if you redesign your transportation planning and include the staffing as part of your feasible plan. But nevertheless, in the meantime, you save like two or three person on your total cost of transport. So it's not bad. Everybody will take it.

So, it's not very ambitious, what I just say. And then of course, Gen AI is changing the game a bit. But feel more like the reality that supply chain is facing. It's a complex machine, and bringing innovation can be done, but usually on very niche and precise area. But not kind of a perfect way to redesign all the process. The limit is the people. The limit is the change acceptance of the people. And that's still there. Unless we move all the people in an organization that deal with supply chain, you cannot change it in day. And that's where the biggest constraint is.

Richard Howells: Those practical examples are great because you've gotta be able to identify a business problem that you're looking to address, whether it's a short term problem that you need to address quickly or whether it's a medium- to long- term one that obviously takes more time and effort. And then identifying how to solve that problem and which technologies, which capabilities are needed to address those challenges. So I think that was great advice. Thank you.

We've touched on business networks several times in some of the questions, both from a risk resilient and sustainability perspective. We're seeing that the challenges are quite often in multi-tiered supply chains and having that visibility and collaboration across the network. So how are you seeing the adoption and evolution of these business networks?

Michel Roger: Yeah, so getting the supplier of your supplier visibility has been the challenge on some industries. If you think about automotive, they were the one probably facing that problem first. And what is changing now is the importance of that on component that used to be infinite capacity, that for whatever reason, cost increase or scarcity of replenishment is not the case anymore. So we have seen a boost with the pandemic about getting the real commitment. I need to capture the commitment and based on that commitment, I can maximize my throughput and my profit and so on. So that we saw a huge boost.

But I think now as you point out, Richard, this is the next level is like using the same collaboration channel to capture the upcoming risk. So it's not only about I'm committing to that, but you know what?

I knew that because of this and that you may be impacted in couple of months. And you move from a kind of classical supply chain planning to a risk-based planning. So going back to what I said at the beginning, you know, worst case scenario, making those simulation and not making random simulation, starting to use those collaboration channel to also have inside that even your supplier does not realize he's facing that. So doing the work for him and say, hey, by the way, are you sure of that? Are you sure you can commit for six months? And do you know that this is coming for you? Or it could be weather, it could be political, it could be anything. And we are seeing, and I think SAP is also partnering with many companies that, you know, got a boost in pandemic and post pandemic, now preach the same way. Let's get ahead of those risk and then the risk management is all about contingency plan and all that. If you do it a proper job, if you use a risk contingency to supply chain planning, you'll fare better than the other. You'll not be super happy, but you know, as long as you, you lose less market share than the others, you're still happy? So I think that's what I see the future of the collaboration is to go beyond the pure collaboration and going to a risk based type of collaboration.

Richard Howells: So Michel, we're at the end of the podcast and, we've worked together for several years and I can't think of a better person to ask the final question that we ask all of our guests. If you had to summarize in a sentence or two, what do you see as the future of supply chains?

Michel Roger: I'm glad you gave me that question a few weeks ago cause I couldn't provide that. But, I think it's all tied to what I explained, but in my view, the future of supply chain will be to establish what I call the 'Supply Chain Nerve Center'. And by that I, mean something that can embrace automation, sustainability driver, manage the complex balancing act, bringing the right automation with the right human control in order to take the good decision for the good of the company and the planet. So it's a long sentence, but I truly believe that nerve center is really the answer that can mix and match many solution component.

And try to be precise as you can be precise, but realizing you will never be that precise. So you always need to balance and have some ranges and some way to plan for the worst. So that's my world of the day is the supply chain nerve center.

Richard Howells: That's a great definition for it as well. I mean, it's all about, again, we talked a little bit about having improved visibility and being able to manage that balancing act and having that type of capabilities within your business systems will be key moving forward. I totally agree.

So Michel, thank you for a great conversation. It's been very enlightening

Michel Roger: No, thank you, Richard. Thank you, Nicole.

Richard Howells: No problem. And I'd like to thank everyone for listening. Please mark us as a favorite and you can get regular updates and information about future episodes. But until next time, from Michel, Nicole and I thank you for discussing the Future of Supply Chain.