



# The Second Annual Survey of Supply Chain Progress

## Executive Summary

*Conducted by Computer Sciences Corporation (CSC) and Supply Chain Management Review (SCMR)*

The Second Annual Global Survey of Supply Chain Progress gauges how successfully practitioners are advancing their supply chain management capabilities. The survey reveals that companies are making significant investments in software and technology to lead supply chain improvements — particularly in the areas of purchasing, logistics, and inventory management. However, the survey suggests that because technology is still being put ahead of process improvement, companies are not seeing advances in collaboration across the supply chain, even in leading companies. Lack of collaboration is resulting in businesses failing to see the full benefits of advanced supply chain management in terms of building revenue — rather than just a case of saving costs.

Additionally, respondents indicated that supply chain management is rarely integrated into the overall business strategy or seen as a strategic competence. Lack of collaboration and strategy, as well as focus on cost savings is impacting the ability to enhance customer loyalty and profitability.

Findings indicate that retail and high-tech companies rate themselves as more advanced in supply chain capabilities than other industries. Indeed, the findings reveal a widening gap between those companies, such as leading retailers, reaping the benefits of supply chain advances and those still struggling to do so.

This widening gap may be a result of the lack of strategy development among the responding companies. The shortfall is especially evident when it comes to connecting the supply chain strategy with the business strategy. Just over half of all respondents in both North America and Europe reported that their firms did not have a supply chain strategy or were just starting to develop one. On the other end of the spectrum, only about one in five respondents in both geographies reported having a comprehensive strategy across the entire corporation.

This at once presents a challenge and opportunity. The challenge: to apply the most effective processes and technologies to close the gap. The opportunity: to start realizing the real business benefits of advanced supply chain management.

Perhaps the most important insight from the survey is that the real business benefit of advanced supply chain management remains largely untapped. The results only hint at what can be achieved in terms of cost savings, revenue increase, profit improvement, customer satisfaction ratings, and more. If businesses keep an open mind and dedicate themselves toward real advancement, they can start to see breakthrough results in all of these areas.

However, without a strategy that is linked to the business plan, companies will not be in a position to capitalize on the sought-after business benefits. Survey results indicate that companies continue to chase cost savings rather than pursue the long-term benefits of an extended enterprise supply chain. Ultimately, the most effective supply chain networks will control the most attractive customers and consumer groups.

Collaboration was cited as the single most pressing need—both internal collaboration and external collaboration with suppliers and customers. This finding confirms that supply chain professionals understand the criticality of forging collaborative relationships. It also says that they are still struggling with the ways and means to achieve it.

Progress is being made, however, on one collaborative front. It involves the relationship between supply chain leaders and their counterparts in IT. In 2003, 39 percent of respondents said that their work relationship with IT leadership to introduce new technologies had not been very effective or was only marginally so. That decreased sharply to 14 percent in 2004. Conversely, 37 percent of this year's respondents said that the relationship was moderately to very effective, compared to 30 percent in 2003. It looks as if the message of collaboration between the supply chain (responsible for process improvements) and IT (responsible for the systems to enable the improvements) finally is getting through.

So what is the call for action? Companies need to calibrate their businesses against the maturity levels and ascertain how much progress has been made with supply chain. With the positions determined, the potential gap between current performance and the possibility to make the kind of progress indicated by the survey becomes apparent, particularly in terms of the number of new points of profit which might be added. The business can then develop a supply chain strategy that augments the business plan by calling for substantial improvements to costs and revenues, based on application of advanced supply chain skills. To assure that these objectives are met, the final step is to prepare a roadmap that will guide the firm to an advantaged position in its industry. It's not too late to leapfrog to the front of the class.

## Methodology

The 2004 Global Survey of Supply Chain Progress was sent to supply chain professionals in North America, Europe, and selected countries around the world. The names were drawn from CSC's client base as well as from readers of *Supply Chain Management Review* and other publications of Reed Business Information.

A total of 236 respondents completed the survey questionnaire. The majority (128 responses) came from North America, mainly the United States. European companies represented the next largest geographic segment with 60 respondents. Forty-eight respondents came from other geographies such as Asia and South America.

Organizationally, 56 percent of the respondents represented corporate entities; 28 percent were from divisions, wholly owned subsidiaries, or strategic business units; and 16 percent from groups or multiple divisions. More than 20 different industries were represented in this year's survey. They ranged from aerospace and defense to retail and consumer packaged goods to high-tech and telecommunications.

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