Helping Organizations Worldwide Work Smarter, Faster, and With Greater Confidence

2022 SUPPLY CHAIN CHALLENGES AND PRIORITIES

Survey Report

January 2022

CONTENTS

ABOUT THIS REPORT

APQC concluded its eighth annual Supply Chain Management Priorities and Challenges research in early 2022.

The purpose of this research was to learn about organizations' supply chain management priorities, performance, and trends.

This research focuses on:

- How well supply chains performed in the global pandemic and recession
- Organizational priorities for supply chain in 2022
- Obstacles to improving supply chain processes
- Trends impacting supply chain

261

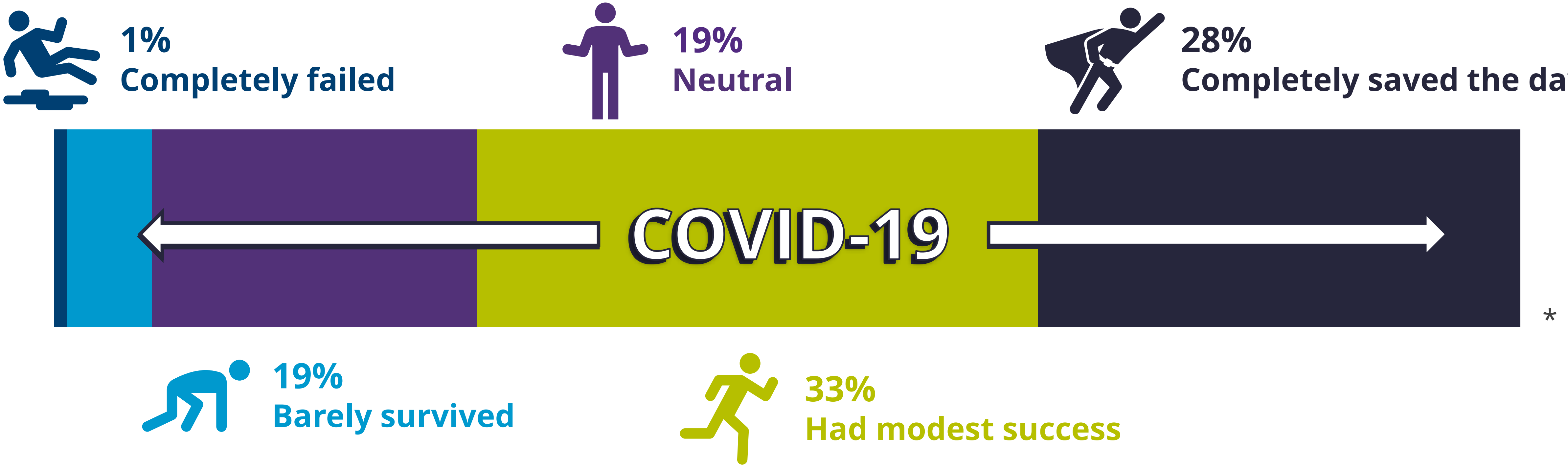
Valid Global Participants

1

A LOOK BACK AT 2021

EVALUATING SUPPLY CHAIN RESPONSE TO COVID-19 (YEAR 2!)

In 2021, 1 in 5 supply chains **barely survived** the **COVID-19 crisis**.
But **one-third** achieved at least **modest success**, and **28 percent completely saved the day**.



**14% of respondents supply chains were not significantly impacted by COVID-19*

N=261

PERFORMANCE ON 2021 BUSINESS GOALS

54% on target/achieved/exceeded **all business goals** for 2021

30% on target /exceeded **competitors'/ peers'** performance

Were supply chains successful in 2021?

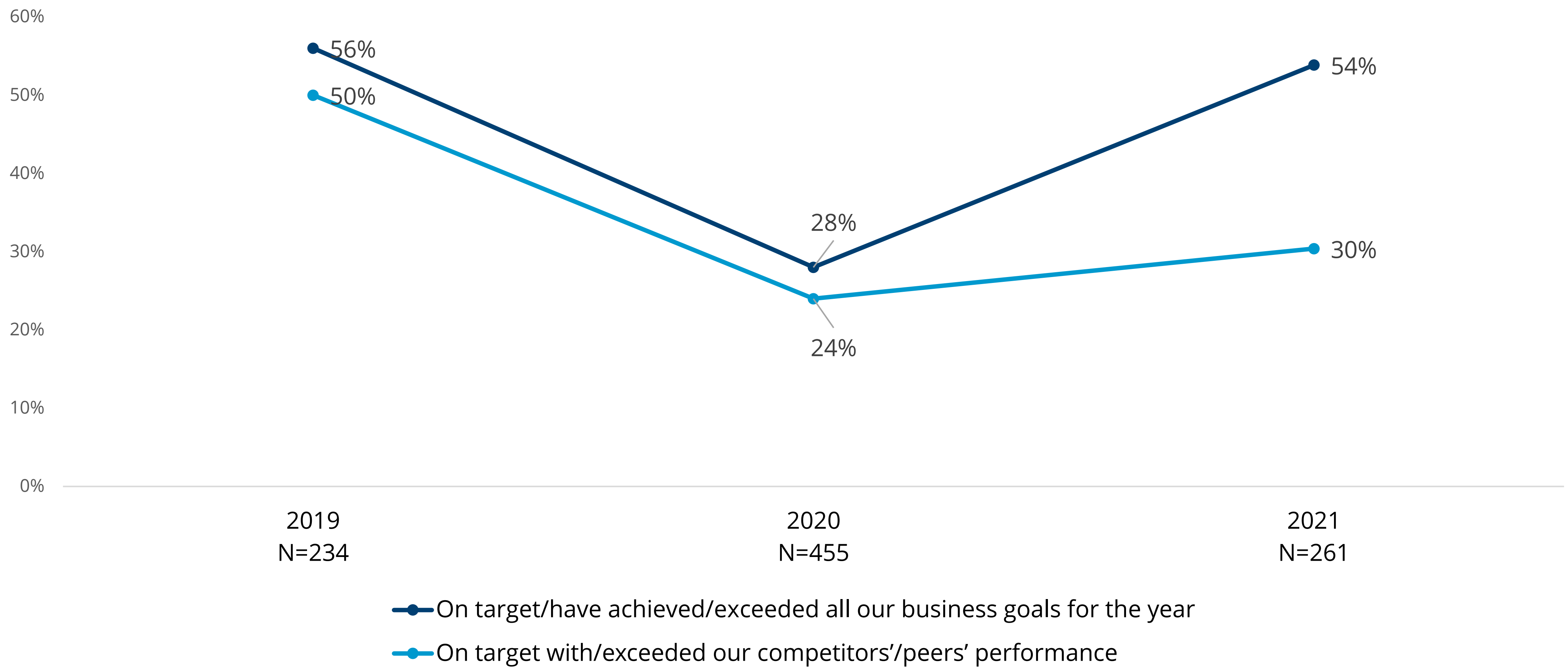
Although 80 percent reported surviving 2021, surviving doesn't mean thriving. Almost half (46 percent) of respondents missed the target for their business goals in 2021.

Unfortunately, in a year full of disruptions, an even larger percentage (70 percent) lagged competitors'/peers' performance for the year.

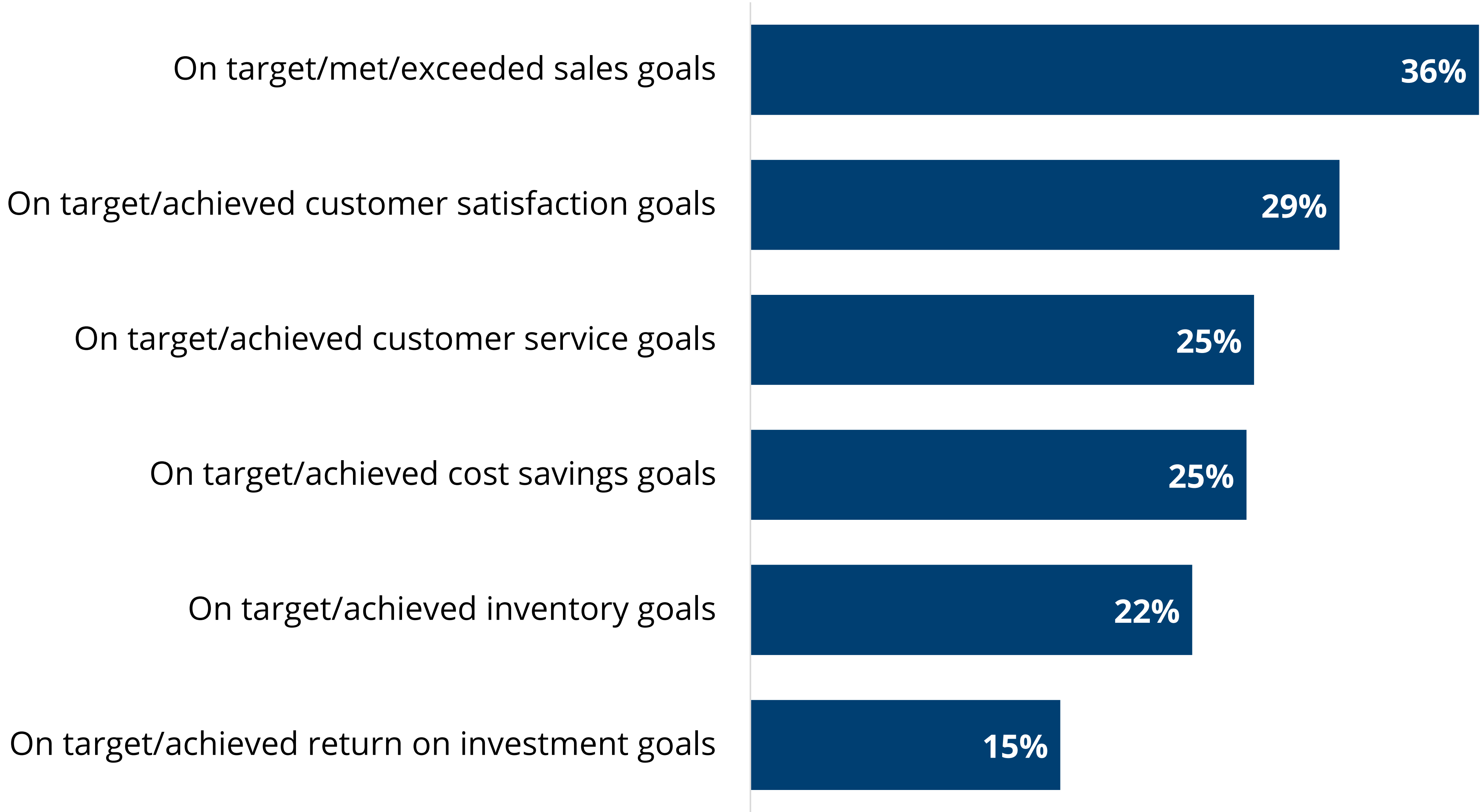
N=260

PERFORMANCE ON BUSINESS GOALS OVER TIME

Looking at the percentage of respondents that achieved their annual business goals, the level of performance is almost back to 2019 pre-pandemic levels (56 percent) with 54 percent in 2021. In part, this performance may be due to more realistic goal setting in the midst of the pandemic. However, having only slightly more than half achieve their goals is not encouraging, and in 2022, we anticipate further separation between those organizations that have adapted to the ongoing chaos and those that are barely hanging on.



PERFORMANCE ON SPECIFIC 2021 GOALS



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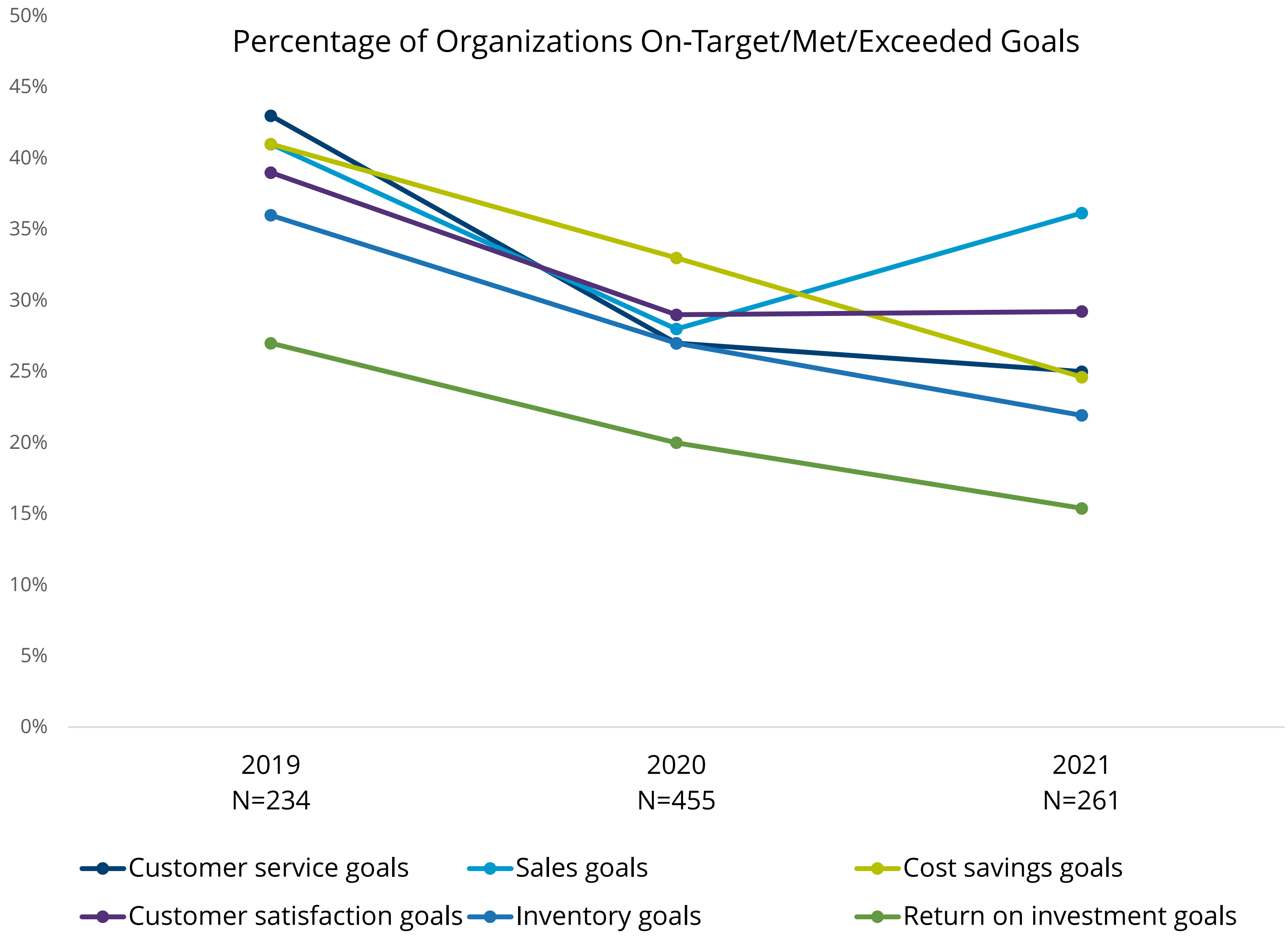
ACHIEVING SPECIFIC GOALS YEAR OVER YEAR



In 2019, prior to the onset of the COVID-19 pandemic, supply chain organizations struggled to achieve their goals. However, they did better that year than in either 2020 or 2021.

Interestingly, in 2021 organizations reported bouncing back in terms of sales goals but did worse in terms of achieving cost savings goals. So while revenue was up, costs were as well, and, therefore, margins didn't improve. Inventory and return on investment goals remained the hardest to achieve.

To turn this around, 2022 needs to be a year of focusing on increasing flexibility and resilience in our supply chains.

N=260

2

2022 CHANGES AND CHALLENGES

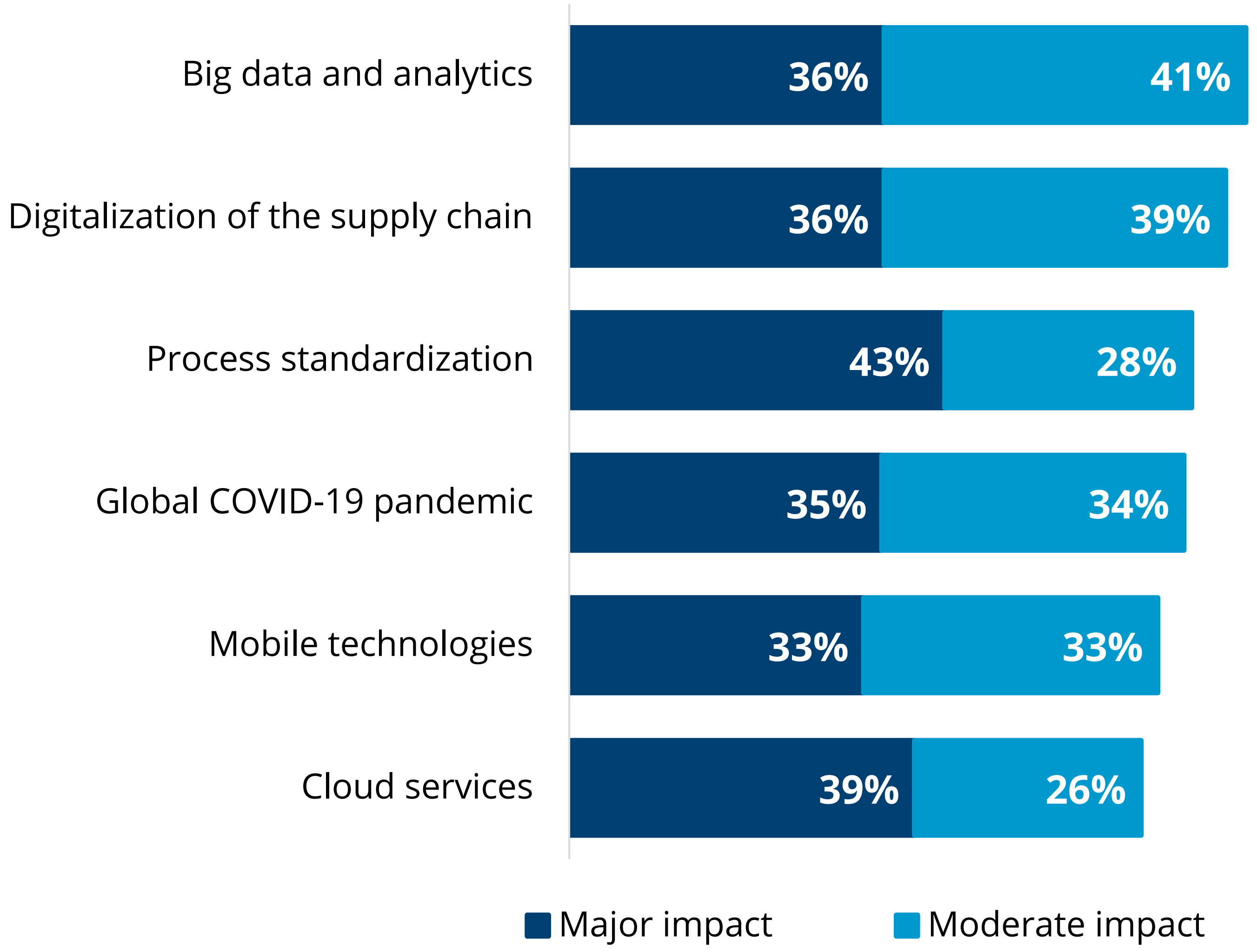
Compared to prior years, *more* respondents expect *more* things to impact supply chains in the future. Supply chains are in the spotlight for 2022 and will likely remain so for the foreseeable future.

The biggest impact respondents anticipate is from big data and analytics, which moved up on the list, along with digitalization, from 2021.

Supply chain professionals are faced with vast quantities of data to make sense of, exceeding human capacity and processing speed. Faster analysis, enhanced by new and emerging technologies, can enable organizations to pivot faster, and perhaps make the difference between success and failure.

Process standardization is the underpinning that makes all the rest successful, as organizations face more and faster changes, they need solid processes as the foundation.

TOP 6 TRENDS ANTICIPATED TO IMPACT SUPPLY CHAINS BY 2025



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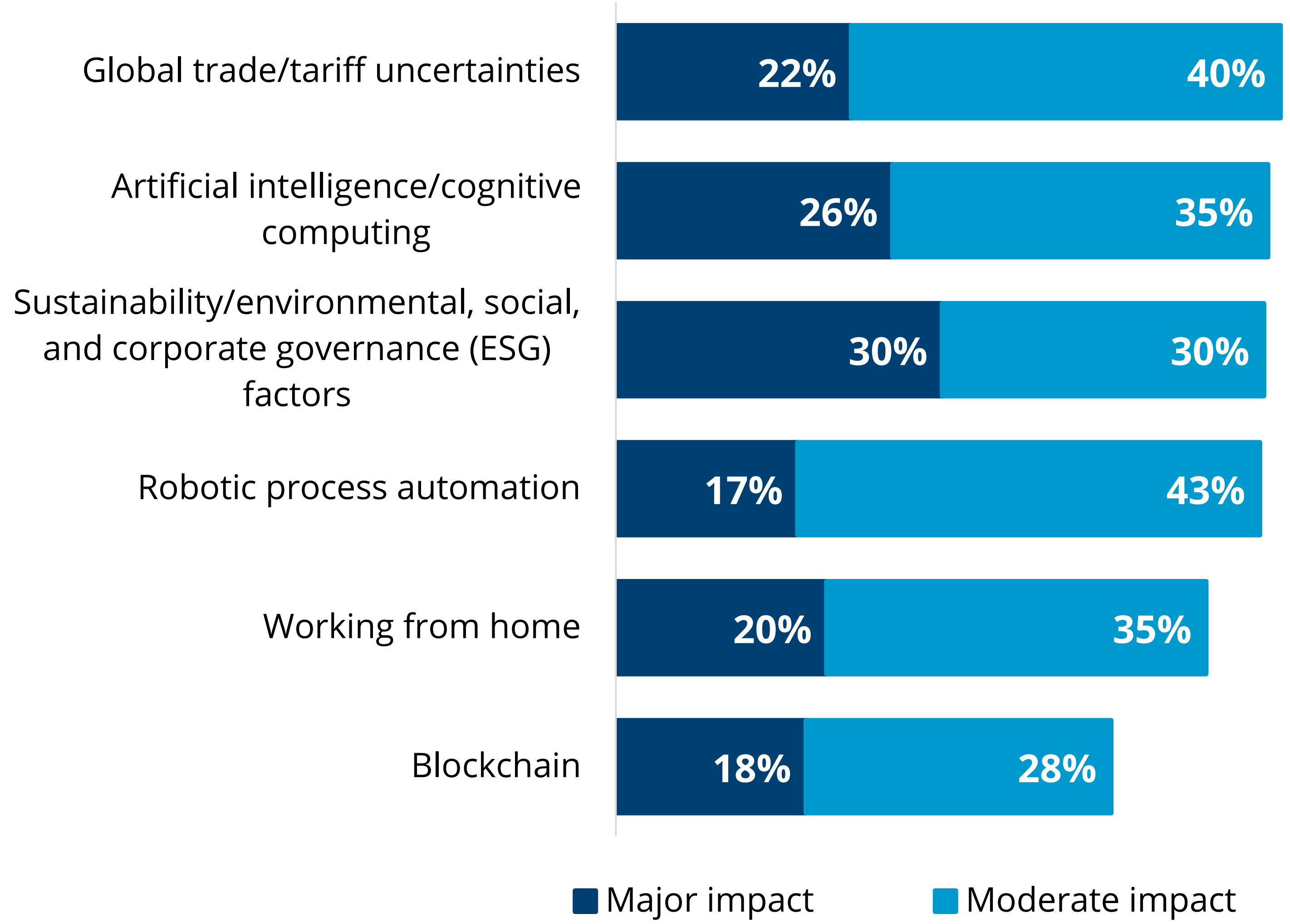
ADDITIONAL TRENDS ANTICIPATED TO IMPACT SUPPLY CHAINS BY 2025



As supply chains continue to evolve and adapt to never-ending disruptions, there is a greater recognition of the need to focus on getting back to basics – revisiting long-standing policies and processes as business seeks a new "normal."

We see that compared to 2021, trends like sustainability/ESG fell lower on the list. While still a widely anticipated trend, respondents are making sure they have their underlying fundamentals (analytics and process standardization) and key enablers (like AI/cognitive computing) in place so they can ensure longer-term effectiveness and efficiency of their supply chains.

N=261

The top obstacle to improving supply chain processes in 2021 was *too much change*—unsurprising in the first year of the COVID-19 pandemic. For 2022, *too much change* drops to sixth place on the list of obstacles. This begs the question: has chaos become our “new normal”?

Lack of collaboration is now the top barrier because it can be toxic in a supply chain context. Disconnects in the supply chain can lead to ripple effects that impact customers and their ability to receive orders on time, in full, damage-free, and with accurate documentation.

Difficulties in improvements due to regulations/requirements in part reflect the speed with which supply chains are changing. They must move quickly to pivot, often faster than the lawmakers or policy makers can keep up.

OBSTACLES TO IMPROVING SUPPLY CHAIN PROCESSES

Lack of collaboration across functions and externally

Regulations/requirements make change difficult

Limited workforce engagement

Communication challenges

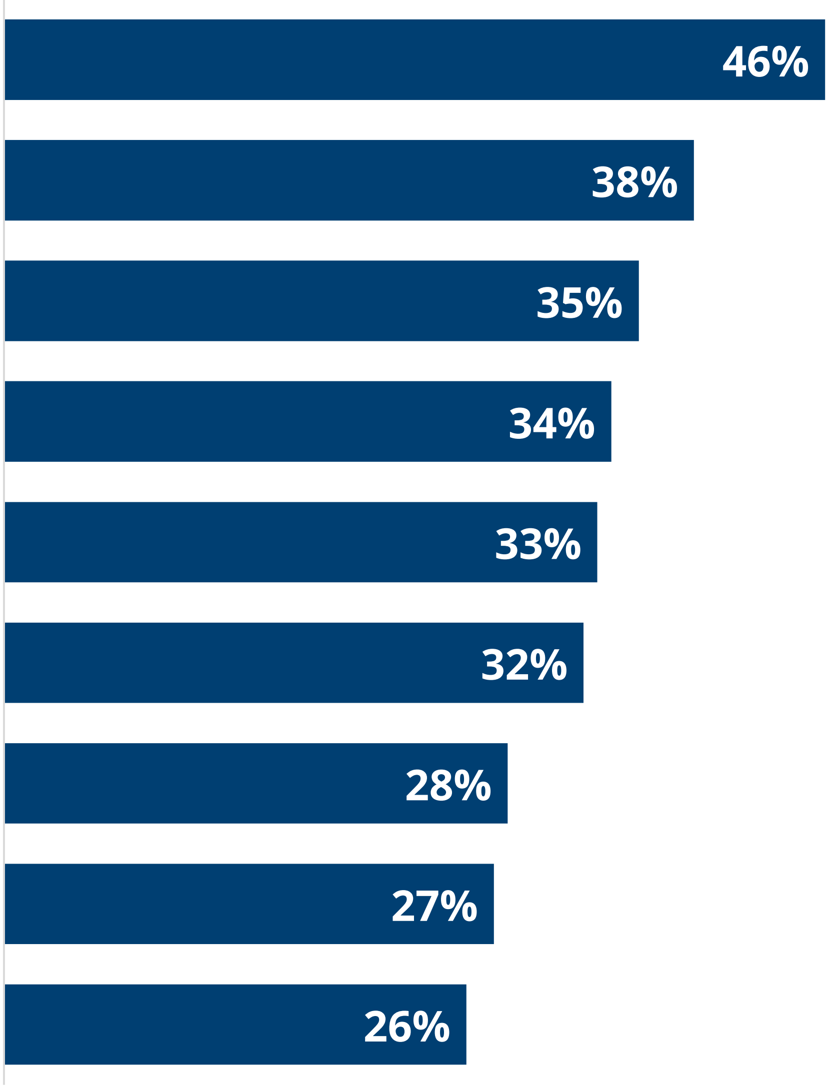
Technology gets in the way

Too much change

Knowledge is hard to access

Lack of governance

Lack of budget/resources available for process improvement



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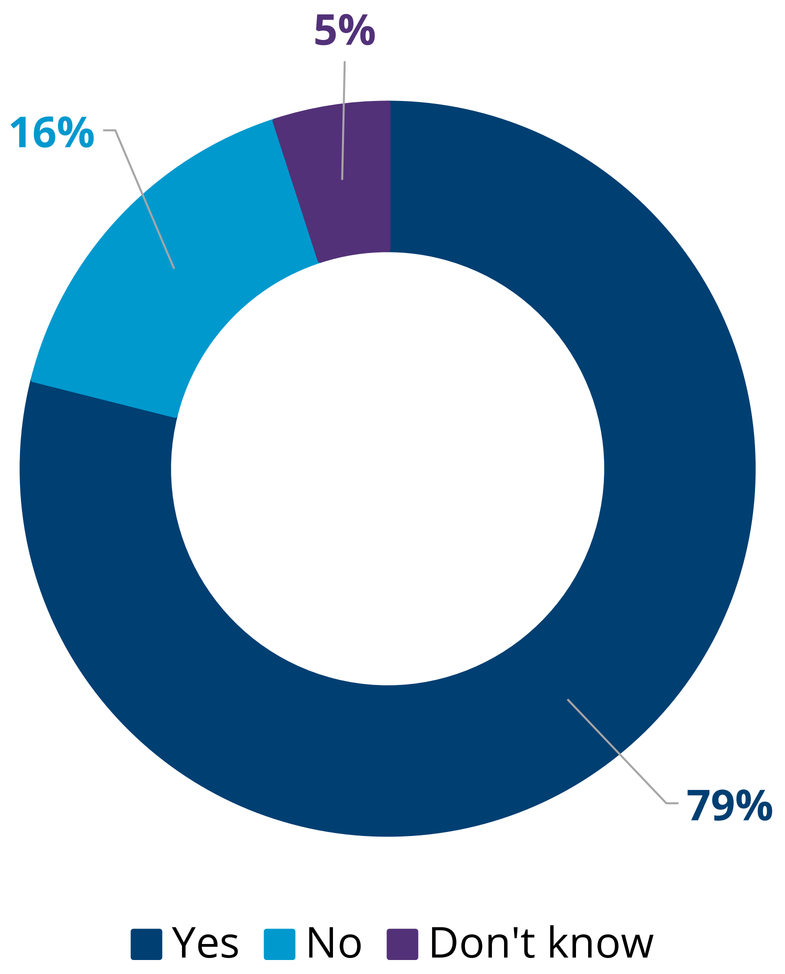
Almost 80 percent of respondents across industries report they have modified their supply chain strategy to help head off current challenges.

Flexibility in the face of challenges is vital to success during chaos.

For some industries, like consumer products/packaged goods, the events of 2021 forced as many as 95 percent to make modifications to their supply chain strategies. For others, like services organizations, there was less change needed, and only 64 percent modified their strategies.

OVERCOMING OBSTACLES

Have you evaluated/modified your supply chain strategy to help head off the obstacles your organization is facing?



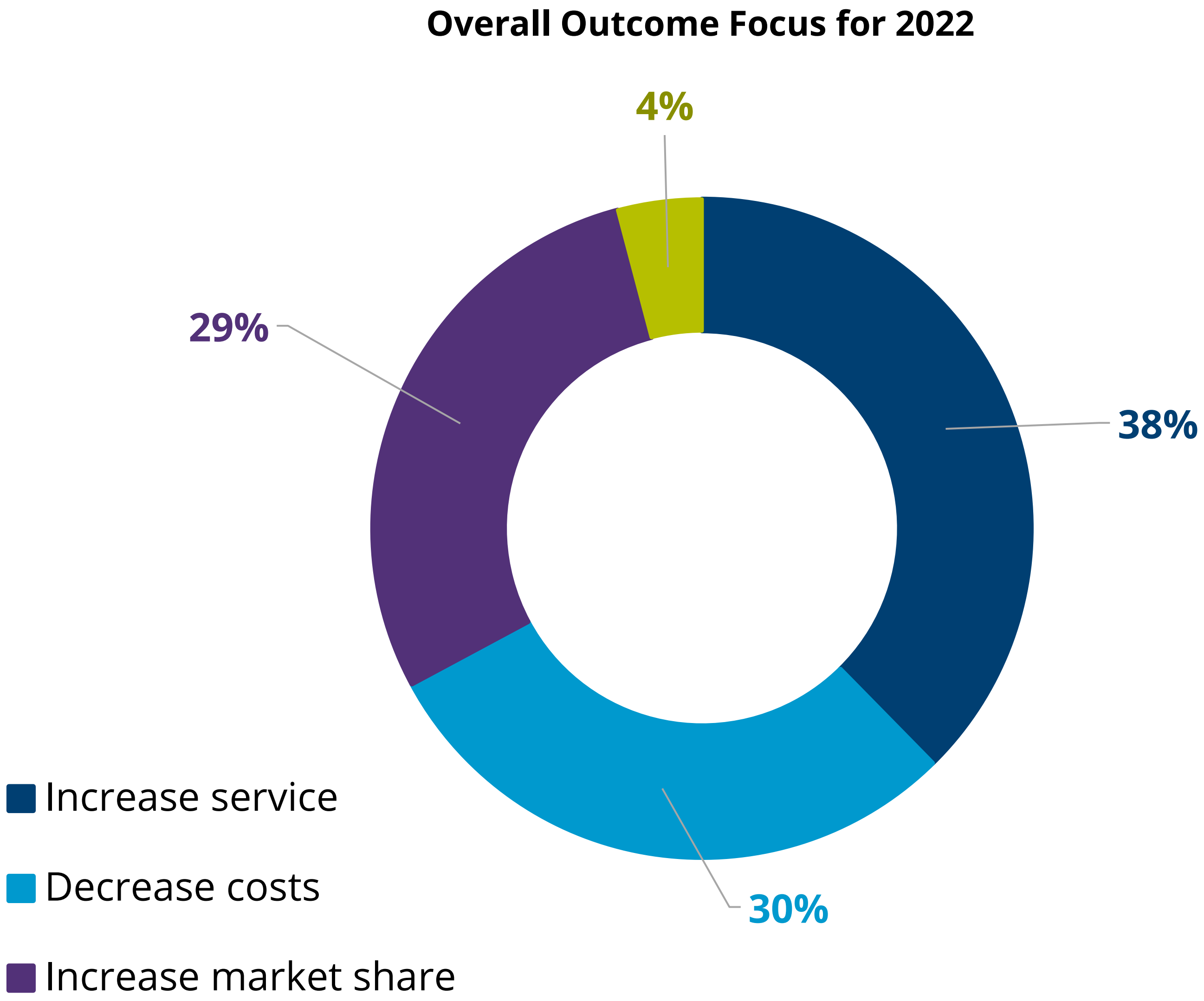
N=248

SUPPLY CHAIN BUDGET TREND

When it comes to investing in supply chains, there is good news ahead. Two-thirds of respondents expect their budgets for supply chain management tools, technology, innovation, and initiatives to increase for 2022 compared to 2021. Overall, 66 percent expect an increase, 25 percent expect it to stay the same, and 9 percent anticipate a decrease. The percentage anticipating an increase varies by industry, with consumer products/packaged goods the highest at 79 percent.

N=261

DESIRED SUPPLY CHAIN OUTCOMES



Please note: Respondents allocated 100 percent across these categories to indicate organizational focus on overall outcomes in supply chain for 2022. The chart represents mean values for each category.

APQC's research shows supply chain leaders are still feeling pressure from multiple directions when it comes to achieving overall organizational outcomes.

However, for 2022, *increasing service* has taken the lead (38 percent) in terms of allocation of organizational focus over *decreasing costs* (30 percent) and *increasing market share* (29 percent).

N=261

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2022 PRIORITIES

2022 OVERALL SUPPLY CHAIN AREAS OF FOCUS

Supply chain planning remains in the top spot as a priority for the coming year (89 percent). With the need to build resilience and better match demand and supply, that's not a surprise. Tied for second place at 87 percent are: Sourcing and Procurement, Logistics (and inventory management), and Innovation. Next is manufacturing (78 percent), and then order management and product development at 75 percent.

89%
Supply Chain Planning

87%
Sourcing & Procurement

87%
Logistics & Inventory Management

87%
Innovation

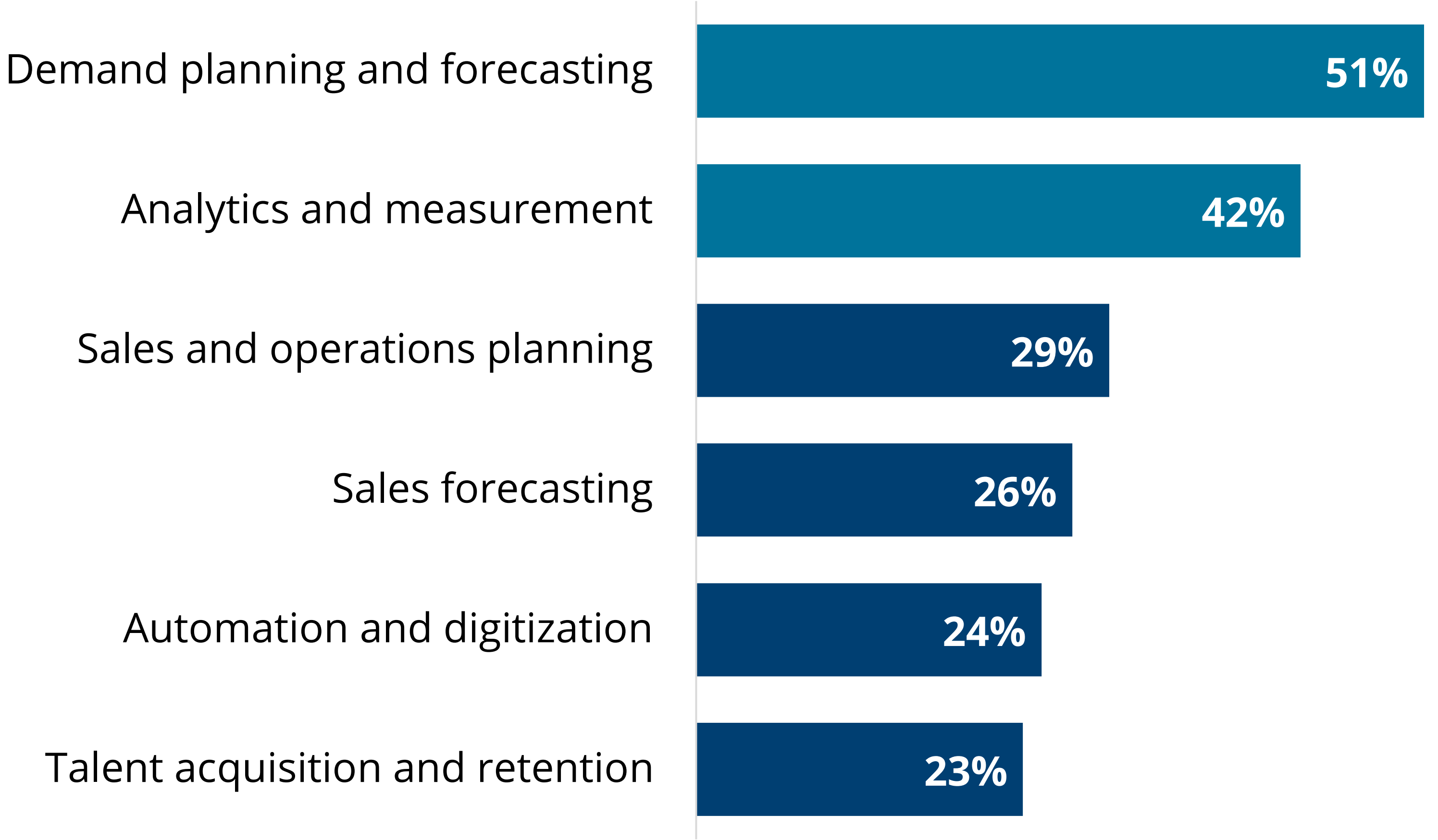
78%
Manufacturing

75%
Order Management

75%
Product Development

N=261

TOP FOCUS AREAS IN SUPPLY CHAIN PLANNING



Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

In supply chain planning, the number-one focus area is demand planning and forecasting (51 percent), followed by analytics and measurement (42 percent).

Demand planning and forecasting is key to success in supply chain planning, especially in the face of major disruption. In 2021, professionals learned important (and often painful) lessons about the importance of demand planning from all the disruptions.

Analytics and measurement help the organization make sense of large amounts of data and gauge how successful its efforts have been.

N=233

2022 PRIORITIES: SUPPLY CHAIN PLANNING

More than half of respondents are looking to identify and implement best practices in supply chain planning in 2022. Comparing performance via benchmarking and implementing best practices will help pinpoint opportunities to enable faster cycle times and close gaps in supply chain planning prior to implementing new technologies and capabilities.

Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

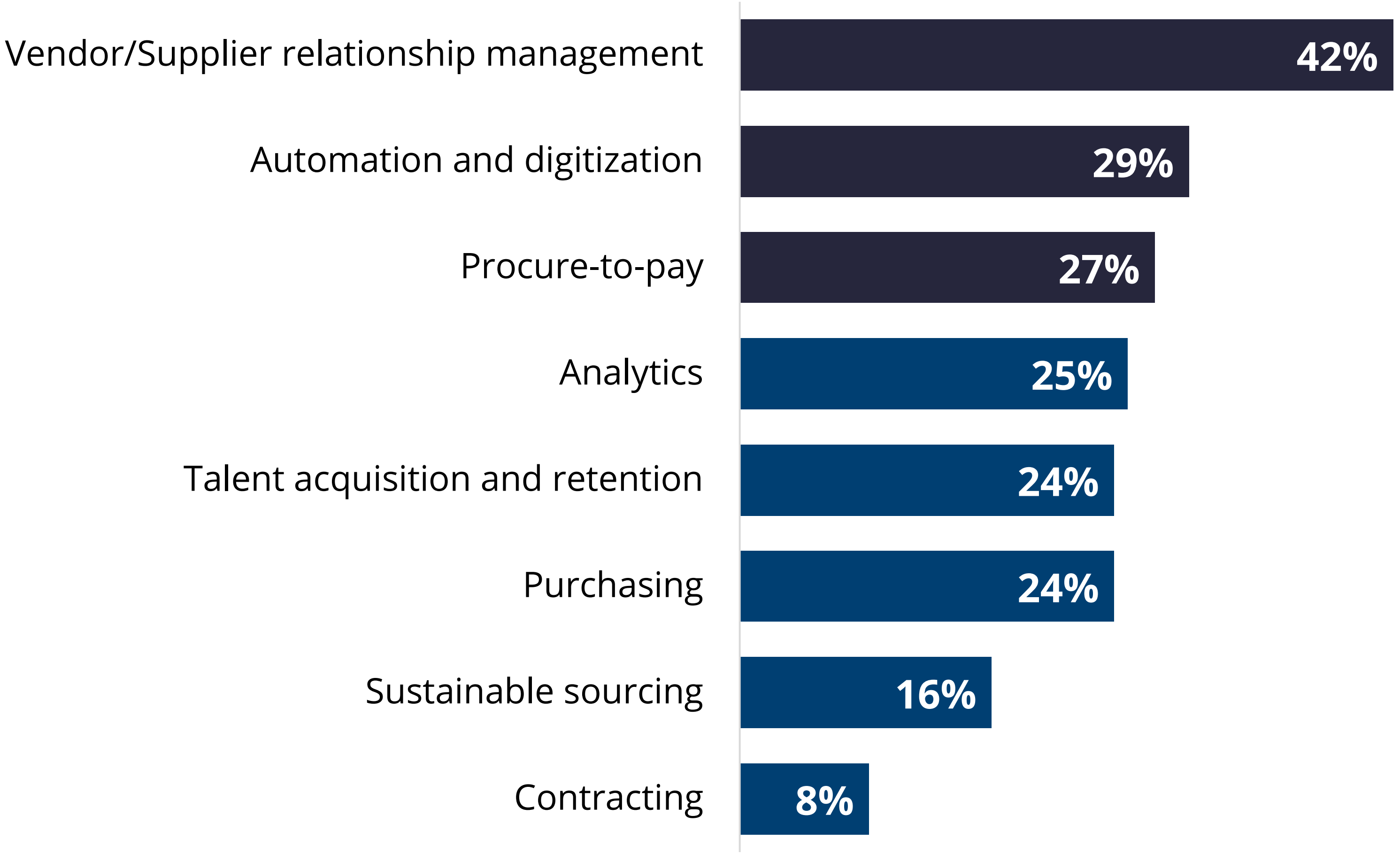
N=233

In sourcing and procurement, the top focus area for 2022 is vendor/supplier relationship management or SRM (42 percent), followed by automation and digitization (29 percent) and procure-to-pay (27 percent).

Disruptions have made clear the connection between an organization's success and its suppliers' success. With this recognition, there is a growing interest in improving supplier relationship management.

At the same time, increased automation is helping improve the efficiency of sourcing and procurement, and advances in procure-to-pay are helping with internal alignment and ultimately, the supplier experience.

TOP FOCUS AREAS IN SOURCING/PROCUREMENT

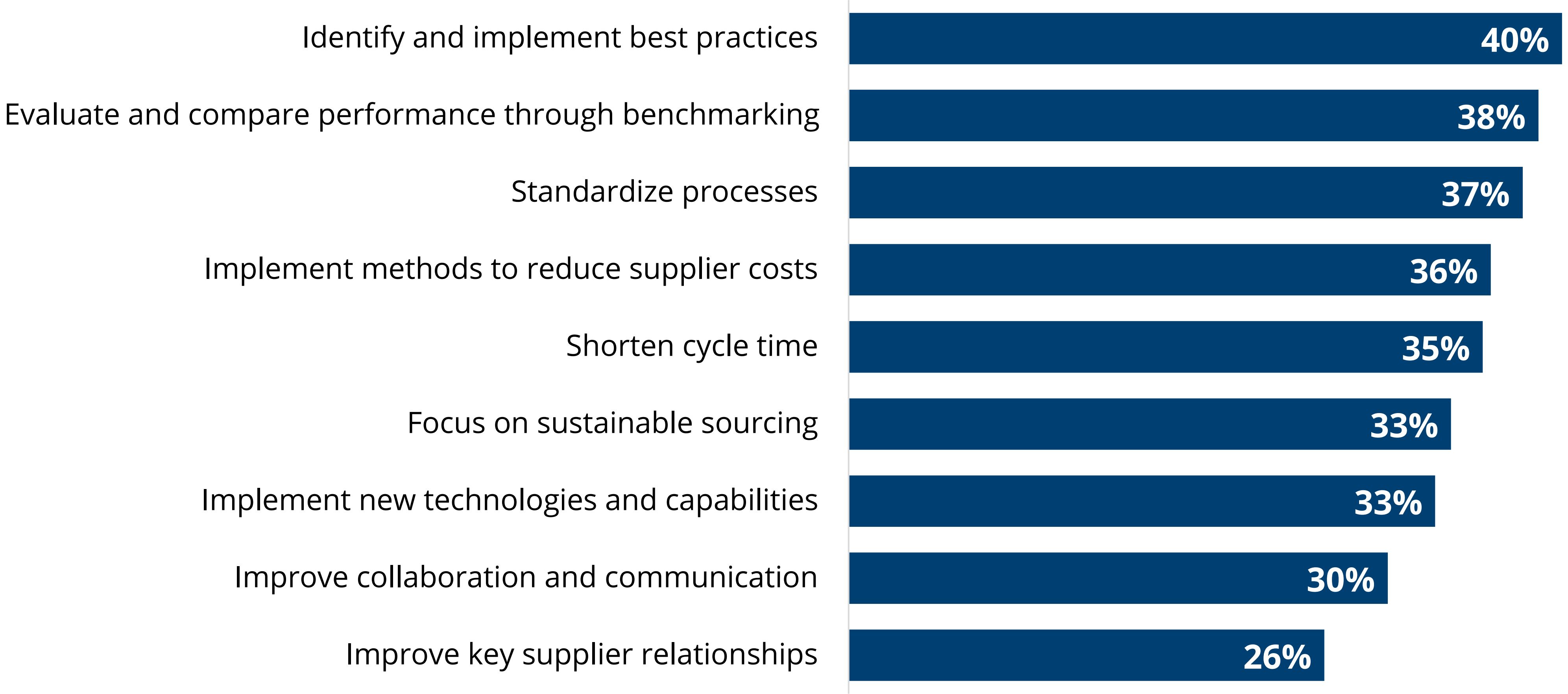


Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

N=227

2022 PRIORITIES: SOURCING AND PROCUREMENT

For sourcing and procurement, 2022 is about doing things right and doing the right things. There is a lot of focus on benchmarking as organizations want to know if others are as challenged as they are. Misery loves company, and more importantly, knowing how your organization compares helps scale some of the responses and changes needed.



Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

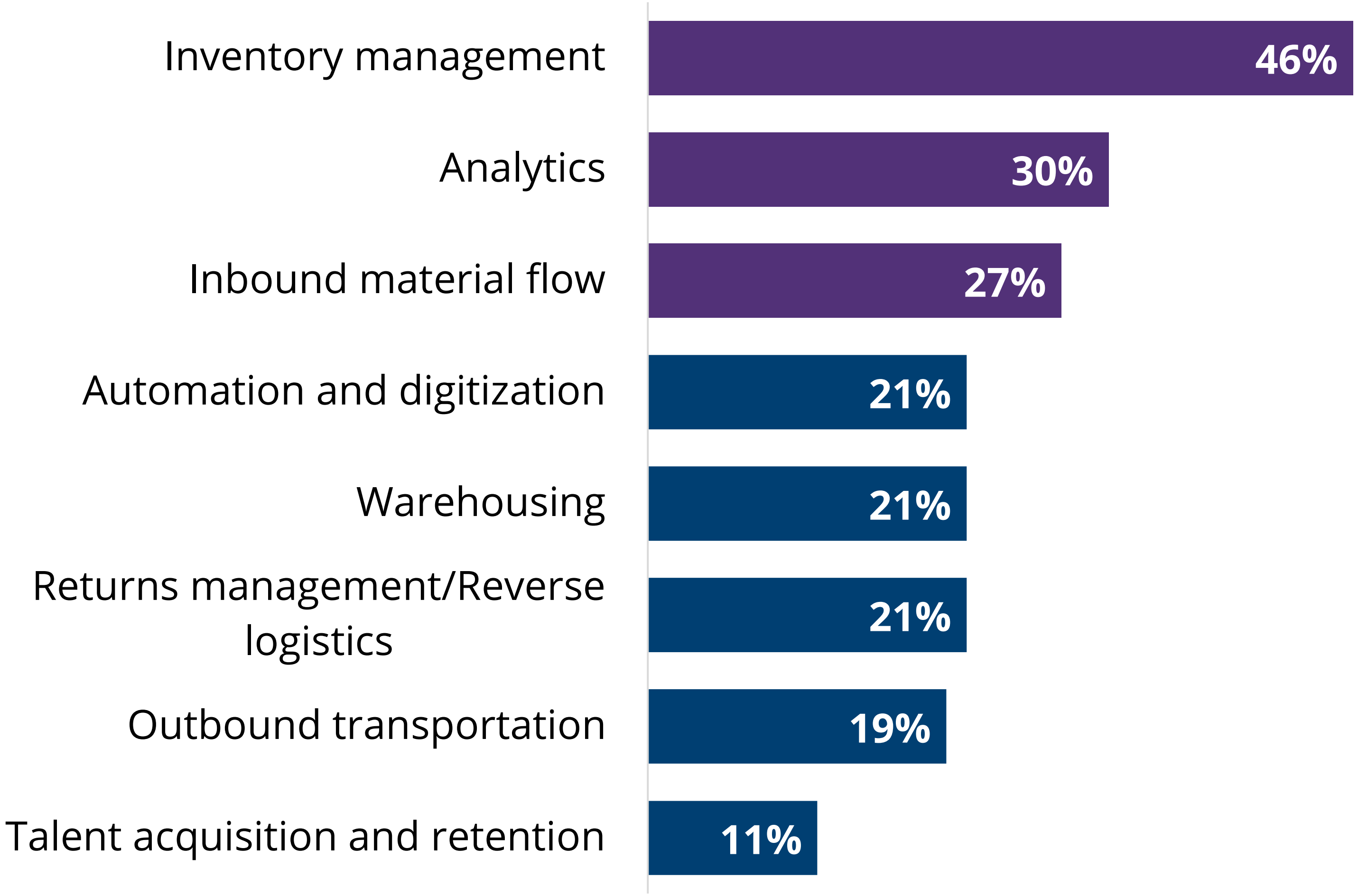
N=227

TOP FOCUS AREAS IN LOGISTICS

In logistics, inventory management (46 percent) is the number-one focus area. Given the supply and demand fluctuations of 2021, the spotlight on this key process burns even brighter in 2022.

Inventory management in 2022 is challenged by shortages, disruptions, and dealing with the bullwhip effect.

Other key areas of focus include analytics (30 percent) and inbound material flow (27 percent).



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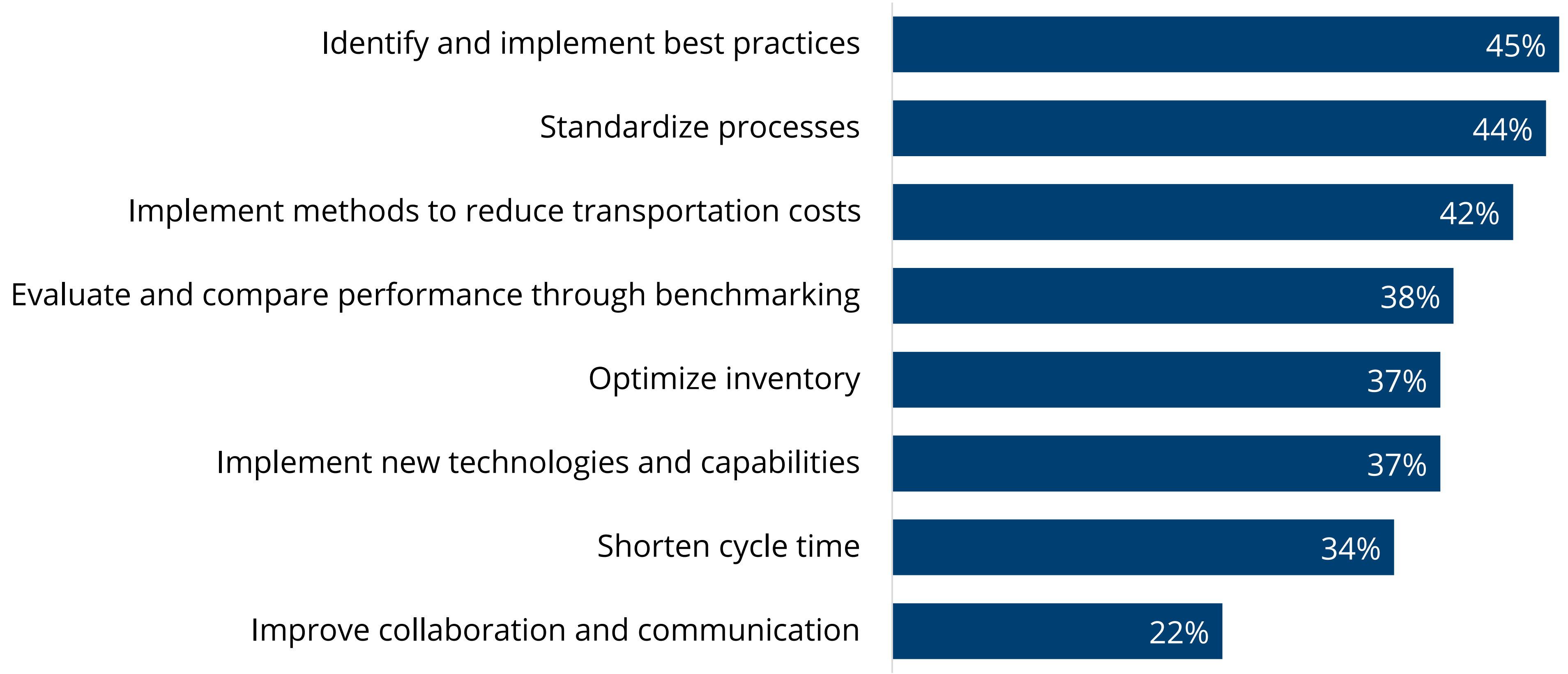
N=226

2022 PRIORITIES: LOGISTICS

Almost half of respondents (45 percent) are prioritizing identifying and implementing logistics best practices for 2022 as they seek a better way to standardize processes (44 percent) integral to this vital function. Forty-two percent report that they are focusing on implementing methods to reduce transportation costs to maintain their logistics organization's performance in the face of ongoing challenges.



Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

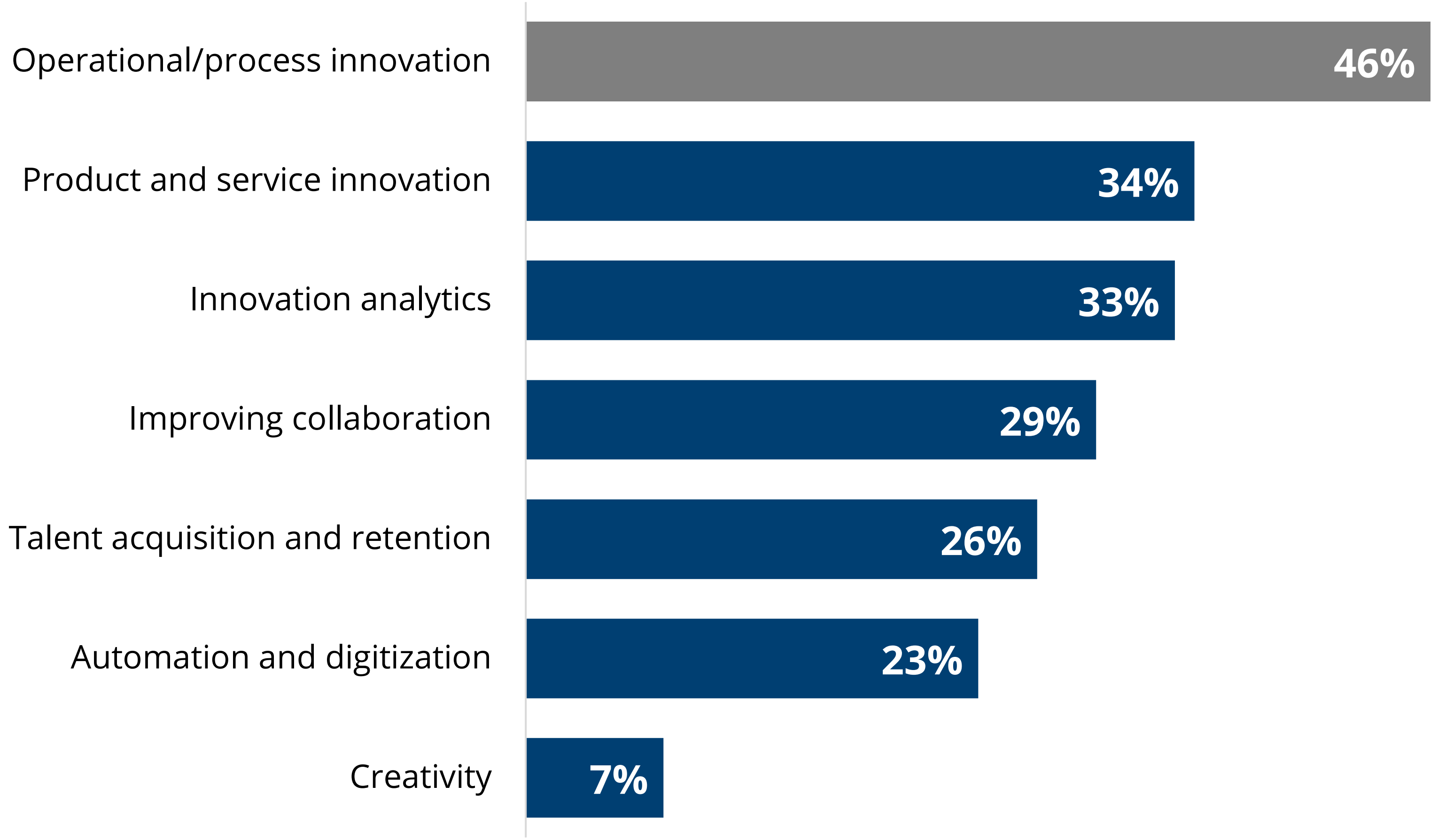
N=226

TOP FOCUS AREAS IN INNOVATION

Innovation is essential to survival in a fast-changing world. The top priority in this area, operational/process innovation, involves new ways of working that make the business more effective and/or improve the customer experience.

Product and service innovation has seen a resurgence as supply chain disruptions have led organizations to seek to create new products for which materials are easier (and/or more local) to source.

Innovation analytics help the organization evaluate how well its efforts are working.



Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

N=228

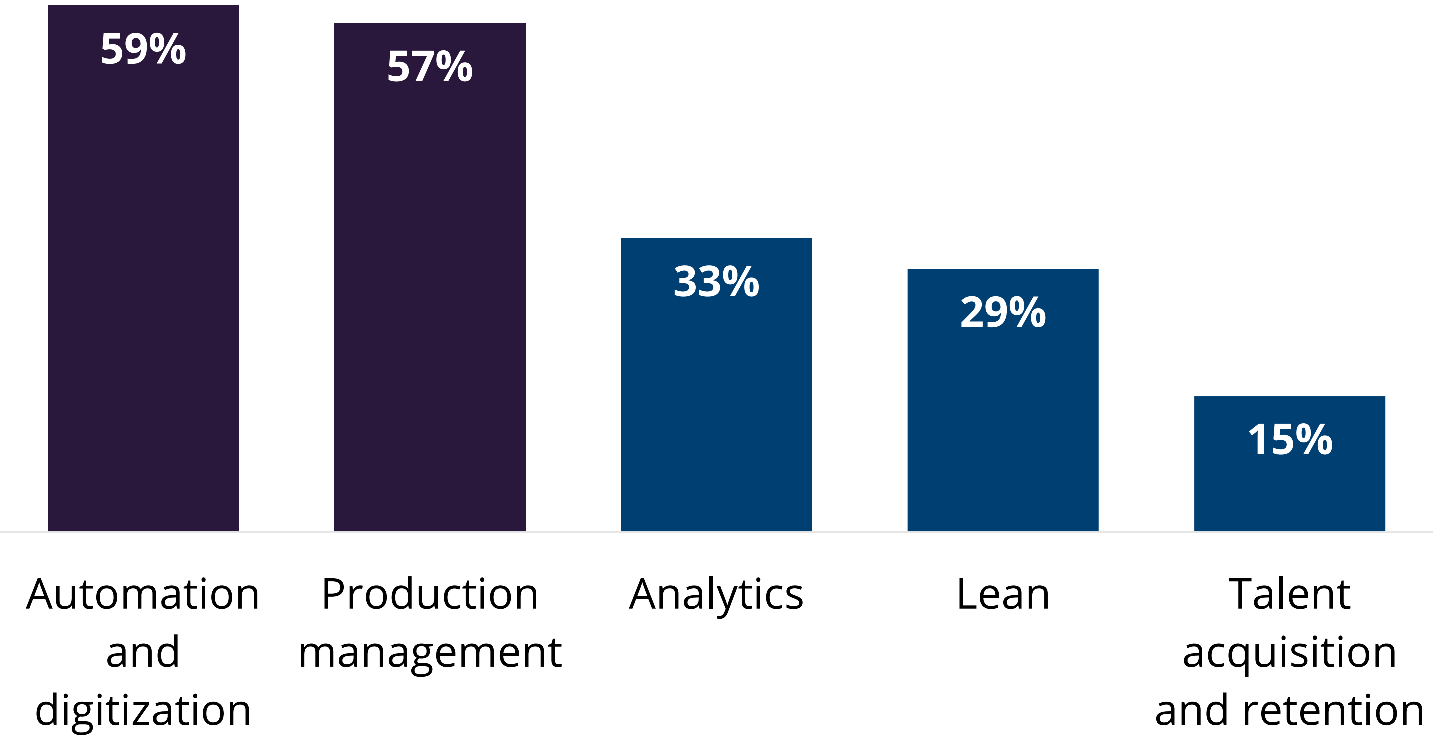
2022 PRIORITIES: INNOVATION

Almost half of respondent organizations are seeking to integrate innovation into organizational goals. This vital priority takes innovation from something "they" do to something that each employee feels accountability and ownership for putting into action. Adopting a culture of creativity moved up the list of priorities as respondents highlight finding new and novel solutions to the challenges facing supply chains.

Note: The values in the graph displayed do not add up to 100 percent because it was a "select all that apply" question.

N=228

TOP FOCUS AREAS IN MANUFACTURING



Note: The values displayed do not add up to 100 percent because it was a "select all that apply" question.

For manufacturing, automation and digitization is the top focus area for 2022 for 59 percent of the respondents. It is followed by production management (57 percent). These were the same top priorities in 2021 as well.

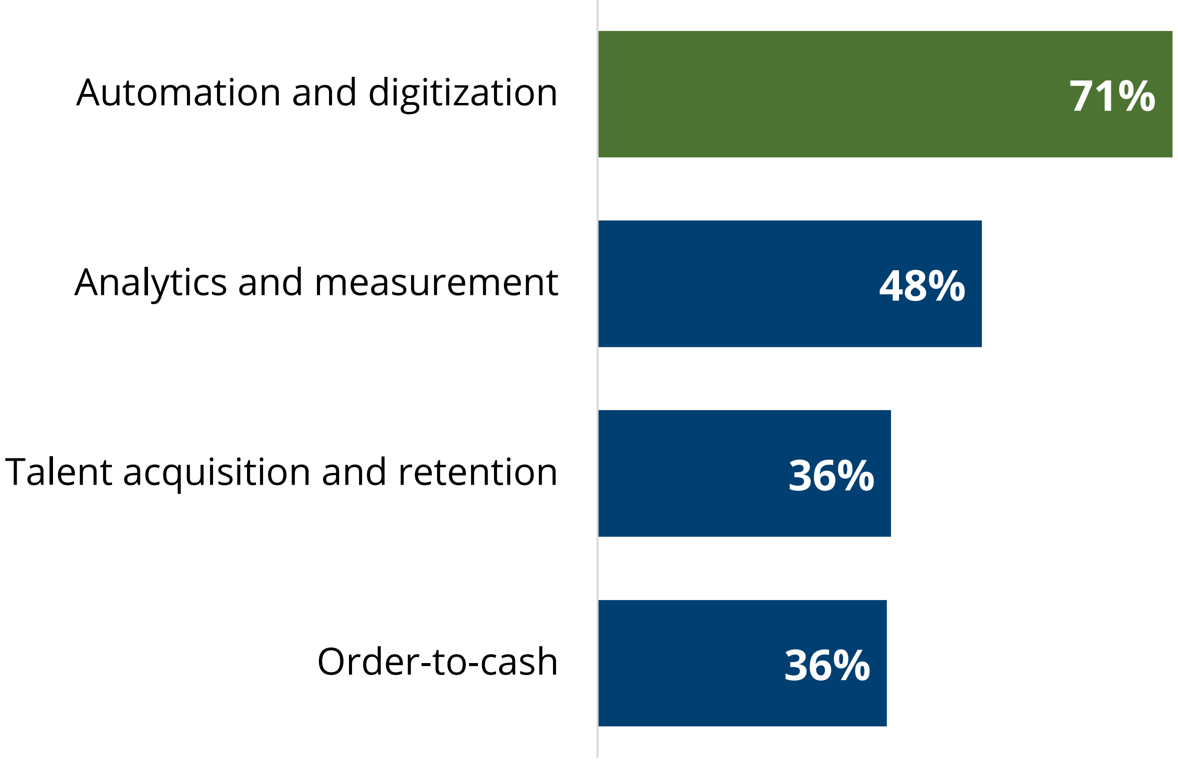
Organizations have been implementing digital technologies in manufacturing to improve quality, reduce cycle times, and enhance real-time access to data for decision-making.

N=195

In order management, improved automation and digitization, the top priority for 2022, can lead to faster order cycle times, fewer errors from manual interventions, and improved customer service.

Going digital in this area helps organizations respond faster in times of disruption by increasing transparency, supporting the prioritization of specific orders, and reducing reshipping and inventory problems.

TOP FOCUS AREAS IN ORDER MANAGEMENT



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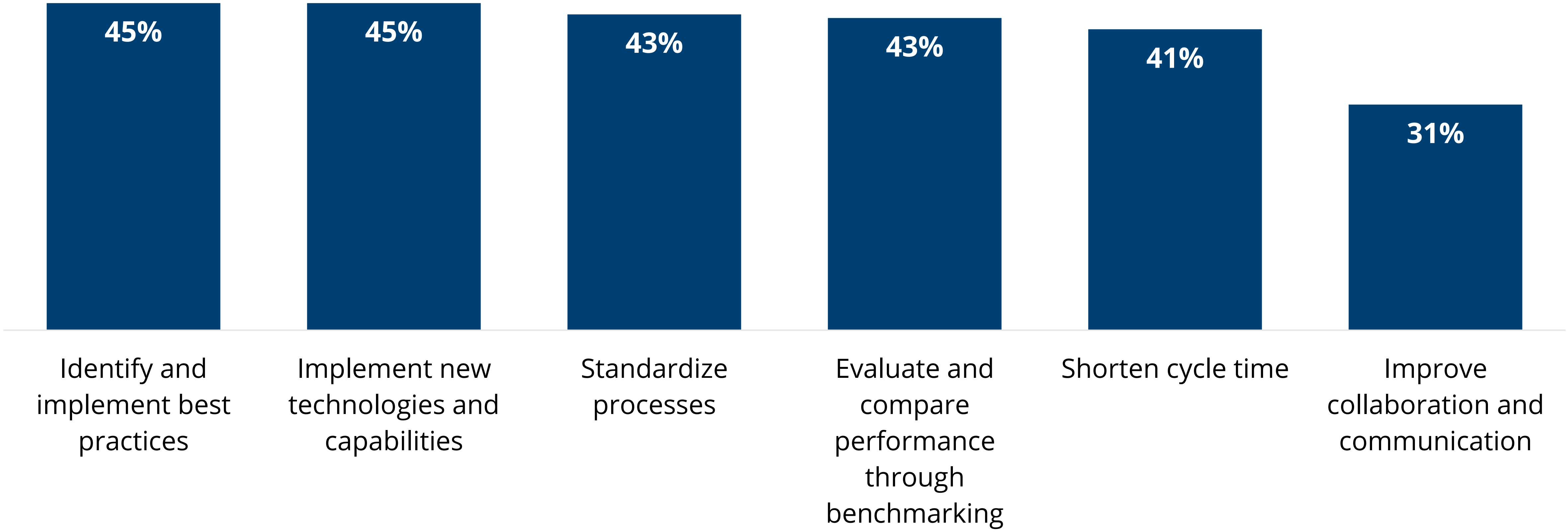
N=195

2022 PRIORITIES: ORDER MANAGEMENT

The number one priority for order management in 2022, according to respondents, is a tie between implementing new technologies and capabilities and identifying and implementing best practices. Close behind are standardizing processes and evaluating performance through benchmarking. These top priorities lay the foundation for successfully shortening order cycle time in 2022.



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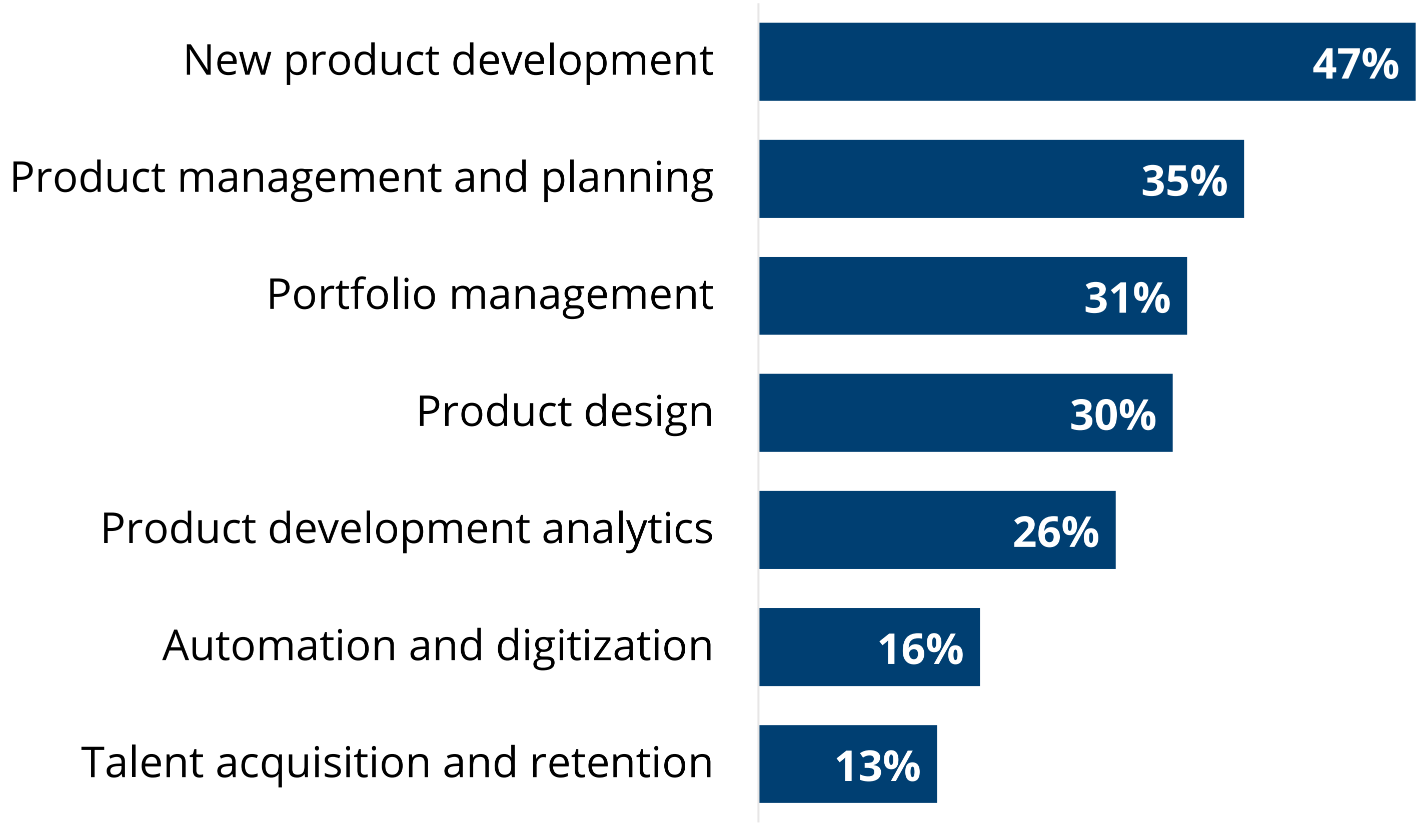
N=195

TOP FOCUS AREAS IN PRODUCT DEVELOPMENT



Note: The values displayed do not add up to 100 percent because it was a "select all that apply" question.

In Product Development, new product development and product management and planning rank as the top two priority areas for 2022, which is the same as in 2021.

Organizations are focusing on improving the process, methods, and results for how they get new ideas to market. They are also looking at how those products are managed and planned once they have been launched.

N=195

4

RECOMMENDED RELEVANT APQC CONTENT

SUPPLY CHAIN PLANNING

Recommended Content

- Supply Chain Planning: Blueprint for Success
- Interactive Supply Chain Planning Tune-Up Diagnostic
- Sustainability as a Strategic Imperative

Collections

- Improving Supply Chain Planning
- Supply Chain Planning Key Benchmarks
- Supply Chain Planning Practices
- Artificial Intelligence (AI) In Supply Chain

SOURCING AND PROCUREMENT

Recommended Content

» Sourcing and Procurement Blueprint for Success

» Driving Effective Transformation in Procurement

» Process is Key to Improving Procure-to-Pay

» Procure-to-Pay Suffers from Disconnected Governance

Collections

» Understanding Procurement Benchmarks and Best Practices

» Procurement Key Benchmarks

» Procurement Practices Reports

» Supplier Risk Management: Current State Practices

LOGISTICS

Collections

- Key Logistics Benchmarks
- Logistics: Current State Practices Reports
- Blueprint for Success: Logistics

Content

- Understanding Logistics Processes
- Interactive Logistics Tune-Up Diagnostic
- Think Holistically for More Cost-Effective Warehousing
- Emissions Reduction Practices in Logistics

INNOVATION

- Open Innovation: Creating Flexible Collaboration
- Three Frameworks for Creative Problem Solving in Supply Chain
- Innovation: Driving Successful Change

- Core Capabilities for Organizational Resilience
  - Innovation: A Core Capability for Organizational Resilience
  - Use Innovation to Improve Organizational Resilience
- Post-Disruption Innovation: The Path To Recovery
- How to Leverage Disruption for Innovation and Growth with Scott Anthony
- Three Ways to Embrace Failure on The Road to Innovation

5

PARTICIPANT DEMOGRAPHICS

Region
Revenue
Role
Industries

DEMOGRAPHICS

Region	
United States and Canada	33.3%
Central and South America	2.3%
Europe	29.9%
Africa and Middle East	2.3%
Asia/Pacific	32.2%

Role	
Head of Business (Chairman, CEO, President, etc.)	13.4%
VP/Senior Executive	20.7%
Director/Senior Manager	24.1%
Manager/Process Owner	34.1%
Specialist/Analyst	4.6%
Consultant	3.1%

Annual Revenue	
Less than $500 million	9.1%
$500 million to less than $1 billion	19.8%
$1 billion and less than $5 billion	21.3%
$5 billion to less than $10 billion	10.7%
$10 billion to less than $20 billion	18.2%
$20 billion or greater	20.9%

Primary Organization Role	
Manufacturing	39.5%
Services	41.0%
Hybrid	19.5%

N=261

TOP 10 PARTICIPATING INDUSTRIES

Top 10 Industries	
Industrial Products	10.3%
Consumer Products/Packaged Goods	9.2%
Automotive	7.7%
Pharmaceutical	7.7%
Electronics	7.3%
Agriculture	6.9%
Aerospace	5.7%
Petroleum/Chemical	5.4%
Services	5.0%
Retail and Wholesale	3.8%

Other industries also included: Distribution/Transportation, Pharmaceutical, Agriculture, Healthcare, Insurance, Media and Entertainment, Government/Military, Rental, Research Organization, Financial Services/Banking, Utility, Waste Management/Environment, Non-Profit, and Mining.

N=261

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