More Complexity, Less Visibility Hampering High-Tech Supply Chains, Reports New Infosys/Microsoft Survey

More than 60 percent of manufacturers reported a supply chain disruption, and said it took hours or longer between the disruption and reporting in their systems.

SANTA CLARA, Calif. — Jan. 29, 2009 — Ever-increasing numbers of products, suppliers, channels and geographies, coupled with a lack of real-time visibility, are hampering high-tech manufacturers' supply chains and hurting their bottom lines, reports an Infosys/Microsoft survey released today.

The Infosys/Microsoft "High-Tech Manufacturing Supply Chain Survey 2009," conducted by Washington, D.C.-based KRC Research among high-tech manufacturing firms in Germany, Japan and the United States, found half of business decision-makers, such as chief information officers or vice presidents of operations, reported increasing complexity in their supply chains. In addition, 65 percent reported experiencing a supply chain disruption, and said it took hours or longer from the time of the disruption to when supply chain systems reported the incident.

"The economy may be down, but the number of products, suppliers and geographies that high-tech manufacturers have to manage has gone way up," said Tyler Bryson, general manager of U.S. Manufacturing and Resources Sector at Microsoft Corp. "This complexity has made it difficult for firms to discover disruptions and act quickly, and this is becoming an increasingly serious industry issue. In fact, research has shown that supply chain disruptions can negatively impact income and return on sales by more than 100 percent for two years or more after an incident occurs," according to Supply & Demand Chain Executive.[1]

Increasing Supply Chain Complexity

According to the survey, 29 percent of high-tech manufacturers produce more than 50 percent of their manufacturing output through third parties or contract manufacturers. This trend has been increasing over the past two to three years, according to a majority of respondents. In addition, during this timeframe, those surveyed reported increased growth in the following areas:

- Number of products or stock-keeping units **(**SKUs) managed (66 percent)
- Number of demand geographies managed (63 percent)
- Number of suppliers managed (62 percent)
- Number of production locations managed (59 percent)
- Number of demand channels managed (59 percent)

Despite the global economic downturn, high-tech manufacturing professionals nonetheless predict these numbers will increase by 2010, with 40 percent of respondents saying they expect their supply chains to be more complex.

Lack of Supply Chain Visibility

Complexity may be one of the reasons for the lag time between supply chain disruptions and their reporting within firms' supply chain systems. Another factor could be overall "freshness" of data updated in these systems, as half of those surveyed reported the data is not updated

in real time (or near-real time), and more than a third reported that 50 percent of their data or more is not automatically captured from suppliers, partners and customers.

"Complexity of products, suppliers and geographies is one issue, but supply chain professionals often have poor visibility across the enterprise and its trading partners and lack the tools necessary to make informed decisions and manage performance globally," said Sanjay Jalona, vice president and U.S. head of manufacturing at Infosys Technologies. "Data that's still captured manually or is scattered across multiple systems must be gathered together and manipulated in order to gain real, actionable insight that these professionals can act upon quickly."

Indeed, nearly a third of those surveyed reported their supply chain professionals spend 25 percent of their time finding and reworking supply chain data to get it to the required level of granularity and format. For a high-tech manufacturer with 50 employees focused on managing the supply chain, this percentage of time per worker equates to $1.3 million annually in lost productivity, based on the average salary of a manufacturing manager ($105,581), according to IndustryWeek.[2]

According to the survey, some potential reasons for this lack of visibility and need to manipulate the data include the following:

- Lack of good industry standards (19 percent)
- Inflexible enterprise resource planning (ERP) system (17 percent)
- Too many vendors or suppliers with different systems (15 percent)
- Not enough collaboration tools (9 percent)

Tools for Managing Tomorrow's Supply Chain

While high-tech manufacturing pros today use a variety of technologies in managing their overall supply chains, from Microsoft Office Excel spreadsheets (66 percent) to ERP systems (79 percent), those surveyed predict increased use of several collaboration tools by 2010, including these:

- Webconferencing (60 percent)
- Instant messaging internally (54 percent)
- Instant messaging with external supply chain partners (54 percent)
- Integrated voice over Internet protocol (VoIP) with messaging systems (51 percent)
- Business intelligence reporting and analytics (46 percent)

"Due to the critical need to communicate in real time along the supply chain, the industry will begin to adopt more collaboration tools such as instant messaging, social networking, VoIP and more," said Drew Gude, U.S. high-tech and electronics industry solutions director at Microsoft. "However, the key will be managing these tools in a secure way while still allowing real-time collaboration to occur among trading partners and across geographies."

Differences Between Countries

While the Infosys/Microsoft "High-Tech Manufacturing Supply Chain Survey 2009" was weighted toward U.S. respondents, there were some noteworthy differences in results from the U.S., Germany and Japan. For example, Germany reported the highest percentage (80 percent) among countries experiencing a supply chain disruption, followed by the U.S. (69

percent) and Japan (30 percent). In Japan, all of these respondents reported it taking hours or longer between the time of disruptions and their supply chain systems reporting the incidents, compared with 63 percent and 57 percent among their U.S. and German counterparts, respectively.

The percentages also varied among those who reported their supply chains becoming more complex over the past two to three years, with Germany (60 percent) well ahead of the U.S. (49 percent) and Japan (35 percent). In terms of overall "freshness" of data updated in supply chain systems, a large majority of German respondents reported data is updated in real time or near-real time (65 percent), which was very different compared with respondents in the U.S. (48 percent) and Japan (15 percent). In addition, 70 percent of Japanese respondents reported that 50 percent or more of their data is not automatically captured from suppliers, partners and customers, compared with 29 and 20 percent in the U.S. and Germany, respectively.

About the Infosys/Microsoft "High-Tech Manufacturing Supply Chain Survey 2009"

Washington, D.C.-based KRC Research conducted the Infosys/Microsoft "High-Tech Manufacturing Supply Chain Survey 2009," from Dec. 16, 2008, to Jan. 12, 2009, and garnered responses from 140 total supply chain business decision-makers, at the manager level or above, in Germany, Japan and the United States, at high-tech manufacturing companies with revenues of at least $500 million. United States respondents totaled 100, while Germany and Japan totaled 20 respondents each. Full survey results are available at http://www.microsoft.com/industry/manufacturing/hightech/summit/default.mspx.

About Microsoft's High-Tech and Electronics Manufacturing Group

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[1] Supply & Demand Chain Executive, February/March 2008,
http://www.sdcexec.com/publication/article.jsp?pubId=1&id=10307&pageNum=1

[2] IndustryWeek, March 1, 2008,
http://www.industryweek.com/ReadArticle.aspx?ArticleID=15757#Resp

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