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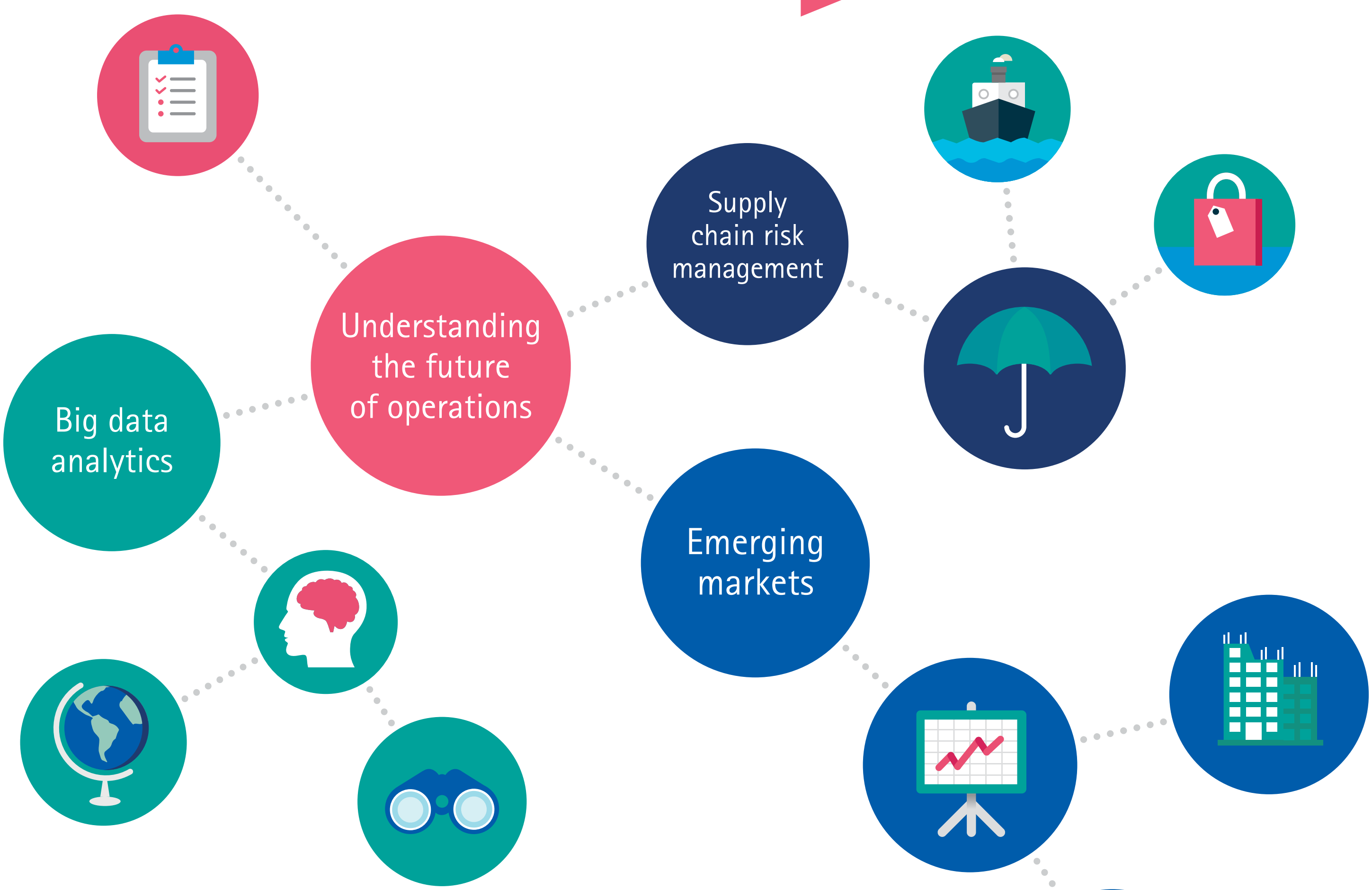

Executive Summary
Thriving on Volatility

Accenture Global Operations Megatrends Study

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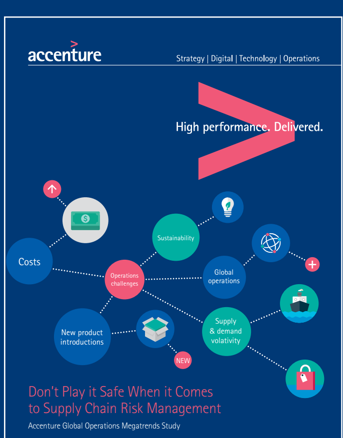
In this report, we provide an overview of the findings of the Accenture Global Operations Megatrends Study and highlight the practices operations leaders are employing to support risk management, big data analytics and emerging-markets. We surveyed more than 1,000 senior executives, mostly from large global companies, to get their thoughts on how they are approaching these critical dimensions of their business and, more importantly, what's working for them and why.

A more in-depth discussion of the research insights in each of these areas is available in the following documents:

- Don't Play it Safe When it Comes to Supply Chain Risk Management
- Big Data Analytics in Supply Chain: Hype or Here to Stay?
- Supply Chain Success Factors in Emerging Markets



Executive Summary
Thriving on Volatility

As they attempt to steer their organizations through today's volatile global economy in pursuit of profitable growth, executives rely more then ever on their supply chain operations to provide vital support. A superior and agile supply chain is critical to a company's ability to manage global operations, supply and demand volatility, the accelerated pace of new product and services introduction and sustainability.

How can companies build such a supply chain? Accenture's Global Operations Megatrends research study, which explored current trends in the operations function, offers valuable guidance. The study revealed a number of important supply chain practices that distinguished operations leaders from other companies. Leaders are using these practices to boost the return on their risk management investments, generate greater business benefits from their big data analytics efforts and foster stronger growth and success in their chosen emerging markets.

Boosting the ROI of Risk Management

Risk management is now a top consideration when designing and operating supply chains and is assessed by organizations alongside other critical areas such as cost, service, inventories and sustainability. That's especially true given many companies' increasing push into unfamiliar emerging markets which, while providing significant growth opportunities, concurrently amplifies their exposure to risk.

Companies in our survey clearly recognize the importance of risk management in the supply chain. A large majority of them—76 percent—consider operations risk management important or very important to addressing supply chain risk issues. Furthermore, more than three-quarters said they are boosting investment in risk management by up to 20 percent and another one quarter said they are increasing spending by 20 percent or more.

But is this investment paying off? In general, it is: Most companies said they are at least generating a positive ROI from their risk management investments. But a small group of risk management leaders are getting a return that exceeds 100 percent. These leading companies share three key practices that are less prevalent among other companies in our study and likely played a strong role in the results leaders generated.

Leaders make risk management a higher priority.

At the most basic level, leaders in our study simply pay more attention to risk management than other companies do (Figure 1). 61 percent of leaders (compared with 37 percent of others) consider risk management very important—a strategic imperative for their supply chain organization—and recognize the importance of capabilities that can enable them to gain greater visibility and predictability across their supply chains. At the other end of the spectrum, non-leaders are twice as likely as leaders to view risk management as only somewhat important.

Leaders have greater centralization of responsibility for risk management.

In Accenture's experience, a centralized risk management function can be a major asset: It enables a company to plan and react to risks in a more coordinated and efficient manner. 4 out of 10 leaders in our survey (versus 32 percent of others) have such a structure, led by a C-level or vice president-level executive, overseeing all risk management activities (Figure 2).

However, that doesn't suggest there's a "blanket" approach to risk management. Accenture has found it's important to establish some corporate-level guidelines for risk management to provide a base level of consistency in how the enterprise as a whole approaches it. But once the overall risk management approach and methodology are defined at the corporate level, a company should design execution in light of its supply chain structure and risk profile. Doing so enables a company to strike the most appropriate balance between centralized control and ownership close to the relevant organizational functions—a major factor in being able to quickly and effectively identify and respond to risks.

Leaders invest aggressively in risk management capabilities with a specific focus on end-to-end supply chain visibility and analytics.

As companies expand globally, risk increases accordingly. That's why it's critical for companies to continue strengthening their investment in risk management capabilities. Leaders in our survey have taken that advice to heart. They are nearly three times as likely as other companies to plan to boost their investment in risk management by 20 percent or more in the next two years, while a majority of non-leaders are targeting an increase of less than 20 percent over their current investment (Figure 3).

Figure 1: Leaders make operations and supply chain risk management a priority

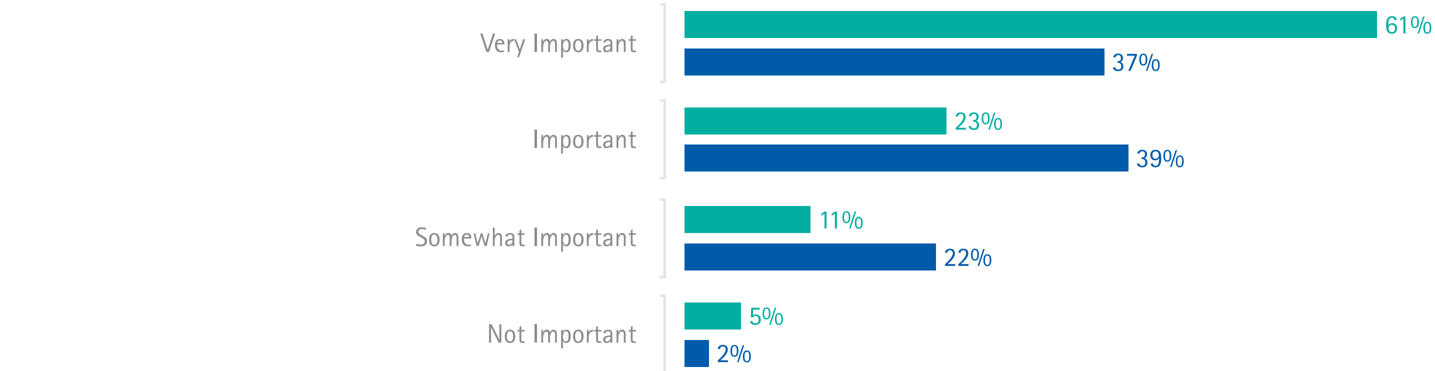
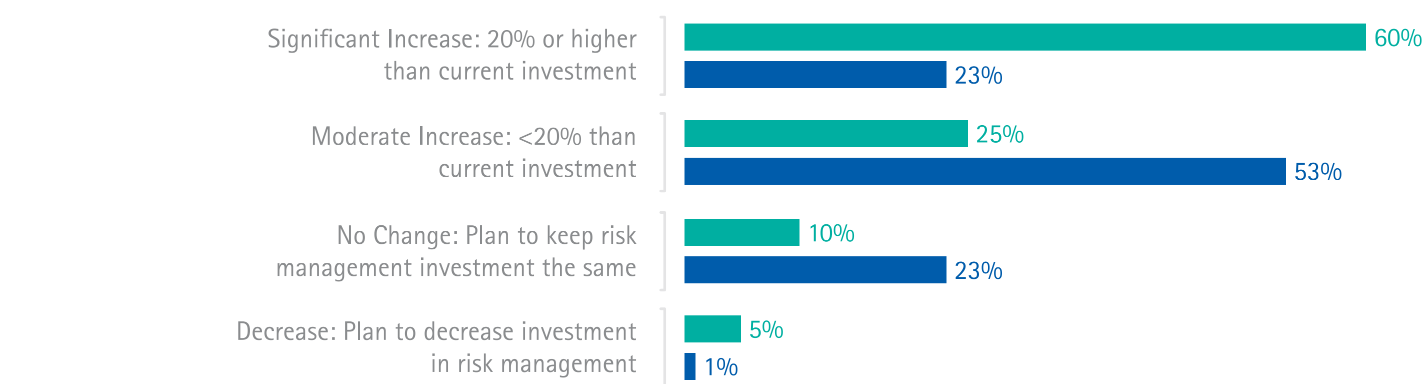


Figure 2: Leaders centralize responsibility for risk management

Figure 3: Leaders invest aggressively in risk management capabilities



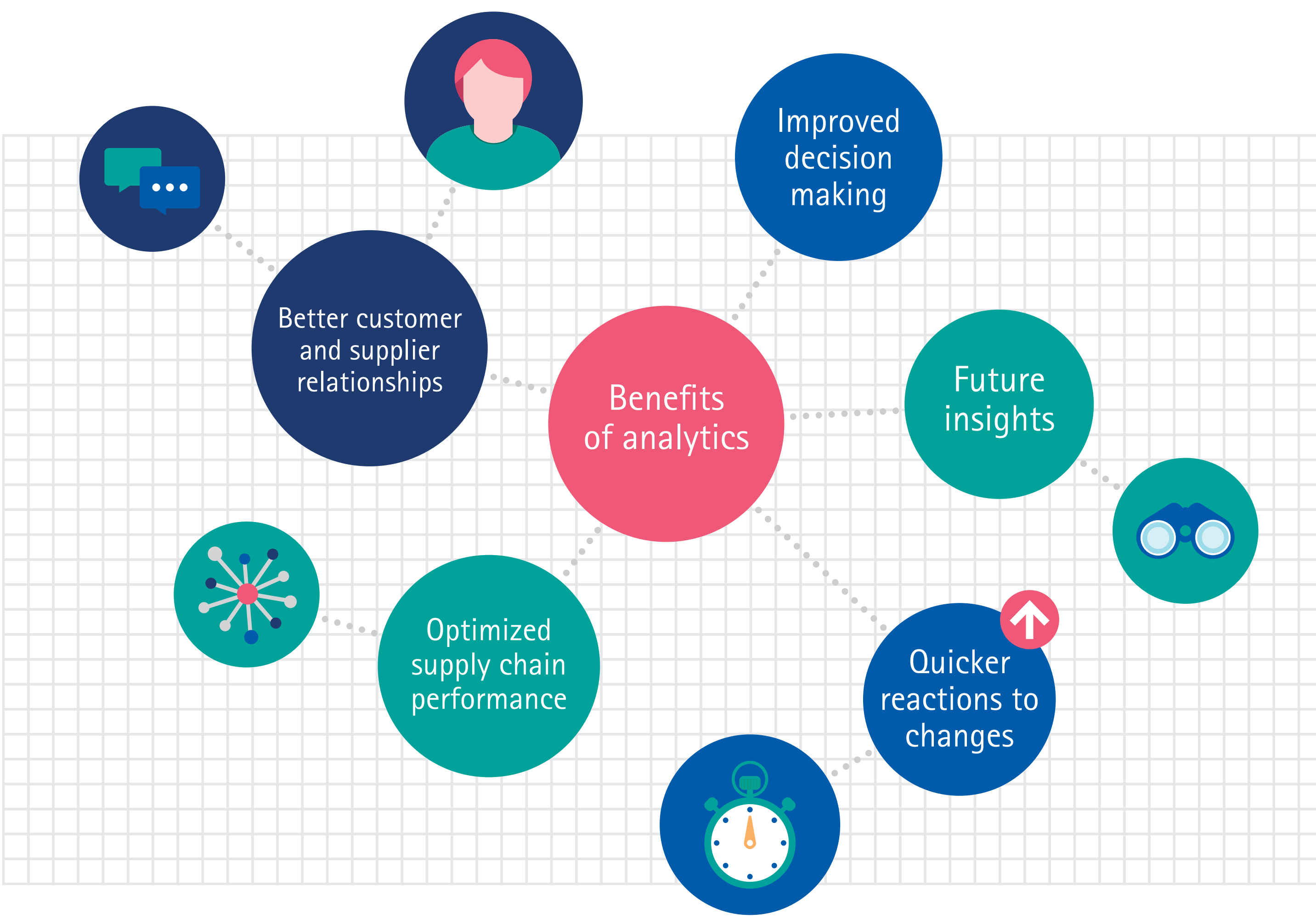
Leaders Others

Generating Greater Benefits from Big Data Analytics

In the past several years, the widespread adoption of digital technologies has enabled companies to collect massive amounts of data on all aspects of their operations. Such data is certainly a major asset, but it also requires increasingly powerful techniques to make sense of and use. Hence, the emergence of what is becoming a critical business capability; big data analytics.

However, despite the hype around and general awareness of big data, our survey found that use of big data analytics is neither pervasive nor well coordinated across global companies. There's also little consensus among companies on how to develop, structure and deploy the capabilities that are key to success. Yet that's not preventing companies from making investments to develop and mature big data analytics capability. More than one third of executives reported being engaged in serious conversations to implement analytics in the supply chain and 3 out of 10 already have an initiative in place to implement analytics.

How can companies make better use of big data through analytics? Our research revealed three common practices have enabled leading companies to generate bigger benefits from their investment in big data analytics—benefits that include better customer service and demand fulfillment, faster and more effective reaction time to supply chain issues, increased supply chain efficiency and greater integration across the supply chain.

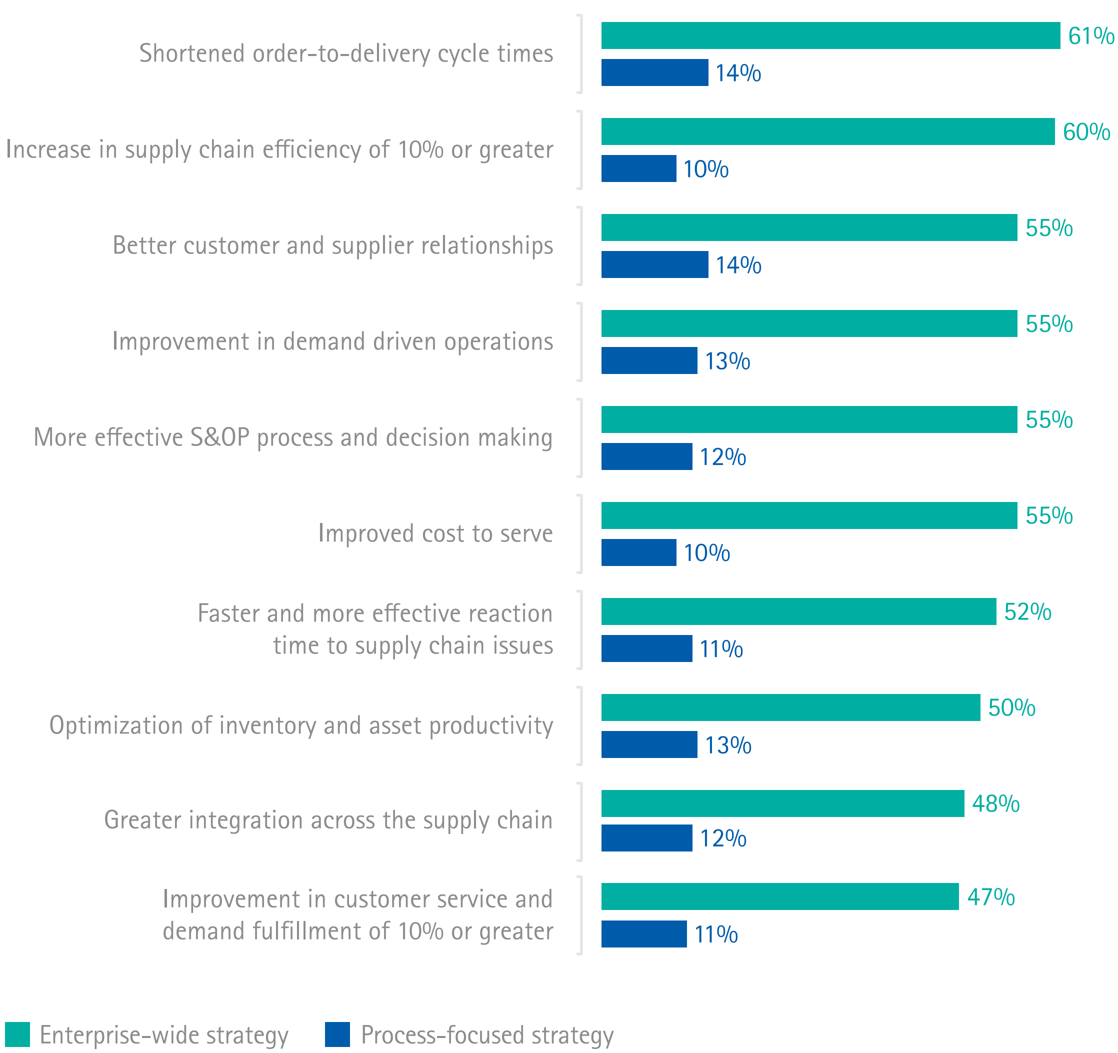


Leaders make developing a robust enterprise-wide strategy a higher priority.

An enterprise-wide strategy (of which the supply chain is an integral part) that enables a company to use big data to drive business value is most strongly correlated with big data analytics success (Figure 4). A supply chain-specific strategy for big data is the next best choice. While not as strongly correlated with the aforementioned metrics as an enterprise-wide strategy, a supply chain-specific strategy is still better than an ambiguous big data strategy focused on a few specific processes. For instance, companies with an enterprise-wide strategy are more likely than those with a process-focused strategy to have shortened order-to-delivery cycle times (60 percent versus 14 percent), a more effective S&OP process and decision making (55 percent versus 12 percent) and improved cost to serve (55 percent versus 10 percent).

Figure 4: Companies with an enterprise-wide strategy are far more likely to generate a range of important supply chain benefits from their use of big data analytics

What has been the result of implementing big data analytics?



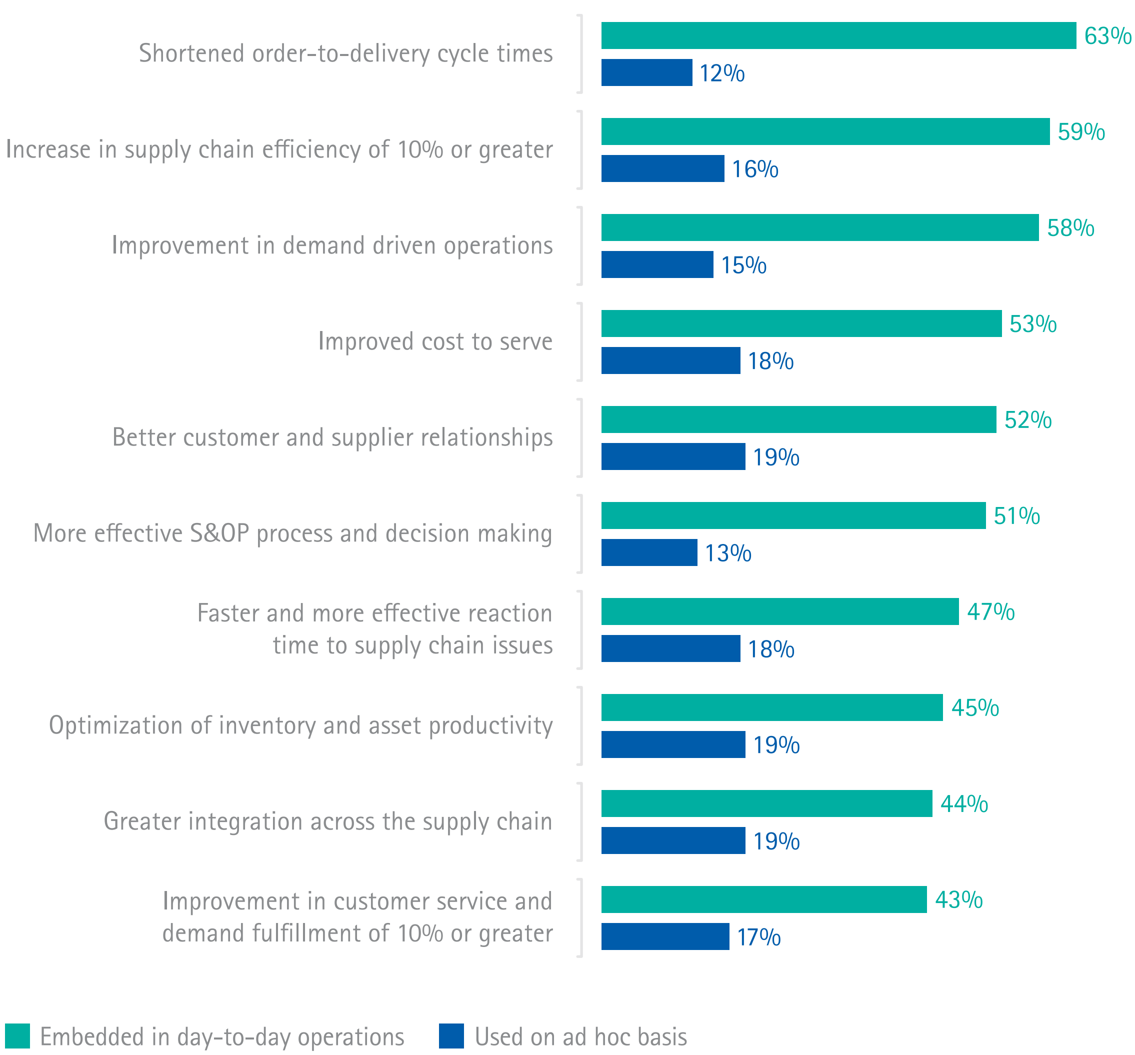
Leaders emphasize embedding Big Data Analytics into operations to improve decision making.

Operationalizing big data analytics is also crucial to generating more substantial returns. Accenture has found that companies which embed analytics in their day-to-day supply chain operations generate more significant and far-reaching benefits than those who use big data analytics on an ad hoc basis in limited areas of focus (Figure 5).

These benefits include faster and more effective reaction time to supply chain issues, more effective S&OP and decision making, optimized inventory and asset productivity, shortened order-to-delivery cycle times, better customer and supplier relationships and improvement in demand-driven operations.

Figure 5: Companies that embed big data analytics in their operations are far more likely to generate a range of important supply chain benefits

What has been the result of implementing big data analytics?

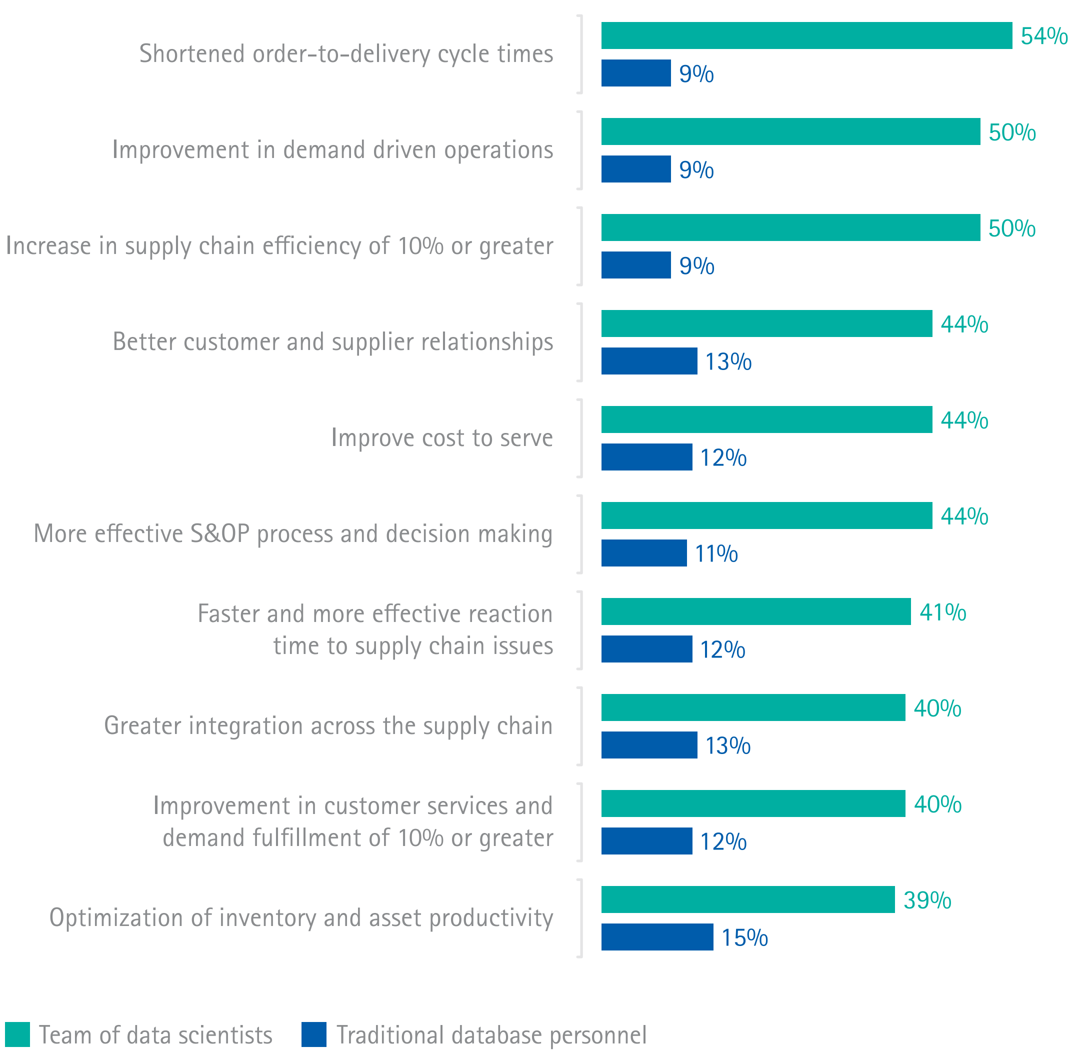


Leaders hire talent with a mix of deep analytics skills and knowledge of the business and industry.

Technology for crunching data is critical but it's useless without the appropriate human intervention. Analysis of our research data revealed that the form of such human intervention most strongly correlated with big data analytics success. An independent team of data scientists dedicated to big data analysis can help develop insights on an ongoing basis (either at the enterprise or supply chain level) (Figure 6). If such a team is not possible to assemble and deploy, having some in-house capability, in the form of a person or group, who can use a sophisticated tool to generate insights, can in some circumstances, approach the benefits the data scientist team can help produce, according to our research.

Figure 6: Companies that employ a dedicated team of data scientists are far more likely to generate a range of important supply chain benefits from their use of big data analytics

What has been the result of implementing big data analytics?



Driving Stronger Growth in Emerging Markets

Aware of the significant growth opportunities in emerging markets, global organizations are working hard to gain a foothold in such countries, especially in China, India and Brazil. But expansion into these new and often unpredictable markets is neither easy nor inexpensive. In fact, companies typically encounter a myriad of execution challenges that could sink the efforts of even the best-managed enterprises. That's why expansion-minded organizations need to determine the operations strategy which will enhance their chances of success in emerging markets

Nearly all companies in our study said they have grown in emerging markets. But companies with higher-performing supply chains were more likely to generate stronger growth, than companies with average or low-performing supply chains. Indeed, this group of leaders, in which the supply chain has exceeded expectations in supporting emerging-market initiatives, is more than twice as likely as others—58 percent versus 22 percent—to say their supply chain organization has helped the enterprise achieve greater than 20 percent growth in their priority emerging markets.

What separates these leaders from other companies? Based on Accenture's research and analysis of the characteristics of companies with supply chains that have exceeded expectations, we identified four major supply chain practices that leaders are more likely to employ than other organizations and that are especially important in driving growth and success in emerging markets.

Leaders use a broad mix of approaches to providing supply chain support of emerging-market initiatives.

The supply chain can service a company's priority emerging markets in many different ways. Leaders are more likely than others to use all of them (Figure 7)—especially investing in assets in the regions, leveraging their existing operations and hiring local talent to manage their operations. In other words, there is no one right answer, no supply chain "silver bullet" for emerging-market success. Instead, a portfolio of strategies is needed, to be deployed depending on the circumstance and market.

Leaders complement a low-cost structure with a focus on quality and market knowledge for differentiation.

Keeping a tight rein on costs is, of course, critical to profitability. However, success in emerging markets requires much more than a lean cost structure. While supply chains among the group of leaders in our study tended to use the same measures of success as others, they were more than twice as likely (17 percent versus 7 percent) to consider differentiated quality as a key metric (Figure 8). Furthermore, leaders were more likely to believe understanding their market's culture and ways of doing business (39 percent versus 30 percent) is a factor that helps their supply chain exceed expectations. Conversely, supply chains that simply met expectations were more likely to say a lean cost structure that is competitive with local companies is key to their performance (34 percent versus 24 percent). These findings suggest that focusing on operating costs, while important, is not enough to drive emerging-market success.

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Figure 7: Leaders are more likely to use the full range of approaches to support emerging-market initiatives

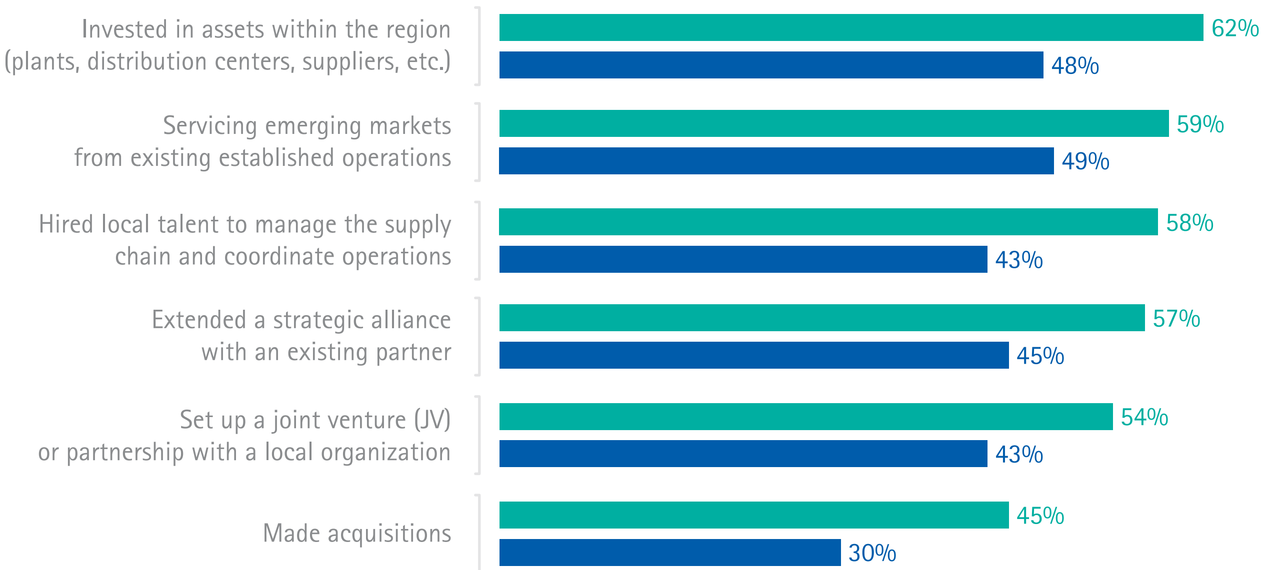


Figure 8: Leaders are more likely to include differentiated quality as a primary measure of success in emerging markets

Leaders use technology extensively to increase efficiency, improve flexibility and enhance decision making.

Technology is vital to helping companies manage the high degree of complexity and volatility inherent in global operations. It enables them to make fact-based decisions and respond quickly and accurately to changes in the marketplace. Leaders appear to have gotten the message: As shown in Figure 9, they were more than twice as likely as others (72 percent versus 31 percent) to extensively use technology to help support their company's emerging-market efforts. In fact, nearly three-quarters of leaders said they have made heavy investments in such automation tools as manufacturing systems, ERP and supply chain systems.

Leaders continue to invest aggressively in supply chain operations to keep pace with changing market dynamics.

Leading companies understand that they can't succeed by standing still while the world around them changes. That is why they are planning investments in a variety of areas across their operations, to help them achieve the growth goals they've set for their target emerging markets in the next three years. They are especially more likely than others to plan to invest in improving and expanding their physical infrastructure, driving operational excellence, adopting customer analytics to understand customers better and cultivating more partner relationships to extend their emerging-market reach and expertise (Figure 10).

Those investments will be significant: 46 percent of leaders, versus 36 percent of others, plan to invest at least $30 million in the next two years on the aforementioned initiatives and leaders are nearly twice as likely as others to be planning to invest more than $40 million.

Figure 9: Leaders are more than twice as likely as others to make extensive use of technology

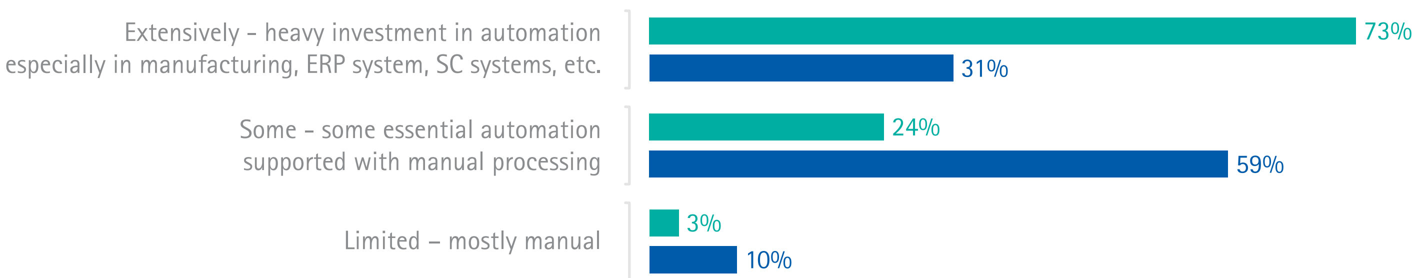
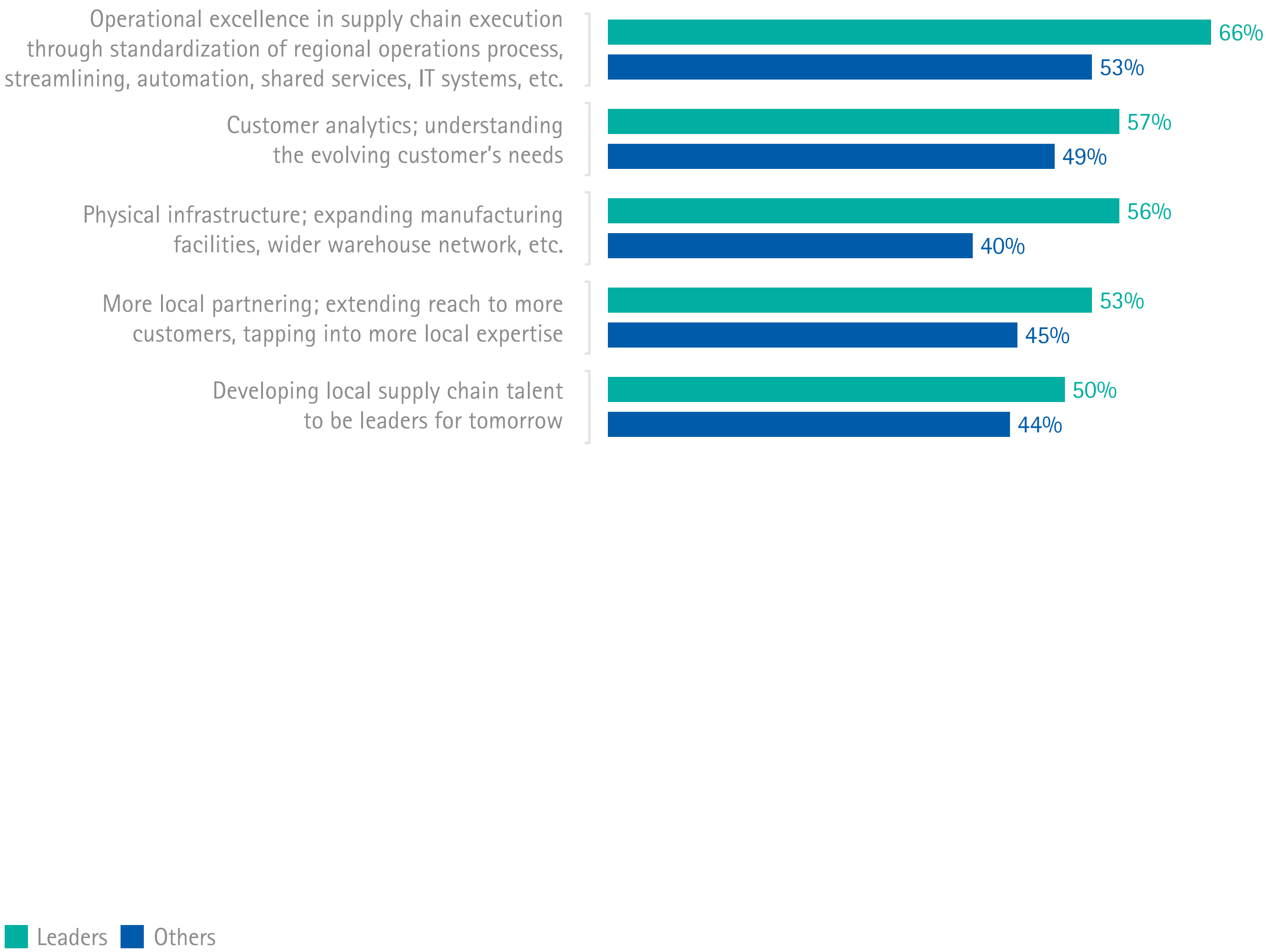


Figure 10: Leaders are more likely to be investing in key areas of the supply chain



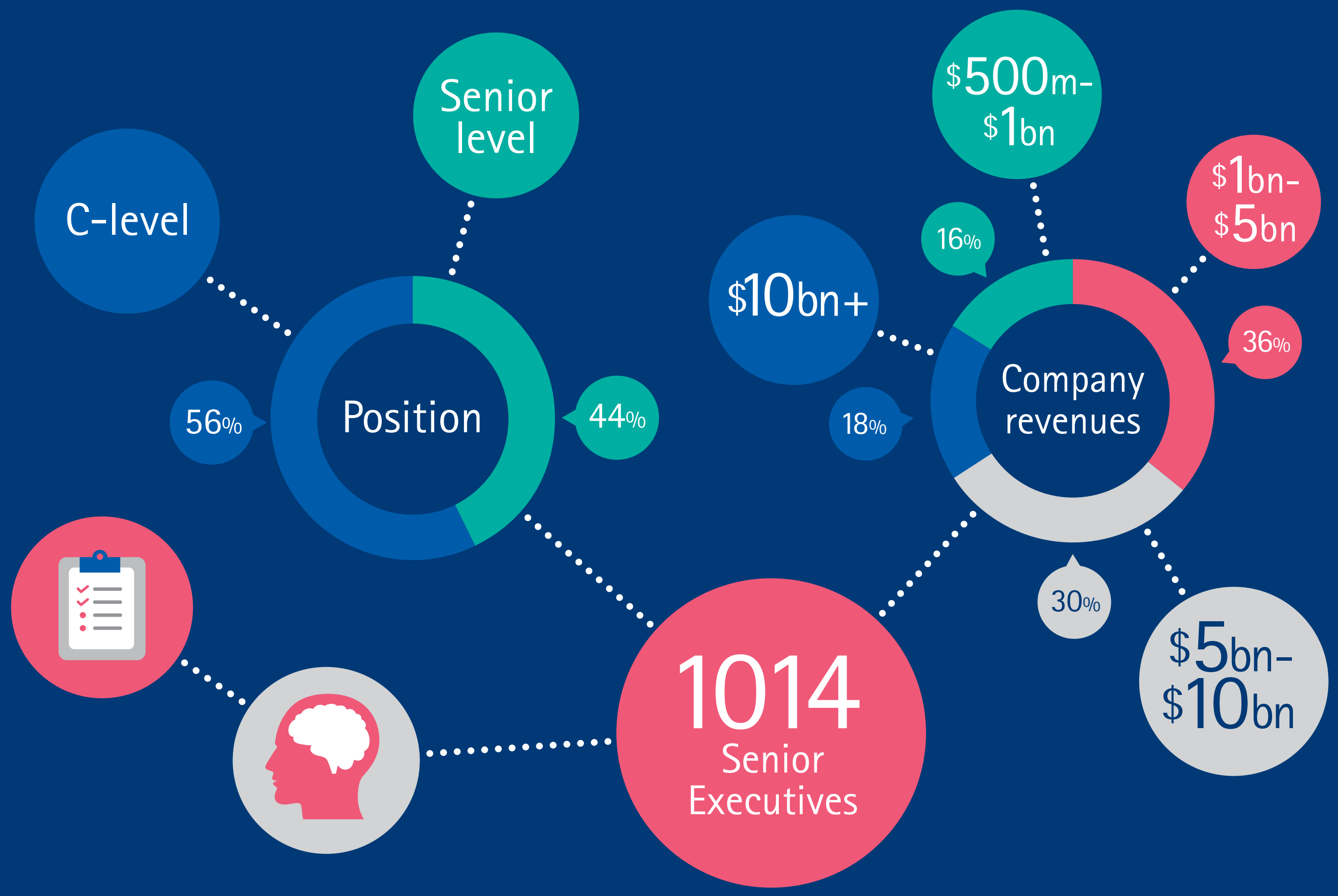
Conclusion

Executives today have an unenviable task; generating sustained, profitable growth in today's highly volatile global economy.

To thrive in this world, companies need to be able to capitalize on the significant growth opportunities in emerging markets, while effectively confronting the major, often unforeseen, challenges common in those regions. They need to be highly adept at managing risks that can pose a threat to the stability and viability of their business. Businesses/Organisations must also excel in using big data analytics to make better decisions and generate greater business value from the huge cache of data they now collect.

Using the practices employed by the leaders in our study, companies can take major strides toward building a supply chain that strongly supports the business in all three dimensions and, in the process, position the enterprise for high performance in an uncertain world.

56 percent of respondents held C-level titles, including Chief Supply Chain Officer, Chief Procurement Officer, Chief Sourcing Officer, Chief Operations Officer and Chief Operating Officer. Just under half of participating companies had revenues of greater than US$5 billion.



About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 305,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

For more information

Additional information and materials from this research initiative are available at www.accenture.com/megatrends. To learn more about how Accenture can help you implement an Operations Strategy that responds to market volatility and improves business outcomes, go to www.accenture.com/strategy, or contact:

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