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# 2024 Update: Supply Chain Risk Pulse Survey

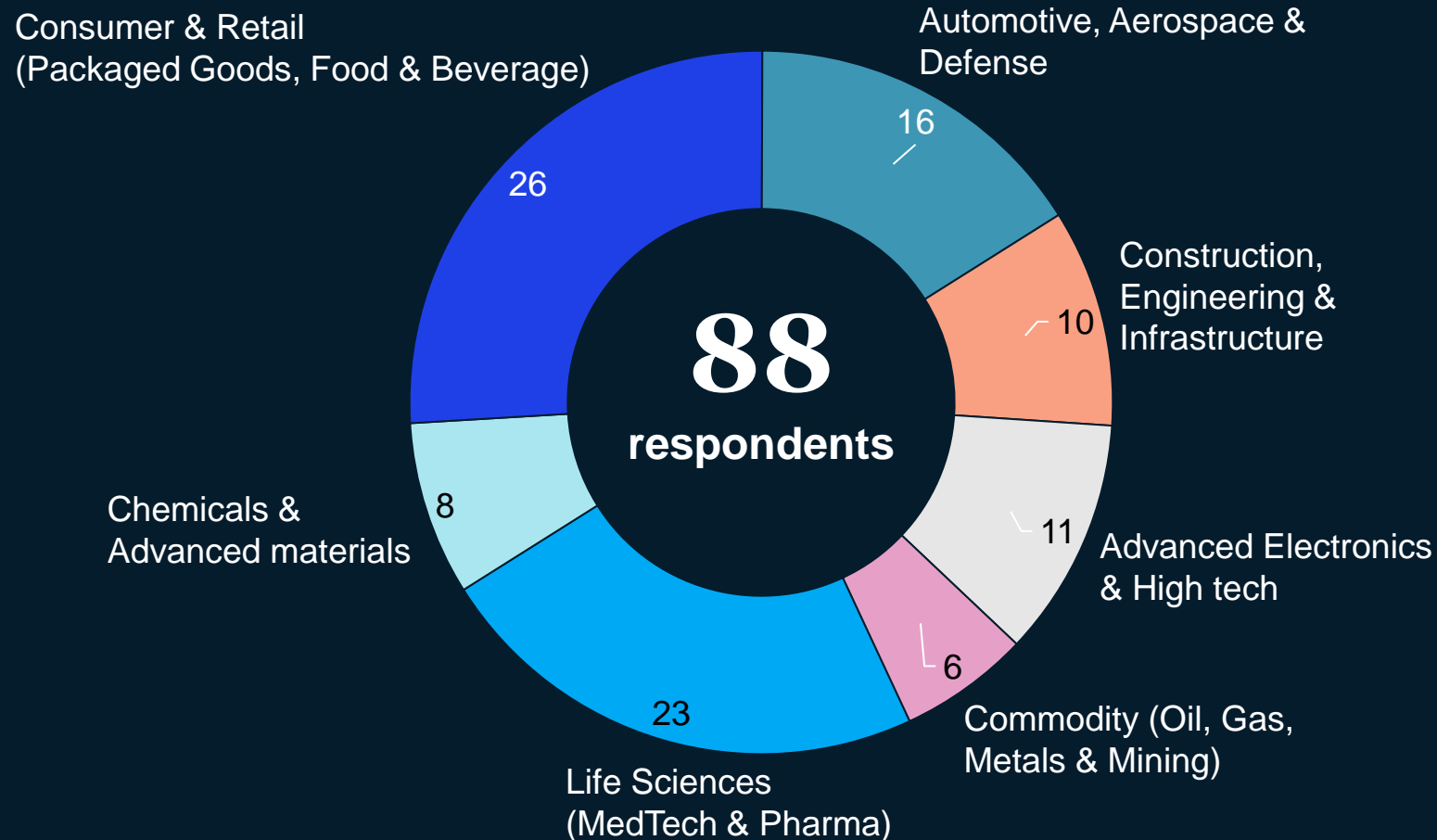
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# We surveyed 88 global Supply Chain leaders across industries

% of total respondents

## Industry



## Survey focus

Supply network

SC planning

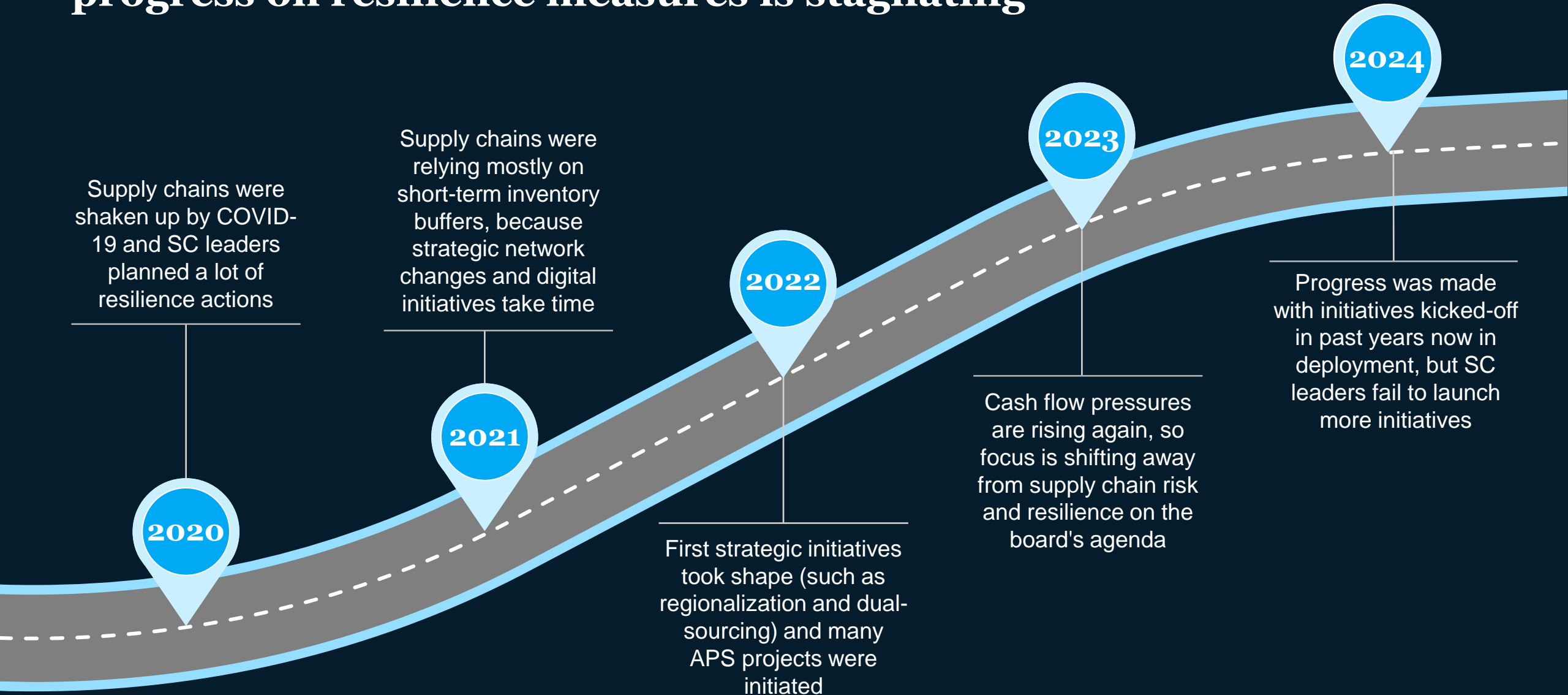
Digitization

Risk management



Annual update of the SC Survey we run since 2020

# Supply chains show a false confidence in the new normal as progress on resilience measures is stagnating



# Deep Dive 2024: Progress on SC resilience is visible, ...

% of respondents



**Dual-sourcing** and **regionalization** are ongoing efforts for 60% - 73% of companies, with continuous progress

**Inventory buffers** as the quick short-term fix are decreasing for the first time since 2020

**Tier-1 supplier visibility** has grown by 10 pp. since 2023

**APS implementations** as a main driver of SC digitization are ongoing for 67% of companies

76% of companies have sufficient **risk capabilities** in-house and a **(de-)central organization structure** focused on it

# ... but does not yet prepare leaders for future disruptions



## Risk identification

**Tier-2 supplier visibility** and beyond is deteriorating by -7 pp. since 2023

Only 33% invest in **early warning systems**, requiring real-time integration of internal & external data

## Risk mitigation

Only 48% of companies upgrade their **E2E planning** to model risk scenarios, while 74% focus on **demand planning algorithms**

A **response to a new disruption** takes on average 2 weeks, more than 1 S&OE cycle

90% lack sufficient **digital talent in-house** to leverage tech & data for SC resilience

# Executive summary of 2024 supply chain risk insights



## Footprint

Continuous yet slow progress on footprint resilience measures

Slight shift from short-term inventory buffers to more strategic measures like network redesign

Changing global trade flows are expected over the next 3 years from high-cost to Western countries to Mexico, India, and South East Asia



## Planning

Most SC organizations are in the middle of an APS implementation

These are multi-year efforts and many projects were launched in 2022/23

While many APS projects get unnecessarily stuck on master data, which should be more 80/20, value capture remains a problem for half the APS projects



## Digitization

Planned investments in SC digitization are stabilizing further

Budgets for SC tech-enablement are divided ~1:2 between people capabilities and technologies

Digital talent is not sufficiently available on the external labor market, so talent development is trending back towards in-house trainings



## SC risk mgmt.

Boards' understanding of SC risks remains a gap and supply chain failed to secure a seat as executive member, despite in-house capabilities being available

Tier-1 visibility continues to increase, but at the expense of deeper n-Tier analysis

Very few supply chains comply with the EU CSDDD, although the new directive already became effective in some EU countries

# Executive summary of 2024 SC risk insights in numbers

↓ ↑ Trend vs. 2023 survey



## Footprint

87%



Encountered **footprint challenges** in 2024

73%



Implemented **dual sourcing** for raw materials

67%



Increased or maintained **inventory risk buffers**



## Planning

94%



Encountered **planning challenges** in 2024

67%



Are in the middle of an **APS implementation**

74%



Implement advanced algorithms for **demand planning**



## Digitization

90%



Lack sufficient **in-house talent** for **digital** ways of working

93%



Increased or maintained their **investment in SC digitization**

85%



Focus on implementing **advanced analytics use cases** in the next 3 years



## SC risk mgmt.

60%



Have **tier-1 supplier visibility**, but not beyond

76%



Have **sufficient risk management capabilities** in-house

25%



of companies have **regular reporting** of supply chain risk



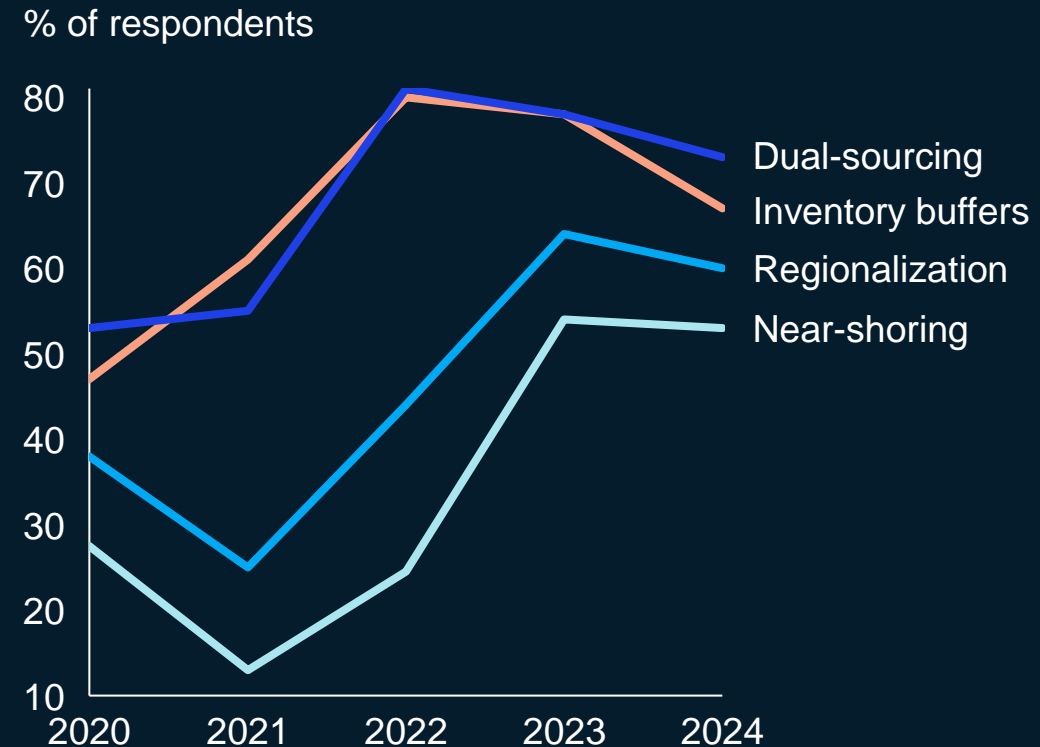
## Footprint (1/2)

Continuous yet slow progress on footprint resilience measures

Slight shift from short-term inventory buffers to more strategic measures like network redesign

**-10 pp**  
Reduction in inventory buffers since 2023

**60%+**  
Continue to pursue dual sourcing and regionalization as footprint resilience measure





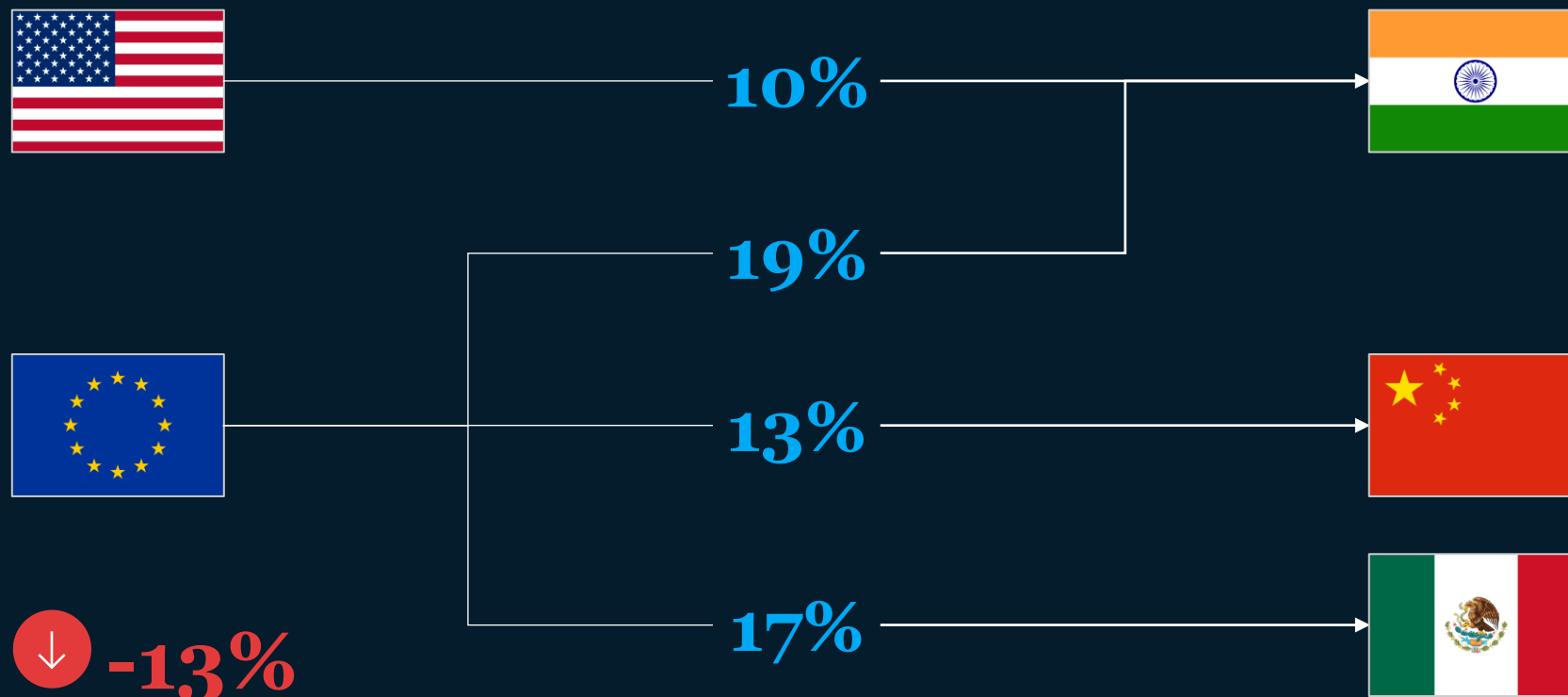
## Footprint (2/2)

Changing global trade flows are expected over the next 3 years from high-cost to Western countries to Mexico, India, and South East Asia

## SC presence expected to move in the next 3 years

**+42%** ↑

Net increase expected in India



**-13%** ↓

Net decrease expected in Western Europe

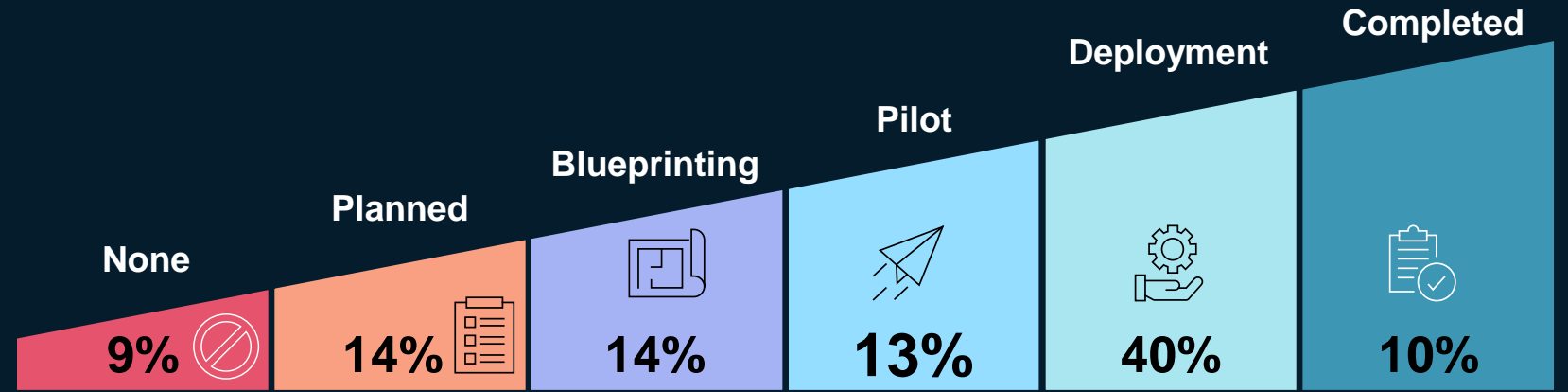




# Planning (1/2)

Most SC organizations are in the middle of an APS implementation

These are multi-year efforts and many projects were launched in 2022/23



**67%**

Have **APS implementation on-going** currently

**+14 pp**

new **Supply Chain planning IT implementations** kicked-off since 2023



## Planning (2/2)

While many APS projects get unnecessarily stuck on master data, which should be more 80/20, value capture remains a problem for half the APS projects

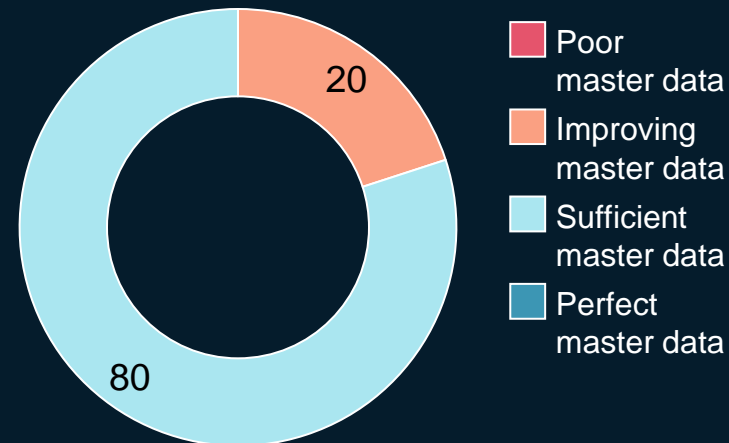
# Main problem areas during APS implementations

## 1 MASTER DATA

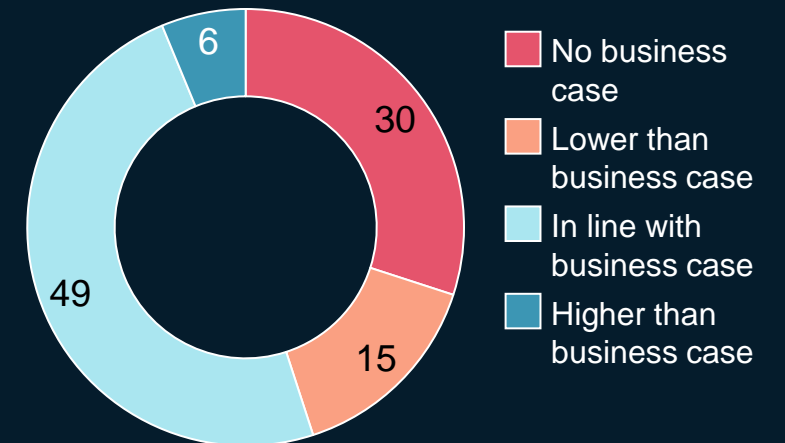
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## 2 VALUE CAPTURE

### No perfect master data is needed, only sufficient



### Only half the APS project deliver the value



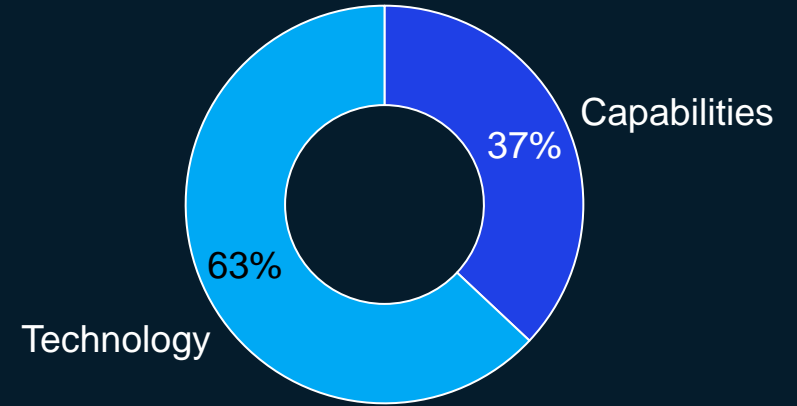
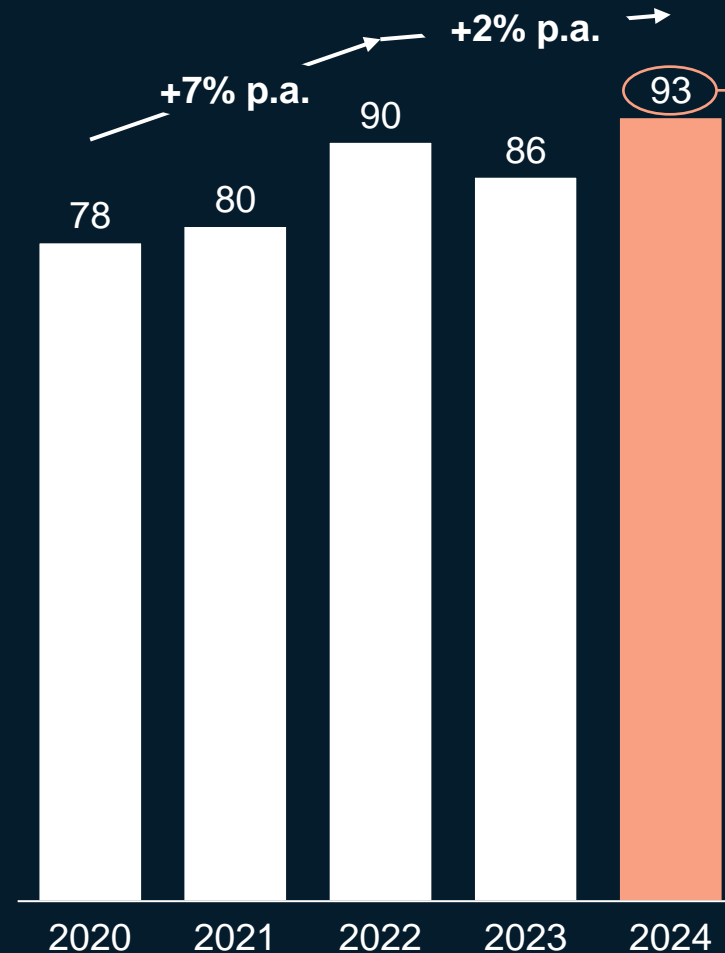


## Digitization (1/2)

Planned investments in SC digitization are stabilizing further

Budgets for SC tech-enablement are divided ~1:2 between people capabilities and technologies

## Investments in the digital supply chain



74%

prioritize **Demand Planning** as advanced analytics use case consistently since 2020

19%

**Successfully piloted or deployed** advanced analytics use cases in supply chain



## Digitization (2/2)

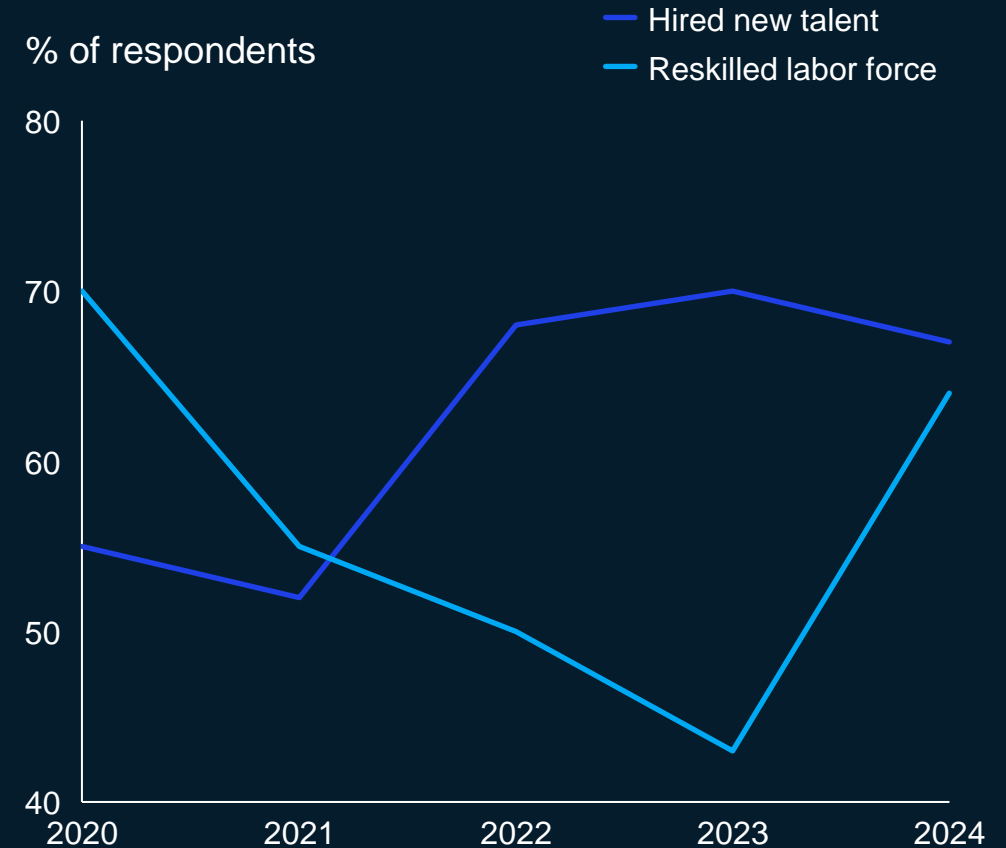
Digital talent is not sufficiently available on the external labor market, so talent development is trending back towards in-house trainings

**90%**

Have **insufficient in-house digital SC talent** and need to fill their digital talent pipeline

**+21 pp**

increase **internal reskilling programs** since 2023 to secure digital talent





## SC risk mgmt. (1/2)

Boards' understanding of SC risks remains a gap and supply chain failed to secure a seat as executive member, despite in-house capabilities being available

**~2 week**

Average response time to a new supply chain risk

**~25%**

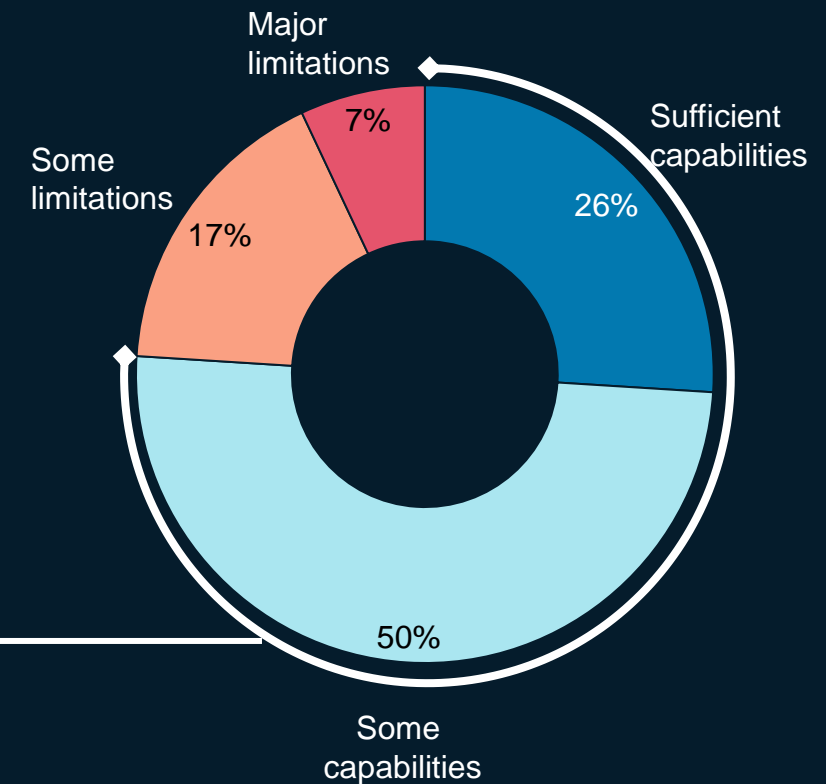
Regular reporting on supply chain risks

**~20%**

Quantitative measures of supply chain risks

**~76%**

In-house capabilities for risk management



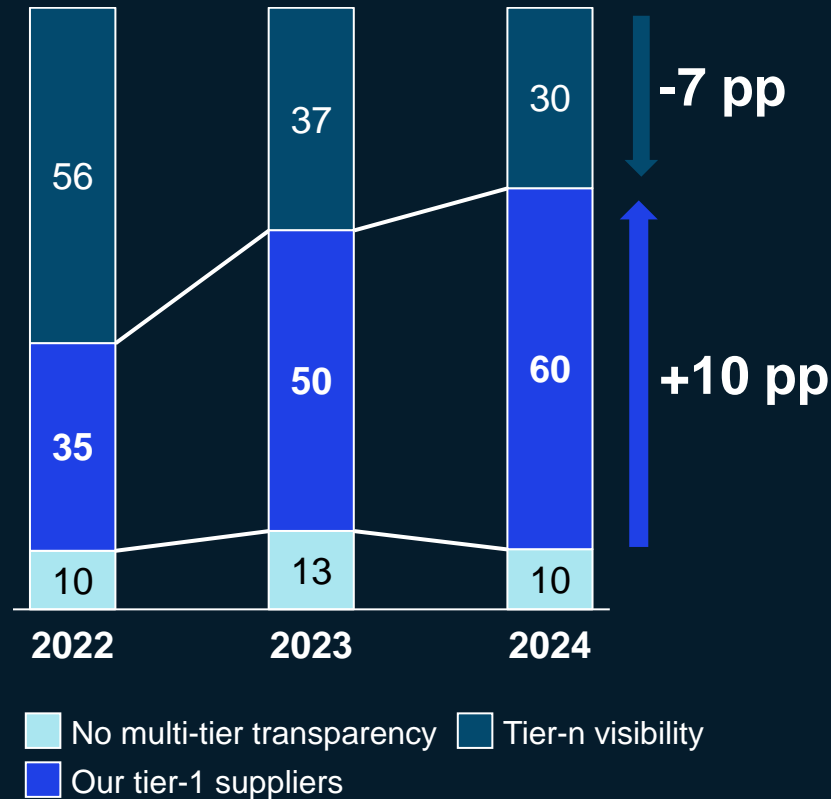


## SC risk mgmt. (2/2)

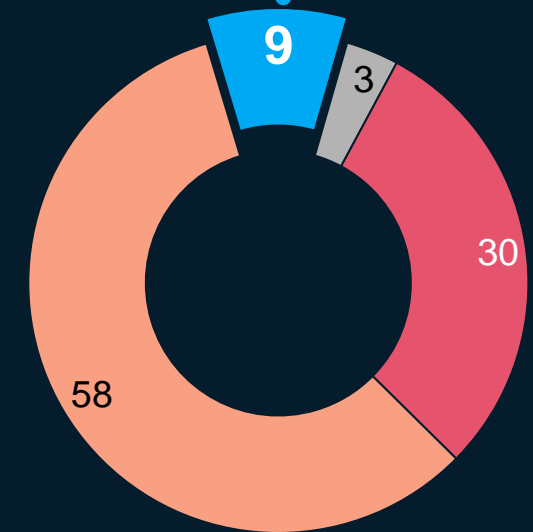
Tier-1 visibility continues to increase, but at the expense of deeper n-Tier analysis

Very few supply chains comply with the EU CSDDD, although the new directive already became effective in some EU countries

**+10 pp** Achieved Tier-1 visibility versus 2023



**~9%** Comply with EU Corporate Sustainability Due Diligence Directive



- Legislation not relevant
- (Significantly) behind
- Plan to fulfill
- Already fulfilling requirements

# First improvements in footprint resilience are seen across industries, while planning continues to pose challenges

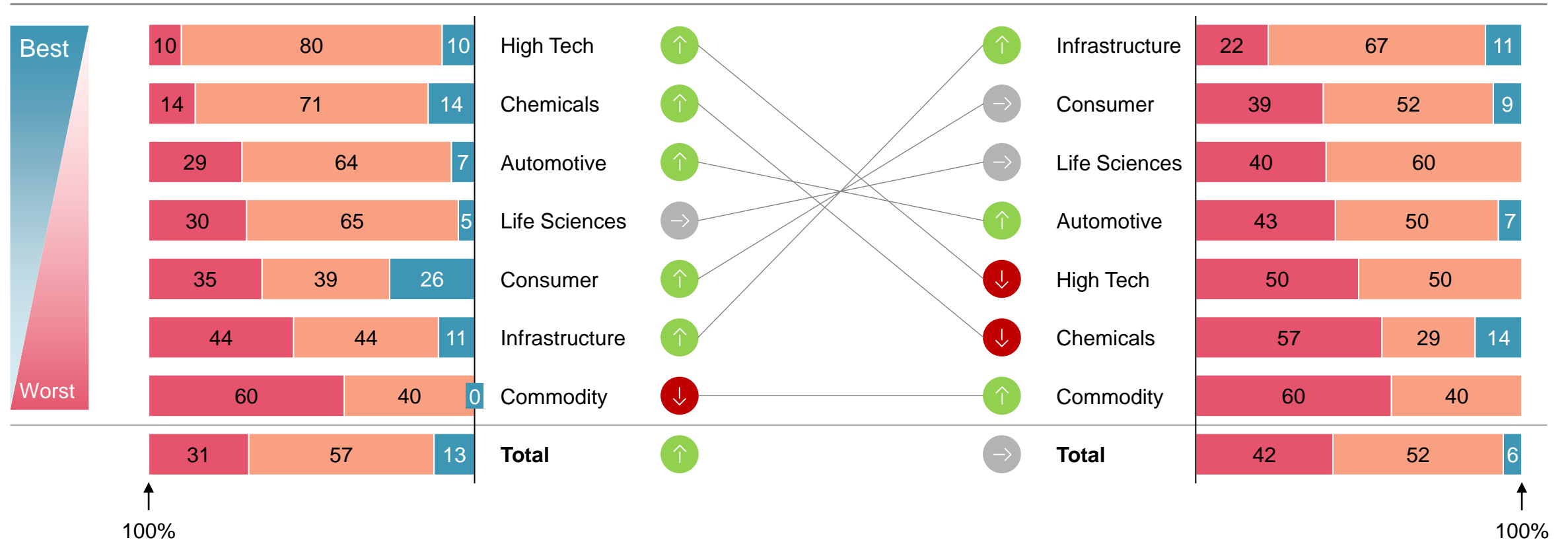
% of respondents by industry sector

Major challenges Minor challenges No challenges ↑ ↓ Trend vs. 2023

87% had footprint<sup>1</sup> challenges in 2024

&

94% had planning<sup>2</sup> challenges in 2024



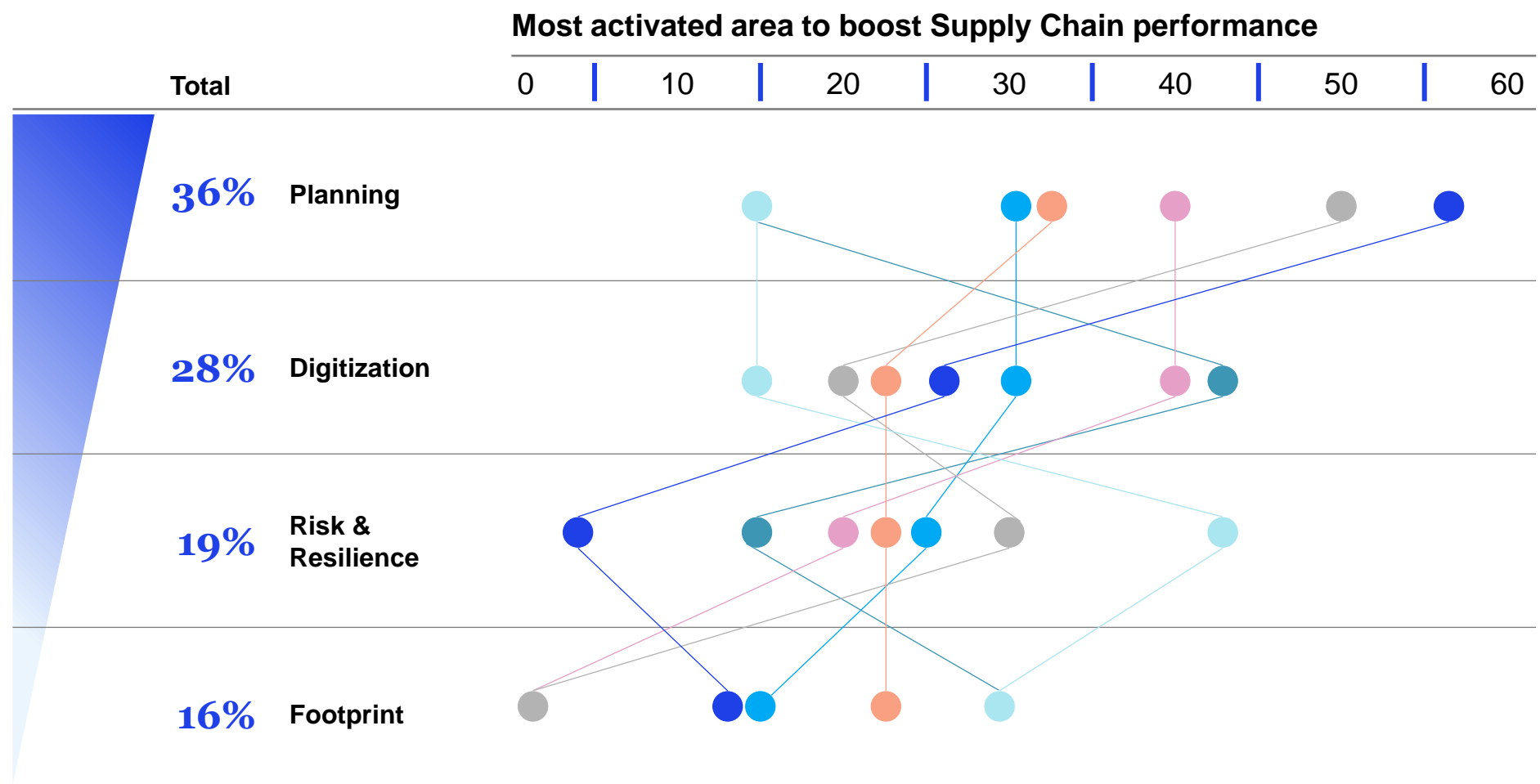
1. Footprint challenges relate to suppliers, production & distribution networks  
 2. Planning challenges relate to supply chain planning operating model (processes and systems)

Source: McKinsey survey of global Supply Chain leaders (April 26 – June 10, 2024, N=88)

# Planning improvements boost more visibly supply chain performance, while footprint changes are more of strategic nature

% of total respondents (by industry sector)

● Life Sciences ● Automotive ● Commodity ● High Tech ● Chemicals ● Infrastructure ● Consumer



## Focus areas strongly depend on industry

- 1 **High Tech** and **Consumer** worked most on planning processes
- 2 **Chemicals** players are split ~50/50 between weak and strong risk management
- 3 **Commodity** footprints are too Capex intensive to change quickly