An AI Wake-Up Call for Supply Chain Leaders

Here's a scenario many companies in Asia Pacific face: The product development team recently started using generative AI (GenAI) to make sense of ever-changing customer preferences in order to get a new offering into the market faster. But the supply chain hasn't yet implemented GenAI and can't keep up. Demand forecasts are still done manually. Supplier data is spread across different systems. Operations managers make decisions based on sheer experience. And that new product? It's stuck in development, with separate components at different points along the supply chain.

Business leaders in Asia are prioritizing GenAI and applying it across many customer-facing functions, but that's half a solution at best. To fully capitalize on the technology, companies also need to implement GenAI to make the supply chain more agile and responsive. That shift will have notable implications for leadership teams.

To explore those implications, we spoke with nearly a dozen supply chain leaders and other top executives at companies throughout Asia. A recurring theme of our conversations was how the line between operations and technology is blurring, and the increasingly urgent need for the supply chain to implement and integrate GenAI.

A growing imperative for leaders

Spencer Stuart's recent Measure of Leadership report, which surveyed more than 2,300 CEOs and board directors, shows that GenAI is on the agenda of leadership teams worldwide, particularly in Asia.

» Globally, 40 percent of CEOs and directors say that GenAI is a priority they are already addressing. In Asia that figure sits at 50 percent.

» In Asia, 38 percent of CEOs and directors say that AI will help them personalize offerings or deliver a better customer experience, compared with just 14 percent worldwide.

» Only 14 percent of CEOs and directors in Asia say that the technology is already paying off, and just 2 percent say it will pay off in the next six months (compared with 19 percent and 11 percent, respectively, in the global sample).

One clear way for companies in Asia to close that gap and start reaping rewards from AI is to adopt it more comprehensively. Along the supply chain, GenAI can improve performance across a wide range of applications. For example, by pulling in large volumes of historical sales data and integrating that with seasonal shifts, marketing and promotions, economic indicators and other factors, supply chain leaders can get a better sense of what's coming — and how to plan for it.
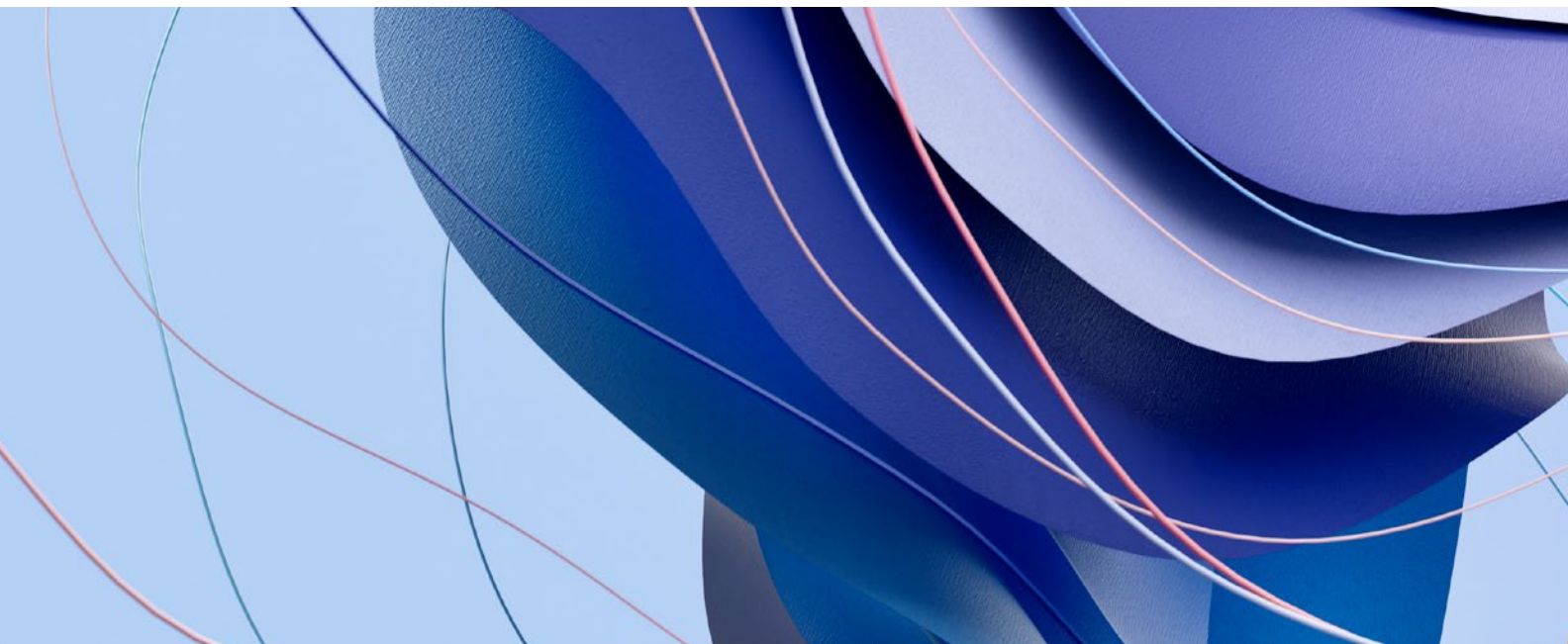
"Currently, demand forecasting is essentially being done by human labor, which is not accurate enough and prolongs lead times to the supply chain side," says Yuichiro Ikeda, a director at SIGMAXYZ, a Japanese consulting company. "Using GenAI to make demand forecasting more accurate over a longer period of time can make it easier to set up the supply chain, helping manufacturing become more efficient and optimized."

What's more, these benefits come without specialized software, standardized data or extensive coding. "Tasks like demand forecasting, supply planning, logistic capacity and inventory management traditionally required scientists to design specific models for each domain," says Wang QingFa, chief data officer at Haier Smart Home. "Nowadays, large language models (LLMs) have the capacity to learn a company's entire sales history to identify patterns, trends or seasonal variations, potentially eliminating the need to rebuild models from scratch due to their generalization capabilities."

Beyond the cost implications, GenAI can trigger a range of social benefits across the supply chain, in areas like sustainability and safety. It can proactively identify risks among suppliers and other factors (like geopolitical considerations or weather), streamline procurement and optimize inventory. Best of all, GenAI solutions can respond to conversational queries from all stakeholders ranging from C-level leaders to front-line employees, making information far more accessible and actionable.
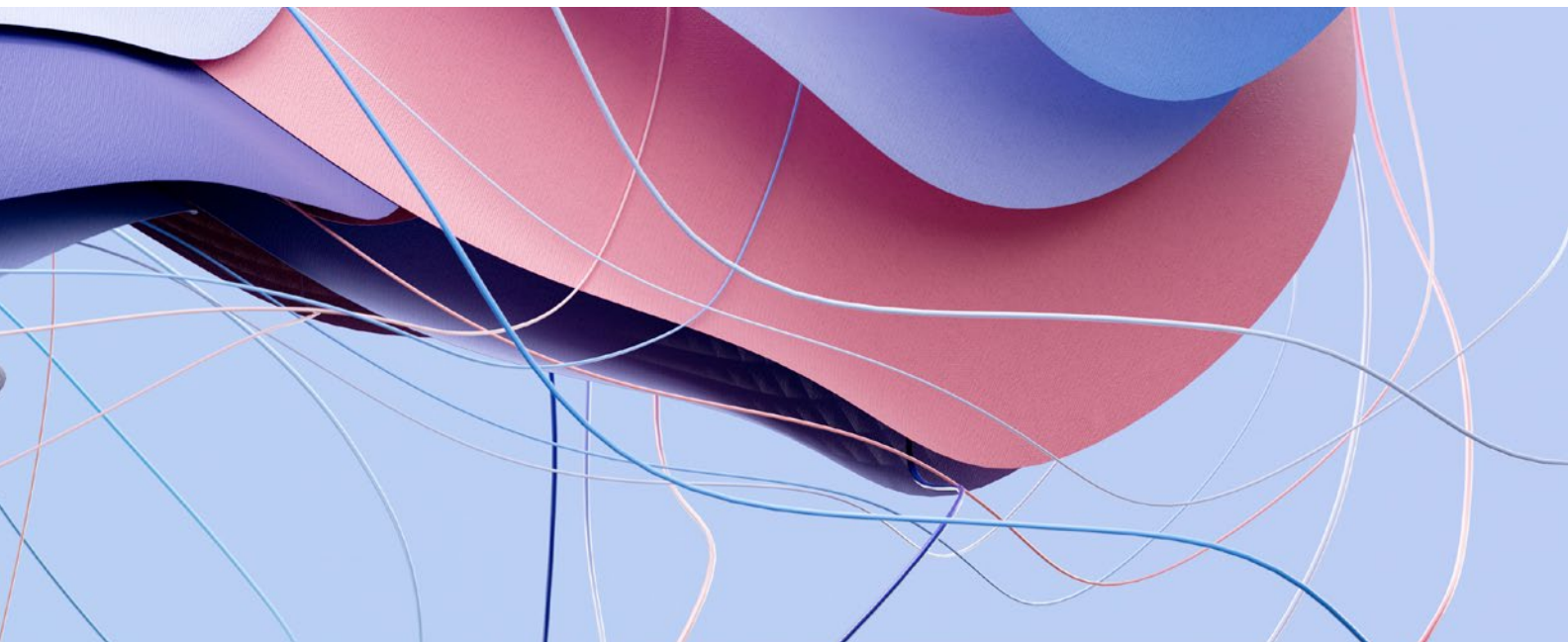
To capture these benefits, companies in Asia should focus on four priorities:

Foster more collaboration between technology and operations leaders

"Large organizations face a dilemma," says a global head of sourcing at an international mining company. "They have a large cohort of smart data scientists and IT specialists who understand generative AI. They also have solid operational expertise. The challenge for top leadership is to bring these two worlds together so that they understand each other and can collaborate more effectively to solve problems."

In other words, operations and technology leaders need to speak each other's language, agree on specific business problems to solve and collaborate on critical decisions like vendor selection and data standards.

"

At many companies, technology decisions are still sitting with the IT organizations. But the business teams like the supply chain office are the main users and very often own the budget for the technology transformation. We are seeing increasingly the functional roles merging between supply chain and IT. "

ARI SENGUPTA
SENIOR VICE PRESIDENT AND GENERAL MANAGER,
BLUE YONDER, DIGITAL SUPPLY CHAIN TRANSFORMATION

Integrate the supply chain with strategy

"Some companies are making significant investments in digital, AI and GenAI, but many organizations are adopting these technologies in an unstructured manner without a clear understanding of the business objectives," says a managing director at a large strategy consulting firm in India.

Instead, supply chain leaders need to advance beyond passive processors of orders and become true partners to the business, with the ability to identify business challenges, meaningfully impact performance and evolve with the business as strategic priorities change. To that end, supply chain leaders need a bigger voice in shaping the company's overall direction.

"This shift calls for chief supply chain officers with the ability to drive holistic supply chain transformations, to articulate their strategic value to shareholders and customers, and to draw from international talent to elevate the function's profile within traditional firms," says Ikeda at SIGMAXYZ. "This is similar to the historical movements to elevate IT departments to more strategic roles, and leadership becomes even more important when integrating advanced technologies like GenAI into the supply chain."

Embrace "tech-forward, human-empowered"

Supply chain leaders should focus on developing stronger capabilities in GenAI. This is not about getting bogged down in the technical details but knowing enough to choose specific applications and monitor performance. "We have to be more digitally aware than we've ever been," says Geoff Walker, global supply chain executive and digital transformation leader at Kimberly-Clark.

Because GenAI is a rapidly evolving technology with such immense potential, some companies are creating new leadership roles specifically tasked with managing its implications at an enterprise level, such as the chief artificial intelligence officer.

In addition, supply chain leaders need to understand when to use human intuition to adjust — or overrule — the results from GenAI. "You've got to learn enough about it that you can be comfortable that what you're doing is the right thing for the business," Walker says.

Create a learning culture

Finally, many COOs and supply chain leaders have typically focused on efficiency and order. Teams get tasked with specific processes, which need to happen in a precise and replicable manner. Because GenAI is so new, it requires experimentation, and teams will face a learning curve and inevitably encounter setbacks. For that reason, supply chain heads need to be less like managers and more like coaches. They need to persuade their people to adopt the technology and provide a level of autonomy that enables them to make mistakes and "fail fast." Doing so requires fostering an AI-ready culture based on openness, continuous learning and risk tolerance.

In addition, leaders may need to change the way they evaluate talent, prioritizing agility and breadth of thinking over rigid adherence to standards. As Jasmine Lin, senior vice president at BlueFocus Group, says, "We don't particularly expect to find what's commonly referred to as 'mature talent' in GenAI, because the technology is changing every day. Instead, we value a person's learning agility — specifically perseverance (how stubbornly they persist in trying to solve a problem) and breadth of thinking (their ability to use various methods in solving it)."

Applying the principle of yin and yang to GenAI

Another way of considering how GenAI can impact the supply chain is through the principle of yin and yang — the two complementary forces in Chinese philosophy. Yin and yang focus on balance and interconnectedness, rather than linear cause-and-effect relationships. That is similar to GenAI, which excels at identifying patterns and trends but struggles with understanding causality. The technology can predict outcomes based on large datasets but doesn't grasp the underlying reasons why those outcomes occur.

Consider how the yin-yang principle applies to the four priorities discussed in this article.

Unity of opposites

Yin and yang are opposing forces, but they're not in conflict with each other. Instead, they depend on each other to succeed. Similarly, technology and operations leaders can be more effective by recognizing the value of each other's expertise and collaborating to achieve better outcomes.

System thinking and holism

Leaders understand that all parts of a system are interrelated and that, collectively, they add up to more than their sum. Linking the supply chain with overall enterprise strategy applies the same system thinking.

Balance and harmony

Leveraging the power of GenAI to enhance human capabilities and drive innovation is crucial for staying competitive. Too much focus on technology without considering the human element can lead to impersonal and inefficient solutions. A successful leader needs to balance both.

Constant state of change

The traditional focus on efficiency and order contrasts with the experimental and adaptive nature of GenAI. While the former emphasizes precision and replicability, the latter demands a willingness to embrace change and learn from failures. This shift requires a cultural transformation, fostering openness, continuous learning and risk tolerance.

GenAI is a transformative technology, but companies can't capitalize unless they implement it across the entire organization. As our interviews with senior executives across Asia Pacific show, the supply chain at many companies still lags in terms of implementing GenAI. The good news? Because the technology is relatively new, there is still time to catch up. This is ultimately a leadership challenge — senior teams that hesitate will leave the door open for their competitors, while those that are proactive can seize the opportunity.
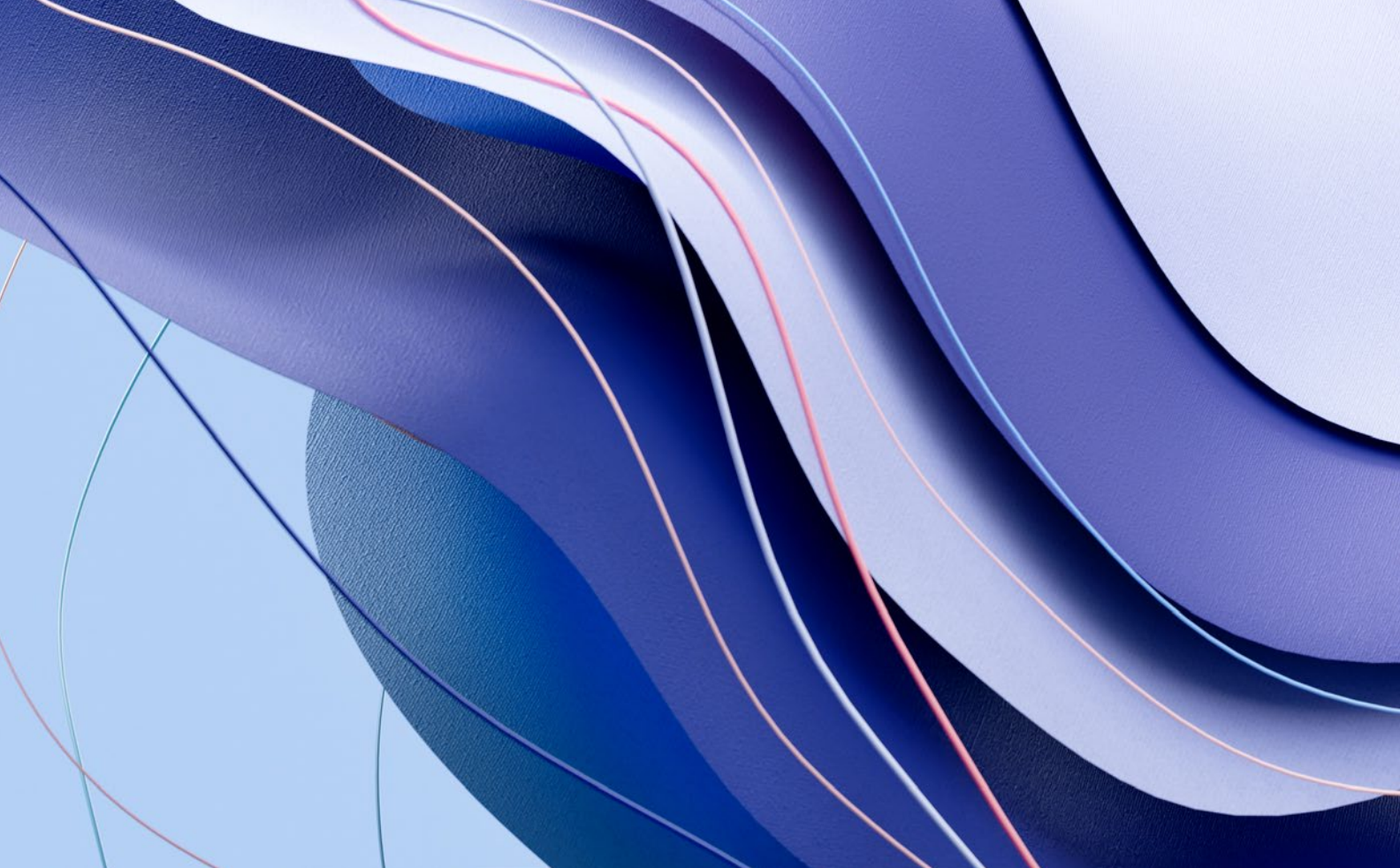
About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 60 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

Authors

Alex Zhu (Shanghai)
Ritesh Bijlani (Mumbai)
Jeremy Fogarty (Melbourne)
Danny Koh (Singapore)
Michel Masson (Melbourne)
Nobuyuki Tsuji (Tokyo)