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2012: Leaner Supply Chains Lead to Greater Risk Exposure to Unplanned Events

Ability to truly close the loop with supply chain planning and execution will be key in 2012, says Progress Software

BEDFORD, Mass.--(BUSINESS WIRE)-- Progress Software Corporation (NASDAQ:PRGS), a leading software provider that enables companies to be operationally responsive, predicts that, faced with increasing pressures in 2012, supply chains will look to technology to enable greater flexibility and the ability to quickly understand and respond to changing circumstances.

Henry Hicks, industry vice president — supply chain, Progress Software, said: "In 2012 supply chains will continue to drive cost out as the quest to be ever leaner will dominate strategy. This will only increase the risk exposure to unplanned events of all shapes and sizes. In order to not only survive but achieve success in this chaotic environment, supply chains will need to gain real time visibility, understand the impact of these events and finally have the capability to react within a short time horizon. Those organizations that are able to quickly recognize changes in the supply chain and quickly implement a plan of action to circumvent the issue will be real winners over the coming year."

Progress Software's supply chain predictions for 2012, include:

1. **Planning is dead. Long live planning.** Even with the sophisticated planning tools available today, the best supply chain plans yield less than 50% accuracy. While the advances in planning brought the industry some remarkable promises it also proved how difficult it was to predict the future by simply relying on historical data. However, without going through the planning exercise, businesses and their supply chains cannot determine an end goal and path to get them there. So planning is not dead, but organizations should use it for the purpose it serves — setting the end goals and determining the direction in which to head.

2. **Bidirectional elasticity a must.** For many years the supply chain world has been 'flat' and materials are sourced from all corners of the world as organizations chase low cost manufacturing. However, some sacrifice lower costs to be closer to their customers and reduce time to market — for example, manufacturers moving plants from Asia to Mexico to speed the time from the production floor to the shelf in the North American market. Additionally, many of these "low cost" countries have themselves become the end client. To accommodate these changes, supply chains will have to demonstrate a level of bidirectional elasticity to address both the wide reach of production, as well as the growing mix of customers.

3. **Floods, earthquakes and war force companies to rethink their supplier strategy, but at what cost?** The Thai floods and tsunami in Japan have made organizations recognize the sensitivity and level of risk exposure supply chains have when reliant on a small number of vendors, especially those located in volatile environments. Organizations will attempt to avert risk by on-boarding new suppliers, however this will be a challenge as relationships and business trust are not developed overnight.

4. **Predictive time horizons will shorten**. With leaner supply chains, being able to understand and react to changing circumstances quickly is vital. Organizations will try to add short window predictive analytics for real-time event processing. Business Intelligence solutions promised the ability to take data, analyze it, understand correlations and provide the user with a deeper understanding of the cause and effect within the business, all that is important, however the speed at which it is done is crucial.

5. **Desperately seeking centralized command and control.** The ability to have a seamless view of what is happening across the entire supply chain network will determine the success of organizations, and in 2012 supply chains will continue to seek a centralized system of command and control. Although technology is evolving to make a single view of the supply chain possible, the challenge of disparate parts and siloed systems remains.

6. **Successful Companies will build a 'Touchless' supply chain.** Rather than actually touch the product, large brands will simply orchestrate all the moving parts that comprise their supply chain. Apple is a great example, the company manages all the moving parts of its supply chain without actually "touching" the product at every stage. Companies will continue to gravitate towards this model, with some even outsourcing the management of the supply chain itself.

7. **Logistics providers will evolve into information and management hubs.** As supply chain managers continue to feel the pressure of a leaner supply chain, they will rely on logistics firms to do more with the information they hold. Logistics

providers will be seen as the perfect outsourcer for the supply chain, as they are able to see the movement of inventory at every stage of the supply chain.

8. **Finance will become increasingly involved in the supply chain**. With the uncertain economic climate it is no surprise that the CFO's office will become increasingly interested in the day-to-day activities of the supply chain function and interactions between these departments will intensify. Supply chains, at their core, are manipulating and managing inventory or better said — working capital. In many cases they have their foot on the accelerator, and the brake, that controls the velocity of free cash flows.

9. **Discrete manufacturers will tackle the service side of the supply chain.** Parties in the supply chain network will continue to clear out carrying costs and leverage service as a competitive advantage. More and more companies, especially high technology manufacturers, are recognizing the importance of better managing their services. Organizations will maximize the opportunity by managing inventory and human capital while orchestrating the service level agreements held with the client base. Smart companies will continue to push the knowledge they gain from this end of their supply chain all the way back to the beginning — and enable better forethought and planning.

10. **Businesses will be able to tackle the 'C-A' in 'P-D-C-A' (Plan, Do, Check, Act).** The success of enterprises and their partners across an extended supply chain will depend even more on a manager's ability to gain even more visibility across their supply chain. In the iterative four-step 'PDCA' (plan-do-check-act) management process used in business for the control and continuous improvement of process and products, this enhanced visibility is only useful if these managers can act instantly on events as they occur. The ability to tackle the 'checking' - both on the events themselves and the correlating impact these events have across the supply chain - and to act almost simultaneously on these events will become even more important in 2012.

About Progress Software Corporation

Progress Software Corporation (NASDAQ:PRGS) is an independent enterprise software company that enables businesses to be operationally responsive to changing conditions and customer interactions as they occur — to capitalize on new opportunities, drive greater efficiencies and reduce risk. The company offers a comprehensive portfolio of best-in-class enterprise software spanning event-driven visibility and real-time response, open integration, data access and integration, and application development and deployment — all supporting on-premises and SaaS/Cloud deployments. Progress maximizes the benefits of operational responsiveness while minimizing IT complexity and total cost of ownership. Progress can be reached at www.progress.com or +1-781-280-4000.

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