KPMG

Voice of the
CSCO

A recurring conversation with CSCOs
on the state of their supply chains

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CSCOs balance tech and talent in adapting to an AI-driven supply chain

In our conversations with Chief Supply Chain Officers (CSCOs), discussions have swirled around the challenges and opportunities with integrating artificial intelligence (AI) into the supply chain. To navigate what's being referred to as supply chain's next big cycle, CSCOs are focusing on data governance and process standardization as a precursor to fully embracing AI and the agentic future. However, the next big cycle is not just about integrating the latest technology; it also involves upskilling the workforce and implementing effective change management. Supply chains face issues like employees' resistance to change and fear of job replacement. To combat this, CSCOs are taking a measured approach, implementing programs like centers of excellence and digital badges for completing AI programs. The constant struggle for CSCOs is in balancing organizational goals while trying to lead their staff forward. The journey towards an AI-driven supply chain is complex but tantalizing in its promises.

On the CSCO agenda

AI and digital transformation
Supply chain's next big cycle

Talent development
Upskilling the workforce

Change management
Skill versus will

AI and digital transformation

Supply chain's next big cycle

The conversation with CSCOs highlighted AI and digital transformation's role in modernizing today's supply chain. Participants shared programs implemented and challenges encountered. It's a multiyear transformation that Mary Rollman, KPMG US Supply Chain Advisory leader, refers to as the "next big cycle of supply chain."

"We went through 20 years of globalizing our supply chains. The next generation of supply chain is all around AI," noted Rollman.

While AI first is looking truer with each passing day, supply chains are taking a measured approach. The CSCO for a consumer goods company put it this way: "We have a standard process, and our data is in a good place. This is where we have started gradually to bring in some AI element."

For this company and others, there is logic for the slower adoption of AI. Companies are strengthening their fundamentals around planning and logistics, as well as considering risk management with every stream. It's about laying groundwork for AI.

"I would say having the strength of data governance and process standardization would help us be holistic and serve as a foundation for AI," remarked the CSCO for a food and drink company.

A goal of process standardization resonates with CSCOs because it's central to AI adoption. For some, it's going to be a major priority for the next 18 to 24 months. Another aspect is picking the right AI pilots.

"We were very selective in what we went after in the beginning, ensuring the pilots chosen show broader application," communicated the CSCO of another consumer goods company.

Even with digitalization agenda and productivity improvements of 20 percent, companies are discovering a different standard with AI agents. The CSCO articulates the distinction.

"It's been hard enough engaging traditional AI capabilities like digital twins. We can only get the benefits of agentic AI from a solution that scales."

Danny Seto, managing director in the KPMG Human Capital Advisory Group, points out how value drives implementing AI and digital at scale.

"When you measure a pilot's value, scalability becomes the business case. The scalability and monetization can be blown out to the rest of the organization."

"The future state offers more tools to address today's business challenges."

— Mary Rollman, KPMG US Supply Chain Advisory Leader

Talent development

Upskilling the workforce

AI and digital are impacting employees in a multitude of ways, from forcing companies to roll out upskilling programs to employees' nagging fear of job loss from AI agents.

As the CSCO for a power and utilities company put it, "A lot of challenges we're facing right now is just the fear of replacement."

Many CSCOs are trying their best to bring their employees along the AI journey. The CSCO for an automotive company explains how they're going about it.

"We're trying to evolve the skill set of supply chain team members to see the value from AI and grow in their ability to use the new digital tools. We even developed a data analytics training program that featured our data scientists training our supply chain analysts."

Other CSCOs are using tried and true training options like instructor-led or online training modules. Effectiveness often depends on how quickly employees engage learnings into their daily routines.

Danny Seto echoes this sentiment. "What training is going to impact their work and their job on day-to-day basis? How will training impact role tasks?"

Despite upskilling and training programs, fear of job replacement can crop up at any moment. For one CSCO, it was working toward data standardization that restricted workers' data access. It spooked employees, making them think their days were numbered.

Seto sees the upside of an AI-driven supply chain. "You'll have digital employees working with human employees. You'll have to find them, onboard them, measure their performance, even offboard them. It's a mental shift in how people define the workforce."

There are some signs of progress on integrating AI and digital in supply chains.

"It's a lot easier with plug-and-play RPA stuff," remarked the CSCO for a global industrial technology company. "People get on board, and we've had some nice pockets of success."

An oil and gas company's CSCO uses a recognition program to enhance digital fluency. "We reward people with digital badges that show they completed AI training."

This CSCO also sums up the challenge embracing the next big cycle focused on AI. "As an organization, in terms of the shift, it's all got to come together."

"The potential exists of having agents as part of your reporting structure."

—Danny Seto, Managing Director, KPMG Human Capital Advisory Group

Change management

Skill versus will

CSCOs reactived positively to the idea inherent in the phrase, "skill versus will." It's a balancing act executing on the organization's will while trying to improve people's skills to thrive. To Mary Rollman, "skill versus will" summarizes everything we're trying to figure out right now.

Given the enormity of the AI transition underway in supply chains, change management is needed. Organizations must articulate the reasons behind AI adoption and how it benefits the company and employees. At the same time, organizations need to invest in training and development, identify and empower change champions, and incentivize adoption.

However, executing on proven change management techniques can be problematic. A CSCO shared their change management experience.

"We thought we were doing a great job at change management until we weren't. We literally had to pry people away from Excel spreadsheets."

Employees are at different points of the AI adoption curve. Top AI performers require recognition while bottom performers need special attention. The largest group in the middle is often overlooked. The experience taught the CSCO a lesson. "We weren't telling the story. We weren't enticing them."

There is a trust factor at work in the relationship between the worker and the company. The CSCO for an automotive company communicated how it is trying to build trust.

"The big part of the transformation is developing the trust with the team in whatever we're doing from a solution standpoint. Overall, we've done a pretty good job, although some groups don't feel they're getting the same treatment as others. We keep showing the data, the facts, and the results."

Another CSCO for a food and drink company articulated what's important for their change management.

"We're not keen on putting things out in the wild that fail only to confirm people's expectations. Our change management journey is to build up momentum with wins and demonstrate value."

Danny Seto understands the human capital side of change management. "If you're painting the picture with a lot more transparency to the impact to employees, then you'll understand the types of training to provide that are highly relevant to their jobs and roles."

"We're looking at vulnerabilities within our supply chain, whether it's suppliers or talent."

—CSCO for a industrial products company

Considerations

- Start with an AI opportunity assessment
- Strategize how to overcome employees' fears
- Balance employees' skills with company will

Additional insights

Webcast: The KPMG Blueprint for Modern Supply Chains

Guide to Building Workforce Value through AI Investment

AI Agents: Shaping the Future of Workforce Strategy

Rethinking Strategic Workforce Planning with AI Agents

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