

Supply Chain Management: Plan to Succeed

by R. Michael Donovan

The supply chain is made up of all the activities required to deliver products to the customer, from designing product to receiving orders, procuring materials, marketing, manufacturing, logistics, customer service, receiving payment and so on. Anyone, anything, anywhere that influences a product's time-to-market, price, quality, information exchange or delivery, among other activities, is part of the supply chain.

The old way of delivering product was to develop relatively inaccurate projections of demand, then manufacture the product and fill up warehouses with finished goods. The old ways are fading fast as management across all industries has come to accept that collaboration with customers and suppliers in the planning and replenishment process can and must be made to work very effectively. As customers and suppliers band together in mutually beneficial partnerships, the need for better supply chain management processes and systems is more evident and becomes a very high business priority.

For many companies, it has become clear that a supply chain that flows information and material best can be a significant differentiator, the competitive winner. All the way to the boardroom, improving supply chain management is getting lots of attention because forward-thinking management knows it is the best strategy to increase and maintain market share, reduce costs, minimize inventories and, of course, improve profits. In many industries, market share will be won and lost based on supply chain performance.

With the stakes so high, there is a frenzy of activity along the supply chain front. Executive managers are assessing how their companies do business, especially in supply chain activities. They often find dysfunctional sets of policies, processes, sys-

tems and measurements. And these exist at all points in the supply chain, including business partners. The former vague image of a company of silos is very apparent and, most importantly, a new clarity of needs and goals emerges for supply chain management. There is a need to transform from dysfunctional and unsynchronized decision making—which results in disintegrated and very costly supply activities—to a supply chain that performs in such a way that it is one of the company's competitive advantages.

Prerequisites of success

Effectively integrating the information and material flows within the demand and supply process is what supply chain management is all about. In most companies, however, two major and very interdependent issues must be simultaneously addressed. The first deals with delivering products with customer-acceptable quality, with very short lead times, at a customer-acceptable cost—while keeping inventories throughout the supply chain at a minimum. The second issue, which tends to be less understood and accepted, is the need for high-quality, relevant and timely information that is provided when it needs to be known. For many customers and manufacturers, business processes and support systems will not measure up to the task of quickly providing planning and execution information from the marketplace to production and on to vendors so that the customer's objectives are consistently met. The fact is, most information supplied is excessive, often late and frequently inaccurate.

For many companies, the nagging question about superior supply chain management remains, "What is it going to take to get ahead and stay ahead of our competition?" The answer to that question is "plenty," but successful extended enterprises share some characteristics. The following

list of questions about supply chain characteristics can be used as a beginning benchmark of how well your company is progressing with supply chain management. As with self-audit checklists provided in previous columns, I suggest that you use them with your entire management team to provoke thought and useful discussion, and to develop action plans.

- We clearly understand the strengths and weaknesses of our current supply chain sub-processes and have developed action plans for improvement.

Yes No

- We have defined our supply chain improvement objectives and have unwavering management commitment to achieve superior performance in our industry.

Yes No

- Our supply chain system provides high-quality, relevant and timely information flow that effectively supports decision making for inventory replenishment, capacity activation and for synchronizing material flows at all tiers within the supply chain.

Yes No

- Supply chain process operational responsibilities are well-defined and personnel are thoroughly trained and cross-trained.

Yes No

- Our supply chain does not operate on push technology; rather, it is based on pull to actual demand.

Yes No

- We have dismantled organizational silos that resulted in cross-functional barriers to high-velocity information and material flows.

Yes No

- We continually improve our supply-chain processes by streamlining information and material flows to support short-cycle, synchronized and

lower-cost performance.

Yes No

• Our trading partnerships are well-formulated and grounded in strategic supply chain alliance agreements.

Yes No

• All organizations in our extended enterprise have been trained and developed to perform new roles that require fast, high-quality decision making and material flow.

Yes No

• We continually review evolving logistical business models for their impact on distribution planning, movement of goods, cost, cycle time and customer service.

Yes No

• We use e-commerce for selling, buying and business-to-business paperless transactions.

Yes No

• Our information technology provides a system that truly mirrors what we want to do throughout the supply chain.

Yes No

• Our supply chain has effective techniques for real-time planning, execution and control, including the simulation of alternatives to support the short-cycle pull of material through the supply chain.

Yes No

• We use performance measurements that encourage and reward behavior that improves supply chain performance.

Yes No

• Our company has developed supply chain management to a core competency level.

Yes No

As always, the challenge for top management is setting the right priorities, allocating appropriate resources and, of course, achieving the required results. Complicating the challenge is the enormous risk of not keeping pace in the marketplace, which can result in driving customers into the waiting, open arms of more aggressive competitors. The impact of a lost customer on revenue and profit are compounded

by the costs a company will incur to recapture or replace lost customers.

Regardless of your industry and customer base, more effective supply chain management will be a prerequisite to your future success. In fact, effective supply chain management must become an integral part of your competitive and survival strategy. The critical nature of supply chain management has and will continue to put the subject on the boardroom agenda and high on the CEO's priority list. But before meaningful action plans can be implemented, be sure to assess your circumstances and develop a strategy that is appropriately aimed at what your customers want, need and value. ♦



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