



Diagnosing Integrated Supply Chain Processes for Outputs and Sustainability

2nd Global Logistics & SCM Strategy Day 2009

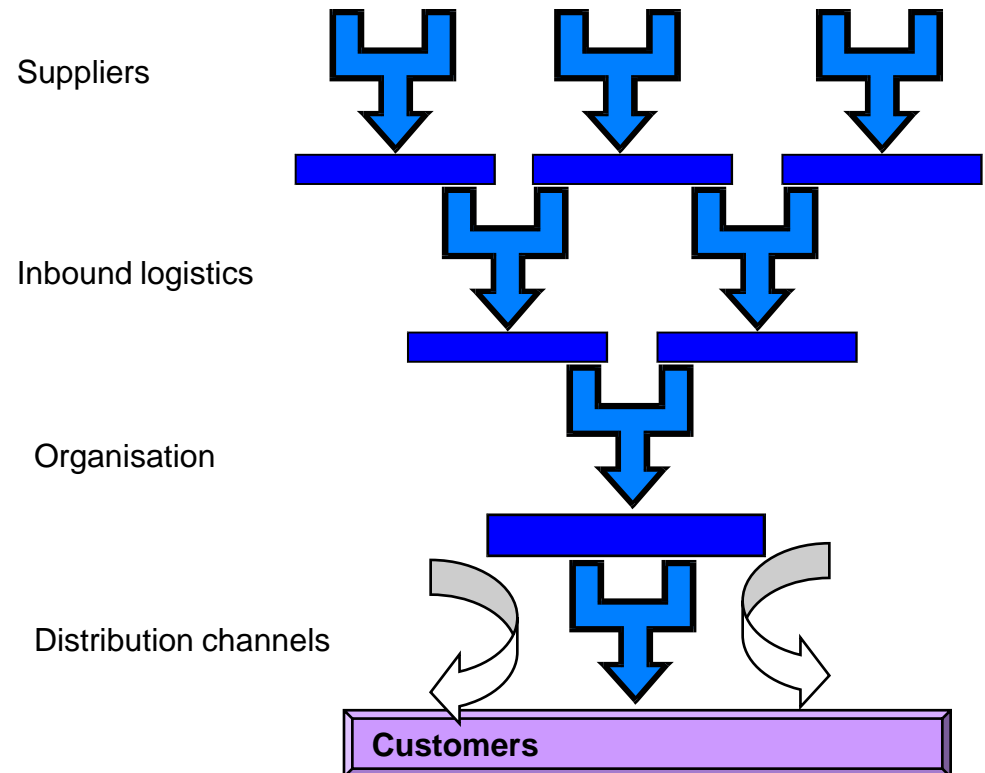
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- Joined Up Thinking
- A series of Inter-related Strategies
- Forecasted Related Budgeting
- Integrated Target Reductions & Benefits
- Supplier Focus
- Price Focus
- Product / Service Focus
- Inventory Focus
- Logistics/Freight Focus
- Contract Focus

Each linkage between the supply chain constituents is an area of weakness as one system takes over from another.

Each linkage denotes the beginning of a new set of objectives and goals, a potential communications breakdown or a focus on short term opportunistic ends.

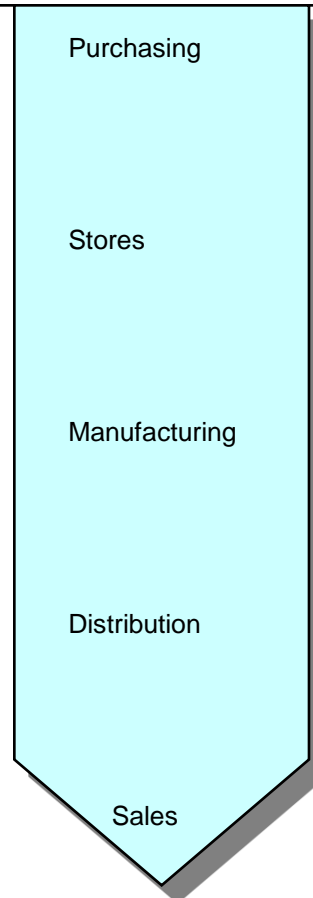
The power seven business linking arms and working towards a common goal the creation of value through the satisfaction of customer needs – is compelling and still, it has to be said, a rarity



- Value creation drives activity
- Cost avoidance takes preference over cost cutting
- Cost drivers are understood
- Functionality takes preference over cheap
- Cost driving decisions are cross functional
- Lean thinking prevails as customer factors “pull” costs through the organisations
- Processes are value adding or removed
- The culture is one of constant challenge
- Core competences are understood
- Non core competences are ruthlessly outsourced in a virtual organisation
- Incremental change is rejected in favour of step change thinking
- Incentives exist for good performance
- Salary factors are higher than industry average
- Scrooge does not work here

Value Destroyers

- ◆ The institutional imperative
 - “We have met the enemy and he is us” – the drift to the safe and average
 - The conflict of interests between owners, managers and employees
 - A resultant growth in activities which detract from wealth creation
 - Bureaucracy
- ◆ The forces of competition
 - Of the *Fortune Top 100 Companies* in 1956, only 29 remained by 1990
 - Imitators drawn into the industry
 - As markets mature, buyers become more price sensitive
 - Buyers use competition to drive prices down
- ◆ Short term-ism
- ◆ The market insulator
 - Lack of a burning platform



Value Creators

- Focused strategic thinking which unites the organisation
 - Vision, Objectives, Measures
- Principles applied to product design
 - Value Engineering
 - Design for manufacture
- Harnessed, leveraged economies of scale through procurement and supply
- Appropriate strategic thinking for each category of expenditure
 - Partnerships, Auctions, Outsourcing
- Effective ERP and MRP systems
- Use of e-enabled systems and processes
 - Procurement
 - Supply chain
- Strong customer focus
- CRM principles

Background

The saying “Time is Money” is well understood in most business. Many have invested considerable time and effort in information systems and JIT approaches to ensure that they can gain competitive advantage from their operations. Fast cycle time has become a key corporate weapon.

The Goal

To be able to make decisions faster, to develop new products faster, to convert orders into cash faster.

The faster information and inventory flow through the system, the better. Less time is needed for specials and fire fighting. Cost drops as product attracts less overhead, and customer service improves. The whole organisation focuses on innovation as a way of generating cycle time improvements. ISCM = Time.

SCM cannot exist in isolation from the rest of the business, yet there are many examples where SCM acts in a way which suggests a disregard for the needs of others.

SCM staff must recognise that we are a service function, and that we have “customers”. We must also recognise the need to tailor the service we provide to suit the needs of others in the business.

This is the logic behind the value proposition. It involves considering the possible ways that SCM can support the business

Diagnosing Process Capability

Supplier Relationships	Innocent	Commercially Aware	Capable	World Class
Senior Mgt Involvement	Spoken of, but not in place	Social and intermittent	Project driven	Detailed, active, strategic
Multi-faceted	Replenishment driven	Publicised in both organisations	Cross functional teams	Strong practical links across many functions
Longevity	Short term contracts market tested	Competitive tendering substitutes used	Long term contracts	Life of product contracts
One to one or Network	One to one relationships	Supplier conferences	Supplier councils	Multi-supplier collaboration
Shared goals & measures	goals are key focus for supplier	Supplier performance is measured	Partners separately review performance	Senior mgt collectively review performance
360 Feedback	Feedback is on supplier	Supplier ideas are sought	Supplier suggestion schemes	Feedback from supplier on customer as a source of strategic advantage
Tangible benefits	Words only	“Soft” benefits exist	Instance exist where benefits are produced	Tangible benefits throughout the process
Competitive advantage	None	Considered but not demonstrated	Ad hoc	The focus of goals, measures & initiatives
Risk & Reward	No risk sharing	Contract clauses provide incentives	Project teams aware of risk & reward	Risk and reward formally shared
Transparency	Does not happen	Limited access to costs	Joint actions on cost drivers drivers	Full two way transparency

The Value Proposition

