

Getting buyers on board

Supply chain management is vital to business success. But organisations must take a global view, meeting the challenges of new technology and the human factor. Emma Clarke reports from the Logistics & Supply Chain Forum

John Gattorna admits he may be biased, he is after all professor of supply chain management at Sydney Business School. But he believes supply chains are a critical part of any business.

He said: "I am going around banging the drum saying that supply chains are the business."

Speaking on board the P&O Aurora at this year's Logistics & Supply Chain Forum, he explained why. "When you put a limit on what is a supply chain, or how it moves, the product or resource through to consumption, there's not much else left."

Hans von Lewinski, managing partner at Accenture, agreed. In many industries, he says, supply chain management has a major impact on performance, accounting for as much as 70 per cent of operating costs, and comprising at least half of a company's assets.

And, as one delegate pointed out, improving the efficiency of supply chains could be one of the only methods left to reduce costs.

Examine every link

For those organisations with global supply chains, speakers and delegates alike recommended taking a total view.

George Hadley, global operations and supply chain director from currency printers and cash systems company De La Rue, shared his experience of doing business offshore; predominantly in China for the past 18 years. He said: "The issue is that people tinker with bits of the supply chain; they look at the little bits - they look at the sourcing bit, or perhaps

the delivery or distribution, but the key success factor is to look at the whole supply chain from back to front. Look at rationalising your processes and look for commonalities, for example in packaging or shipment processes. One size doesn't fit all but there are common processes that can be adjusted to fit local needs."

Selection of overseas partners is an important step, he added, and a company must maintain control of this process: "Get your own people on the ground - don't do this remotely. Select a partner that is strategically, culturally and technically aligned to your organisation."

This is a critical, he said, not only to improve efficiency but also to protect intellectual property rights, the brand and the company's reputation.

Discussions throughout the forum demonstrated evidence of collaboration not just along the supply chain but also between chains. In one seminar, delegates revisited the issue of collaboration through pooling deliveries - sometimes with competitors.

Peter Surtees, European logistics director at Kimberly-Clark, noted that "for manufacturers, the need for collaboration, even between competitors, has never been greater - as the pressure on the physical costs of distribution is now unsustainable."

Demands for smaller inventories, improved availability, greater operating efficiency and the issue of 75 billion empty truck kilometres across the EU every year should, he said, prompt the creation of a more efficient model. Although there have been some examples of collaboration, such as the Kimberly-Clark and Unilever consolidation centre in Holland, which has

reduced manufacturers' warehouse space and transport costs, some manufacturers in the room were still hesitant.

The major block, however, said Surtees, has been the apathy of third-party logistics providers. They have been reluctant to drive the process fearing risk to contracted margins, problems in the division of savings and order co-ordination.

Technology talk

Although collaboration was key to some, others, including Shirley Cooper, supply chain and procurement director at Computacenter, believe that future success lies in implementing new technology.

"If you have joined-up IT you can get a steal on the market place," she said. As it cannot always plan demand for computers, she explained, Computacenter is installing systems to assist the process. "We are looking at how we can get our suppliers in a virtual warehousing space so I don't have to hold stock. I can look into their systems to say 'you've got it, and I'll have it at that price'," she said.

However, Cooper does not believe in technology for technology's sake. This is why, she said, Computacenter is not yet ready for RFID, believing that the technology is not worth the cost. She was not alone in this view.

The RFID debate rumbled on at the conference. It was even put on trial by industry experts in front of the audience. The "charge" of an inadequate business case was declared unfounded.

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However, the accusations of weak technology and poor security both gained a lot of support. This suggested that although the audience saw the benefits of RFID, they did not yet believe it was ready for general uses.

But one delegate complained that she was sick of hearing the debate on technology. "We are no further forward this year than we were last year," she said. "Everybody has to just go at it together."

And, as another said, the technology can only be improved with use. "It is up to all members in the supply chain to get behind and go for it. It is going to happen - it is just a matter of time."

For some speakers, however, supply chain success lies not in technology, but in relationships with customers and suppliers.

John Gattorna believes we have all the technology and business processes we need - in fact, he said, we have more than we can cope with. His forthcoming book - *Living Supply Chains* - challenges business to take account of human factors, and the diversity of its customers and suppliers.

According to Gattorna, it is time for businesses to embrace supply chain models that are based on the behaviours of an organisation's customers and suppliers, who, he said, are driven either by collaborative relationships, low cost, quick response or innovation. Once you understand which of the four behaviours they fit into, an organisation can begin to realign itself internally to meet its market's needs.

Buying behaviours

"Few companies come to grips to aligning internal cultures with buying behaviours - but people outside the business and people inside are not different," he said.

Each buying behaviour, he says, requires its own internal supply chain and the processes you apply will depend on the type of customer or supplier you are dealing with. "You may not recognise it but there are hundreds of supply chains working through business - at the moment these look like spaghetti but we have to straighten them up and develop conveyor belts. You have the same products but on different conveyor belts," Gattorna explained.

You can have a lean approach for low-cost customers and an agile one for quick response. But there is no point treating a collaborative customer as if it had low-cost needs and vice versa. With collaborative partners that want to develop long-term relationships, Gattorna said: "We can build standard processes, have account management, joint product development and vendor managed inventory (VMI). But it doesn't work in a lean supply chain [that is interested in low cost and not partnership] because by definition to get vendor-managed inventory to work you need shared information."

Supply chain alignment relies on strong leadership - as shown by the Forum's keynote speaker Lord Coe, who spearheaded London's winning bid to host the 2012 Olympics.

"You only had to listen to Lord Coe for confirmation of how successful organisations are those where the leadership is in touch with its marketplace," added Gattorna. "If it isn't, all the strategising that they develop, all the technology, process re-engineering and training will be a waste of time."

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