

Making Supply Chain Management Work by Kevin Beidelman

A “hot” topic in business magazines has been Supply Chain Management. Companies across the United States and around the world are realizing the major benefits that can be achieved by redefining and realigning the relationships of individuals involved with materials, products, and services that a firm consumes in bringing its product to market. A study reported in Logistics magazine noted that companies that improve their supply chain spend as much as 50% less on material acquisition, cut their cycle times in half, and meet committed delivery dates 17% more often than average companies. With these types of benefits it’s no wonder companies are scrambling to join the supply chain revolution.

What is it?

Supply Chain Management (SCM) can be defined as an integrated approach for planning and controlling the flow of goods and information involved in the production of a firm’s product from inception to delivery to the ultimate customer. These process is often described in four words – plan, source, and make, deliver. These functions have always been present within organizations. What is different with SCM is the tearing down of barriers and obstacles that hinder the flow of goods and information. Inside a company traditional departments such as receiving, purchasing, manufacturing, materials, shipping and others who independently handle their assigned tasks, can raise these barriers. A barrier is created if a department focuses on departmental goals (silo measures) over supply chain goals. Barriers outside the company include independent suppliers, subcontractors, and transportation firms. Once again, it is the striving to achieve independent goals that can lead to the development of barriers. SCM takes all these independent parties and creates a team approach. Independence is replaced with communication, coordination, and cooperation. Quality, cost efficiency, speed to market, and customer satisfaction become the common goals.

The SCM journey begins with a commitment from senior management. Similar to any initiative with sweeping influence throughout an organization, SCM requires executive support and sponsorship to succeed. Management needs to understand the opportunity as well as the challenges of SCM and be willing to work closely with the team to establish goals and objectives. Ongoing support is also needed, particularly when the team receives resistance from parties that are crucial to the team’s success. The next step is a management assessment of the firm’s current supply chain situation. Usually this will involve an internal evaluation of practices and interrelationships associated with the flow of materials and services within the organization. An independent consulting group often completes the assessment. From this analysis of key functional areas, departments requiring representation in the SCM team membership are identified. Members must be individuals whose jobs will be directly impacted by SCM. They also must be individuals who will make a commitment to work toward achieving a supply chain solution.

A similar analysis of outside key suppliers is also undertaken. Candidate companies for participation in the supply chain need to be selected judiciously. A supplier’s reward for participation is the opportunity for increased business and a closer relationship with the supply chain participants. But as a supply chain member, they must also be willing to play an active role in developing the relationship and abiding by group decisions on methods of providing customer support.

Forming the Team

Getting supply chain results requires a team approach. This is not an easy task because SCM challenges and restructures many of the basic ways people and department's work together and change often brings resistance. A team of players for all impacted segments within an organization must join together with key outside suppliers to discover, develop, and implement a supply chain plan that uniquely fits the challenges of the customer base. Because these challenges vary from company to company, it is unlikely that a supply chain team can replicate a SCM solution from another firm and expects the same results. Instead the team must take the time and expend the effort to perform a detailed analysis of their company's unique situation and form conclusions and actions to meet those needs. Successful teaming in SCM must borrow liberally from problem solving methodologies to fully analyze and explore their situation and ensure that the supply chain solution fulfills company, supplier, and customer needs.

Getting Started

Once the team members have been selected, the journey to a supply chain solution begins. The combined team of internal departments and external suppliers confirm their objectives, collect data, and investigate options that will help them reach their goals.

The successful supply chain team usually does not strive to find the perfect solution on the first attempt. Rather it is typical to implement small increments of a solution and put it into place a piece at a time. Similar to the construction of a jigsaw puzzle, the total solution becomes clearer as the puzzle comes together.