BIZCOMMUNITY

Make your organisation a benchmark for supply chain management

In South Africa, up to 25% of total costs may be hidden in the distribution chain transporting goods and services to customers. Yet a recent survey has shown that 51% of all companies surveyed have identified the increase of service levels to customers as one of their supply chain goals. Would enhanced service levels not further increase the costs?

What is supply chain management? There are many definitions, but the one most frequently used is: 'To deliver the right product at the right time to the right place at the lowest cost'. Any literate person should be able to read the labels and make sure the right products are loaded. A bit of planning should ensure they arrive at the right time and at the right place - give the driver a GPS! And the finance department will ensure that no money is wasted. So, how do we differentiate ourselves from the competition and make our organisation a benchmark for supply chain management?

The first step is to determine which supply chains in your organisation are critical for your success. In any organisation there are many different supply chains - from the stationery supply chain to the supply chain for critical parts without which your production will come to a standstill. You need to focus your attention on the critical ones.

In deciding to improve your critical supply chain, customer centricity is invaluable. How do you know what your customers require from the critical supply chains? Ask them! All too often subject matter experts believe they know best what the customer wants. This is not so and customer input - whether internal or external - will greatly enhance the performance of the supply chain.

Different types of customers should be serviced differently. The concept of 'one shoe fits all' will reduce the value add of your supply chain for some of your customer groupings.

Using the customer information obtained, internal processes can be addressed. Make sure that all internal processes that have an impact on the critical supply chains add maximum value. In his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance*, Michael Porter introduced the concept of the value chain. Porter focused largely on the internal aspects of the supply chain in defining the value chain.

The next step is to form a collaborative relationship with the suppliers concerned. The trend today is to move increasingly towards a collaborative partnership with suppliers, rather than an adversarial one.

Collaboration has to cover all areas of sharing, namely: information, knowledge, risks and profits or benefits. You should make it easier for suppliers to share not only positive but also negative information with you. For instance: When they are doing preventative maintenance to their production lines, you need to be aware of this, as it might impact on service delivery. Similarly, should you expect a sudden decrease in demand, inform your suppliers to stop them from producing more than will be required.

To maximise the benefit of collaboration, the processes between collaborating firms should be real time, extendable, automated and cost effective. Systems that are cost effective and technologically compatible therefore need to be implemented.

You need to manage the risks to which your critical supply chains are exposed. This starts off with having a 'big picture' approach. Do not just focus on your immediate suppliers. Try to establish where they source their critical supplies. To illustrate: an earthquake in Japan will obviously not have an immediate impact on the retailer based in South Africa, except of course if it sources its components from Japan!

Finally, once you have attended to all the factors mentioned above, you need to be creative and always be prepared to 'come up with a plan'! This will ensure that your customers will always get the right product, at the right time, at the right place and at the lowest cost!

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