



GLOBAL SUPPLY CHAIN GROUP

Winning Global Supply Chain Advantage

The Next Level of Global Supply Chains

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April 2006

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I am frequently asked the questions “How do we get our supply chains to go to the next level?”

I have found the answer to be in terms of what you cut out of your supply chains more than in terms of what you do. In order to take your supply chains to the next level you will need to cut out three C’s from your supply chains:

- **Complexity**
- **Congestion**
- **Costs**

Let’s talk about each of these in turn.

Complexity

No owner or manager deliberately sets out to make their business complex. Over a period of time, as incremental decisions are made, all in good faith, the business and its supply chain grow more and more complex. There comes a point where the complexity starts to overwhelm the advantage of differentiation or product offering. The challenge for business owners is two-fold. Firstly, they need to recognize the point where proliferation of products, services, supply chain carriers, network nodes, systems, and all the other drivers of supply chain complexity starts to reduce the economic value added (EVA) rather than increase it. Secondly, having identified that point for the organisation’s supply chain at a particular time, they need to put in place mechanisms to bring the organisation’s supply chain to that point and keep it there till the point itself shifts due to changes in organisation’s strategy or business environment. Both of these tasks are easier said than done. They require a formidable combination of executive level judgment, commercial acumen, and high level of ability to extract and manipulate numbers. These are primarily the task for supply chain strategists - CEO, COO, VP-Supply Chain etc. The best advice I can give in an article of this nature is to read Edward de Bono’s book ‘Simplify’.

Congestion

A smooth flowing supply chain is like a pipeline with uniform diameter. Products enter from one end and move through the pipeline at a pre-determined rate and emerge into customer’s location at pre-determined rate. Ideally, the size of the pipeline would flex with the size of the demand. However, due to a variety of reasons, the pipeline suffers from bottlenecks, constrictions and other localized congestions. Bottlenecks are a fact of life. They need to be identified, analyzed and removed on a progressive basis. While doing that an end-to-end supply chain perspective needs to be maintained.

Costs

If complexities and congestion are addressed, costs will come down commensurately. In addition, an end-to-end supply chain view from a strategic perspective will result in significant cost reductions. Industry benchmarking and a quick diagnostic will reveal the size and nature of the supply chain opportunity. This should also reveal the way forward to achieve the cost savings targets.

I believe that as these 3 C’s of complexity, congestion and costs are addressed, the supply chains will get streamlined and effective.