



White paper series - # 04.389
Supply Chain



THE SEVEN DEADLY SINS OF SUPPLY CHAIN TRANSFORMATIONS

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The Seven Deadly Sins of Supply Chain Transformations

Supply Chain Transformations are already the next frontiers in competitive advantage. Winners have managed to transform their supply chains, reaping outstanding rewards. This required top management commitment, sustained effort over several years, judicious use of technology, breaking down inter and intra-organisational barriers and above all involvement of personnel at all levels. The pioneers, in their quest for supply chain excellence, had the luxury of learning from trial and error. They were also setting the standards for the rest to follow. Following into pioneers' footsteps will not necessarily land the followers where the winners have arrived. For this reason, this article is not about how winners transformed their supply chains.

This article is based on our experience helping several companies achieve supply chain excellence. In day-to-day interactions with these companies, their customers, their suppliers and their competitors we have had enormous opportunity to observe supply chain transformations in action. The seven deadly sins in supply chain transformations are the basic mistakes we have observed managers in organisations make in their current attempts (circa 2003-04) to achieve supply chain excellence.

1. Start with the Systems:

Aggressive push by most supply chain systems vendors led top management in several companies to conclude that systems would provide the next competitive advantage. Even more than that, several senior managers were afraid of being left behind their competitors. Playing on this fear and greed, systems vendors and their implementers made a killing in the late nineties. However, most transformations that began with systems landing in same place where a cart lands with a horse behind it. The reasons for this phenomenon are fairly complex. All systems have strengths and weaknesses. Almost all have to be configured to adapt to an organisations' processes and strategy. However, choosing the right system, timing and manner of its introduction into an organisation are all critical. And not enough attention was paid to these. Today, any supply chain transformation that puts systems in front, rather than the key business outcomes is still bound to go through the same learning process.

2. Buzzwords galore:

New supply chain and management methodologies keep coming out all the time. Just-in-time, TQM, six sigma, pull system, hub-and-spoke etc. are all good models suitable for certain situations and perhaps not suitable for others. However, many times the success of a supply chain transformation is attributed to a methodology rather than to a combination of sustained effort and relentless thinking. Worse still, imitators attribute magical powers to the methodology without thinking through its suitability for their purpose. This belief in silver bullets has torpedoed countless supply chain transformations, and will continue to do so.

3. Ignoring suppliers & customers:

Supply chain management is all about achieving a smooth flow from the supplier to the customer, through our own organization. However, many supply chain transformation efforts stop at the boundaries of the organizations. Dialogues with customers and suppliers are seen as too hard, tricky or waste of time. However, true supply chain excellence can never be achieved in isolation. It is only through collaboration, adaptation and co-operation that outstanding results can be achieved. We know of a company which did not want to release even forward projections to their suppliers, regarding this information as sensitive market moving information. However, on investigation, it turned out they stood to gain a lot more by working together with key suppliers who were given this information in advance, and used it to plan their own supply chains.

4. **Functional mind-set – little CEO level involvement:**

Supply chain management is a relatively young discipline, no more than 20 years old. It has its root in logistics – warehousing and transportation. Traditionally, both functions were regarded as somewhat of organizational backwaters. That functional mentality still pervades in many organizations. However, we have not known a single case where supply chain excellence was achieved without top management commitment to the transformation effort. This point cannot be stressed enough.

5. **Too far away - lack of supply chain understanding:**

There still persists a problem of lack of adequate understanding of supply chain principles in the top management teams of most organizations. While finance, accounting, marketing, sales etc. are adequately represented in most senior management teams, there are not enough good supply chain practitioners to secure adequate representation in top management teams. Where the role has been elevated to be included in the discussions at that level, many times it is still filled by old transportation or warehousing hands who do not see the full picture themselves. The resulting lack of clear understanding at top management levels leaves the companies vulnerable to relying on self-serving advice from supply chain systems vendors or other external parties.

6. **Partial optimization:**

Supply chain transformation is all about achieving overall optimization. It involves achieving several trade-offs all at once. The situation is generally worsened if some of these trade-offs are optimized while others are either ignored or not even considered. The resulting decisions are generally even worse than if no optimization was done, and management has generally even more confidence in these decisions. When the transformation efforts do not bear fruit, all sorts of reasons are mooted for the failure.

7. **Unrealistic timeframe:**

While there always is some of that proverbial ‘low hanging fruit’ most supply chain transformations need sustained effort over several years. Putting unrealistic timeframes on these programs only leads to half-hearted effort or false reporting. This does not mean that the management cannot gauge the progress of program along the way. On the contrary, without proper measurements most transformation efforts flounder along the way. However, it is essential to fix realistic time frames to supply chain transformation efforts.

Avoiding these seven pitfalls will improve the chances of a supply chain transformation being successful. However, nothing can replace relentless thinking and sustained efforts.