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Supply Chain Strategy - Formula for Success

Succeeding in today's new normal business environment requires thinking about supply chain strategy differently than we did ten years ago. Supply chains have become more complex - and global. Managing risk is multi-faceted. Yet supply chains are the bread and butter of business success as customer satisfaction is not only important (as it always has been) but it is also paramount in today's economy - with sales growth rates a challenge, you had better deliver more for less - and quicker.

Thus, thinking about supply chain strategy is an excellent place to start to ensure you are positioned successfully to meet and exceed your business strategy. What are the critical elements? 1) Start by being customer focused. 2) Build in responsiveness. 3) Supplement with operational excellence.

1. **Start by being customer focused:** This fundamental requirement has not changed. The key is to ensure you aren't thinking about this from a peripheral level. For example, I've yet to find a customer who didn't say that every element of product design and delivery performance is important yet they cannot all be of equal importance.

We must dig deeper and ask clarifying questions in a collaborative manner. For example; how would you prioritize the elements? Which are you willing to increase the price paid in order to receive? Are you willing to collaborate (requiring an investment in time) to find ways to achieve them?

Get to know your customers and your customers' customers. I'm surprised how many times when working with my client's key customer on vendor managed inventory or collaborative ordering programs that we find ways to provide value to the key customer by getting to know their customers (watching for patterns, analyzing the data, asking questions). Customers don't always know what they need until they see it. Who knew they needed an iPod? Think of the value if you are the one to identify it!

2. **Build in responsiveness:** There is little more important in the new normal business environment than being responsive or agile. Volatility is the new norm. No one knows what will happen next week or next month, let alone 1-5 years from now. If executives admit what is feasible, long term strategies are 1-2 years; beyond that timeframe is useless. Thus, the key to success is to be more nimble than your competition.

There are countless ways to build in flexibility and responsiveness. Let's start with our customers - do we allow for changes in demand patterns? I hope so! Customers and suppliers go out of business; widespread shortages occur; natural disasters and political events create havoc in the global supply chain. Do you have inventory positioned close to your customer - owned by you? Owned within your supply chain? Owned by a competitor? Do you even know? I've seen companies work out win-win agreements with competitors to succeed.

Do you cross-train? Do you utilize temps to increase or decrease volumes quickly? Can you fill high-skill needs for short-term periods nimbly? How about contractors? Are you stuck with old, limiting rules? Do you have backup suppliers? Do you give your backup suppliers some volume even if it costs more so that you are ready at a moment's notice? How long is your product life cycle? What worked 5 years ago could be obsolete before it is launched. Re-orient your thinking!

3. **Supplement with operational excellence:** Bedrock to supply chain strategy is operational excellence. There is no way to be customer focused or responsive if you cannot perform. It's interesting how often this is overlooked as it is often seen as the "boring" part of the job - blocking and tackling.

How efficient is your supply chain? Think about your supply chain in the same way as you think about the lean transformation of the factory floor (which also can be a key component of your supply chain). How does your spaghetti diagram look? Are you traveling a million miles with a horrifying carbon footprint when you dig into your supply chain?

Do you, your customers, your suppliers and other partners reward, recognize and instill performance management processes to support supply chain execution? Or do you need to find alternatives - even at higher costs, longer distances? Undoubtedly, you'll be at least 10 times more successful looking for the "right" supply chain partners - and all else will fall into place over time.

Those with a solid supply chain strategy have a competitive advantage over their competition. How can you stand out in the crowd with supply chain competitiveness?

Lisa's Tips: Improving Operational Efficiency

As I continually find, fundamentals are often overlooked yet critical to success; thus, it seems this is a great topic to take a look at....

- **What matters in your operation?** - Forget about Lean, Six Sigma, TQM and the rest for now. In my experience, it is a distraction and doesn't correlate to success. Instead, take a step back and think about what matters in your operation. Are materials significant? Or labor? Short lead times? Quick configuration?
- **Track just a few key metrics** - Track what matters. It sounds simple but is often overlooked, too complex or lost in the shuffle with all the noise. It will get focus on what matters.
- **Uptime** - Several times, I've found that uptime percentages are more impactful than efficiency rates yet we spend 80% of our time on efficiencies. Why? Instead, find out why the machines aren't running.
- **Eliminate waste** - Most of the time, I find that the key to success is identifying waste. Once it's identified, if the right people are brought together, it will be addressed. Don't run in circles.
- **Collaboration** - As operations folks, we are often times too reluctant to bring in experts (believe me, you are not alone if you feel this way!). Instead, ask experts and create an environment of collaboration - suddenly, your issues will disappear. Include engineering, R&D, suppliers, customers, software experts, etc.

Recommended Reading

"[Everyone Communicates, Few Connect, What the Most Effective People Do Differently](#)" by John Maxwell- the majority of success relates back to communication; thus, why not continue to learn additional tips and techniques for success?

Connections

Connections and relationships are the 80/20 of success! Please see this month's requests:

- My APICS (Association of Operations Management) chapter is offering CSCP certification classes (Certified Supply Chain Professional) starting in February. Value-packed education for a low cost - check it out and sign up on our [website](#) - time is running out.
- My Ontario ProVisors group (a community of professionals who serve their clients as trusted advisors and collaborate for success) is looking for top notch Inland Empire attorneys and employee benefits professionals. Please [e-mail me](#).

NOTE: To submit an item for this section, please send me an email with a short description of your needs and an email address. Please note that NOT all requests will be published as it must fit the guidelines and align with the Profit through People brand.

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