

Achieving a Superior SUPPLY CHAIN

By Steve Trecha

MICHIGAN SMALL BUSINESS
MANUFACTURERS TAKE NOTE:
YOUR SUPPLY CHAIN MAKES UP
55 TO 85 PERCENT OF YOUR REVENUES.

Superior supply chains deliver double-digit price/cost reductions and impeccable customer service. With today's global pressures, it must deliver value every day as an integral component of the overall business

strategy. Your most important work may well be tapping its full business potential.

Superior supply chains work cross functionally. They deploy continuous improvement philosophies and tools focused on customer satisfaction and performance metrics that target total lowest cost operations. The good news is you don't need to be a fortune 500 firm to make it happen. Michigan small business manufacturers have a real opportunity in front of them.

Superior Supply Chain

A Superior Supply Chain is defined as the planning, organizing, controlling and measuring of all activities and decisions including product development, purchasing, inventory, transportation, manufacturing, product distribution and customer service. A superior supply chain delivers product and service on a lowest total life cycle cost, customer focused approach.

How do “best practice” firms create superior supply chains?

It starts at the top when senior management establishes the vision that: 1) aligns their supply chain with the overall corporate strategy, and 2) sets the expectations to continuously drive cost reductions and profit enhancements. Over 60 percent of an organization’s supply chain costs are due to uncertainty and duplication. Inventory, multiple suppliers, expeditors, short lead time planning, and redundant business processes are all examples of organizations operating in uncertainty.

Three Step Transformational Approach to Supply Chain Success

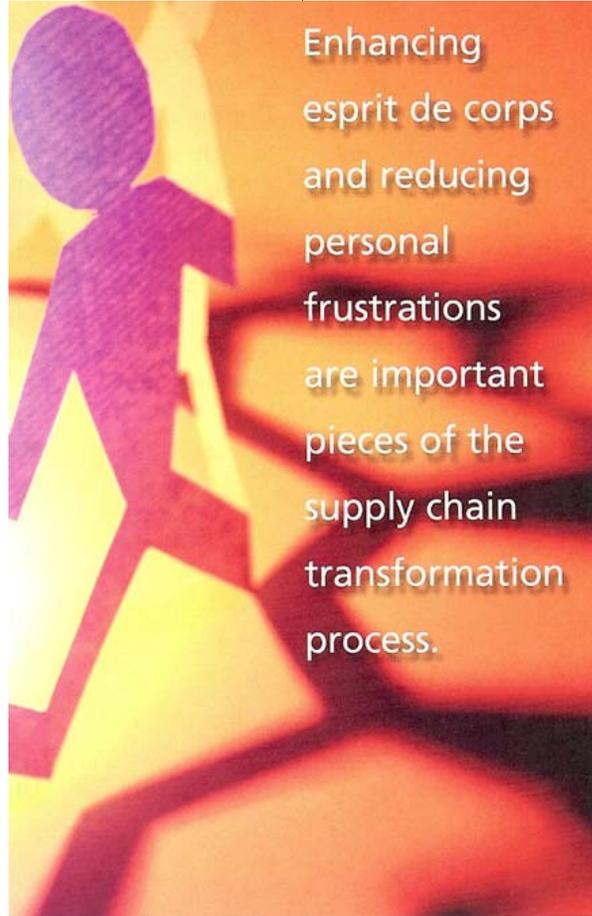
1. Establish senior level expectations and personal accountabilities.

Opportunities are quantified and qualified with a vision and plan to capture them. A simple test for this step is to ask: Has a supply chain vision been ratified by cross-functional executives? If not, more work needs to be done before proceeding.

2. Develop competitiveness actions and cross functional infrastructure—a parallel path approach. Pursuing competitiveness actions brings quantifiable bottom line results. Examples include increasing order fulfillment and freight consolidation, reducing purchasing costs, working on supply assurance, or optimizing inventory. These actions bring immediate operation improvements and price/cost reductions. The second path determines how business will be done in the future. It establishes a cross functional leadership team focused on opportunity alignment and resource allocation. Working in parallel, this dual pathway approach brings immediate value and drives sustainability.

3. Develop the supporting processes and structure. This final step includes organizational design, business policies and system reviews. Most organizations work it backwards. They reorganize

the company, write policies and/or buy new computer systems before they understand how business will be conducted. In the transformational approach, philosophies, accountabilities, non-negotiables, and performance metrics drive success. As author Dr. Stephen Covey puts it, “Work first on principals, then behaviors.”



Personal Job Satisfaction Not to Be Overlooked

Enhancing esprit de corps and reducing personal frustrations are important pieces of the supply chain transformation process. There’s no question the transformation approach brings significant business results, yet an often overlooked benefit is personal job satisfaction resulting from training people on how to work together more effectively. Operating strategically, organizations tackle tough supply chain problems quicker, and people actually enjoy doing it.

Notable ROI

What’s really exciting about achieving a superior supply chain is there doesn’t need to be heavy capital investments. Dollars spent are typically in external assessments, coaching, and training while real results are being achieved. The payback typically ranges from \$3-\$20 returned for every dollar invested depending on the company size. It’s dynamic, proactive and critical to business success, and for Michigan small businesses competing in today’s global economy, success is the only option. 🌀



The author is the President / CEO of Integrated Strategies. Founded in 1990, Integrated Strategies has consulted with over 75 companies around the world and are known for two things: taking out cost/price - enhancing supply chain performance, and transferring knowledge, content, and tools to clients so they can replicate and sustain the results without external help. For more information contact Steve at streacha@sourcing.com, 517.381.4800 x219, or learn more about Integrated Strategies at www.sourcing.com.

Success is
the only
option!



Qualifications

- Consultants average more than 20 years experience
- Web-Based strategic sourcing tools
- “Concept to Reality” approach
- Hands-on implementation
- Worked with more than 200 firms across multiple industries
- Developed more than 250 supply chain and logistics strategies
- Integrate core supply chain with core business strategy

Supply Chain

Strategic
Sourcing

Logistics

Materials
Management

Order
Fulfillment

LEAN/
Six-Sigma

Initiative
Management



Strategy Center
5000 Marsh Road, Suite 1
Okemos, Michigan 48864
517-381-4800 • (Fax) 517-381-4807



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