

REPORT

Supply Chain Rules

What companies need to do when you say
Supply Chain Management
is important

Executive Summary

"What is really involved if we are to practice in supply chain management?"
The rules answer this question.

Supply Chain Rule number 1: "Win the home games first"

Supply Chain Rule number 2: The format of inventory and where it is held is of common interest to all supply chain players and must be jointly investigated and examined

Supply Chain rule number 3: The optimum and the "ideal" cost/service balance will only ever be found by working and collaborating fully with all players in the Supply Chain

Supply chain rule number 4: Time is cash, cash flow is critical and so are the goods and information flows; fixed reliable lead times are more important than the length of the lead time

Supply Chain Rule number 5: The Customer is the business; it is their demand that drives the whole supply chain; finding out what Customers value and then delivering it, is critical

Supply Chain rule number 6: It is only the movement to the customer that adds the ultimate value; smooth continuous flow movements are preferable.
The movement to the customer, undertaken as quickly as possible whilst accounting for the associated cost levels, is really all that counts in adding value.

Supply Chain rule number 7: Trade off by looking, holistically, with all, the supply chain players

Supply Chain Rule number 8: Information flows lubricate the supply chain; using appropriate ICT is critical

REPORT

Introduction

The Supply Chain is the process, which integrates, coordinates and controls the movement of goods, materials and information from a supplier through a series of customers to the final consumer.

The essential point with a supply chain is that it links, all the activities between suppliers and customers to the consumer in a timely manner. Supply chain management therefore involves the management of buying/sourcing, making, moving, and selling activities.

When I am explaining to people about supply chain management, I am constantly asked; "OK, but what is involved?" I therefore put together the following 8 Rules as my answer.

Supply Chain Rule number 1:

"Win the home games first"

Many companies start into Supply Chain Management, by working "only," with the closest suppliers and customers. They should however, first ensure, that all of their internal operations and activities are "integrated, co-ordinated and controlled."

Supply Chain Rule number 2:

The format of inventory and where it is held is of common interest to all supply chain players and must be jointly investigated and examined

The format of inventory being raw material, sub assemblies/work in progress or finished goods. This is often held at multiple places in the supply chain and, is controlled (in theory), by many different players who are usually, working independently of each other. This results in too much inventory being held throughout the supply chain.

Supply Chain rule number three is:

The optimum and the "ideal" cost/service balance will only ever be found by working and collaborating fully with all players in the Supply Chain

Full benefits of supply chain management will only come when there is an

REPORT

examination of all costs/service levels together with all the players. This will result in reduced lead times and improved total costs/service for all parties in the network. This means therefore, going beyond the first tier of suppliers and looking also at the supplier's supplier and so on. It represents more than data and process, it includes mutual interest, open relationships and sharing.

Supply chain rule number four:

**Time is cash, cash flow is critical and so are the goods and information flows;
fixed reliable lead times are more important than the length of the lead time**

The importance of lead time in inventory is seen in the expression, "uncertainty is the mother of inventory." The length of lead time is of secondary importance to the variability and uncertainty in the lead time. An examination of lead time, throughout the supply chain, involving all of the different players and interests, is critically needed (and is too rarely done).

Supply Chain Rule number five:

**The Customer is the business;
it is their demand that drives the whole supply chain;
finding out what Customers value and then delivering it,
is critical**

The customer is the reason for the business - so - continually working to serve the customer better is critical. The customer is the business, after all. But who is the customer? The traditional view is perhaps the one that has placed the order/pays the suppliers invoice, but by seeing the next person/process/operation in the chain as the customer, then, this way of thinking means that there are many supplier/customer relationships in a single supply chain. If all of these "single" relationships were being viewed as supplier/ customer relationships, then the "whole" would be very different.

Supply Chain rule number six:

**It is only the movement to the customer that adds the ultimate value;
smooth continuous flow movements are preferable.**

REPORT

The movement to the customer, undertaken as quickly as possible whilst accounting for the associated cost levels, is really all that counts in adding value.

**Supply Chain rule number seven:
Trade off by looking, holistically,
with all,
the supply chain players**

There are many possibilities and opportunities available to Integrate / Coordinate / Control across the supply chain(s) networks, starting by "winning the home games first" in and between the internal functions; followed by, all of the external connections to the supply chain networks.

**Supply Chain Rule number eight:
Information flows lubricate the supply chain;
using appropriate ICT is critical**

Information is required at every stage of the supply chain and for all of the levels of supply chain planning. All parts of the supply chain rely on ICT in the planning, operational, administrative and management processes.

Summary

Supply Chain Management has many views and approaches. These can be new names for established practices and it seems sometimes that any approach without a three letter acronym, is invalid. To show this is not the case, the following, superficially, links the above rules to these varied approaches:

Supply Chain Rule number 1: Try HGF!

Supply Chain Rule number 2: CPFR

Supply Chain rule number 3: CPFR

Supply chain rule number 4: Lean

Supply Chain Rule number 5: Lean

Supply Chain rule number 6: Agile, ECR, QR

Supply Chain rule number 7: Try TOH!

Supply Chain Rule number 8: SRM, MRP, WMS, DRP, APS, CRM, ERP etc

Conclusion

The rules are further examined in my book; "Supply Chain in 90 minutes", 2005, published by Management Books 2000 Ltd (ISBN 1-852 -

REPORT

524 -766) and available from www.mb2000.com and also www.amazon.co.uk

At only £9.99 list price, the book is written in my usual practical and pragmatic style with plenty of "Check Lists" and "Fact Files". All of these are intended to help individuals and companies to firstly realise the benefit of Supply Chain Management and then secondly be able to do it better and more successfully. A review in BifaLink July 2005 says: *"Using easy to understand diagrams and practical language, it deals with the processes in the supply chain. The author, Stuart Emmett, has done a great job in writing a valuable text book that managers, and junior staff alike, will find easy to read and understand"*.

The Institute of Supply Management in the USA has commented that: *"This book is a very concise overview of the key concepts of modern supply chain management being utilized today. He gives very practical summarizations of various supply chain operations, strategies and approaches. Mr. Emmett references the change needed in the U.K. to embrace the change to a fully collaborative approach, however this change is relevant to all companies attempting to achieve or maintain "world class" supply chain management practice"*.

Stuart Emmett is a freelance independent trainer and consultant who trades under the name of Learn and Change - Stuart believes that in times of change, it is only those who consciously learn, that will inherit, a successful future

Stuart has operational and strategic experience in varied commercial service industries - gained in the UK and Nigeria - and is particularly interested in the "people issues" of management processes, as well as logistics and supply-chain management. He has worked on 6 continents, in over 30 countries and delivered to over 50 nationalities.

Stuart can be contacted at stuart@learnandchange.com or by visiting www.learnandchange.com