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Managing Supply Chain Management Improvement Programs

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MANAGING SUPPLY CHAIN MANAGEMENT IMPROVEMENT PROGRAMS

Edward Sweeney, NITL

Competition is more intense than ever. Customers no longer just want product at a competitive price. Now they want a better product at a lower price, and they want it faster. That means beating the competition not just on the basis of quality or price or customer service - but all three at once.

Satisfying customers profitably in today's market comes down to how companies buy, make, store, move and sell their product - in other words, how they manage their supply chain. This requires managers who are willing to:

- step back and reassess the fundamentals of how they are operating their business;
- challenge established business practices;
- redraw lines of co-operation; and,
- replace the hard assets with good information;

In other words, it requires SCM professionals who are prepared to re-engineer their operations.

Re-engineering the supply chain is easy to say. The opportunities may even be easy to identify but they may be more difficult to implement. A comprehensive approach to implementing change within the organisation is an essential part of any re-engineering exercise. Below is a three step process to the business of managing improvement programmes in SCM.

Step 1. Making the Case for Change

Senior management have a key role in first making the case for change. They need to communicate a powerful message to the organisation, based on the overall mission, strategy and corporate objectives. At the same time, through broad participation, the rest of the organisation should buy into the need for change. Employees from all parts of the company should be used to identify opportunities for cost and service improvements, for brainstorming options for achieving these improvements, and for prioritising implementation actions on the basis of the expected return. Involving staff throughout the organisation means the company can educate their employees, gain buy-in, and make the case for implementation before true implementation before ever starts.

Step 2. The Implementation Process

To progress implementation, it is helpful to form cross-functional teams to plan and execute implementation. Team leader selection is crucial to the success of the project. Ironically, some of the most reluctant team leaders - leaders who did not buy into opportunities for supply chain improvement immediately - can turn out to be the best leaders when it comes to implementation. Once the reluctant leaders are convinced that the opportunities exist, they will send a strong message throughout the organisation that supply chain opportunities are real. They become the key influencers who are able to reach

out to employees at all levels. Of course, being a cross functional team leader is not a trivial task, especially in an organisation that has never before undertaken such initiatives. Team leaders need to be trained in how to lead meetings, how to set realistic but challenging goals, and how to communicate progress upwards, laterally and downwards. Like the process in Step 1, this implementation step could be condensed. Senior managers could just dictate all the necessary change from above. Broad participation at all levels, however, will help to ensure that the change is a lasting one, and not just the fad of the year.

Step 3. Institutionalising Change: Making Change Stick

There are number of steps which can be taken to institutionalise change. First the CEO and other senior managers can help motivate the team leaders by encouraging those responsible for making change happen. The impact of congratulating someone for a job well done should not be underestimated. Second, and more important, is the need to align the organisation so that there is a focus on total supply chain costs, not just manufacturing costs, or just transport costs, or just procurement costs etc. Finally there is a need to redefine roles, responsibilities and incentives so that all managers clearly understand how they can contribute to the initiative. For example, some tasks which were previously centralised might now be given to each functional division. Other strategic responsibilities will remain centralised. There is also need to design new measurements so that the managers in all areas pay as much attention to total supply chain costs as they do to manufacturing costs.

Lessons Learned

There are five lessons to be learned from using the alignment process outlined above.

1. Sound Analysis

Change is best driven by sound analysis of customer needs and alternative strategies. Efforts directed at thoroughly understanding critical supply chain issues and devising effective solutions will be more than repaid as the implementation process proceeds along clearly defined paths. Specific improvement objectives and tools will allow the steady harvesting of opportunities.

2. Broad Participation

Implementation takes time. Striking the right balance between rapid and measurable change and patiently waiting for employees to buy in to the change is the key. There is a need to take time to educate employees about the change. This investment in time will pay off in results that are more genuine and lasting. Once the employees have been given the tools, it is surprising how they will often come up with savings opportunities that far exceed initial expectations.

3. Team Leadership

When selecting team leaders, the path of least resistance is not necessarily the best path. Selecting team leaders is an important issue, and team leaders should be key influencers among their peers. They will not necessarily be the quickest to buy into the proposed changes, but when they do, their colleagues will follow.

4. Organisational Change

The timing of reorganisation is crucial. Often we consider reorganisation first when we think of implementing change. However, reorganisation roles, responsibilities and

incentives should come fairly late in the implementation game. If a company reorganises too early, then there is too much unnecessary turmoil and no clear understanding of what is happening or why. Since every organisation is different, the timing of reorganisation needs to be well thought out.

5. Management Communication

Small actions by senior management can have a major impact. Recognising success goes a long way to motivation team members. The three-step alignment process - making the case for change, implementing change, and making change stick - will help a company internalise the need to achieve supply chain excellence. As the company continues to implement supply chain improvements, employees will identify even more opportunities. By managing change properly, continuous supply chain improvement, like manufacturing, customer service excellence and quality, will become a way of life in the organisation.

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