



Closing the Gaps in Supply Chain Management Understanding *By Gene Tyndall*

There is increasing interest, as well as concern, that the gaps in understanding and commitment to Supply Chain Management (SCM) continue to exist, and are expanding, especially between the operating practitioners and their executive leaders.

The fact that the Council of Logistics Management (CLM) 2004 Annual Conference has devoted several sessions to this subject is significant, as is a related sponsored research project underway. In fact, at our executive development session, “Senior Executive Priorities for SCM and Logistics”, we will address these issues, as well as others; and, Dr. Karl Manrodt will provide a preview of the research findings.

Several of us have seen this problem coming, and have been working at ways to minimize its effects in the business world. Our individual work with C-levels, expanding seminar/conference presentations to more than SCM/Logistics organizations, and selected articles, are a help ...but, the real change has to come from within the profession.

In a recent presentation to 1,000 Logistics managers in South America, I challenged the profession to work harder to communicate, educate, relate to, and persuade their business leaders about the true value of SCM. The facts are, with SCM, we are hampered by:

- ❑ High expectations with limited results
- ❑ Collaboration among trading partners are elusive as is inclusion within enterprises
- ❑ Technologies have underperformed
- ❑ C-levels view SCM as too technical, too complex, and someone else's worry
- ❑ Better SC Plans are being formulated but continuing gaps in execution
- ❑ Over-focusing on cost reductions.

My views, backed up by C-levels I work with, is that we continue to be constrained by a lack of common definitions and understandings about the real value and potential of SCM; the people/change factor creates barriers to adaptation and adoption; and there has been an over-focus on complexities and costs. As SCM/Logistics practitioners, we have well been trained on technical methods, and we do often over-complicate our business problems and our solutions. This process is somewhat natural and expected -- information technology has suffered similarly.

Yet, important factors are at work that make our tasks even more complicated and challenging. First, the continuing drive toward optimizing the internal processes...be they production or other...traditionally, making something better, faster, and cheaper has won! The shifting of supply chain control from production to point-of-sale...today, the demand for products is more important than the supply; and, the effects of globalization...China, Trading Blocks, Security, Networks, etc. all require supply chains and managers to change, and dramatically.

Surveys can be helpful, particularly those to which executives pay attention. McKinsey publishes a Quarterly update on business executive thinking, with over 5,000 senior leaders from around the world. The most recent shows that, while confidence has eroded somewhat, overall the leaders expect growth, more foreign investment, and selective hiring. IBM conducts a periodic Global CEO Survey, and the most recent stated that 83% list revenue growth as top priority, with 65% for cost control. Clearly, executives now want profitable growth first.

Accenture, with Stanford, and INSEAD, have published a meaningful survey of statistics on SCM value and performance. This survey includes substantial, useful information on what the leading SCM companies of the world are achieving, in terms of Return on Assets, Turns, Cost-of-Goods Sold, and others. It also talks about what constitutes a "SC Master". Other surveys are also reporting similar meaningful results.

But, in the end, it is up to individual SCM and Logistics managers to close the knowledge and understanding gaps. Practitioners need to continue to "deliver measurable value" to their organizations, and communicate this better, up and across their organizations. Much can be learned from the best supply chain masters, and lessons can be adapted, technologies can be applied, and business performance measures can be shown.

Supply chains need to be simplified ... but, differentiated. SC innovations need to be brought to execution, continuously. Above all, we all need to prove that superior supply chain management can enable profitable growth and business success.

In the past, we were trained to get the right product, to the right place, at the right time, in the right condition, and with the right information. Today, this is expected. For SCM to really rise to the top of all organizations, and compete for capital investment with other corporate priorities, we also need to find better ways to communicate, relate to, and demonstrate to others, especially the executive leaders, what is the real value and the real potential. The time to start this reinvention is now.

Gene Tyndall is currently founding partner with Supply Chain Executive Advisors, LLC, a global partnership firm providing advice and counsel to senior-level executives interested in improving their companies' supply chains. Previously, he was exclusive vice president and leader of The Ryder Global Supply Chain Solutions Businesses, and a leader of the global SCM consulting practice of Ernst & Young. He is a globally recognized expert in SCM and a leader in its definition and evolution.