

The Seven Timeless Challenges of Supply Chain Management

University of Tennessee's Paul Dittmann says Many of Our Current Supply Chain Challenges have been around for Awhile

SCDigest Editorial Staff

Do we have "timeless" challenges to reaching supply chain excellence?

Yes says **Dr. J. Paul Dittmann**, a former supply chain executive at Whirlpool Corp. and now Director of the Office of Corporate Partnership at the University of Tennessee.

In a recent article, Dittmann, who has provided insight in the development of several SCDigest reports over the years, recently summarized these seven timeless challenges:

(1) Too Much Product Complexity: Dittmann says that virtually all firms know they carry too many SKUs and concede that they do not have effective processes to eliminate underperforming products. He says, however, that a few companies have "broken the code on this intractable issue" and developed disciplined processes in place to manage SKU growth.

See SCDigest's [The War on Supply Chain Complexity](#).

(2) Too Much Slow-Moving and Obsolete Inventory: Clearly related to SKU complexity, many companies struggle with tracking and disposing of obsolete inventory. Dittmann says marketers are often resistant to reduce prices to clean the inventory out, for example, even though old inventory "never gets more valuable." This inventory can sit for months or even years, "consuming cash and incurring inventory holding costs until it is finally scrapped or sold at a steep discount," Dittmann says. He adds: "It's a classic case of pay me now....or pay me more later."

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See SCDigest's [Are Your Slow Movers Killing DC Productivity?](#) and [Funny Story about Slow Moving Inventory](#)

(3) Supply Chain Considerations Not Part of the Product Design Process: SCDigest believes this is perhaps the last area of business operations that is often not well integrated into the supply chain. "When product design engineers develop a new product, they rarely consider inventory, transportation, or warehousing issues," Dittmann says, even though often very small changes in the design can yield big logistics savings. Retailers need to look at this too, both in concern with their branded suppliers and in the growing private label business.

(4) No Supply Chain Strategy: Do you really have a supply chain strategy? Dittmann says "It is surprising that few firms have a documented supply chain strategy."

OK, how do we do that? As the smart ones usually say, start with the current and future needs of cus-

The Seven Timeless Challenges of Supply Chain Management (Con't)

tomers. Determine the capabilities needed to meet those needs. The strategy development process then determines the new supply chain capabilities the company will need in the future to meet its customers' needs. Plans (people, process, technology) need to be developed to meet those needs, at a cost the company can manage.

"Unfortunately, most supply chain organizations are so consumed with the daily battles of cutting cost, managing inventory, and delivering good customer service that they don't plan properly for the future, sometimes with disastrous results," Dittmann adds.

See SCDigest's [Pulling Your Supply Chain](#)

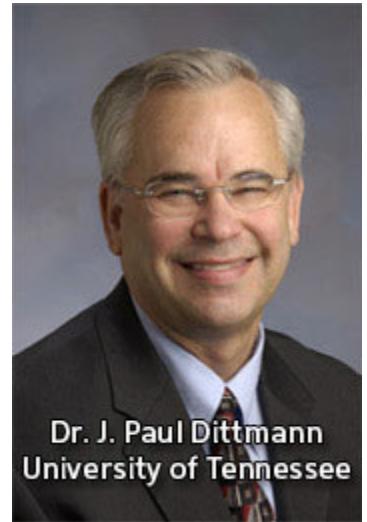
(5) Ineffective Matching of Supply with Demand: This typically results from functional silos within the corporation. Metrics are also an issue – at the most basic level, sales is driven by revenue, and manufacturing by cost management – goals which often conflict. While Sales and Operations Planning (S&OP) processes can substantially reduce this functional thinking and generate better alignment, the fact that "most would acknowledge that they still have a long way to go" in S&OP means the problem is likely to remain timeless for awhile.

See SCDigest's [Time to Integrate Supply Chain Planning and Execution](#)

(6) Physical Network Problems: The good news for supply chain professionals – the physical supply chain network will never be exactly right. Do we build networks that anticipate sky

high fuel costs, or moderate ones, just as one example. "Logisticians are confused to say the least; and the old answers don't work anymore," Dittmann says, adding "One thing is certain however. All firms should question their physical network configuration under a wide range of future fuel prices." But fuel, of course, is just one of many elements effecting network design.

See SCDigest's [Supply Chain Network Optimization and Competitive Advantage](#)



Dr. J. Paul Dittmann
University of Tennessee

(7) Global Issues and Outsourcing Problems: Globalization holds many promises – but also many challenges. "Many firms are re-thinking the mad rush to outsource outside the United States," Dittmann says. "The long supply lines, incredibly volatile fuel costs, exchange rates, the geopolitical risks have all come home to roost." He says that few firms consider the total cost of an outsourcing decision, and even fewer incorporate the additional risk of a global source in their formal analysis process.

See SCDigest's [Getting to Accurate Total Landed Costs.](#)

The practice of supply chain management makes continuous improvement, but maybe it will be awhile before we have solved all the problems.