



## Viewing Supply Chains As Growth Levers *By SCDigest Contributing Editor, Gene Tyndall*

In several recent presentations and speeches, I have been promoting new thinking around the idea that excellence in supply chain or logistics management leads to profitable growth. While I am not the only one promoting this idea, it is very surprising that more are not.

We all know the power of strong supply chain management to reduce operating costs, and to manage the costs of logistics. Over the past 3-4 years, as executives have demanded cost reductions and savings due to difficult economic times, supply chain managers have stepped up to deliver collectively \$billions of savings in inventories, freight costs, procurement, and other costs of logistics operations. And, almost every company has gained bottom-line benefits from these cost savings, reductions, and diligent management.

Now, as CEOs change their #1 goal from cost reduction to profitable growth, why aren't supply chain and logistics managers stepping up more actively to support these goals? Is it because they are too comfortable focusing on cost savings, and much less comfortable promoting top-line benefits when scientific proof is sometimes illusive? Or are just unsure how to go about doing it? Is it because they are measured and incented only on cost management?

Yes, there are numerous skeptics out there. When we cannot "prove" that excellent supply chains sell more profitably, many dismiss the proposition. When we cannot "prove" that investments in supply chain people, process, or technology lead to competitive advantage and thus profitable growth, many argue that it is too nebulous.

However, to provide industry examples from well-known brands is not too difficult. Would anyone argue that the key to Dell's successful is fundamentally related to excellence in supply chain management? Their unrelenting focus on speed, planning and prevention of disruptions, replacing inventories with information, measuring everything, etc., are all supply chain principles. And, their latest profits are up 25%. How about Wal-Mart? Would anyone argue that the world's largest company is not full of excellent supply chain managers? Or consider Procter & Gamble, where supply chain managers have gained status equal to brand managers, and demand-driven supply chain management is the new objective.

A fresher example is Samsung Electronics: seven years ago they were hardly known as supply chain leader or even as a brand. Now, it sells 83% of its products in 50 countries outside Korea, is increasingly known for quality products with high service levels, and is managed globally with standard processes. And, let's not forget strong companies like E-Bay and Amazon, whose business model depends on the Internet and supply chain excellence.

How can skeptics argue against the automotive manufacturers, who spend hundreds of millions to reduce the order-to-delivery time (OTD) for consumers? They have reduced literally several weeks in some cases, to satisfy not only consumers, but large customers such as the rental companies. And, Toyota, in addition to reduced OTD, is also known for its excellence in execution, including customer service, everywhere in the world.

IBM has spent some five years transforming their supply chain/logistics operations to a single unified organization that serves all of IBM's product and service units. The new organization is charged with not only cost savings – and \$billions have been reduced – but also fueling the profitable growth of products and services.

Today, nearly every company and CEO is focused on growth. “Growth at a Reasonable Price” (GARP) is an investor term that applies here. “Growth with reasonable costs” is the parallel term that summarizes the goal of corporations today. Senior executives have learned that pure revenue growth can come without profit, and can be disadvantageous to shareholder value.

The global “high-profitable growth companies” – those who have highest “market-value added” to shareholders' investments, when assessed against 2003 revenues, include many that we think of as having supply chain excellence: GE, Wal-Mart, IBM, Dell, P&G, HP, Nestle, BP, Nokia, Carrefour, Toyota, Samsung, Sony – to name a few of the global top 60. Clearly, these companies have leveraged their supply chain excellence to grow more profitably than they would have otherwise.

Supply chain excellence, and supply chain innovations, both lead to profitable growth, if they are leveraged properly and focused on what matters most for the business. It is time for supply chain and logistics managers to step forward with new ideas and new initiatives that enable profitable growth. We cannot only save our way to prosperity, especially after three long years of serious cost reductions. So, how can supply chain managers contribute to this goal? There are several ways, which we'll discuss in next month's column. But one thing is for sure: the best way to predict our future is to create it!

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## About The Author

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.

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