Embrace the Change or be Penalised
Fatal Collapse for Some, Opportunities for Others

Recently Rob O'Byrne from the Australian Logistics Bureau published a short article about supply chain trends that could, "… *truly shake you up*" and even precipitate a fatal collapse.

However, there is one trend overlooked by O'Byrne. It is this one trend that, when used in conjunction with the singularly most important supply chain resource of today, has the potential to revolutionise all aspects of supply chain more than software and the various process models combined.

Mark Oldfield, Partner with Camden Partners and head of the Supply Chain Practice takes a critical look at some of O'Bryne's trends. Oldfield reveals the one trend that must be embraced and defines the supply chain leader of tomorrow.

SOFTWARE EATS SUPPLY CHAINS

O'Byrne identifies the change from product based to results based services due to advances in software as a key trend.

Although this has been happening for the last 20 years with consulting firms like Accenture, PWC and Deloitte trying to teach companies how to use software as a competitive and strategic advantage, there are too many companies still attempting to figure out what to do.

Today it is so much easier to find software that will support and enhance alternative outcome-based solutions such as that started by Bristol-Siddeley (aircraft engines) in the 1960's where they provided a maintenance outcome, coined *"power-by-the-hour"*, in which costs were not based on the sale of replacement engines and parts but servicing based on the number of hours flown i.e. an outcome with defined costs and optimum up-time.

Although this example was a simple enough business model to manage in the 60s and 70s, newer ideas require more information and computing power to run the programs, O'Byrne provides an example where seed suppliers in the agri-business are guaranteeing crop yields irrespective of climate factors. As industries have more access to data and cloud based software, companies are readily able to provide more holistic and improved service outcomes for their customers, and thus be seen as a cost effective alternative to the traditional, transaction based sales model.

> **SOFTWARE SHIFTS SUPPLY CHAINS TO DELIVERING RESULTS AND NOT PRODUCTS OR SERVICES**

To stay in the game, companies will therefore need to view software as an enabler and accelerant for competitive differentiation and to

come up with their own supply chain version of power-by-the-hour, as O'Byrne says, "***You will have to re-jig your supply chain to deliver results, not products or services***"

AGILE-LEAN THE NEW KID ON THE BLOCK

O'Byrne entitled this trend as "Goodbye Lean, Hello Agile" but his reasoning is not quite accurate. It is not and should not be about replacing one for the other.

O'Byrne argues that Lean is moving towards the extreme, increasingly towards a counter-productive outcome; in fact Lean is often misinterpreted or just taken too far.

A Lean culture means "*having no surplus bulk; no excess fat*"; supply chains are like athletes who aim to be lean with toned, responsive muscles, yet athletes still require a minimum amount of the right type of *'fat'* to function effectively, so too with supply chains.

5 PRINCIPLES OF LEAN

1. IDENTIFY CUSTOMERS AND SPECIFY VALUE
2. IDENTIFY AND MAP THE VALUE STREAM
3. CREATE FLOW BY ELIMINATING WASTE
4. RESPOND TO CUSTOMER PULL
5. PURSUE PERFECTION

Although Lean comes from a manufacturing background (Toyota) and Agile from a software design heritage both methods have similar philosophies. Each places a lot of emphasis on adaptive planning with a people focused approach.

In fact their philosophies are complimentary, this can be found in writings by other authors such as Chris Sims - who writes on infoq.com that Agile and Lean are, *"… so deeply interwoven that if you are doing agile you are doing lean, and vice-versa".*

Another slightly different take is Dan Woods' opinion where he sees Agile as changing for the better by adopting Lean thinking.

Both these philosophies work because they integrate the whole value stream - Lean refers to this as "the system" - whenever they are used within a closed system they are only partially

THE AGILE MANIFESTO

1. INDIVIDUALS AND INTERACTIONS OVER PROCESSES AND TOOLS
2. WORKING PROCESSES OVER COMPREHENSIVE DOCUMENTATION
3. CUSTOMER COLLABORATION OVER CONTRACT NEGOTIATION
4. RESPONDING TO CHANGE OVER FOLLOWING A PLAN

successful at best. To quote O'Byrne "*silo thinking in supply chains will no longer be just uncompetitive, but fatal*".

So, as there is much overlap and synergy Agile should never be considered as a replacement for Lean. Supply chains today must function effectively, efficiently and holistically; Lean and Agile principles and methodologies will help achieve these goals.

CUSTOMER FORCE

Consumer expectations are changing exponentially, forcing improvements in technology as well as driving an ever increasing rate of change in the supply chain.

Business customers now demand the same level of service irrespective of how goods and services are obtained. Goods being ordered and paid for via any number of channels, delivery or collections made when and where they require plus a simple yet effective returns process.

Ethics and ecological impacts are also no longer 'value-adds', companies must have defined, recognisable and published ethical standards they adhere to, along with products and/or processes that have minimal environmental impact.

Irrespective of how good the marketing plan is; if the supply chain cannot respond to the customers' demands, customers will change suppliers. Performance not only counts, it is talked about. As we all know, a bad outcome for the customer gets more negative mileage than a good outcome. **O'Byrne** puts it this way, *"You need to get the last mile right or you will lose customers."*

Don't let poor service turn your customers into zombies

Supply chains are no longer just about moving products cheaply from source to destination, it is the overall added value to all stake-holders including the customer, the environment, the company and the employees, not forgetting the shareholders, that will maintain a company's viability. Not being able to adequately prioritise or balance the demands of each stakeholder is a major area of risk that is potentially fatal.

EMBRACE OR BE BLIND-SIDED
A trend not addressed by O'Byrne's and one that will blind-side any company that doesn't embrace it is collaboration.

There is already a growing expectation that collaboration will be the game changer in supply chain, so much so that an ever increasing number of suppliers and customers are already progressing towards more collaborative agreements and contracts.

Thought leaders and academics such as Tim Cummins from the International Association for Contract and Commercial Management and Kate Vitasek from the University of Tennessee and

author of a number of books on collaboration including "Getting to We" and "Vested Outsourcing", already propose not only its advantages, but also a number of options and methodologies.

Yet the concept and practicality of a collaborative agreement is still considered too new.

Although stake-holders increasingly talk about collaboration along with the sharing of risks and rewards, and joint initiatives in the beginning, under final negotiation these agreements are still returning to the long held, onerous template of: *"if the KPIs are not met, you'll be penalised"*.

Companies that can work with (and trust) their suppliers/customers to garner the best opportunities for **both** will, in the long run, benefit the most and not just financially. In all probability, as espoused by the academics and other proponents, they will also increase their reputation, ethical standing and even their joint environmental impact.

More than anything else, with the right vision and goals, collaborative agreements will improve their mutual supply chains.

Software is already on the market that will facilitate this process, usually called an Integrated Supply Chain Management system (ISCM).

A well-defined and structured ISCM will have benefits for more stake-holders such as the intra- and inter-company functionality of (potentially) multi-tier suppliers and customers, as efficiencies and effectiveness is realised throughout the whole value chain - ultimately from initial source to final destination (consumption).

"The narrow views typified by sales and procurement (to a high degree) and legal (to a significant degree) are destroying value. Trading parties must increasingly co-operate to deliver efficient and effective results."

COMMITMENT MATTERS
TIM CUMMINS, JUNE 2015

THE NUMBER ONE RESOURCE

When talking supply chain, you would be hard pressed to find disagreement that knowledge is the number one resource. Here we are talking knowledge not "Big-Data". A supply chain is a complex system and different for each company, market and industry. Having in-depth, up to date knowledge about what is effective and efficient for any particular supply chain is critical to a company's success.

One of the issues, stated by O'Byrne, is the fact that knowledge, resides in the heads of the people managing and operating the supply chain.

As each supply chain has its own dynamic idiosyncrasies it is desirable not to lose that knowledge, at the same time this knowledge must grow and be expanded upon to remain effective and up to date.

Companies need to continually introduce the latest information or systems; this can be done by either external training or more efficiently by bringing in the right talent at the appropriate time in the company's growth.

Although attempts are made to digitise knowledge by recording it in some form for later retrieval and utilisation, this is extremely difficult for supply chains. For example, while Finance has systems, protocols and standards that are familiar across companies and within similar economies, due to their volatility and dynamic nature, each supply chain is unique to varying degrees. Part of this is because of the huge number and variety of external problems and issues that impact the value stream.

KNOWLEDGE RETENTION IS BECOMING MORE DIFFICULT

A further, major disruption is about to hit, the number of heads containing this knowledge - at all levels - is rapidly decreasing as more of the baby-boomer workforce begins to retire. This is exacerbated by the lack of new 'heads' coming on board and acquiring this knowledge.

It must also be remembered, that this knowledge has been acquired, assimilated from within the supply chain space, it was not learnt by reading or analysing case studies.

As Jack Delosa founder of The Entourage, a major community of entrepreneurs based in Australia explains, "… *educational institutions around the world have become highly bureaucratic, process driven and slow to evolve. Their outdated teaching methods reward conformity and encourage unoriginality.*"

Being aware of this potential risk and the velocity of change, companies are now designing short and long term strategies around their supply chain.

Joseph Rousell (PwC - Global Operations) in the book he co-authored Strategic Supply Chain Management states, *"To design an effective supply chain, a company must excel at three major sets of activities that are interrelated and mutually reinforcing;*

- *Defining the roles and responsibilities*
- *Selecting the right organisation structure*
- *Putting the right skills and talent in place"*

Although Rousell's statement is critical to the success of any supply chain and ultimately the company, a caveat must be included. These three activities are dynamic; they cannot be done once and then ignored.

As the company changes or consolidates, requirements, roles and responsibilities will change therefore to maintain effectiveness, skills and talent will also need to change.

The velocity of change in business has increased, as has the inverse effect on the tenure of employees; in 2009 the average tenure of employees was 6.6 years; by 2014 this had dropped to 3.3 years, now it is even harder to retain knowledge.

As mentioned before those with the required knowledge or skills are decreasing and with only a limited number being attracted to the industry and given the tools or opportunities to learn this knowledge or acquire these skills as the gap increases.

SO WHAT IS THE FUTURE?

Software that can manage and improve supply chains and provide "visibility" for the customer is no longer an optional extra. Assisted by supply chains that are not only Lean but Agile, with the ability to change and adapt to the ever-changing, rapid-fire demands of the customer.

As improvements are made to products, services and outcomes, the bar is raised with the customer always wanting the next improvement, even before the last improvement hits the market.

Collaboration is now required to help remove the 'fat', the ineffectiveness and inefficiencies in the supply chain. Collaboration can no longer remain vertical; it must be across the whole value chain.

Companies must collaborate between roles, functions, departments and with suppliers as well as customers to increase accuracy and velocity.

And tying all this together is Knowledge, which is more like a vicious fluid than ever before, which, while bringing its own risks it also brings opportunities when replaced with more appropriate and up-to-date knowledge.

TOMORROW'S SUPPLY CHAIN LEADER

This brings us to the manager of knowledge; the supply chain leader of tomorrow (today is too late). Today's supply chain leader of tomorrow must therefore be *a strategic decision maker with deep cross-functional expertise, effective customer and supplier relationship skills and demonstrated success as a change agent with a global mindset.*

With increasing demands placed on supply chains, companies must be ever vigilant of the need for the right talent to be on hand before or when it is needed. This cannot be done with a non-descript request to the general market for talent and hoping to get that "perfect" response. This is not scare-mongering; companies at the fore-front of change are already defining or have specific strategies in place to achieve these goals by acquiring the right talent.
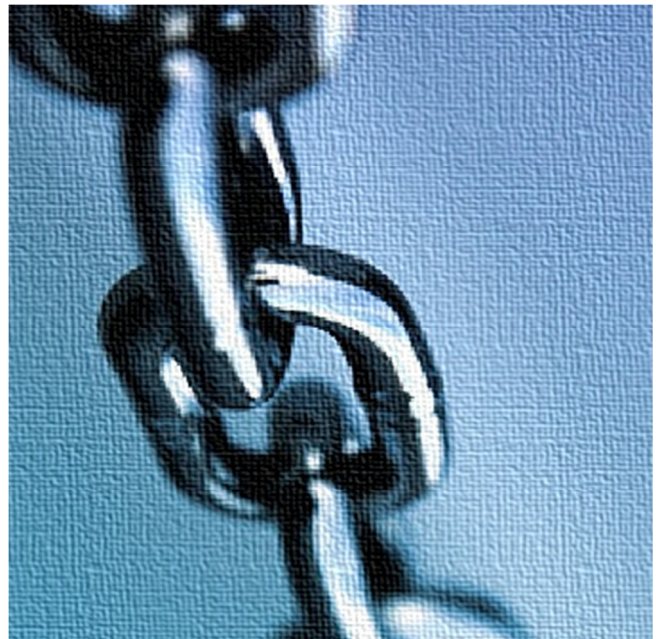
6 STEPS TO SECURING THE RIGHT TALENT FOR YOUR SUPPLY CHAIN

1. INTIMATELY KNOW YOUR SUPPLY CHAIN STRATEGY, ITS OBJECTIVES AND ORGANISATIONAL STRUCTURE

2. THROW OUT JOB DESCRIPTIONS AND START USING PERFORMANCE PROFILES

3. REMOVE THE *'HIT OR MISS'* FACTOR FROM YOUR HIRING EFFORTS BY BEING TALENT-CENTRIC

4. IDENTIFY AND NURTURE PROMISING TALENT

5. PARTNER WITH AN EXECUTIVE SEARCH FIRM WHICH HAS HANDS-ON SUPPLY CHAIN KNOWLEDGE AND EXPERIENCE

6. BE GLOBAL IN YOUR PURSUIT OF TALENT

You wouldn't trust someone who only
knew how to fly a kite to pilot your plane.

Would you risk your supply chain hiring to
someone who has never worked in supply chain?

Discover the Right Talent for your Supply Chain

02 8007 5812

Camden Partners delivers customised retained executive search and interim executive solutions directly at the leadership and mission critical levels of business.

Local Knowledge. Global Reach.

Camden Partners is a member of AltoPartners, the international alliance of independent executive search firms, with offices in the Americas, Europe, Middle East, Africa and Asia Pacific.

Camden Partners is proud to be a recognised member of the Association of Executive Search Consultants; the only recognised Seal of Quality for retained executive search consulting firms on a worldwide basis.

Mark Oldfield
Partner, Supply Chain

Mark is a Partner with Camden Partners and leads the firm's Supply Chain practice which focuses on the sourcing of professionals exclusively at the senior and mission critical levels.

He has 25 years of senior supply chain management and consulting across industries including FMCG, Aerospace, Medical Devices, Storage and Distribution, Industrial and Durable Goods.

"Finding the right talent is not a case of grabbing a whole lot of resumes then checking the key words that match the job description.

It's about understanding… *the sort of understanding that can only come from having worked in supply chain.*"

Mark Oldfield │ **Direct: +61 2 8007 5813** │ **M: +61 (0) 401 530 637**

E: mark@camdenpartners.com.au