

Implementing world class supply management flashcard



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Supply Chain Management is an approach to supply chain management that is meeting with great success at a number of leading commercial companies. Quite simply, Supply Chain Management is a strategic, enterprise-wide approach to selecting the suppliers of goods and services and managing them and the whole value network, from raw materials to final customer use and disposal (Leftwich, Leftwich, Moore & Roll Jr 2004). The key to successful Supply Chain Management is to configure and manage supplier networks to emphasize the purchaser's competitive strengths. Technical innovation, for example, is vital in information technology. Therefore, computer manufacturers must use suppliers to speed up the rate at which they introduce new products.

Packaged goods companies also need suppliers that will help them get their products to market faster, as well as lower their costs. Healthcare providers' priority is to offer high quality care while lowering the cost. And electric utilities need to work closely with suppliers that can help them meet market-based prices. For example, an automotive manufacturer integrated Supply Chain Management personnel into its product development teams so that sourcing is considered during, not after, development. This integration means development teams constantly consider the cost and manufacturing implications of their decisions, and usually enables suppliers to be brought into the development process, lending their own knowledge and skills to improve design and speed up development.

One development team that collaborated with a supplier to redesign an instrument panel was able to cut the part count by 30 percent, halve the number of assembly steps and materials specifications, and shrink

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development time from years to months. Similar efforts in other areas have enabled the manufacturer to produce two vehicles in the time it takes competitors to turn out one. A leading clothing retailer formed close relationships with a small number of suppliers to redesign its supply chain. Shipments now arrive at lower cost and up to seven days earlier - a significant advantage over rivals in the fast-moving fashion business. And sound Supply Chain Management helped a defense company discover that many of its engineers had for years duplicated suppliers' work in areas such as R; D, parts-engineering support, and quality audits.

The duplication, inevitably costed into the final product, amounted to an unnecessary 7 percent " tax" which, once discovered, was easy to eliminate. The company's engineers now take on higher value-added tasks such as value engineering, giving it an edge over competitors that have yet to look for similar overlaps. How can other companies emulate best practice? The industry is moving too fast and requires the speed and insight that can only be delivered if the Supply Chain Management organization is working well with all other functions. Supply Chain Management needs to be carried out by a company's best and brightest people, which calls for better training, job rotation, and recognition that Supply Chain Management can be part of an attractive career path. Many purchasing departments do not have the right people to undertake a radically new approach to Supply Chain Management.

To find people with the skills to design, build, and manage a supplier network, one industrial company has established a summer associate Supply Chain Management program for students from leading business schools, while a leading computer company requires all new engineers to begin their <https://assignbuster.com/implementing-world-class-supply-management-flashcard/>

careers in Supply Chain Management. The demand for new talent is reflected in compensation. Annual compensation levels are now equivalent to those for a general manager running a business, meaning \$200, 000 salaries with 20 to 40 percent of compensation linked directly to performance. The success of purchasing transformation lay in a compensation strategy that put purchasing on a par with sales and marketing, and which is flexible enough to reward personnel according to the strategic importance of the impact they achieved. The head of Supply Chain Management is now often known as the chief procurement officer - and any company that has searched for one knows how difficult it is to land a top candidate. Supply Chain Management Team that includes Team Leader, Procurement Advisor, Demand Planner, Industry Research Advisor, Technical and Quality Leaders, Cost/Financial Support, Materials Management Leader put all their energy into what they do best, in the process reaping benefits such as lower costs, reduced development time, improved service and quality, and access to new technologies, skills, or market information (Leftwich, Leftwich, Moore ; Roll Jr 2004).

Once a network is configured, the flow of information within it has to be managed. Supply Chain Management personnel are at the hub, gathering information from customers and suppliers and passing it around the organization. Their goal is continuous improvement. They work with suppliers to identify cost cuts and areas of mutual growth, and with key users within the company to discuss sourcing issues. They also regularly assess suppliers, aiming to spot glitches before they become serious problems. What is surprising, however, is that many executives still believe the benefits of

better Supply Chain Management begin and end with a one-off cost reduction, essentially achieved by telling their purchasing departments to lean on suppliers to cut prices.

Those executives would do well to think again. For, properly managed, Supply Chain Management can give companies a network of suppliers capable of delivering the technology, knowledge, products, or service quality that will beat competitors, at the same time as securing ongoing cost reductions. There are many examples. A leading fast-food company cut the number of its suppliers so that it could work closely with the remainder to improve their performance. The result has been not only annual cost reductions of 4 to 5 percent over several years, but faster product development and innovative packaging that sees the company now selling its food in unique environment-friendly containers.

These examples, and the experience of more than 250 companies in a range of industries and services, reveal the same simple message: companies must define Supply Chain Management more broadly if they are to use it to the full as a strategic weapon. Indeed, Supply Chain Management lies at the heart of any successful continuous-improvement program, helping best-practice companies constantly to upgrade their performance at the same time as reducing costs. In other words, Supply Chain Management helps them improve their “ spend productivity” (that is, year-on-year cost reductions on goods and services) faster than competitors do. ReferencesLeftwich, James A. , Leftwich, Lynne M.

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