

Four 'Game Changers' for Leading Edge Supply Chains

In 2013 a white paper from the Supply Chain Management Faculty at the University of Tennessee highlighted 10 'Game-changing' trends in supply chains that have been evolving over the past decade towards 'Excellence'. They defined game-changing trends as those trends that meet the two basic criteria of being extremely impactful on a firm's economic profit and shareholder value, as well as very difficult to implement successfully. Their analysis was based on responses from approximately 150 supply chain professionals across a wide range of industries (retailers, manufacturers, and service providers, large and small in size).

Figure 1 shows the complete set of trends and their progression from a 'Base' Level 1 in the year 2000, where all trends except Customer Relationship and Process Integration were at Level 1, towards 'Excellence' Level 3 in 2013.

GAME-CHANGING TRENDS EVOLUTION

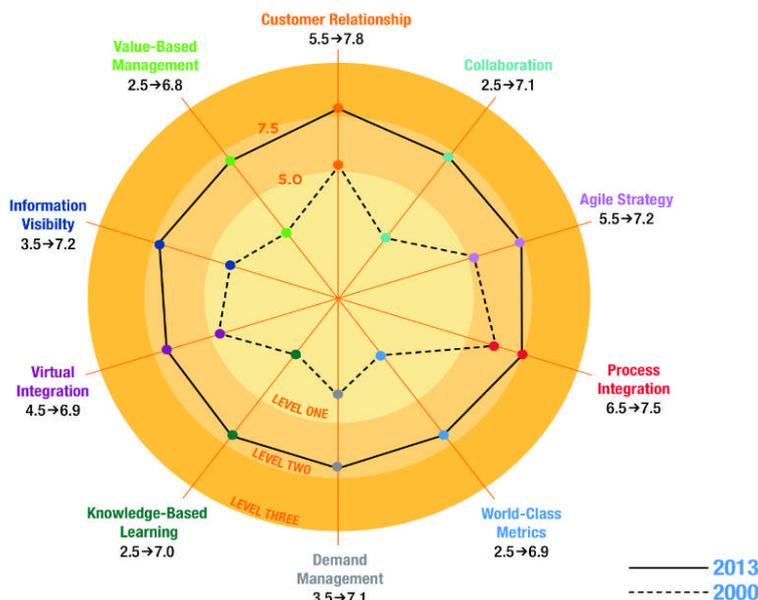


Figure 1: Game-changing trend evolution.

Source: Supply Chain Management Faculty, University of Tennessee, 2013.

The experiences of the consulting team at Star Commercial matched the findings in this paper and in 2014 we began to look at the four 'Game Changing' trends that we see our clients focusing on and that therefore we have developed and implemented successful programmes for.

Each Star Commercial director has picked the one of these four trends that they feel passionately about. So here are some of our thoughts, views and experiences relating to the four Game Changers we feel will help make your organisation's supply chain Leading Edge:

Game-changer 1: Knowledge-Based Learning

By Mark Francis - Director of Learning, Star Commercial Academy Limited

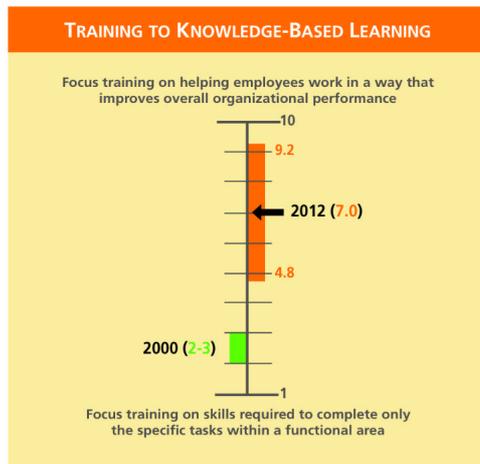


Figure 2: Training to Knowledge-Based Learning.

Source: The Supply Chain Management Faculty, University of Tennessee, 2013.

Knowledge-based learning has two distinct elements, but should always have one clear outcome – a better organisation. It is the learning that revolves around both the knowledge the employee already has, coupled with the understanding that they are going to learn more by doing the job.

Which paradigms does this challenge?

1. Knowledge-based learning challenges the premise that learning comes mainly from training. It doesn't. It comes from on-the-job development, challenged and sustained by targeted training interventions
2. It challenges the view that focusing solely on good functional development is the answer, when in fact on-the-job knowledge enhancement should benefit the whole organisation. This is because learning in modern, matrix organisations is, by definition, more diverse and less formulaic

What is the best way to launch knowledge-based learning?

1. Engage a guiding coalition, all with passion and positional power
2. Assess current Supply Management protocols, knowledge and competencies*
3. Cross reference the coalition's view with an external perspective
4. Set a learning challenge based on strategic imperatives, big prizes and quick wins*
5. Challenge the coalition to bring this to life

Why should you care?

Knowledge-based learning encourages more collective learning, challenges of how things get done around here, and generates more spontaneous inquiry from employees. As a direct by-product of greater awareness and analysis will lead to smarter managerial decisions and actions.

What could happen next?

STAR Consulting run assessment models which are either outside-in or inside the organisation out. Please ask Jonathan Brough or Mark Hollyoake to share their experience in these areas

Game-changer 2: Value-Based Management

By Mark Hollyoake, Director of Consulting, Star Commercial Academy Limited

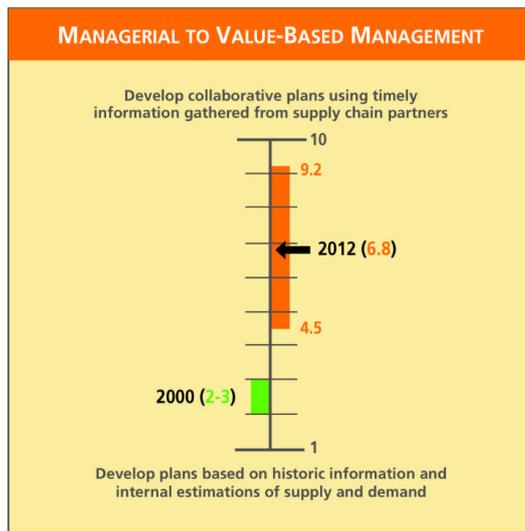


Figure 3: Managerial to Value-Based Management

Source: The Supply Chain Management Faculty, University of Tennessee, 2013

As pressure comes down the supply chain for increasing levels of cost release, we have seen a distinct shift towards joint working between supply chain partners to unlock additional value. This focuses more on efficiency, effectiveness and co-creation to share mutual value potential within the chain. Failure to adopt a more collaborative approach has consigned suppliers to the commodity box or reliance on price.

We have supported businesses in this venture using a value based framework and developed the following key drivers for collaborative working.

If you are doing these, it is likely you are already developing collaborative plans and partnerships.

1. Time; a period will have elapsed within the relationship allowing both sides to 'get to know' each other' the experience of doing business, developing a collective history and bank of good, bad and ugly experiences, as these can be the real trust builders.
2. Foresight; bringing market, category and performance insights, highlighting demand potential, value opportunities and potential pitfalls.
3. Strategic alignment; ensuring the strategic intentions of both sides are not pulling in opposite directions.
4. Intuition; the ability of the vendor to anticipate and predict potential problems, challenges or issues within the relationship. The ability to provide acceptable solutions that meet the needs of both parties.
5. Shared meaning, value and goals; sharing the values, vision and aims that both sides have for the relationship and how these could be realised.
6. Internalisation; voice of the customer within the organisation, which can be as simple as placing the 'customer chair at meetings', etc. This ensures the customer and their needs never leave the room.
7. Trusted adviser and / or advocate; The position where you are asked by the customers for your opinion or advice on areas that might be on the fringes of the category or sector you operate within. They may ask for advice about the business, people, etc and trust your opinion.

Game-changer 3: World-Class Metrics

By Gary Lunt, Client Development Director, Star Commercial Academy Limited



Figure 4: Absolute to Relative Value

Source: The Supply Chain Management Faculty, University of Tennessee, 2013

If you can measure it, you can manage it! Supply Chain Measurements are not new, but they are becoming more sophisticated and more readily used as data becomes more accessible and manageable. The trick is to fully understand the metrics that you use and act upon them.

Typically, Supply Chain Management Metrics will help you understand how your company is operating at any point in time. Best practice measures will be applicable along the complete supply chain and will provide insights into both good and poor performance. We would recommend that you track a small number of key metrics and summarise through a balanced scorecard approach in the following four areas;

1. Customer Measurements - the performance of supplying the customer.
2. Financial Measurements - the costs associated with the supply chain.
3. Internal Measurements - the management of the company.
4. Training & Development Measurements - the outputs from investment in training and development.

To improve how you use supply chain metrics consider the following;

- Identify the metrics that you want to use and focus upon vital metrics.
- Understand the impact of the metrics that you will use.
- Understand what drives the metrics and how you can influence them.
- Use them to identify weaknesses.
- Set targets for improvement.
- Improve your processes and structures through corrective actions.
- Monitor the outcomes; track your performance.

In recent times customer metrics have changed quite dramatically from revenue and share to profitability of segments; As markets mature or develop understanding the customer landscape and the potential benefits from investments becomes more critical to success. Segmentation and Targeting become core competencies of best practice Customer Management teams. Applying metrics to the financial potential and rewards from targeted investment become the norm. Aligning the training and development of customer management teams becomes a key enabler to game changing results.

If you can measure it, you can manage it – just make sure you measure the right things that are critical to your business and act upon them. And remember – aligned investment in training and development will be a key enabler in this transition to measuring success of the profitability of customer segments.

Game-changer 4: Collaboration

By Jonathan Brough, Managing Partner, Star Commercial Academy Limited

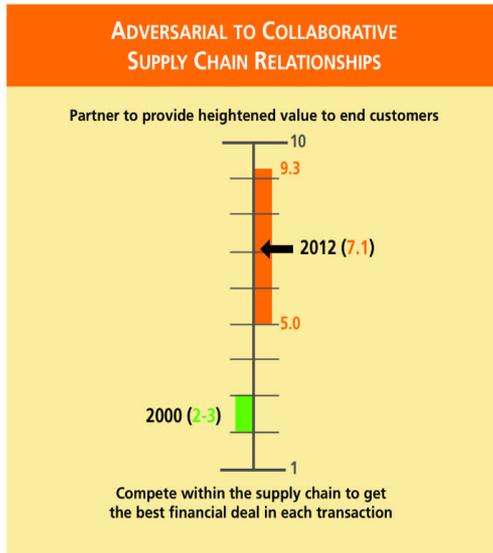


Figure 5: Adversarial to Collaborative Supply Chain Relationships

Source: The Supply Chain Management Faculty, University of Tennessee, 2013

Supply chain professionals have been talking about collaboration for years, but unfortunately, as one executive lamented, “When all is said and done, there’s been more said than done.”

In our experience there are 5 key steps to ensuring collaboration initiatives deliver outstanding results and superior supply chain relationships.



Figure : 5 steps to reach leading edge collaboration.

1. **EVERY PARTNER NEEDS A WIN** - A compelling business case that each partner in a supply chain collaboration can deliver. However these business cases can and often are different for each partner. This seems an obvious statement but all too often we see one partner trying to exploit the other. For example a customer driving down profit margins in a supplier or transferring inefficiencies to another partner, such as distribution, to address their own performance gaps, rather than attempting to optimise the supply chain for all parties.

2. **ADOPT A COMMON STAGE-GATE PROCESS** - This ensures every party understands where the initiative is, the key stages and what key decisions are required to move from one stage to the next. Agree the process **BEFORE** you develop the planned activities so that every part of the collaboration can be traced back to a specific stage and there is also complete clarity on the information that is required at each decision gate.

3. **ALLOCATE THE RIGHT RESOURCES** - Not necessarily your best people but rather those with the correct capabilities and maximum level of motivation. Build a team that complement each other and have the blend of skills and personalities to collaborate immediately.

4. **UNDERSTAND ALL KEY STAKEHOLDERS EARLY** - At the beginning of any collaboration, understand who the key stakeholders are in every party, including any third parties, then engage and communicate with each of them effectively. Star is a licensed practitioner for the DeepInsight® methodology which can provide a genuine understanding of how to adapt communications styles with different stakeholders. We often see companies actively trying to ignore those stakeholders who may not immediately be supporters of such an initiative.

5. **MEASURE SUCCESS & SHARE LEARNING** - Measure success against the original objectives and share all the learning with each partner and other collaboration project teams. Set measurable objectives that reward a strong performance but encourage the right team behaviours.

For more information about any of these Game-changing trends please contact the team at Star Commercial Academy Limited via info@starcommercialacademy.com.