



Supply Chain Solutions

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A recent article in a Supply Chain Magazine highlighted the results of a worldwide KPMG survey of companies examining key risk areas within their supply chain operations. The crux of the article was the fact that the Australian component of the KPMG survey did not score well in comparison to their overseas counterparts, despite the fact that these companies were actually considered “Leaders” within Australia.

Those of us at the coalface of implementing Supply Chain concepts and philosophies within Australia are not surprised by these findings. So why isn't this survey surprising? As another commentator writing a column in the same magazine succinctly said, “The problem is most organisations don't have the guts to really embrace SCM”.

Cultural change is the biggest issue that has to be faced by companies when it comes to improving their operational and profit performance. Well run and managed Supply Chain Activities provide a clear and significant advantage to those who embrace the philosophies of cultural change, over those who do not.

The big issue that Australian companies need to eliminate is the, “Not in my backyard” syndrome. Many executives pay lip service to wanting to improve their operation's performance but when the acid test of actually changing the way they conduct their day-to-day work, or the way they need to think or relate to suppliers arrives then our experience demonstrates they tend to resist, particularly if left to their own devices and not guided by an independent supply chain improvement mentor.

However the other side of this double edged sword means that as an independent consultant it can be extremely difficult to manage this reluctance. In some cases this can actually manifest in deliberate actions to derail or sabotage the project, or even more

unfortunate for all involved – discredit the change agent.

So why do Australian Executives stumble when it is evident and well documented that well managed SCM activities can provide such a critically needed and strategically valuable competitive advantage?

Generally there is a failure amongst senior management to fully embrace changes. This becomes even more difficult when it means they personally need to change the way they think and act.

There was one implementation project that I was involved in where the General Manager of the company was fully supportive of all the recommended changes. The GM was fully supportive of all initiatives before, and during all feed back meetings, however when the project required him to alter the way he was relating/negotiating with suppliers – he stumbled.

This was despite being hand held through the process, demonstrating a clear understanding of the principals and processes involved and the GM's assurances that change was where the company's future lay.

A classic example of this is highlighted by another example where there was a direct relationship between this company's reward/remuneration system and the difficulties being experienced in their operations. Their method of generating and rewarding sales was causing significant difficulties in their procurement department and with the reliability of supply from suppliers. It was creating significant pressure on capital requirements (cash flow) of the business. Despite observing a major improvement in cash flow requirements that resulted from other changes we made in their business process – the critical issue of remuneration remained sacrosanct and unchanged. Hence the level of improvement

possibilities was hamstrung and the difficulties remained.

This lack of commitment to change appears to be a reason why so many of Australia's companies do not openly embrace Supply Chain Management concepts. Maybe this reluctance to change has its genesis in people not wanting to be held accountable for their actions? There is a clear correlation between management's willingness to be held accountable and the level of success possible during Supply Chain Improvement Programs.

Maybe the hesitance stems from a lack of clarity or understanding for the true benefits and advantages for implementing an improvement program?

Either way, the critical skills required for successful improvement programs are an alibility to accept accountability for one's actions and an ability to be clear and forthright in why and how company operations will change. If the boss doesn't embarrass the change and demonstrate this acceptance through their own actions then how can the staff embrace the new program?

This clearly demonstrates the importance of "Leadership" – leadership through actions and not simply saying the right words or using the latest buzz words.