

Introduction

Many people do now understand what is involved when following a supply chain approach. However, ensuring the supply chain is optimised for the benefits of all participants; will mean a re-thinking of traditional ways. This article will explore some of the changes in thinking that are needed. This re-thinking may not be an easy process for some individuals in some companies and this may therefore limit the optimum development of supply chains. It would seem a possibility that Supply Chain development in the UK may well falter because of the prevalent way of management thinking. One thing is very sure; what worked for many years may not work for many more.

A Supply Chain approach

The supply chain approach is now well documented and at any level of development will require changes to "the way we do thing around here". It is not the purpose of the article to discuss these changes, which have been well documented elsewhere; however the following briefly illustrates some of the needed changes

Changes	Some of the needed "ends" are:
"Silo" functions to "holistic" processes	Decision integration, organisations of extended enterprises, collaborative management approaches, web connected, real time focus
Product "sells" to Customer "buys"	Demand pull, order driven, low to zero stock holding, involved suppliers, short production runs, real time visibility, short product life cycles, fewer suppliers, market segmentation
Transactions to relationships	Dependency , commitment, cooperation, collaboration, aligned company cultures, extensive trust, proactive management

The way we look

A Supply Chain approach will require a business to change and this, in turn, will mean changing the thinking from a current and known position, towards a possibly unknown but planned for future. As the way we think affects what we do, then the way we think, is an important process to be considered.

Supply Chain Re-thinking

Research suggests our brain is in two parts - the left hemisphere and the right hemisphere. At least, this is the simple view - front and back, upper and lower quadrants are other "divisions". Indeed, research into brain activity, continues to contribute to our understanding at a rapid pace.

Meanwhile, the left and right view suggests we have a Logical Left side Brain and a Creative Right side Brain. The Left side brain will firstly conduct an Analysis, will then Act, and finally will Feel, (for example, is the action "correct" and "right"). The Right side brain however, works the other way, Feeling, then Action, then Analysis.

Most people are relatively flexible in this brain wiring and of course the influences of environmental forces and the way we are nurtured, treated, handled etc also has a powerful impact to our thinking and to our personal behaviour. In exploring the simple left side-right side brain differences, then the following is revealed:

Logical left brain side people	Creative right side brain people
Prefer written, mathematical, science based approaches	Prefer musical, art/visual based approaches
Objective, linear thinking, short term views	Subjective, wholes/parallel processing, longer term views
Analytical, step by step "head" thinkers	Creative, free flowing "heart" thinkers
Rational "facts" based reasoning that converges	Emotional "feelings" synthesis that diverges
Summary: Analyses-acts-feels	Summary: Feels-acts-analyses

Most individuals can usefully recognise which side is the most personally representative one.

The way companies manage

As companies are collections of individuals; it is therefore possible to see left side and right companies. Following on from the above individual brain sided view, then company's can be viewed as follows:

Left brain sided companies	Right brain sided companies
Task based "today."	People based and a long term view.
Problems reoccur as only the symptoms are treated ; ("Elastoplast" solutions).	Problems are tackled by looking at the thinking that causes the problems.

Supply Chain Re-thinking

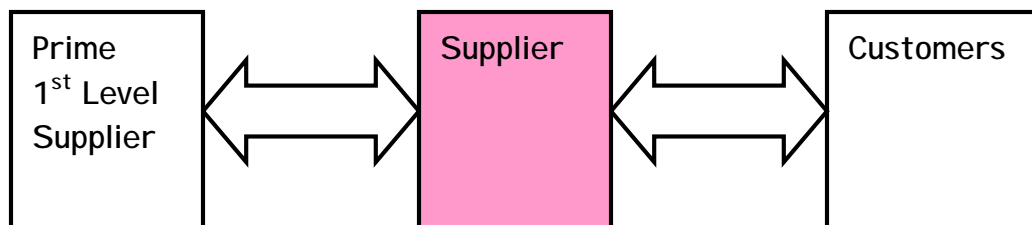
Making/selling products-services has the priority.	Make people before products-services.
The way forward is with Science/technology.	The way forward is by Motivating/empowering people.
"The numbers speak for themselves."	"It is how we connect together that is important."
Incremental results/parts.	Holistic, whole results/parts.
More Western cultural based.	More Eastern and Latin cultural based.

Left sided companies will often work with fixed assumptions for development and growth as they are incapable of "going outside of the box". When they are pushed to change from "tradition", they will react negatively as they fundamentally believe the way forward is "more of the same" and they see the only solution to for example, company growth, as needing a bigger share of the existing market.

Supply Chain thinking

The ways of thinking will also translate into all management approaches including how supply chains are managed and structured, for "as a person thinks then so they are" (Proverbs 23.7). The following three diagrams represent a thought process for the past and future of Supply Chain management.

1) Older Approach/Linear thinking



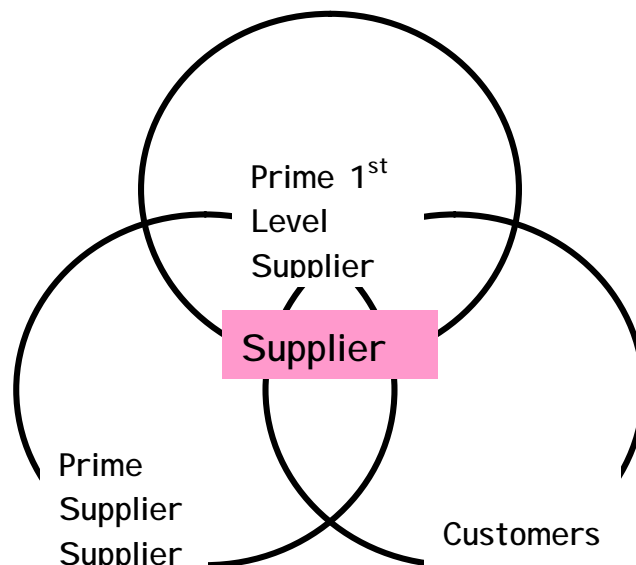
This model has given proven benefits, as will be shown later in this article, to the previous non supply chain ways of functional silo management, It will be seen that this approach represents linear thinking, which is classically left brain mode. This is also a major model currently used in the UK for supply chain development. By following the above left brain explanations, we can see that this means having short term task centred approaches with an incremental view of the supply chain, with relationships to the next level only. This may or may not involve a collaborative approach and will more than likely have fixed arrangements and contracts in place. The

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supplier may also feel that the supply chain coordination's are all one way and that "coercive power" is being used. It will tend to use a rigid and reactive approach to customer service with scheduled and rational replenishment.

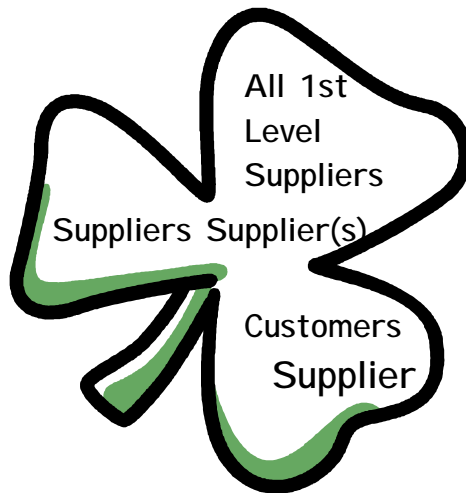
2) Newer approach, network thinking.

Here there is some attempt to go further into the supply chain using collaborative approaches and extending beyond the first supplier level. Fixed arrangements with boundaries/contracts may exist but the collaboration will be more open and sharing. Customer service can be more responsive and flexible with real time replenishments.



Supply Chain Re-thinking

3) Emerging Approach/Systems Thinking



In this model, much more fluid arrangements occur with systems thinking recognising the complex interactions that affect each other player in the specific supply chain. Right brain thinking concentrates on the wholes of the supply chain and perhaps uses seamless collaboration and virtual arrangements. Collaboration will be totally open and shared, and is unbound and innovative. Each specific supply chain could be viewed as a small company in itself comprising of cross internal functions and jointly managed with suppliers / customers, maybe following a matrix/project management structure organised into specific supply chain cells with decentralised control and shared responsibility from all involved. This following the basic principles of "small within big" that has for example, worked successfully when adopting TQM and JIT methods for production cells internally within product manufacturing/assembly organisations. Interestingly, such approaches were pioneered in Japan, a more natural right brain culture but of course have been actively adopted and managed in the UK culture. Some changing in thinking went on!

A summary of the three models on supply chain thinking follows:

Old Supply Chain approach	Newer Supply Chain approach	Emerging Supply Chain approach
Linear thinking	Network thinking	Systems "links and loops" thinking

Supply Chain Re-thinking

Maybe collaborative at first level only	Collaborative and maybe beyond first levels	Collaborative and seamless in scope
Fixed contractual arrangements at "arms length"	Fixed arrangements/ boundaries/contracts	Virtual arrangements, unbound and innovative
Horizontal flow chart shape "Rigid"	Venn shape "Connected"	Petal/Shamrock shape "Fluid"

Changing how we think

There have been many well known examples of former company sector leaders who have slipped from the number one position and former state owned monopoly companies that no longer exist. Companies can therefore be slow to change their thinking. In Supply Chain management, the consequence of "sticking to the knitting" thinking can be as follows:

- Adversary play offs with suppliers
- Long production runs of not needed products
- "Just in case" expensive stock holding
- Customers get fed up and go elsewhere
- Inspection, reworking, warranty claims
- Vertical silo management structures
- "Turf conscious" reactive "fire fighting" managers
- "Rowing the boat" upstream and resisting change

Companies are however a collection of individuals and it is the thinking of the individuals in companies that needs to change. As has been noted above, individuals will tend to be more "happy" in one of the brain sides. This then means they can miss out on the other side. To be complete, we therefore need both sides. This is the classic whole brain thinking. Clearly many companies do try to reflect such whole brain thinking through their recruitment policies and in the way they structure the organisation of the business.

But for efficient and effective supply chain management then perhaps, companies and the individuals in companies need to take conscious responsibility for the thinking. Business channels change and when taking the view that supply chains now compete, this can mean thinking in a different way. Those individuals/companies who do not do this may well find that they

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will not be “invited to the party” in the future. An example here is where some supply chain approaches acknowledge that the supplier numbers will be reduced; yet, some suppliers maintain a “head in the sand” ostrich incremental approach, perhaps believing the reductions could not possibly affect them.

Thinking differently

Our brain is actually very similar to everyone else's - but the difference comes from, how we use it. Individuals and companies should be challenged to use the brain differently. If more on the creative right side, then the need is to be more of a logical left. You could try the following: -

As Individuals	For Companies
Be on time for appointments.	Keep promises and commitments.
Practice and plan a step/step approach.	Get the parts and processes working well, together
Time plan each step.	Use time based KPI's.
Have a work space that is ordered and structured.	Reorganise the flows in the supply chain.

If you are more on the logical left side, then the need is to be more of a creative right. You could try the following: -

As Individuals	For Companies
Brainstorm to create ideas.	Look at the whole supply chain beyond first level suppliers
Make visual mind map notes to enable free flowing visual images.	Make a supply chain map of the business and its supply chains
Explore a new neighbourhood.	Explore how to get the people relationships “right”
Try and understand your pet's feelings.	Try to understand how the staff “feel”

The Future: the right or the left sided company?

The optimum and the whole will only of course be found by using parts from all sides of the brain. The concern however is that remaining with traditionally British left side thinking that this will very likely mean that the trends and ways forward for supply chain management are never realised.

This can mean, for example missing a future of:

- A few long term suppliers and joint action teams in the whole supply chain

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- Short production runs with quick changeovers
- Minimal stockholding, JIT type supply through the supply chain
- Being able to serve more demanding customers
- Obtaining right first time quality throughout the supply chain
- Having process and flatter cross functional management structures
- Empowered proactive fire lighting managers
- Continuous improvement and change

The way of thinking and the way the supply chain is structured and managed are therefore critical. The reported benefits of following a supply chain approach have been usefully documented; it will be noted that different approaches give significantly different results:

	No Supply Chain: Functional Silos	Internal Integrated Supply Chain	Plus, External Integration to the first level only
Inventory days of supply Indexed	100	78	62
Inventory carrying cost % sales	3.2%	2.1%	1.5%
On time in Full deliveries	80%	91%	95%
Profit % Sales	8%	11%	14%

It will be seen that by following a supply chain approach, then the inventory costs fall, profit increases and the service fulfillment increases; the “best of both worlds” for the company undertaking the approach. It is very clear therefore that supply chain management “works”.

What is especially interesting here is that the structure of the supply chain is shown. Additionally, the network thinking supply chain that goes beyond first level suppliers and the “future” one of systems thinking should indicate savings beyond those of the supply chains that stop at the first level integration only.

Supply Chain Re-thinking

Thinking differently and looking for more creative and innovative ways to manage the supply chain may be a future only a few companies are able to undertake. For example, moving to more collaborative approaches involves win/win and involves trust; this remains a difficult aspect for left sided rational thinking companies who prefer to use the German word for partnership of partnershaft.

It would seem a possibility that Supply Chain development in the UK may well falter because of the prevalent way of management thinking. One thing is very sure; what worked for many years may not work for many more. Therefore there is a real challenge to learn anew and in so doing, to change. Learning and changing are indelibly connected; you cannot have one without the other.

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