



The Next Generation of Excellence: Agility, Culture, Innovation

Considering the current appetite for 'supply chain excellence', I wonder if it is possible we're focusing on the wrong things? Like cost and asset utilization, trying to become more efficient (faster delivery, lower cost, time to new product introduction) and more effective (asset utilization, higher levels of service, market share, customer retention). These are all necessary drivers of business success but are they the only attributes that define true 'excellence'?

We try to measure 'better-faster-cheaper' by developing indexes based on margin, asset efficiency, inventory turns, supply chain cost as a percentage of sales, or growth. We've created maturity curves to track ourselves against our peers. We use this relative positioning to derive high-value improvement initiatives that will lead us up the maturity curve. 'Here are the next ten steps to getting better-faster-cheaper.'

Don't get me wrong, getting better-faster-cheaper is necessary for survival, but not necessarily a recipe for success or excellence. Improvement work is the stuff of 80-hour work weeks, but is it strategic? Yes, in the sense that continuous improvement is table stakes for company survival, but, no, in the sense that these improvements are by definition within the box.

Creating indexes and maturity models builds boxes that can keep us from exploring alternatives. Consultants and analysts can make money by defining a box and having organizations compete within that box for ascendancy. Own the framework and you own the initiative.

If better-faster-cheaper is not 'excellence', what is? What else is there to measure when it comes to excellence?

Agility as Excellence

What is agility? It is the ability of the supply chain, including end-to-end functions and the partner ecosystem, to adapt quickly to rapid changes in business environments—to respond profitably to risks and opportunities like commodities shortages, emerging markets, emerging product categories, political and economic threats, environmental pressures, sustainability challenges, labor exploitation risks, and technological breakthroughs.

How do you become excellent in agility? How do you measure that excellence?

Agility needs to be designed into your business and supply chain as part of the overall strategy of the organization. Mature, effective S&OP and IBP processes can align all functions operationally to the organization's leadership, allowing the supply chain to pivot as one unit in response to threats and opportunities. Aligning the end-to-end supply chain reduces time-to-execution. A supply chain with "excellent agility" already has the process and

plumbing in place to respond profitably to each new big opportunity and threat. If done right, we can look out over the strategic horizon to anticipate these things and create scenario playbooks to handle them seamlessly when the situation materializes.

Excellence as agility truly starts to approach 'orchestration'.

Culture as Excellence

So much of what is good about excellent companies comes from the culture. Not all companies with excellent cultures have excellent supply chains, but it is hard to have an excellent supply chain without an excellent company culture to support it.

In a recent Gallup poll, 70% of workers in the USA described themselves as 'disengaged' from their work. Better-faster-cheaper may be a good watchword, but it is not a great cultural impetus. Excellence in culture is when everyone in the organization is aligned to a unique value set and actively engaged in working to fulfill that mission. The simple way to measure that is to ask employees, customers and vendors what the company stands for and see how consistent the answers are.

Where is the 'culture index' to rank excellence in supply chain?

Innovation as Excellence

While better-faster-cheaper is an incremental improvement philosophy, 'innovation' changes the game. Excellence in Innovation, whether in process, product, organization or market approach can put your supply chain in a 'blue ocean' position where there are no competitors.

Innovators might ask a totally different and heretical question: "Are the things we do in supply chain adding any value?". Does the customer really care how we transported the product? Is there any inherent value in how we procure, produce and plan? If all that operational stuff went away, but customers still got each product at the price they want when they want it, would anyone miss the supply chain?

Looking at excellence through this lens of 'outside the box' places us into the realm of innovation. We are now asking, "What is impossible?"

Instead of 'How do we move the trucks more efficiently?' innovators ask 'How do we get rid of the trucks?' Instead of "How do we schedule our manufacturing more efficiently?" they ask "How can we eliminate manufacturing?"

Companies that innovate their supply chains have a competitive advantage. Instead of putting up a fair fight in the better-faster-cheaper arena, they define a different frame of reference that puts the competition on their heels. They build a different arena that neutralizes the competitive advantages of scale and stability in the existing supply chains.

How do we measure this ability to think differently about what is possible and what is currently impossible? What is the 'innovation index'?

Does it really matter how efficient and effective we are at managing something that most executives see as a cost of doing business? When we draw a circle around what is possible in our traditional supply chain frame of reference—procurement, transportation, production, and planning—we are playing a small game. None of it adds value in itself. It only adds value to a company if it can be done in such a way as to significantly differentiate from their peers.

We have made great strides in the past decade around building maturity models and indexes to measure what is operationally excellent in supply chain. Excellence in operating within these models has become table stakes to survival. This operational excellence also sets the stage for and enables the next generation of excellence.

The next generation of excellence measurement needs to include agility, culture and innovation to be meaningful. These things will contribute to an organization's success as much, if not more, than efficiency and effectiveness.

Finally, we need to ask different questions to help us break out of our current better-faster-cheaper paradigm. We need to ask what is impossible? How do we do the impossible even if it means making the work we do today obsolete?

How do we measure that as part of supply chain excellence?

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"SPRING HAS SPRUNG"

"If we had no winter, the spring would not be so pleasant: if we did not sometimes taste of adversity, prosperity would not be so welcome."



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