

Jung helps deliver what the customer wants

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Managing supply chains well has become one of the toughest challenges in modern management. As John Gattorna shows in *Living Supply Chains*, companies that get their supply chains right - such as the British supermarket group Tesco - build lasting relationships with suppliers, distributors and customers, and can become formidable competitors globally.

The problem with supply chain management, in both theory and practice, is that it is often geared towards processes more than outputs. "For too long there has been an unhealthy preoccupation with infrastructure and asset utilisation, driven mainly by the obsessive desire to cut costs," says Gattorna. A cost-efficient supply chain is not always an effective one.

Rather than seeing supply chain management - and, by implication, outsourcing - as a means of reducing costs, managers should be looking for ways of enhancing performance and profitability. In other words, the focus should be on creating value, not solely on reducing costs.

Gattorna's answer is to see supply chains not as processes or technological systems, but as living organisations. They may seem uncontrollable and inanimate, he says, "but they are in fact living systems propelled by humans and human behaviour". His premise is that human relationships, not technological or organisational linkages, are what make supply chains work. Accordingly, much of the book is taken up not with flowcharts and technology but with behavioural forces. This may be the first supply chain management textbook to make explicit reference to Jungian psychology, and it is none the worse for that.

Yet the concept of behavioural forces in supply chains is not the most important aspect of the book. At the outset, Gattorna takes the view that the fundamental purpose of a supply chain is not to move goods around quickly and cheaply but to create customer value. "We have all been seeking the Holy Grail of improved operational and financial performance," he declares. "The problem is that we have been looking in the wrong place." The starting point for any supply chain must be the customer. Once customer segments have been defined, the supply chain for each segment is engineered back to the company, keeping customer needs foremost in mind.

The implications are profound. Not only can companies create many parallel supply chains - possibly as many as one per customer segment - but supply chains can evolve to keep pace with customer needs. Gattorna calls this process "dynamic alignment", arguing that supply chains should be capable of endless adaptation and reconfiguration. This sounds a little like the theory of "organisational fitness for purpose" developed by Raymond Miles and Charles Snow in the 1970s, but any theory that businesses need to reconfigure themselves to meet the needs of customers - rather than the other way around - must be worth restating.

There are annoying aspects to this book: too many acronyms and some mixed metaphors that look like attempts to keep up with the latest management buzzwords. Some chapter subtitles, such as "Working with people to deliver the required responsiveness", could mean pretty much anything.

Although important, there is probably too much on the behavioural aspects of supply chains and not enough on the more important notion that supply chains should be engineered backwards from the customer rather than forward from the company.

But the book is often thought-provoking. Not the least of its contributions is to help break down the artificial barriers between supply chain management and other managerial sub-disciplines. Gattorna locates supply chain management at the heart of business strategy, linking it with marketing and with people management. The question is whether he has pitched his case strongly enough to overcome the process view of supply chain management and the "obsessive desire to cut costs".