Change in motion

An analysis of the Top 50 Australian Supply Chains shows Australian companies are undertaking some good, transformational work. ***Anna Game-Lopata*** reports

WITH THE inclusion of service companies, this year's Top 50 list of companies is interesting reading. Online businesses, like Wotif.com and Carsales.com, have elbowed their way in, leaving traditional inventory-based supply chains behind.

According to international supply chain thought leader and author John Gattorna, "supply chains flow through every organisation on the planet", and it's time industry professionals fully grasped and accepted this wider view.

"While we talk about supply chains in an abstract way, in the end they are really the very essence of business and commerce," Gattorna says. "They affect every part of the enterprise.

"This means the aggregation of all the activities, processes and relationships; everything that goes on in the enterprise that contributes to the delivery of both products and services."

Given the global financial crisis, it's significant to note that cashflow was down this year compared to last year's figures.

"The main thing that struck me when I went through the potential list was that there weren't any real extreme highs and many companies have suffered a drop in their Cash Flow Return on Investment (CFROI)," Gattorna says.

"This probably indicates the tougher times everyone has experienced. In addition, just about everyone measured last year has slipped down the pecking order as well, suffering a reduction in CFROI."

Number one on the list last year was the Monadelphous Group with a CFROI of 77.31 percent, while this year it is number six with a CFROI of 53.54 percent.

Other companies in similar situations are Roc Oil, ResMed, Harvey Norman and Ramsay Health.

Another pattern of note is that many companies are clearly undertaking transformational supply chain work. When asked to describe the health of their supply chain, 50 percent of respondents to an online poll conducted by *SCR* describe supply chain management within their business as "excellent". The other 50 percent say their organisation is "in a transformation process".

This seems to be reflected in the top Australian supply chains.

Cochlear, for example, came in at number nine last

year with a CFROI of 21.26 percent. This year the company has made an 8 percent improvement, achieving a CFROI of 30.11, but it has slipped to number 19 on the overall list.

Fleetwood Corporation is also in this position, falling to 17th from eighth, while still achieving a 24 percent leap in its CFROI.

"Foster's Group, 24th on the list last year with a score of 6.67 percent, is now at 42, but has improved its CFROI by 4.2 percent to 10.86 percent," Gattorna says.

"Metcash and Wesfarmers have been doing quite good work, increasing their CFROI by 1.4 and 1.9 percent respectively since last year, despite slipping further down the list in the rankings."

An exception to this pattern is Leighton Holdings. It has soared 10 spots to take fourth after a massive 41.3 percent improvement in CFROI.

supply chains last year. Both achieved good increases in their CFROI and were ranked 22nd and 26th respectively.

"Companies like Coca-Cola and Goodman Fielder, which didn't make the list last year, have been doing good work on their supply chain," Gattorna says.

This also applies to Panoramic Resources and Mincor Resources; both achieved giant CFROI increases of 30 and 26 percent respectively.

"Macmahon Holdings jumped a respectable 18 percent from 7.6 last year to 25.7 percent," Gattorna says.

Ansell, Billabong and Sonic Healthcare, all off the radar last year, achieved modest increases in the range of 8 percent, 2.34 percent and 0.79 percent respectively.

"I think there are two different things going on here," Gattorna says. "Some companies have slipped in their rankings from last year because other

If CFROI has improved you can infer some worthwhile supply chain transformational work has occurred.

Interestingly, high-profile companies like David Jones (9.81 last year, 20.45 this year), have made slight improvements, but stayed about the same overall.

Woolworths' CFROI was 19.71 last year, and it is 20.42 this year. JB HiFi was 38 percent last year, but achieved 40 percent this year.

"Companies we didn't include on the list last year have come in better than the high flyers, even in instances when their own CFROI has dropped," Gattorna adds. "For example, number one on the list, Wotif.com, with a CFROI of 64.8, actually suffered a 42.3 percent drop in its CFROI from 107 percent last year."

This also applies to New Zealand Telecom and Telstra, companies discounted as 'non-inventory' companies have squeezed in, particularly services and online businesses we didn't include in the criteria.

"Slipping down the rankings is not so important," he contends. "It's more about what a company's cashflow was last year compared with this year. If CFROI has improved you can infer they've been doing some worthwhile supply chain transformational work. If CFROI has gone backwards it probably means they've just succumbed to the tough conditions.

"Next year we aim to include companies that manage financial supply chains, such as banks," Gattorna says. "It will be very interesting to see how they perform and how the rankings will be altered by them." ||