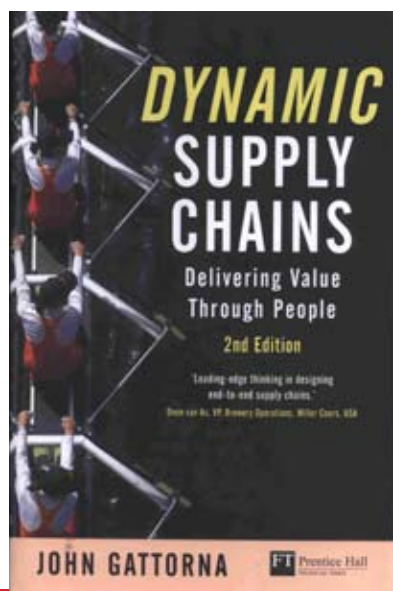


Dynamic Supply Chains

Delivering Value through People

Four years ago I reviewed 'Living Supply Chains', the forerunner to this book. Now author John Gattorna has decided to change the title in the new edition to 'Dynamic Supply Chains'.



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Dynamic Supply Chains
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AUTHOR:
John Gattorna
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THE REASON IS THAT he is of the opinion that the new title better makes the point that in supply chains we are dealing with people everywhere in the form of customers, consumers, end-users, suppliers and third parties. Terminology in supply chain management remains controversial as we are searching for more meaningful terms and Gattorna admits he is heading towards 'value networks' in future, as that probably describes the end-game most appropriately.

Gattorna starts the book with a profound statement that supply chain design and operations are fundamentally flawed. We have largely ignored special needs and wants of customers and we need to develop a new business model for enterprise chains and networks of these chains, based on what customers want. In fact, we need a change in mindset from functional specialisation to the notion that the principles and practices embodied in supply chain and value networks thinking, should become a philosophy that permeates the enterprise, owned and contributed by all functions.

I am of the opinion that sourcing and procurement are logistics functions that should be managed as part of supply chain management and it is great to read that Gattorna suggests that sourcing/procurement should be re-connected to the integrated supply chain. Another interesting comment is that for too long, there has been an unhealthy preoccupation with infrastructure and asset utilisation, driven mainly by the obsessive desire to cut costs. Even today, many executives see logistics and supply

chain management as areas for cost cutting. Yet it is impossible to grow a company by continually cutting costs.

Traditionally, supply chains were seen as a 50/50 mix of infrastructure and information system technology, but Gattorna feels that people play a very important role and that the mix should rather be 45/45/10 – human behaviour, systems technology and asset infrastructure. He continues the argument about the importance of people and suggests that we should "watch the customer, not the competitor".

Organisation design is important but Gattorna is of the opinion that an 'ordinary' strategy well implemented is better than a 'brilliant' strategy poorly implemented. He regards confusing terminology and inappropriate organisation design as the two factors that have most inhibited the development of logistics and supply chain management over the past 45 years.

Similar to the first edition, he suggests and discusses some generic supply chain types:

- Continuous replenishment supply chain: Predictable demand, easily managed through tight collaboration with customers. Focus on retention of customer relationships.
- Lean supply chain: Demand predictable (for example from historic off-take) but the loose relationship does not necessitate an extreme service level. Focus on efficiency.
- Agile supply chain: Unplanned or unforeseen demand, and a sometimes loose relationship with customers – almost always demands

an agile response at higher cost-to-serve. Focus on the service-cost equation.

- Fully flexible supply chain: Respond opportunistically and manage yield. Focus on providing creative solutions at a premium price.

This last type is further split between a business event strategy in an entrepreneurial environment and a humanitarian response strategy in an emergency environment.

Gattorna spends ample time in various chapters on each of the supply chain types while admitting that in real life, pure examples of particular business models or supply chain types seldom exist. The answer lies in hybrid models that combine as example, collaborative and lean characteristics, but he cautions against mixing 'oil and water'.

The real driver of successful supply chains consists according to Gattorna of vital levers: organisation design; positioning of individuals within the structure; processes; IT systems; S&OP process; internal communication

styles; job design; KPIs and their corresponding incentives; training and development; role modelling; recruitment and leadership style.

There is much more to say about this excellent work but suffice it to conclude with an updated list of strategic issues facing supply chains of the future:

- Sustainability in supply chains in the light of pressures for ecological, social and corporate responsibility
- Impact of oil prices on cost-to-serve
- Future practice of outsourcing, in all its different forms
- Wider adoption of supply chain 'principles' by service organisations
- Vulnerability of contemporary supply chains to sudden disruptions
- Rise of genuine collaboration in enterprise supply chains
- Tapping the talent inside and outside enterprises
- Learning to design and manage multiple organisation formats
- Coping with national, regional and global spread of supply chain networks
- Adoption of the whole-of-enterprise

mindset in managing supply chain operations

- Collaborating with 'the enemy'
- Innovation (all forms), product design and product life-cycles
- Learning to manage inherent complexity in supply chains
- Impact of pricing regimes on supply chain performance
- Financial links in enterprise supply chains
- Role of knowledge management in developing intelligent supply chains
- Developing a subculture of continuous improvement in enterprise supply chains.

I found this book particularly useful as we are currently developing a new supply chain management strategy and the concepts that Gattorna explains, fit the different supply chains in World Vision perfectly. This is probably Gattorna's best book and clearly reflects his experience and wisdom developed over many years. Indeed it's a book that you should not only have, but read as well! •



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