



## Faster cadence of the entire enterprise will lead to improved supply chain responsiveness

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We have been witness to a relatively chequered history in the configuration of enterprise supply chains over the last 50 years. Conventional wisdom in supply chain design has been dominated by a 'one size fits all' mentality, in a futile search for a single, ideal, supply chain configuration to serve all comers.

In contrast, my team and I have gone in search of a multiple supply chain solution, on the understanding that not all customers share the same buying behaviour. We now know that we can achieve up to 80 percent coverage of a target market by focusing on just 4-5 different customer segments, with the corresponding 4-5 supply chain configurations. We call this framework or heuristic 'dynamic alignment', because it also caters for customers changing their buying behaviour under varying conditions.

What became clear in the early days of our research (late 1980s) was that the default supply chain configuration was 'lean'. But as the world speeds up all around us, to different degrees in different industries, it is emerging that there is a second default supply chain configuration sitting on top of lean, ie., agile. And although the two are opposites, they have to work in parallel.

It is also clear from our research that the incidence of *demand volatility* is rapidly increasing across a broad range of product/service categories, and this is placing immense pressure on the supply-side in particular. Hence the rising demand for agile protocols.

We still need *collaborative, campaign, and fully flexible* supply chains operating in parallel with lean and agile, but the proportions are changing in favour of a bigger agility presence.

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This increasing incidence of volatility in many global, regional and local markets requires companies to accelerate the *'clock-speed'* of the entire enterprise to the point where it is in *synch* with the new market conditions. In many ways, this is how Zara operates now, at least the customer facing part, where every component of the organisation works at high, albeit uniform speed, all or most of the time, because it's business is in fast fashion apparel, subject to the whims of fickle consumers. The rapid onset of eCommerce is exacerbating this trend for instant gratification.

The great advantage of a faster *'clock-speed'* is that the decision-making right across the enterprise inevitably accelerates, the objective being to get inside the decision cycle-time of competitors as per the OODA loop developed by the US during the Korean War to improve their success in aerial dog-fights. The same principle applies in the commercial world if you are to defeat competitors.

The question is: how do we achieve, and then hold the enterprise in this *'extreme condition'*? In short, it is a matter of breeding a new *high-speed subculture*, embedded in all functions right across the entire enterprise.

There are twelve (12) levers to work with, but the primary lever is 100 percent commitment from the leadership team. If this is present, anything is possible. Everything flows from the leadership style as evidenced by Inditex/Zara under the stewardship of its Founder, Amancio Ortega.

The other 11 capability levers available to us for shaping the desired faster *rhythm* style of subculture across the entire enterprise are as follows, roughly in priority of impact:

1. Change the organisation design to a combination of vertical specialisms (functions), working in *synch* with horizontal multi-disciplinary teams focused on particular customer behavioural segments;
2. Re-engineer all the processes in the company and eliminate any that are not value-creating. The focus must be on results, not the process *per se*;
3. Set up a limited regime of KPIs for both the vertical specialisms and the teams managing the horizontal supply chain flows. These should largely be joint KPIs, shared by the respective teams to encourage closer internal collaboration in the way each team works;
4. Carefully select the appropriate technology combinations (transactional systems supplemented by point applications) that work together to underpin the new requirement for universal speed across the enterprise;
5. Set up the appropriate S&OP planning regimes. Remember, in this new volatile world, the focus is on forecasting capacity' requirements rather than individual SKUs;
6. Design roles for personnel, rather than write rigid job descriptions;
7. Set up incentives for individuals and teams that are aligned to the KPIs selected for the purpose of achieving greater speed;
8. Encourage and reward open communications everywhere;
9. Recruit personnel with a mindset which will thrive in the fast-moving environment, where decisions have to be made quickly, sometimes with limited data;
10. Initiate training and development programs that focus on fast decision-making based on *'analysis at speed'* and preparedness to take risks;
11. Introduce the notion of 'role modelling' so that personnel working in this volatile fast-moving environment have someone they can look to as a reference point in terms of ideal behaviour;



Having addressed the functioning of the wider enterprise, we can now adopt clever techniques across the entire supply chain network itself [incl. Procurement; Manufacturing; and Logistics]. Some, although not all techniques are listed below. It is up to the creativity of individual enterprises to work out the best combination in any given market. The overall aim in adopting these techniques is to significantly reduce the lead-time, from concept to consumer/user. A good starter list is as follows:

Product Design: CAD; modular;

Customer/consumer markets: segment along behavioural lines;

Procurement: Place advanced orders based on capacity rather than a forecast of the individual SKUs; segment suppliers along behavioural lines;

Manufacturing: CAM; robotics; 3D-printing; Group Manufacturing; Flexible Manufacturing Systems; adjust in-house vs outsourcing ratio; removal of process bottlenecks;

Logistics: Postponement; process improvements; network optimisation modelling; staged release of products into target markets;

For faster decision-making, we need an IoT strategy that makes the company fully digitised, and involves identifying the data to be collected in order to run the entire corporate supply chain network at a faster pace.

The advantage of going fully digital is that it is a pre-condition for adopting blockchain protocols, with all the attendant advantages of faster cross-border flows, transparency, traceability, and sustainability, all being properties which will increase clock-speed.

Once faster clock-speeds are achieved, the benefits will flow, ie., higher customer satisfaction; increased revenues; higher margins; lower markdowns and/or obsolescence; and overall improved 'alignment' with customers and consumers. In other words, 'the best of all worlds'.

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