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The Supply Chain Revolution: Innovative Sourcing And Logistics For A Fiercely Competitive World



THE
**SUPPLY
CHAIN
REVOLUTION**

INNOVATIVE SOURCING AND LOGISTICS
FOR A FIERCELY COMPETITIVE WORLD

SUMAN SARKAR



Synopsis

When CEOs think about the supply chain, it's usually to cut costs. But the smartest leaders see supply chain and sourcing for what they can be: hidden tools for outperforming the competition. Steve Jobs, upon returning to Apple in 1997, focused on transforming the supply chain. He hired Tim Cook - and the company sped up the development of new products, getting them into consumers' hands faster. The rest is history. Across a range of industries, once-leading companies are in trouble: Walmart, IBM, Pfizer, HP, and The Gap to name a few. But others thrive. While competitors were shutting stores, Zara's highly responsive supply chain made it the most valued company in the retail space and its founder, the richest man in Europe. The success of TJX, Starbucks, and Airbus, is fueled by supply chain and sourcing. Showcasing real solutions, *The Supply Chain Revolution* will: Improve customer satisfaction and increase revenue Make alliances more successful Simplify and debottleneck the supply chain Boost retail success by managing store investment Drive excellence Technology is disrupting business models. Strategies must change. *The Supply Chain Revolution* flips conventional thinking and offers a powerful way for companies to compete in challenging times.

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Customer Reviews

In the constant and often obsessive search for profit and growth, I think it would be fair to say that few CEOs think of their supply chain and sourcing as an obvious area for their attention.

They are far more inclined to look to a change in business model, strategy or geographic reach to meet their objectives. The value of this book lies in Sarkar's cogent argument that will turn your understanding of supply chain from something "having about the same sex appeal as broccoli" into an area of immediate concern. The "Supply Chain Revolution" covers both the opportunities in supply chain and sourcing in some depth, but I will focus only on a few aspects from each. When the late Steve Jobs returned to a failing version of the company he founded, he set himself three goals. The first was, as to be expected, to improve Apple's product line. The second was to improve its marketing - also to be expected. But the third, was to transform Apple's supply chain, not as an after-thought, but to save the company from going to the wall. As the author, Sarkar, explains, Jobs cared about supply chains because he knew the price Apple was paying for having one "so shoddy and slipshod." To address this critical area, he assigned Tim Cook to the task, the man who has succeeded Jobs as the CEO. Cook reduced inventory from months to days, and forged long term deals with Apple suppliers for key components. This enabled Apple to become exceptionally fast at getting new products to consumers, causing sales to spiral upward. Much of what we commonly understand by supply chain is based on Second World War methods, designed to get supplies to the end-users as fast as possible. Hitler's failures in North Africa and Stalingrad were partly caused by supply breakdowns. Given the successes of the Allies' supply chain management and sourcing techniques, they have been adopted by organizations of all types. However, in most organizations they have not changed fundamentally since World War 2, even in huge companies. Those who have recognised the value of constantly examining and upgrading their systems, have reaped great benefit. Retailers everywhere are under constant pressure, and many great brands have folded. In contrast, Zara, the Spanish clothing retailer with almost 7,000 stores in 88 countries, is thriving. This remarkable achievement is not based on the fashion flair of its founder, Amancio Ortega, the richest man in Europe, but on his attention to Zara's supply chain. The retail clothing store, Gap for example, takes between 9 and 12 months to get its new designs into its 4,000 stores in 52 countries. Zara needs only 10 -15 days! Zara is a perfect illustration of the connection between a company's Functional Strategy, (the way of functioning that causes its strategy to be successful,) and its supply chain. Ortega's view of clothing is that they are "perishable commodities like fruit: people change their styles frequently, depending on their whim or some fashion trend." Ortega's strategy is to feed that whim through Zara's ability to get new designs to customers in a week or two. In neither the case of Apple nor Zara is their supply chain thought of as backroom grunt-work, but a strategic imperative that

requires attention and respect. Author Sarkar's obvious depth of knowledge and experience shines through the book. It provides a host of insights into where attention needs to be focused, to derive profit and growth benefits from one's supply chain. Understanding supply chain as the process by which materials are received and goods delivered, is a very narrow view. Coupled to one's supply chain thinking must be the company's procurement approach, and more specifically, sourcing: the supplier selection and management. There are two broad approaches to dealing with suppliers. One is to bring the function inhouse either through developing the needed capacity, or by buying the supplying company. Google, Tesla, Microsoft and Pfizer are cited by Sarkar as companies using this approach - which has not proven to be a great success. The losses they have incurred make this point. The other approach is the through the formation of alliances with suppliers. An alliance differs in material ways from simply choosing a supplier, based on its ability to deliver on a company's current needs. Rather, it involves a long-view commitment to making the alliance successful, which only begins, not ends, with the signing of the agreement. This is an art of forging and maintaining an alliance. It involves seeing the supplier as an ally, and working with the supplier company to achieve your goals, and theirs. Suppliers come and go, allies are expected to stay and work together. Starbucks, the giant chain of 20,000 international coffee shops, owes their success in large part to the alliances forged by its founder Howard Schultz. Starbucks has used these alliance in key areas of business. The first is discovering, sourcing and then marketing speciality coffees. By treating its alliance partners fairly, it ensures a sustainable supply of coffee to support a growing business. This includes developing alliances with booksellers to open outlets in their stores, and with Apple to play music in Starbucks coffeeshops. Many have alliances with their suppliers and intermediaries, but they fail. Making your supply chain effective across the many allies in the supply chain, requires work: commitment and ongoing attention. This attention is as much to the relationship with the ally, as to the process you require and jointly craft. Thinking you don't need allies has proven a mistake many make, of which Nokia is an example. It refused to partner with wireless operators and enter exclusive arrangements with them. Samsung, by contrast allied with Verizon, LG with AT&T, as did Apple. But as Sarkar makes clear, whether the resources you require are inside or outside your company, the sophistication and ongoing development of the supply chain, will determine profitability and market share in very significant ways. This is not a book directed at the operations executive alone, but at the whole of the executive team, and the CEO in particular. Readability Light ----+ SeriousInsights High -+---- LowPractical High -+---- Low

*Ian Mann of Gateways consults internationally on leadership and strategy, and is the author of the recently released Executive Update.

Suman Sarkar is probably right when suggesting that “most CEOs continue to ignore supply chain management and sourcing. One result, not surprisingly, is that the state of the art in these two fields has not changed much in 20 years. In fact, today’s practices are not much different from what they were in 1945 when war forced the then-modern discipline of chain management into being.”

Please re-read this opening paragraph. * * Done? Thank you. Let’s proceed. I cannot recall a prior time when the global marketplace was more volatile, more uncertain, more complex, and more ambiguous than it is today and I am certain that it will become more so in months and years to come. Moreover, channeling Charles Darwin, Sarkar observes, “We are entering a time of testing for business leaders: Those who can evolve will survive; those who cannot won’t.” In an era when management will need to exploit every competitive advantage it can find, leaders will continue to think of supply chains and sourcing only in terms of cost reduction will be at a serious disadvantage. Success will come to leaders who learn to see them as potential drivers of revenue growth, innovation, and risk reduction.

Challenges must not be viewed in terms of supply chain and sourcing issues. Rather, as *business issues* and addressed as such. Business leaders must understand that enterprise architecture as strategy is needed to create a foundation for business execution. Effective as well as efficient supply chain and sourcing require business process integration and business process standardization. In short, enterprise architecture is not an IT or systems issue - it’s a business issue.

These are among the several dozen passages of greatest interest and value to me, also listed to suggest the scope of Sarkar’s coverage:

- o Benefits from excellent service (Pages 15-16)
- o “customer service advantage” (16-18)
- o Best Buy’s challenges with customer service (18-19)
- o The Boeing supply chain (35-36 and 39-43)
- o Innovation delivery (35-56)
- o Moving to Demand-Driven Supply Chain (51-54)
- o Should-cost model (65-67)
- o Unblock the supply chain (81-82)
- o Unblock at Apple (81-101)
- o Organization silos (96-97)
- o Fixing Supply Chain Bottlenecks (98-101)
- o Macy’s Challenges with Store Investment (109-110)
- o Costco’s Approach (110-112)
- o Reducing Store Costs (115-122)
- o Integrated facilities management 160-169)
- o Technology-enabled supplier management (168-172)
- o Defining Excellence (186-187)
- o 360 Triangulation (187-190)
- o Sustainable facilities management (201-204)
- o Sustainability of change (207-208)

In this book Sarkar provides an abundance of information, insights, and counsel that will help business leaders in almost any organization “whatever its size and nature may be” to achieve strategic objectives. More specifically, HOW To Increase revenue with help from supply chain and sourcing (e.g. drive customer satisfaction through excellent

service) o Reduce business risk through effective operations (e.g. debottleneck the supply chain) o Improve profitability from areas that are currently out of scope for sourcing organizations (e.g. enhance marketing efficiency) o Drive business excellence with help from sourcing (e.g. commit a team to setting high standards, formulating analytics, and maintaining strict oversight) The "chain of links" metaphor correctly suggests that business operations rely on a series of links, and any one of them could either preclude success or at least ensure that achieving success will be much more difficult. Like the parts of a watch, the links may be separate but they are interdependent. Also, most organizations today have a chain with links that are "both internal and external." The most common supply chain exists to obtain material from suppliers, move it through manufacturing or assembly, and then distribute to customers. There are also variations such as obtaining finished products from OEMs and then distributing them to re-sellers. The automobile offers an excellent case in point. The best chains have both the right links and the strongest links because they have the best sourcing personnel, policies, and procedures. Business leaders face challenges of various kinds each day. Change initiatives may be necessary but they are never easy and that is especially true when the given supply chain is multicultural and international. I commend Suman Sarkar for providing a much-needed challenge to what has been the status quo for supply chain and sourcing practices for more than 70 years. It would be a fool's errand to attempt to implement all of his recommendations. However, in my opinion, his book offers the single best source for guidance when at work on innovative sourcing and logistics for a fiercely competitive world.

I came into the Supply Chain Revolution as a marketer and brand identity consultant who is accustomed to dealing almost entirely with the front end of operations, i.e. how a company is presented to its target audience and motivating them to make buying decisions. Rarely have I ever had to consider the large scale, behind-the-scenes operations of what makes major companies work (and therefore ensures that there is a product to be sold at all). Sarkar's book was an invaluable asset for someone like me seeking to expand my entrepreneurial prowess and become a more integral part of the operations of companies I consult with. I look forward to where this new knowledge might take me. In fact, I just might launch my first physical product soon.

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