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Fight Barriers To Make Supply Chain Cost Reduction Stick, Says Jim Ayers of CGR Management Consultants

Supply chain cost reductions often end in failure and frustration. Rather than enrich, they disrupt and impoverish the companies that sponsor them. Top management gave its support. The smartest people were assigned. The consultants were the best, at least their fees would indicate as much. And the latest technology was installed. Yet, after months or years, results are non-existent.

In Supply Chain Management Review (November-December 2003), Jim Ayers, author and supply chain expert, describes ways to avoid this fate. According to Ayers, there are six root causes for supply chain cost. These are too little cost visibility, variability in processes and demand, poor product design, failure to share information, weak links in the chain, and unintended consequences from well-intended actions.

While managers think they are tackling root causes, unseen barriers frustrate their efforts. Ayers describes five that remind one of a “Management 101” course. But their simplicity doesn’t diminish their relevance and the frustrations they cause, particularly when the goal is reducing cost in a multicompany supply chain. The barriers and Ayers’ recommendations follow.

1. Failing companies don’t follow through on their own plans. They must master project management basics and assure that senior managers are on board.
2. Confused managers understand neither the problems nor the solution, particularly if the solution involves information technology. An organized, graduated approach will discover where information technology can really make a difference.
3. Fuzzy or wrong objectives make people do dumb things. Ayers recommends broad measures of supply chain performance, beyond limited company and department level measures. The most important, and often the most overlooked is flexibility.
4. Boundaries limit influence. Internal boundaries are frustrating enough. But company boundaries require multicompany teams that become forums for collaboration. Ayers recommends a “divide and conquer” strategy. Most companies have not just one, but several supply chains. Tackle the most important for fast payback with less risk.
5. Rigidity limits how fast a company responds to changes. Mot rigidity problems are “between the ears” of managers who block change. Changing their mindsets and making timely project course corrections are recommended solutions.

For the full article, go to:

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