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Moderator questions in Bold, Respondents in Regular text.

KEY: Unable to decipher = (inaudible + timecode), **Phonetic spelling** (ph) + timecode), **Missed word** = (mw + timecode), **Talking over each other** = (talking over each other + timecode).

Clive Stewart: Good morning everyone, and welcome to today's webinar on supply chain strategy. My name is Clive Stewart, and I lead the Supply Chain Resilience and Development Team in Invest Northern Ireland. We are a team that offer free, specialist supply chain support to companies, and you'll hear more about it on today's webinar. I am joined by my colleague, Jimmy Moore, who will be presenting the material today. This webinar is part of a series of webinars that we are currently running to cover key aspects of supply chain management. Today's webinar will give you some insight into the importance of developing a supply chain strategy, and some useful tips on how to develop one in your business. We will also highlight how our supply chain support can help you moving forward. We will now go through the presentation, and there will be question and answers afterwards.

Jimmy Moore: Welcome to today's webinar on supply chain strategy. Supply chain support from Invest Northern Ireland is provided by the Supply Chain Resilience and Development Solutions Team, or SCRDS for short. We are a team of supply chain professionals, seconded from business, and experienced in implementing supply chain improvement in a wide range of industries. Our role is to work with businesses to analyse what they do, advise where development is possible, and provide mentoring and support through projects to deliver tangible value and cost savings. We can also provide financial support for a supply chain role in your company to deliver supply chain improvement if the resource or skills do not exist at present. Today we will be addressing how a well-developed supply chain strategy can help your business achieve its goals and objectives. By the end of the webinar, you should understand what supply chain strategy is and why it is important, confirm the benefits of having a supply chain strategy and what it is you should consider when developing it, step through the how it is done, along with some examples of existing models, and finally, if you feel this is something you wish to pursue, we will confirm your next steps. So why should you consider inducing (ph 02.13) a supply chain strategy? Most companies do this because they have internal pressures driving a need for change, for example, a push for sales growth or increased margin. Industry factors are also important, new competitors entering the market, improved technologies, and of course, sustainability. A third category, which has become more, more of a priority in the past three years, are external factors, such as geopolitical events, and more recently, high inflation. All of these factors can drive companies to consider whether change is required, and how they execute their supply chain activities, in other words, their supply chain strategy. Taking a step back, let's look at what supply chain strategy is. In very simple terms, it is how the supply chain will support your company's broader strategy. The other key factor is around what needs to change to achieve the company's objectives.

Supply chain strategy sometimes gets mixed up with tactical, tactical management. Some of the key attributes of supply chain strategy are, a focus on planning for the future, whether that be the organisation, the supplier base, or the systems you use. Tactical management is about the day-to-day execution of the supply chain function, and the quality of its outputs. Although they are not the same, they are intrinsically linked. Strategy is no good without good execution, and vice versa. Another way to consider strategy is for a company to reflect on what it needs to change for them, them to continue to be successful. For example, what do we do, and what will we need to do in the future? What is happening in our business environment? Would our business results today be good enough to thrive in five or-, five or ten years' time? And most importantly, what changes do we have to make to achieve our plans? For those people, like myself, who prefer a flow diagram, here's what supply chain strategy looks like. As already stated, it needs to start with the company's overlaying strategy. This will form the medium and long-term goals for the business. These in turn will filter into the supply chain function, supported by data analysis, which form the basis of the supply chain strategy, and the plan to implement. Now that we know what it is, how do we develop a supply chain strategy? This is three broad steps, data analysis, definition of the strategy and objectives, and implementation. As with data gathering in all aspects of business, there are many sources. So choose what is relevant to you and your industry. Here are just some examples of what you may consider. One area that has increased in priority recently is, of course, identification of supply chain risk. Where, where stability in supply chains was assumed in the past, companies are now identifying key risk factors and regularly collecting data to gauge whether a change is needed in how or where they buy materials and services. Other than risk, the data required is usually fairly consistent and easy to access. Main categories you should consider are around your customers, your own performance, what is happening in the market, and what is trending.

Once you have decided on what is salient to you, and gathered the data, there are again many tools available to provide the insights you are looking for. Your business strategy will of course be the starting point, and this can then inform where you want to focus your attentions for further analysis. As with data gathering, there are many methods for doing this, and these are just some of them. When carrying out this analysis, it is important to look at industry trends, to make sure you're preparing not just for now, but for the most likely future. This may include considering how sustainable your materials will need to be, confirming whether your current suppliers will be able to collaborate with the systems you plan to introduce, or finding out what third-party logistics providers will offer in the near future. Another area where analysis is important is around current technology. Supply technologies are constantly changing and improving, so it's vital you understand what is possible and available, to help you be as efficient and effective during (ph 06.37) your supply chain goals. Finally, you need to understand what the competition is, and what they most likely intend to do. There are many sources of information for this-, for this competitive analysis, and most of them are online, and many of them are free. A little time spent researching this area can have substantial results. Once you've analysed the data, you can then document your conclusions and insights. These can be used to ensure your supply chain strategy is as well formed and relevant as possible. Now you're ready to formulate your strategy, and the objectives that flow from it. Because of our structured approach, it will already be reflective of what the business needs, it will be informed by relevant and pertinent data, and it will be specific to the supply chain function. Here are a few examples of what the strategy objectives may look-, may look like. A simple and very common example is where the business wants to increase margin through reducing costs. The supply chain strategy here would be to reduce the cost of purchased materials, the corresponding objectives being to introduce

cost reduction methodologies, such as category management, competitive sourcing, and warehouse optimisation.

A more specific example is if the company wants to grow sales by reducing lead times. Lead times that the competition will find difficult to match. The supply chain strategy will need to drive reduced lead times for purchased materials, and the methods used here could include reshoring, or some form of vendor inventory management. These are just a few examples of what's involved in developing your supply chain strategy and objectives. There are, of course, many different business strategies, and it's good practice for supply chain professionals to understand (mw 08.24) response, and the tools that can be used. Now that the strategy and objectives are defined, the next step is to plan well. This should include regular reviews with the wider strategy team, and of course lots and lots of communication to all areas of the organisation. Strategic KPIs should be designed and introduced at this stage as well. This is because we need to know if the strategy is suitable, and also if it's been successful. If not, you will need to back through this process, and change it. Balanced Scorecards are a useful tool when considering company-wide strategic results. Finally, the supply chain organisation needs to be reviewed, to ensure it is-, to ensure it is suitable for where the company is headed. This is in terms of the numbers and skills, and any skill gaps can be included in the company training plan at this stage. As is probably clear by now, implementing a supply chain strategy takes quite a lot of effort, so what can you expect in return? Some of the obvious benefits are in terms of efficiency, reduced costs, and better delivery, which are all important for a business to thrive. Less tangible results are around improved partnership relationships, and increased innovation. However, probably the most important result of taking the strategic approach is that the company, and the supply chain, will be far more adaptable to change. And change is happening a lot recently.

So, to move forward you need to ask yourself, 'Do you know the direction you're moving?' and if you have a plan to get there. Many people don't. If not, there are existing models to help you take the next steps. Some of these are, the EFQM model, the SCOR framework or SCOR, the Gartner supply chain strategic strategy framework, and the CIPS five-year strategy temp. The EFQM model is widely used by companies to introduce and develop strategic planning in their organisation, it is a place where a lot of companies start. It focuses on what will influence success, called enablers, and the results the company wants to achieve. This analysis is then used to provide insight into where the company needs to change. Partners and suppliers of supply chain are part of the approach, but not the centre and the heart (ph 10.48) of it. This is more to get you started in the company-wide strategy development. The Supply Chain Operations Reference Model, or SCOR, is a more supply-chain focussed model. Its approach is to focus on, and define, process architecture, in a way that aligns with key business functions and goals. Like the other models, it breaks down into the different sections to categorise the changes that are required. The SCOR model focuses on performance, process, practices, and people (ph 11.19). The Gartner Supply Chain Strategy Framework is more for companies who already have a strategy, but want to improve it. It breaks down the different elements of your strategy into categories of, supply, demand, sense or data gathering, and delivery, and this then forms a matrix. This matrix is then a very good visual tool to help you see where there are gaps, or changes are needed, and more resources or skills are required. Finally we have the CIPS five-year strategy template. It's a simpler model, similar to what we've described during

the presentation, but it's still very effective, and a good place to start for many companies. It also has a good graphic representation of what is included in your strategy, and this is good for communication throughout the organisation.

Hopefully now you have a better understanding of the elements of supply chain strategy, and that you're better equipped to decide what is most important for your business. If you would like more, more information on this topic, or you're unsure how your supply chain function is performing a function, a good place to start is to fill in our supply chain checklist. It covers some of the areas discussed today, and provides a framework for an initial conversation with one of our team. Then, feel free to get in touch with us as supplychainquery@investni.com. We will make contact, and set up a quick call to discuss the problems you experience, and take it from there. Thank you for your time this morning, I hope it has helped, and look forward to hearing from you soon.

Clive Stewart: Thank you, Jimmy, for taking us through those slides. We've got a couple of questions coming in at the minute. The first one is really, 'Where do I start to build a supply chain strategy?' or, 'How do I go about doing it?'

Jimmy Moore: I think, Clive, as it, it said in the webinar, it-, the important thing is to first figure out where the overall business is going. A supply chain is a support function, so likewise, the supply chain strategy, when you're gonna develop one, needs to support what the business is doing. That means, you know, knowing where, where-, what direction is the company going? You know, is it going after sales growth? Is it going after a product or a market diversification? Is it-, does it need to reduce its costs, you know, and, and, is going through some lean or Six Sigma type strategy? And once, once you've figured that out, it might be one or, or, or many of those things, like, you know, and once you've figured that out, and you've got details of what's included, then you need to figure out what your supply chain needs to do to respond to it. You need to figure out, 'Well, for those things to succeed, what does the supply chain function need to do to enable that, that success?' And once you've got that goal, or, you know, that, that visibility of what you need to do then, like, you know, the, the main thing to do then, to start, is to do your data gathering, as we said in the-, in the webinar, or in the presentation. You need to look at, basically, your short, medium, long-term (ph 14.28), first of all your performance, what the situation is. So short-term it's all about, 'Well, how are you doing? How's the supply chain doing at the minute? Is it able to deliver? Does it have the standards that are required?' And then it's, it's into the medium and longer-term stuff about, you know, 'Well, what's-, ' as we said, you know, 'What, what is in the markets? What is in the environment, in the supply chain, what type of (ph 14.49) technology?' and all those types of things, but you eventually-, Now those are your starting points, but what you're, you're-, you need to have, like, a vision of where you're gonna go and, you know, where you're wanting to be, from a supply chain point of view, is, you know, in four to five years' time, if you're only starting on the journey, is for your supply chain to become part of, you know, an integral part of your, your company strategy.

That way when people see it as somewhere (ph 15.13), it's not just something that's a function to ensure

the factory runs, or that you've got stock on the shelves, it's more to do that it's a function that delivers value, and, and delivers profitability, and seals (ph 15.23) growth, and all the other things that other functions in the business do.

Clive Stewart: Yes I, no, I, I fully agree. I think risk is another big factor in terms of looking at as part of the strategy, and making sure that, you know, we often find companies don't fully understand or assess the risk that's in their supply chain, so having, having that as a key element within the, within their strategy, to be able to understand it, and address it, and mitigate it, is a, is another important factor. Just as a reminder to the audience again, you can raise your questions through the chat function on the system. So the next question coming in, Jimmy, is, 'What are the pitfalls of not having a strategy?'

Jimmy Moore: Well, that's about, well, how do you-, how do you know that you're going to, you know, once you know what the company wants to do, if you don't have a strategy, how do you know the supply chain's able to deliver what's required? I always go back to, you know, that the simplest, you know, like, the, the simplest sales strategy that companies have is sales growth, you know, our, our growth in, like, pots (ph 16.31), whatever it is, the factory. And, you know, the, the, the most straightforward and, and simplest impact of not having a supply chain strategy will be in inventory then. So, like, if there's a, a sudden increase in sales and you're not part of that discussion as such, you know, and you don't know what, what's happening, then you're gonna end up holding far too much inventory of some things, and you won't have enough of others, depending on how your supplier performance is. You won't know whether or not your suppliers are capable of that growth. It might well be that you, you know, you're gonna grow a certain product line by 40% or 50% and that's what the target is, but if you're not-, there's not a supply chain strategy, and you're not involving your, your partners, then how do you know whether they've got capacity to do that? Do you need to go out and get new suppliers, do you need to help them, you know, increase their capacity, do they have-, do their suppliers have the right amount of capacity to do what they need to do?

Clive Stewart: Yep.

Jimmy Moore: And then there's other sort of issues like, you know, well, are there any materials, is there MPD as part of this strategy, you know, do you need to go out and get new, new, new suppliers? And, and that's, that's all sourcing, and sourcing is, is difficult. It, it, to get it done right, especially as it's a lot riskier now than it was, you know, three or four years ago. So, again, something needs time, it needs effort, it needs skill, and, and so if you don't have a strategy, and you haven't identified that somebody needs to be doing that, then you'll get (inaudible 17.46) will fall on its face. As you said in, in the previous answer, Clive, like, risk is a-, is a big thing now as well. So, like, if you don't have a strategy, or if you don't have a strategic approach, then, you know, it's not something you're gonna be looking at. You, you're gonna be continuing fire-fighting, and, you know, there'll be a tactical approach to how you manage that risk, and you've probably won't even have identified what the risk is, you're continually just responding to it. And that, that drains staff resources, it's, you know, it, it means the company doesn't succeed as well as it could. And then, I suppose the other most, you know, simple or practical aspect of

having a, you know, the, the things that you see if you don't have a strategy, is that your tactical performance doesn't improve, or it doesn't perform the way it should, if you don't have a strategy. So if you don't have the focus on spend, your strategic focus on spend, then, you know, you're not-, you're not gonna have a proper control of it. You know, 50% (ph 18.36) of most companies' spending is purchased items, so, I mean, if you're not looking at that, then you're not gonna, say, be looking at ways of, of, I mean, how to reduce it, then, you know, and not allocating any resource to do it, then you, you're not going to improve. Your suppliers, you know, how, you know, if you don't have a strategic approach, how are you gonna make sure that your suppliers are doing what they're meant to be doing and, and improving all the time.

And then just, you, your, your supply chain efficiency. How does your, your, your purchasing function, your warehouse function, your distribution function, if you're not looking at how those things are gonna change in the future, and, and things are constantly changing, then how do you know, you know, that they're gonna be able to perform? And a lot of the time they don't if you don't do that type of planning.

Clive Stewart: Yeah, no, I, I fully agree. I think you mentioned about spend, Jimmy, there. I think, you know, what, you know, to, to me, you know, the supply chain, in terms of the supply chain spend is typically over 50% of the cost of sales, so organisations who are the bigger spenders and, and particularly in today's cost-conscious environment, it's really important they have a proper strategy for looking at that, assessing that, ensuring it's competitive, resilient, agile etc. that you've mentioned, you know. So that's a, a, another really key part of this is, as you go forward, for, for companies. And I think the ability to deliver, to make the supply chain fit for the future, in the sense of being able to support where the business is going, is another key part. So it's directly enabling as opposed to, you know, as we've seen in some cases, potentially maybe an afterthought, or it's a, you know, it's not top priority, it comes after other things have been decided, rather than being a key, integral part of the decision-making process. The, the next question is mentioning, it's around skills, and it talks about, you know, it says, you know, 'Supply chain skills are, are, you know, are, are quite short, or in, or are in demand at the minute, there's a short supply, especially in the area of strategy. You know, how do I develop my own and, and my team's skills?'

Jimmy Moore: Well, well, first of all, like, it's, it's a case of deciding you're going to go ahead and, and do this, and have a look. You might-, a lot of time, like, if it's just planning and, and, data analysis, and the data gathering, and, you know, and figuring, figuring out what you need, like, you know, if you're a company that has already gone through some sort of strategic planning, it's the same approach for, for supply chain, so the, the skill probably resides there. It's actually (ph 21.08) whether or not you can get that freed up and, you know, allocated to the supply team resource. We can support that type of thing, so, that's, that's part of what we do as a, as, as a team, you know, we go in and we help companies figure out, first of all, you know, is, is that strategic approach the what's important now, like, it, you know, it might not be that, you know, some tactical things have to be fixed first of all when we first go in, like, but if, if, if there is time, and there is resource within the company to spend some time on this, we can provide support for that. We, we can sit down with the relevant people, whether it's the managers, or someone, you know, somebody else within the company, to show them how you go about this, you know, basically

the steps that we went through in the webinar, we, we walk them through it, we take them through it. And if there are, you know, that will probably show up that there are skill gaps within a supply chain function itself, again, that's something we can help out with. There's some stuff we can help directly, there's other, like, there's the webinar series, where we've got good material, we can take people through and then help them with it. And if there are other gaps that, you know, we can provide you, we can work along with the skills team in Invest Northern Ireland to provide some sort of support for that type of thing, or point in the direction where you can get it, but again, we can facilitate that, we can-, we can take people through the process of getting that done. And then, once you-, once you are clear that the skills are, are there, then, you know, it is a rather daunting thing to do for the first time so, like, well, we can provide support on, you know, on doing-, your first go, you know, we, we'll walk you through it, we'll hold your hand.

And then we'll take you through and, and point out maybe where there could be a little improvement, and, and identify as well where you're doing well, and, and help you with all the pitfalls and, basically, remind you when you need to do-, you need to do some work on it, that type of thing. You know, there's a bit of project management to it as well, like, you know, that's-, companies, they're, they're busy, you know, so everybody's busy at the moment (ph 22.59).

Clive Stewart: Yep.

Jimmy Moore: So if they need a bit of help, and, and being reminded that this is important, like, so-, and that, that's a role we can play too, to help project manage (inaudible 23.05).

Clive Stewart: Yeah, and, and I-, and I think, you know, it's all-, those are all very, very relevant in a sense, and, and particularly, you know, as, as you mentioned there, you know, the support that we can provide, you know, doing that facilitation, that coaching and mentoring with organisations. And, and I guess also the ability to provide some potential templates and, and, and, you know, I know presentations or whatever are there to actually support the business to accelerate through, I suppose what I would call that supply chain improvement plan, ultimately, and, and that side (ph 23.38). Okay. The next-, the next question we've got is, 'How do you know if your strategy is working?'

Jimmy Moore: Well, again, as part of the, the presentation I gave, we identified that, you know, one of the steps that you have to have, and, and all Six Sigmas have this, is, is your results. You have to have identified, well, what do you expect to get out of this? What's, what's it gonna look like when, when you do it? So that, that means you're gonna have some sort of results package there, whether it's in KPIs, or a dashboard, or a Balanced Scorecard, or whatever it is. There's lots of options out there of what you can implement and, you know, you, you basically choose what suits your company. And you, you need to have some sort of management system put in place that, you know, you're reviewing it, that's, you know, you, you're looking at your supply chain results, and, you know, there, there's a, a, a time and a place, on a weekly or a monthly basis to say, 'Okay, alright, well this is what's happened.' I would say you, you,

that you would build that into your normal management system, again, you're at least monthly, but then probably quarterly you, you probably want to have some sort of review of the strategy itself, just to have a wee look and say, 'Okay, right, are we missing something here?' You know, like, it, it's-, you're, you're putting something in place to try and improve a, a moving target and such (ph 25.01), so it's very important to know that, you know, well you have to be looking to see has something in the market, or has something in your environment changed that you need to respond to? Or are you doing things that are no longer required? You know, spending (inaudible 25.12) endorsement. Another good way of identifying within your company, you know, is seeing, is it, is the strategic requirement or the approach, is it visible in your company, you know?

Clive Stewart: Yeah.

Jimmy Moore: In visible, you know, are people talking about it? Is it visible in the boards around the business, is it something that, you know, that, you know, it comes up in, in meetings, like, you know-, you know-, you know, when it comes to deciding on, you know, who gets a, a, a certain approach, people refer to the strategy, you know, things like that. So if you're seeing those types of things, then you know-, you know it's getting through, you know your communication has worked well. People have taken it on board, people have accepted it, and, you know, and that's, that's a critical part of it, you know, making sure your organisation accepts that, what the strategy is, and don't start working against it, you know, and, and, and hopefully accept it, and, and put their, their shoulder behind it. So if you get that type of visibility, that's another good indicator that it's-, that it's at least being implemented, doesn't mean it's working. And then if you have the results and the KPIs, that, that'll give you an indication whether it's working or not.

Clive Stewart: Yeah, I think a really important point you raised there is about, you know, people buying into it and, and having that, I guess, alignment in the organisation. And as you say, if, if somebody, you know, understands and refers to that side, you know it's, you know they have an appreciation of what's there, so that's half the battle effectively. And then-, and then look at how we go forward. So the, the next question is really about, 'What support could I get to develop a supply chain strategy from your company?' So if I, I suppose from my side, obviously you've already mentioned, Jimmy, about referring to the Supply Chain Solutions and Development Team, so to our team, you know, there is a dedicated web page that I, I shall put back up on the screen again shortly. So if you go to Invest NI, support for business, and look at supply chain, it'll give you more details there. In terms there is the, the web page now. So for those that want to find out a little bit more, there's also a series of webinars. The other webinars are pre-recorded and been added there. This one will be added there in the coming weeks as well, as part of that activity. So, to me, the first step really is, you know, get in touch with us, I say, we do provide that free specialist advice, where we (ph 27.31) coaching, mentoring support to businesses.

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