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Supply Chain Management and Bridging the Ingenuity Gap

Do our vision and definitions of supply chain management mirror the operational realities inside most organizations in North America? Not always. But even if logisticians and supply chain managers are lagging in their practices, it can be argued industry leaders should neither be overly concerned or surprised.

By **Robert Martichenko**

The Moment of Truth

I remember the day as if it was yesterday. Having finally secured an important meeting, I was on my way to see the vice president of the Supply Chain Management Department at a very successful manufacturer. I needed to be at my best as I expected this executive's supply chain management acumen would be of the highest caliber.

I rounded the corner off the country highway that lead to the large green field manufacturing facility, and noted these new plants often look so out of place in the middle of the countryside. But as I drove closer to the plant, I could not believe my eyes.

The first thing that had caught my attention were the many circus tents carefully erected on one side of the plant, closest to the receiving doors, filled with pallets and racks holding raw materials! Then the sheer number of trailers scattered in and around the yard caught my eye. It was impossible to get an accurate count, as the hundreds of trailers were parked randomly in any spot large enough to hold a trailer. Some of the trailers had their doors open. Many were shut tight. I made the assumption that the trailers with closed doors were warehousing raw material or finished goods. (It was an assumption that proved to be right).

Immediately after finishing my power point presentation to this client there was an awkward silence. It usually happens before a prospect responds to what they have seen and heard. "Well Robert," the vice president said confidently, "this information is all very interesting, however, we don't have any of these problems."

"But what about the circus tents and the hundreds of trailers?" I asked.

"Those are housing inventory," he said, matter-of-factly, "and inventory doesn't fall into my budget, so I don't worry about it."

With this response from this senior manager, a vice-president of Supply Chain Management, I had what some people call a moment of truth, where my whole professional paradigm changed and the way I saw the world shifted forever.

On my flight home that evening, I realized after significant reflection, this wasn't an isolated incident and it raised two questions that had been troubling me for some time.

1. What exactly is supply chain management?
2. What does it mean to be an executive in supply chain management?

What exactly is Supply Chain Management?

I was an active member of the Canadian Association of Logistics Management (CALM) when the organization changed its name to the Canadian Association of Supply Chain and Logistics Management (SCL). At the time, I didn't pay much attention to the name change as I understood the rationale for changing the name and it made sense. I am currently a member of the Council of Logistics Management (CLM) and serve as a Regional Advisor to several roundtables in the USA Mid-West region. The CLM is a dynamic organization and I am proud to be part of the team that is now responsible for communicating the organizational name change that will take place January 1, 2005—CLM will become the Council of Supply Chain Management Professionals (CSCMP).

Clearly, we are moving from logistics management to supply chain management. But what does this really mean for us as industry practitioners? What does this mean for us as leaders inside our own organizations?

The Canadian Association of Supply Chain and Logistics Management defines supply chain management as: "The process of strategically positioning and aligning distributive capabilities to gain and maintain competitive advantage."

The Council of Logistics Management describes supply chain management as: "... encompassing the planning and management of all activities involved in sourcing and procurement, conversion, and all Logistics Management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers,

intermediaries, third-party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies.”

When reviewing these two definitions we see powerful words such as strategy, competitive advantage, planning, sourcing, procurement, conversion, coordination and collaboration. When we take a closer look it's clear we are saying that supply chain management is about managing organizational functions from a total systems point of view. Is supply chain management not simply understanding and acting relative to the big picture of an organization's operations? Doesn't this mean that a supply chain executive would be the executive that bridges all functional areas together? Indeed, as proponents of supply chain management, do our supply chain executives have the knowledge, understanding, authority and accountability to make decisions that are focused on the overall good of the firm? If so, was my ill-fated meeting with a vice president of Supply Chain simply a fluke, a special situation where one particular individual seemed to be mis-guided?

What does it mean to be an executive in Supply Chain Management?

I spoke with colleagues and friends in manufacturing that excel in their business practices and are savvy logisticians and supply chain managers, and asked them a few questions.

“Do you, as a supply chain executive, have the authority to change or modify your production schedules if the current schedule will build product that will be detrimental to the firm from a total system point of view? Do our supply chain executives have the power to override a production executive if the schedule will produce inventory that in the end will sub-optimize the firm's operational and financial position?”

My friends and colleagues agree that we have yet to find a supply chain executive who has this authority. But I hope they exist!

My conclusion is, at this particular point, our vision and definitions of supply chain management have outpaced the operational realities inside most organizations. Let's call it an ingenuity gap, where our ability to execute is lagging behind our ideas, innovations and recognition of what needs to be. We need not be overly concerned, nor surprised. All great changes and mental model shifts in the history of the world started out with an ingenuity gap. “There is nothing like an idea whose time has come,” and supply chain management is here as an idea and it's time for fruition is here as well. All that is required is leadership.

Acting as Supply Chain Leaders

There are thousands of books that promote various definition of leadership. It might be vision, passion, drive, or the ability to influence others. They amount to nothing without action. The ability to act, to get things done, is not just one aspect of leadership; it is the foundation that holds all the rest together. No leadership style can survive without action, and action is what is needed to drive supply chain management into the executive boardrooms of our companies. Only through assertive action will organizations finally realize the impact that effective supply chain management can have on organizational performance. Where is the best place for us to start?

I suggest that as supply chain leaders we need to act on three key areas. That is, we need to ask the tough questions, seek out the brutal facts, and develop and act relative to these core concepts:

1. **Stability:** Is our supply chain stable? Stability means that the supply chain leader is focused on ensuring that the supply chain and logistics systems are predictable, capable and visible.
2. **Flow:** Have we designed a supply chain that reflects flow? Flow relates to the supply chain professional's ability to describe and articulate how the supply chain performs relative to asset flow, information flow and cash flow.
3. **Discipline:** Is our supply chain grounded in disciplined principles? Discipline is crucial to sustaining stability and flow, through major capabilities including collaboration, systems optimization, and a steadfast mission of waste elimination.

When supply chain executives focus on stability, flow and discipline, it will become clear that supply chain activities are, indeed, the corporate activities that will finally bridge horizontal and vertical integration inside nearly any organization.

Organizations that embrace this true supply chain management will be the victors. As supply chain professionals, we have created the vision, set the stage and the only remaining requirement is action and more action.