

BINIETA: FACE TO FACE

Dr. John Gattorna

- **Dr Gattorna, you came to Greece for the seminar under the title "Living Supply Chains. What do you mean by that and how we can apply them in greek industry?"**

The answer to your question could be that "Living supply chains" are the true description of what really supply chains are. As I said in the morning during the seminar, supply chains are alive, are always there going on going for 365 days a year. Unfortunately, everything that has to do with supply chains is happening behind the scenes, people don not really know what is getting on. You know we have been used to the convenience of our lives without knowing what is going on underneath. The key think to the idea of "living" is that supply chains are not a kind of think that we could switch of or on like a mechanical beast, but they are living because they are driven by people. People we call customers- consumers from the one hand, suppliers from the other and in the middle we have the business. So we -the people- have to make correct forecasts every day, take right decisions about the designing and distributing the products. So what I am saying is that supply chains are 50% people and 50% technology and assets. In American economy supply chains are 60% people and 40% technology and assets and so on. What managers usually don't understand is that it is people those who make the industry work, it is not technology, not even the money. The problem is that most of the people who work for supply chains tend to be the functional experts, so they are tending to come far from the other people. Moreover, it is a mysterious think, that when thinks go perfect for a company no one pays attention to supply chains, but every one would ask for responsibilities in the supply chain function, when something went wrong. There is the hurt of what I am saying: supply chains should be seen as the veins or the central nerve system to the "body". They are the responsibility of every one. The CFOs got to be concerned about cash flow and receivables which are effective to the supply chain. Plus, if we don't design the right product but we have a good supply chain, we are going to have a lot of stocks. If we do factories on the right places and design the wrong product, capital is wasted, and it is not the supply chain that should take the blame. The way we design our businesses is the one that shows the way to the supply chains. Everything starts and ends with the people. Living people who build living supply chains. In the next book "living" will be changed to "dynamic" supply chains. Supply chains, as the world, are not static, but dynamic and alive.

There is a thing happening around the world that has to do with specialization. You as a worker should be specialized to something and me to another thing. In that way that I will not be able to be aware of your

specialty and you of mine. This has different aspects from the US economy, to European or southamerican or Australian. In Europe, we confront to the best working supply chains (the English and the Nordic countries), because the markets are smaller and people (workers) have the chance to learn about what their colleague is working in. There is a kind of co-operation, that brings better results to the supply chains.

Actually, these things called supply chains, these hundreds or thousands of them, which work in many pathways, in millions of combinations and processes and activities that run, form a firm that alikes a living organism.

- **Is it the “will of the customer” that has to be the motivation of every firm in order to choose strategies and ways of expansion?**

Researches have shown that every people has different standards about what he byes. Someone like me for example, could like expensive cars, peaceful and luxurious holidays, suits etc, but when I am going to the supermarket I am looking for the best price, the cheapest product. People like you and me have several different aspects of choices and willing depending each time on the category of the product or the service that they are choosing. That is why every company and every supply chain has to be flexible. What I’ve just described before, confuses people that has to do with sales and marketing, because they tend to “target” people, consumers. And I think every manager would agree with me that if they had the chance they would prefer to leave revenues and strategies behind, in order to catch the filling of this ‘difficult’ consumer. This is a point I think dynamic supply chains would work well. Because if they are “living” with the customers, they will understand and align with the changing behavior quickly and easily. What we have to think is the recession we are confronting. During this recession we have seen huge changes of people-consumers behavior, even to products of mass consumption, and in υπηρεσίες.

What I am trying to say to managers is that we have to manage to come up with a method of addressing people, costumers behavior, in order to align our supply chains with these differences. And we have to build a method of confronting our suppliers, our colleagues and our buyers – customers in a way that we will bringing the consumer first. If we can understand the structure of the marketplace, we can pretty much understand how our businesses can focus on the three or four best customers that make our supply chains work. If we really know how to serve our all our customers (and not only the most reliable ones), so if we have a certain methodology, we can align our supply chain to what the customer wants, without having to be anxious about the several changes of their behavior. Under this philosophy we won’t have the anxiety of “should I have a lean structure or an agile one”, and that would be, because we will have the chance to have both, in order to what the customer would prefer at the moment.

The way of coping with the dynamic changes to actually hardwire the business or to cover most of the options, is to move this way, and not try to

standardize everything under a module and move with it no matter what. So, yes it is the 'will', or better the 'mood' of the customer that motivates the business to its next steps, it is the 'behavior' of the customer that motivates the business to change models, structures, ways of serving its products and works its supply chains.

- **You talked during the workshop in Athens about the need to build 'clusters' inside the companies, in which people will work together and build a new strategy for the company. Can you explain how this will actually work?**

I don't think it is difficult in action. People from different backgrounds and from different specializations tend to work together many times when it has to do with big projects. Think about the Olympic Games you had some years before here in Athens. People worked in clusters for several months in order to accomplish the project. This can work in a more permanent way for all the companies, in order to maintain a new strategy to their workers and to the customers. The difference to what I am suggesting is that we should standardize this project teams and get people used to work in this way on an ongoing version. What will be needed is to swap people in and out of the clusters, retrain them and put them in charge of other clusters, so as to serve –for example- all our loyal customers.

- **You have talked many times –around the world- about collaborative supply chains. What are they and how can they be managed?**

In any marketplace there is always a limited number of collaborative buyers. If you look at the populations, there is an enormous contribution. We saw that in this room where we had the workshop. 20% of the people have natural collaborative values, we can measure it with the "f". Lot of others had what we call "t", which is the opposite dimension. First think we have to do is bring those people together to collaborate. Collaboration is important, even though that not all the people in the world can or want to collaborate. If we manage to show these people the values of collaborations, then we can configure a continuous replenishment supply chain, with the right sort of clusters, with the right sort of minds, creating a wonderful working team, almost as a close loop system, in which we can return year after year, putting in new people, learning from their know how to manage with the customers, making new brands etc. The cost of servicing a customer is the one that keeps coming back to you, it is like consulting. If you are being around for some time, the phone rings because of your good reputation and not because of advertising.

The collaborative supply chains are what I would describe as the top, the perfect supply chains. If I could urge about all the problems we face in the supply chains function, I would say that the solution to all our problems is the collaborative supply chains.

I will give you an example, of how difficult and at the same time how important are collaborative supply chains. We think we collaborate with all our suppliers and customers, but we let them know only a small amount of things (and they do the same too). When Wal-Mart started to talk with Procter & Gamble in order to do business together everything seemed right. Procter & Gamble is a perfect brand to do business with, but they refused to maintain a collaborative supply chain with a working and "alive" cluster. This partnership never worked out.

- **So is it "lean" or "agile" supply chains the right "solution" nowadays?**

J.G The answer is both. When I look at my marketplace and I find that 40% of my customers are looking for a low cost lean product and only 10% of my customers are looking for a quick response to their order, then the answer might be 'let's concentrate on being lean'. If the opposite is the rule, then let's concentrate on being agile. I would say the answer is always "put the emphasis in what is happening to the marketplace, in to what the customer wants". In most industries we do need both "lean" thinking and agility, and we need them to operate side by side, so as to choose what we mostly want in any case.

Of course that is not an easy thing to manage, because we are talking about different things. The most lean you get, taking out costs, the less agile you can be. You cannot take the same 'lean' and switch it to be 'agile'. You will have to find the channels that will make the change gentle. You have to be ready for all the possibilities, even if they never appear. This might cost a little bit more, but saves you from difficulties.

- **What would you advise supply chain managers to do, in order to help their industries to recover from the financial recession?**

J.G Recession has not ended yet. It is still diverging into the real economy. One of the real problems has to do with credits and with people working capital. What we can do to help, as supply chains, is being in alignment with our customers, understand their needs and their cash problems perhaps. If we understand them, we can serve them right, they will feel familiar and there will not be cash flow problems. If we know what their problems are, we can avoid the over-services, we will weight what and how much to give and we will in the end create loyal customers. That is why I wrote last month to your magazine that 'if you fix your supply chains, you will fix your company and as a result the economy'. Let's not forget that 60-70% of the working capital is connected with the supply chains. If you manage to do out the costs of the supply chain, then you can deal with the manufacturing schedules, the distribution schedules and so on.