

Fix your supply chains and you fix the company (and the economy)

The financial crisis has made many companies struggle to reach their former greatness. John Gattorna's advice to these companies is: Go back and make sure you are 'aligned' with your customers and suppliers. In this article he presents some important things to think about when trying to survive the economic meltdown and get back on track.

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When you hear that the CEO of a major organisation is cancelling the newspapers, flowers and fruit baskets, as well as catering at internal meetings, and asking employees to travel by public transport rather than taxis, you know that the organisation is in trouble. It's in trouble because very clearly the leadership has lost contact with its customers to ever get to this stage of desperation. And it is in trouble because, having got into such a state, it has so few ideas on how to fix the situation.

This is a Euro40bn (US\$53bn) business I am talking about! If there is one major conclusion that can be drawn from the global financial crisis, and its impact on the real economy, it is that many companies have to quickly find a new business model to survive, let alone rise again to their former greatness. What about starting with 'knowing your customers well, and your end-users/consumers even better'? Yet so many businesses have lost sight of this fundamental truth. If you want to survive in the face of the current meltdown in financial and economic activity, go back and make sure you are 'aligned' with your customers and suppliers.

All this other stuff about saving costs by taking the soap out of the bathroom is merely posturing, and has little impact, if any. Now is the time to stop all the over-serving of customers that has been going on during the growth years, when many companies were just guessing, and at the same time fix all the under-serving that has been going on in parallel, under-valuing your most loyal customers.

The new business model I am suggesting to fix many of today's woes is: *dynamic alignment*. In this framework, customers' buying behaviours (or expectations) are accurately identified and segmented. Then, appropriate value propositions are prepared and delivered to the range of different buying behaviours identified – for any given product/service category.

And underpinning this effort is the ongoing re-shaping of the sub-cultures

inside the organisation that will either propel or hinder these value propositions towards the respective customer groups. And finally, for any of this scenario to have a chance of happening, the leadership style of the top team must be such that it understands intimately what is happening in the served market, and knows almost intuitively how to transform and position the organisation to meet customers' expectations. Sounds difficult? Yes it is, but that is no reason for avoiding the challenge.

The pivotal role of contemporary supply chains

In reality, companies and their leadership learn very little in times of growth, where the very momentum of high demand sucks the company along in a type of vortex. Bottomline results appear to be good so boards and shareholders do not object or query the methods used by management.

But when things turn nasty as they have in many industries across the world over the past six months (editors note: 2009), management teams are left wondering what to do – and in the light of no better ideas, they very often reach for the redundancy antidote and lay off hundreds, sometimes thousands of innocent workers. Innocent because they have not

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led the company into such a parlous state – it is the fault of the leadership. Interestingly, some boards have woken up to this and are busily hunting for new CEOs behind the scenes – people who know how to lead in today's turbulent operating environment, manage the risks involved, and motivate their people.

If we accept the notion that businesses, and business enterprises, are just a conglomeration of the supply chains (or pathways) running through them, it is easy to see why the design and operation

DR. JOHN GATTORNA ER TALER PÅ PLANLÆGNING 2011

DILF har været så heldige at få John Gattorna til København for at tale på den årlige planlægningskonference. Konferencen afholdes onsdag den 2. november 2011 i København og vil byde på spændende virksomhedscases med bud på, hvorledes planlægningsopgaven kan optimeres. Dagen efter konferencen er der desuden en enestående mulighed for at deltage på en workshop med John Gattorna.

John Gattorna har brugt sit liv på at arbejde med forsyningskæder som bl.a. forsker, rådgiver, underviser og forfatter. Han har bl.a. udgivet bogen *Living Supply Chains* (FT Prentice Hall, Harlow, 2006) og er management-rådgiver hos flere multinationale virksomheder.



of contemporary supply chains has such a pivotal role to play in the recovery process of companies and indeed whole industries and nations during the next few years.

Starting with the marketplace, the new style business leaders mentioned above must appreciate the changes that have occurred there, and exactly how the customer segments have been affected by the current crisis. Strategies must then be adjusted accordingly, and work begun on the inside of the enterprise to re-shape capabilities.

This means re-jigging the organisation structure; re-engineering processes; adjusting the technology; finessing KPIs and incentives, and changing recruit-

ment processes to hire people more appropriate for these times. And above all, the talent we already have in the organisation must be retained until things return to some sort of equilibrium.

So, here is a checklist of the ten most important things to do to survive the current meltdown in economic activity.

- Develop a new business model like the dynamic alignment framework – because old models just don't work in new times.
- Start with re-engaging with your customers; segment them along buying behaviour lines, and reverse engineer back from there.
- Boards have to step up and review the appropriateness of the current leadership team, and in particular the incumbent CEO; change him/her if necessary to start the re-alignment process.
- Don't blindly follow one-dimensional solutions, because this is not a one-dimensional world any more. Based on what you see in the market place, you will be able to configure a small range of responses in the form of supply chain types – *lean*, *agile*, *collaborative*, and if necessary, *fully flexible*.
- Re-visit your original assumptions on outsourcing; maybe they are no longer valid.

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- Look seriously at changing away from the conventional silo-based organisation structure – this is fundamentally flawed for a fast-moving demanding world with uncertain demand patterns; configure multi-disciplinary clusters, focused on customer segments.
- Identify and retain your best talent through this difficult period.
- Revisit your business plans, adjust for the recession, and communicate revised plans to all management and staff; this will give everyone confi-

dence in the top team.

- Do the usual good housekeeping things – taken in the right context these will be accepted, but on their own are hollow and morale-destroying for staff.
- Above all, avoid across-the-board redundancies – this just tells the world that you are out of ideas and have reached for the panic button. /

About the author

John Gattorna is author of *Living Supply Chains* (FT Prentice Hall, Harlow, 2006), and an advisor to management in several multinational corporations. His website is: www.johngattorna.com

