

**English translation of answers given by Dr John Gattorna  
in *Supply Chain Magasinet*, nr.12, December, 2008, pp.11.**

**1. The Challenges ahead in 2009:**

- 1.1 Start changing the way we organize our supply chains, from an emphasis on Functions, to one of multi-disciplinary 'clusters' focused on customer segments with identifies and specific buying behaviours. The current organization designs are flawed and creating unnecessary cost and service failures in an increasingly unpredictable world.
- 1.2 In order to start re-designing our supply chains from the customer end back, behavioral segmentation techniques will be essential, rather than the conventional methods which are useless for the purpose.
- 1.3 With the onset of high oil prices and pressure to meet carbon reduction targets, 'globalization' may have to be reviewed, and a move back to regional and local sourcing contemplated. This will again change the way supply chains have to be configured and managed.

**2. Skill, competences, and capabilities:**

- 2.1 Supply chain managers will simply become the subject-matter experts in a multi-disciplinary cluster that is focusing on specific customer segments. In some cases the SC Manager will be the 'orchestrator', but in other cases this will not be so. Supply chain operations, while run by specialists in the field, will be planned and shaped by all the combined disciplines in the Firm. Supply chain will in effect become the business of the Firm.
- 2.2 More skills are needed in understanding the internal culture of Firms, and how this can be shaped to drive strategies more effectively.
- 2.3 And apart from a new way of segmenting customers, methods have to be found to connect the internal Functions so that they are all on the same page and focused on the same customer requirements- second-guessing is no longer an option. The cluster design will be a big help here.
- 2.4 We need to find new and creative ways to use all our available IT to support our supply chain strategies.

**3. Post Financial melt-down 2008**

- 3.1 Cash and liquidity will be tight under the new conditions, so supply chains needs to speed up the cash-to-cash cycle.
- 3.2 New innovative financing models should be sought in conjunction with the banks, eg., banks to pay out suppliers at time of shipment and seek payment for goods and services on delivery. This has the effect of removing inventories from both sellers and buyers Balance Sheets for significant periods of time and is therefore a great assist to managing the business.
- 3.3 Retailers around the world are in for a bad time as demand falls away in 2009, so suppliers will need to find innovative ways of supplying them in smaller batches, faster, as required. The consumer is likely to show low confidence and this will manifest itself in lower demand. Everyone in the chain will be affected, from raw materials to finished goods. The skill will be in managing capacity down, just as we have been trying to manage capacity up for the last decade.