

# Give complexity a simple structure

**External view: John Gattorna, Global 'Thought Leader' in Supply Chain Management, and Author of Living Supply Chains, FT Prentice Hall, 2006**

Supply chains took a giant step forward with the dawn of the Internet era in the early 1990s, but technology alone is not enough. Something else is needed, and a new more enlightened approach is essential. The "something else" is a more in-depth understanding of customer buying behaviors. The "more enlightened approach" is to widen our thinking to encompass the whole enterprise - because everyone has a contribution to make. And we must align our internal resources with customers' buying behaviors.



Products and services are propelled through supply chains largely through human intervention. Externally, its customers who make decisions to buy, and demand to be serviced in different ways. Indeed, "customer service" means different things to different people. On the inside, boards, management, and employees make all the decisions. Add enablers such as infrastructure, assets and technology, and you have significant complexity. The solution lies in recognizing that you must "align" your enterprise with, and emulate the structure of, your marketplace. Success means higher customer satisfaction and lower cost-to-serve. It's all about giving customers just what they want, no more no less.

## **The customer as sole frame-of-reference**

Customer buying behaviors are not chaotic after all; distinct patterns exist. Indeed, for any given product or service, three or four dominant buying behaviors exist, and customers can change these preferences under pressure, and return to their natural state later. And because enterprises buy different product categories, there can be three or four buying behaviors inside a single enterprise. Once you have a clear picture of the mix of dominant buying behaviors, you can reverse engineer the responses and underlying sub-cultures. Given that multiple buying behaviors can co-exist, by definition you have to hard-wire the organization with the equivalent number of responses. For Deutsche Post World Net, with its different divisions and component services, the challenge is one of structuring itself to deliver the particular combination of services that customers want.



### **Multiple supply chain alignment is essential**

Stop looking for one supply chain - it is rarely enough. Your customers won't be satisfied until you are able to offer three or four different combinations. The four generic types are:

- Continuous replenishment: where the focus is on maintaining customer relationships
- Lean: price sensitive, with largely predictable demand, and a focus on efficiency
- Agile: the focus is on capacity to meet unforeseen demand
- Fast fully flexible: the focus is on providing creative solutions for a premium price. In the case of the humanitarian version, getting to a disaster to save lives in the first 24-48 hours.

### **The ultimate management challenge**

The challenge facing companies in their quest for high-performance supply chains is how to breed three or four different sub-cultures to underpin the strategies aligned to key customer segments. We know what the levers are (organization design; processes; systems/IT; KPIs and incentives; job design; internal communications; training and development; recruitment; leadership style and role modeling), but how to mix and match these remains something of an art form.

However, the biggest gains in supply chain performance will likely come from re-configuring the organization structures that people work in, and galvanizing human energy. The best companies with the most responsive supply chains are doing just this. Have a look at Zara; Dell; Li & Fung; Foster's; Tesco; IKEA; and Caterpillar.