

SUPPLY CHAIN STRATEGY – THE BALANCED APPROACH

CLIENT'S SPECIFICATION

With unprecedented business growth forecasted, and a current supply chain nearing capacity, our client required the optimum supply chain strategy; to meet the forecast business growth, whilst ensuring low cost delivery of products and services to its customers.

DEFINING NEEDS

HWP undertook a process that enabled the formulation of an appropriate strategy, considering the review and formation of:

- **Competitive Market Analysis;** determining what customers perceive as the key value added products and services; establish key competitive market dynamics.
- **Organisational Capability;** assessing the client in terms of people, processes and technology.
- **Supply Chain Strategy;** basis for operational and tactical decisions, appropriate to the organisational capability.

CRAFTING THE STRATEGY

Any supply chain should actively support the corporate strategy and enable competitive advantage based upon supply chain competence. With the goal of senior managers to maximise shareholder value, reflecting the drivers

of shareholder values is essential when crafting strategies.

An effective strategy will clarify the link between corporate strategy and supply chain resources; providing a framework to guide tactical and operational decision making. Our experience has shown that for a supply chain strategy to be effective it must exhibit the following characteristics:

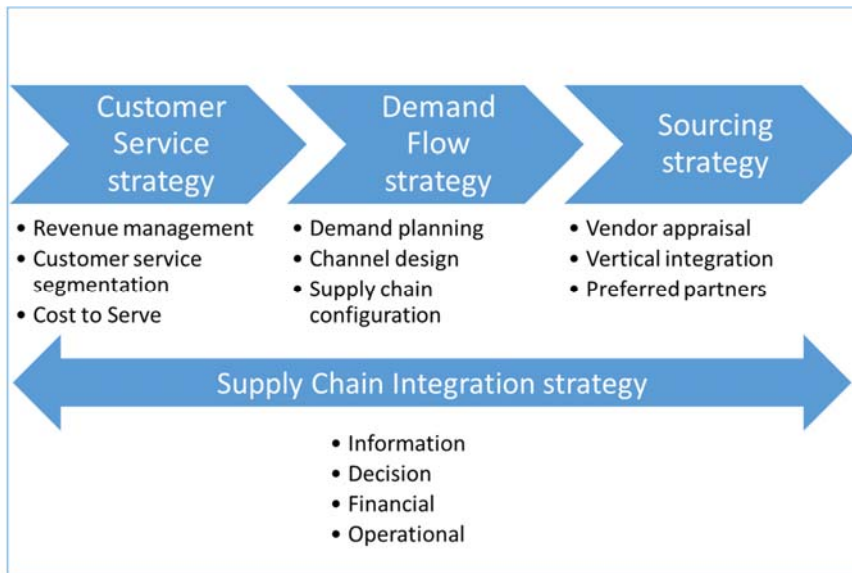
- **It must be appropriate;** if the supply chain strategy is to guide decisions to support the corporate strategy, it should direct supply chain developments in the direction which broadly supports the corporate strategy.
- **It should be comprehensive;** all areas of the supply chain should be included in the strategy.
- **It should be coherent;** as well as including all areas of the supply chain, the strategy should impart guidance that aligns all areas towards a common goal.

- **It should be consistent;** given the inertia present in the supply chain, the strategy must provide a steady direction in which to proceed, without being overly rigid.

- **It should be credible;** a strategy which is not considered achievable, due to the capability of the organisation will not be adopted by the business.

The crafting of an effective strategy therefore needs to consider both external factors, in terms of the market and strategic positioning and internal factors, in terms of organisational capability. The former leads to strategy formulation; the latter determines strategy implementation.





CUSTOMER SERVICE STRATEGY

HWP worked closely with the client's management team to deliver a customer service strategy, based upon combined understanding of the competitive market environment. From this, an appropriate basis for segmenting customers from a supply chain perspective was developed, with tailored service offerings proposed to each group.

HWP project costed these alternative service offerings, evaluating against the revenue.

SOURCING STRATEGY

HWP audited the level of sophistication of the client's supplier management program, including interviews with a sample of suppliers. The sourcing strategy supported the broader supply chain objectives, such as Customer Service Strategy and Demand Flow Strategy.

DEMAND FLOW STRATEGY

The existing supply chain configuration was reviewed against the Customer Service Strategy requirements; in terms of number, size, capacity and location of facilities, with consideration of forecast requirements.

Additionally, an examination of the processes behind the deployment of inventory throughout the supply chain was initiated, with synergies identified with the alignment of demand planning and customer service requirements. From this channel, options were considered, and recommendations made.

SUPPLY CHAIN INTEGRATION STRATEGY

HWP compared the existing supply chain by means of an audit, with the ideal level of integration (i.e. the level required to support Demand Flow Strategy, Customer Service Strategy and Sourcing Strategy) in terms of information, decision, financial and operational integration and the gaps highlighted.

ORGANISATIONAL CAPABILITY

HWP established the organisational capability of the client, determining the level of sophistication of the organisation in three broad categories; people, processes and technology.

A grading was applied to each of the findings in terms of levels of; innocence, awareness, understanding, competence and excellence.

METHODOLOGY FOR SUCCESS

Using these findings, it was possible to align the supply chain strategy that has been formulated with the ability of the client to implement the chosen strategy. This balanced approach ensured the client had capacity to execute the chosen strategy.

Harold Whitehead & Partners

Harold Whitehead & Partners enable our clients to achieve their strategic objectives and improve their operational effectiveness and profitability, by successfully implementing their change initiatives.

Founded in 1929, we are the longest established, independent, professional management consulting firm in the UK. The profile of clients and consulting activities has changed over time but our commitment to harnessing expertise, delivering client-focused results and applying acknowledged standards has remained constant. As Harold Whitehead himself put it in 1923, focused professionalism and the positive qualities of "service and constructive suggestion" still hold true for us today.

Another of his principles that has stood us in good stead is to never pre-judge or assume. Every organisation is unique and the decisions they face are specific to their particular situation. This precept is central to our approach and, based on it, we have delivered benefits worth many millions to our clients and provided savings many times in excess of project costs.

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