

# Supply Chain Implementation In a Global Environment

7th Annual Global Supply Chain  
Management Program

Arizona State University  
April, 1999



# Today's Presentation

*Our presentation today is planned to include . . . .*

- Perspective on Supply Chain Management
- Background and Company Profile
- Supply Chain Business Models
- Implementing Structure and Process Change
- Program Organization and Structure
- Program Planning and Control

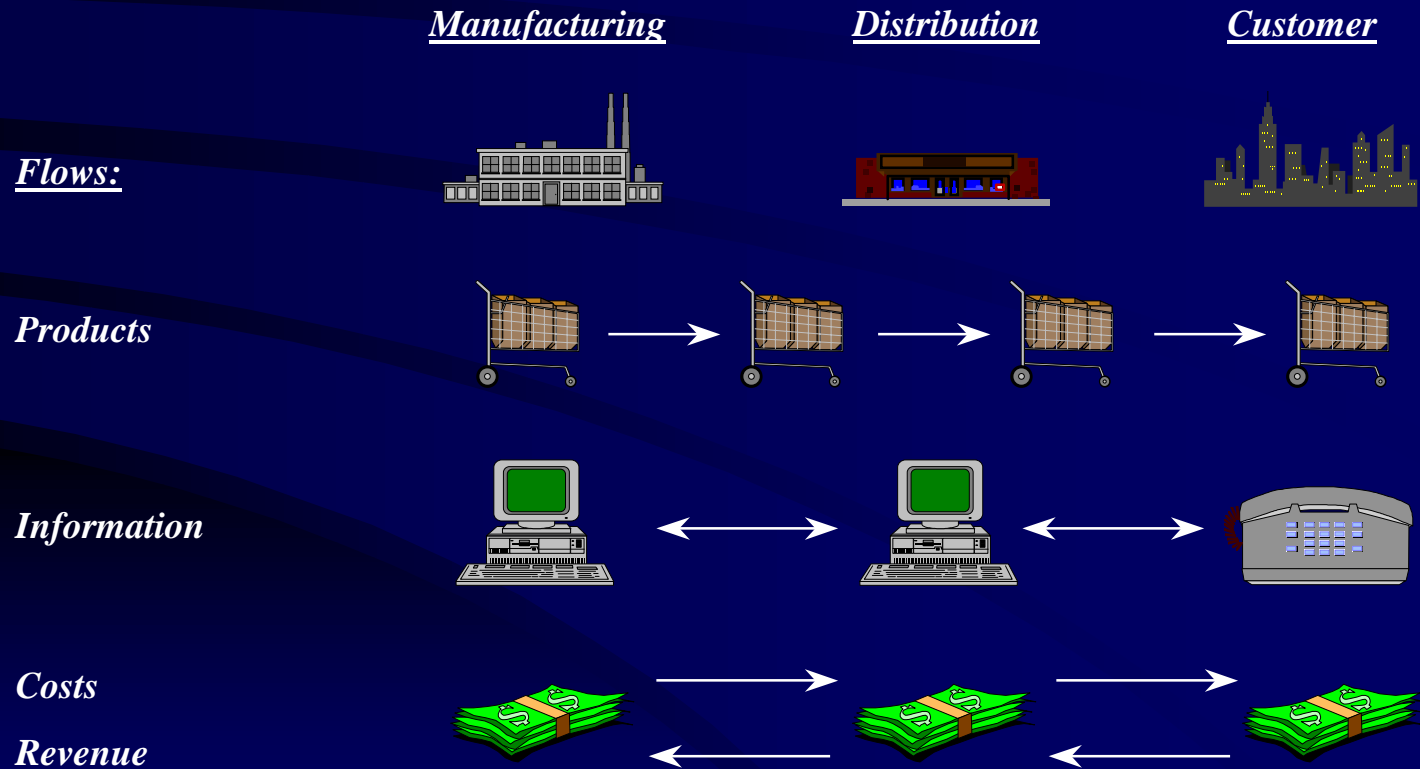
# Today's Presentation

*In addition, our presentation today is planned to include . . . .*

- Dealing with Multi-Country Businesses
- Trading Service Agreements - TSAs
- Applying Standards in a Worldwide Environment
- Monitoring, Managing, and Reporting
- Pitfalls - What to Look For and How to Look
- In Summary

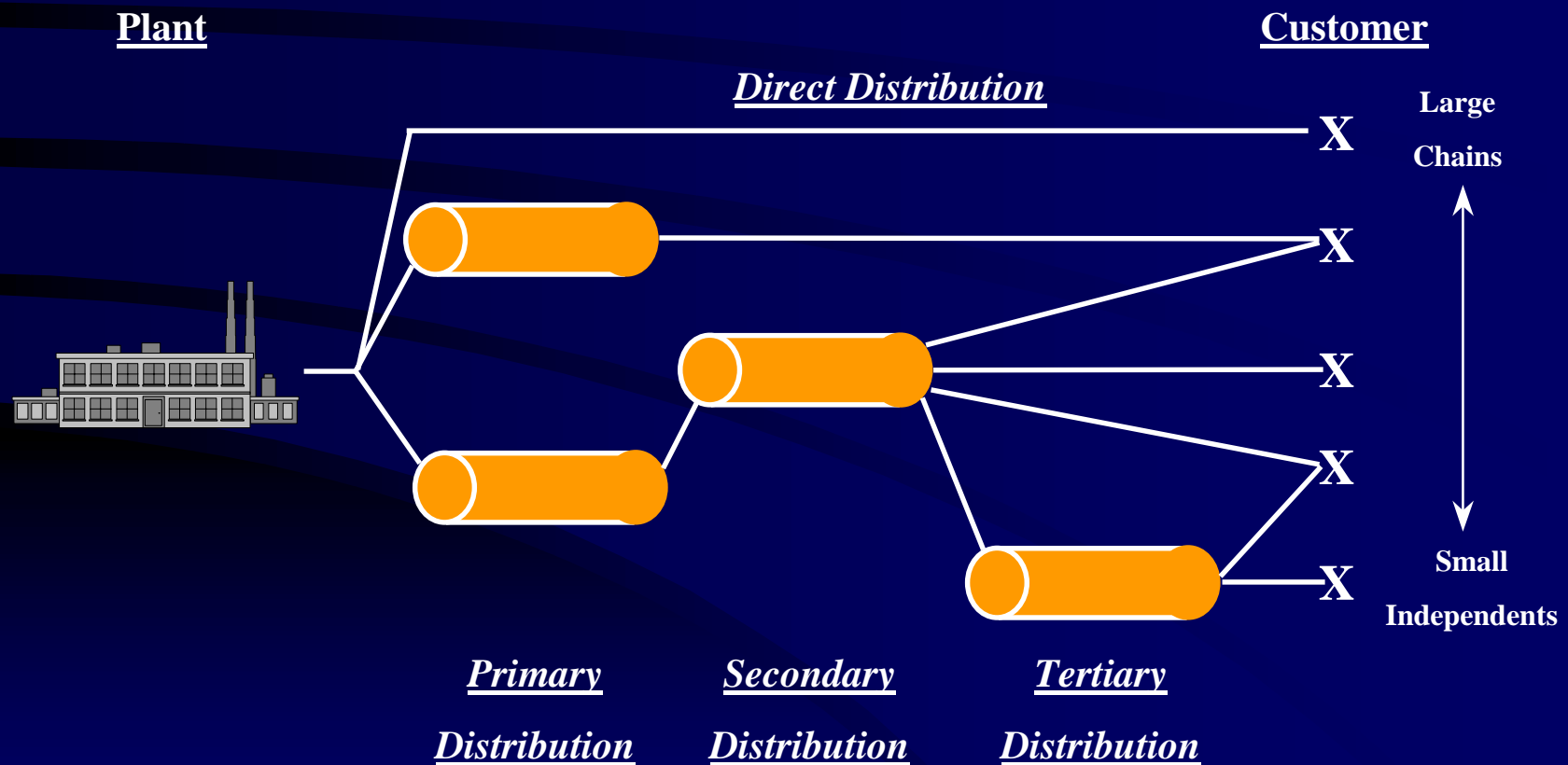
# Perspective on Supply Chain Management

*The logic of supply chain strategy relates directly to the flow of products, information, and costs through the business to the customer . . . .*



# Perspective on Supply Chain Management

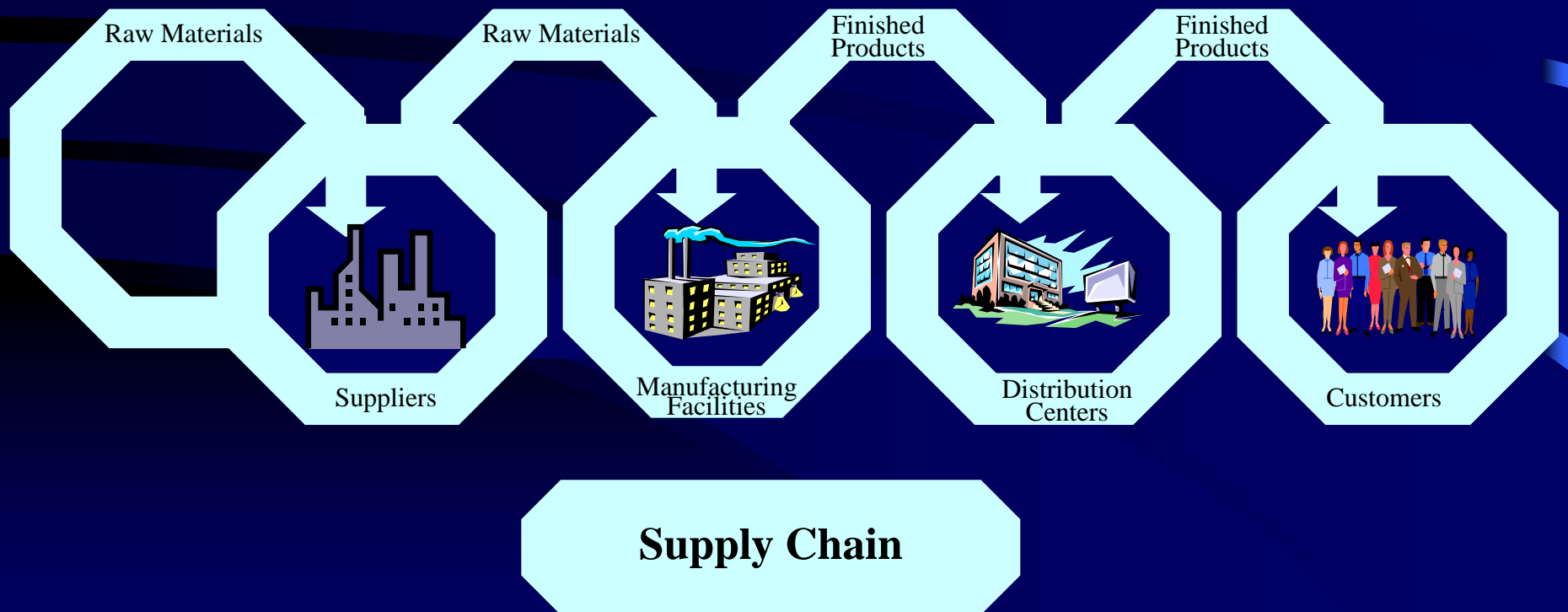
*There are several levels of supply chain activities between the product source and the customer . . . .*



# Perspective on Supply Chain Management

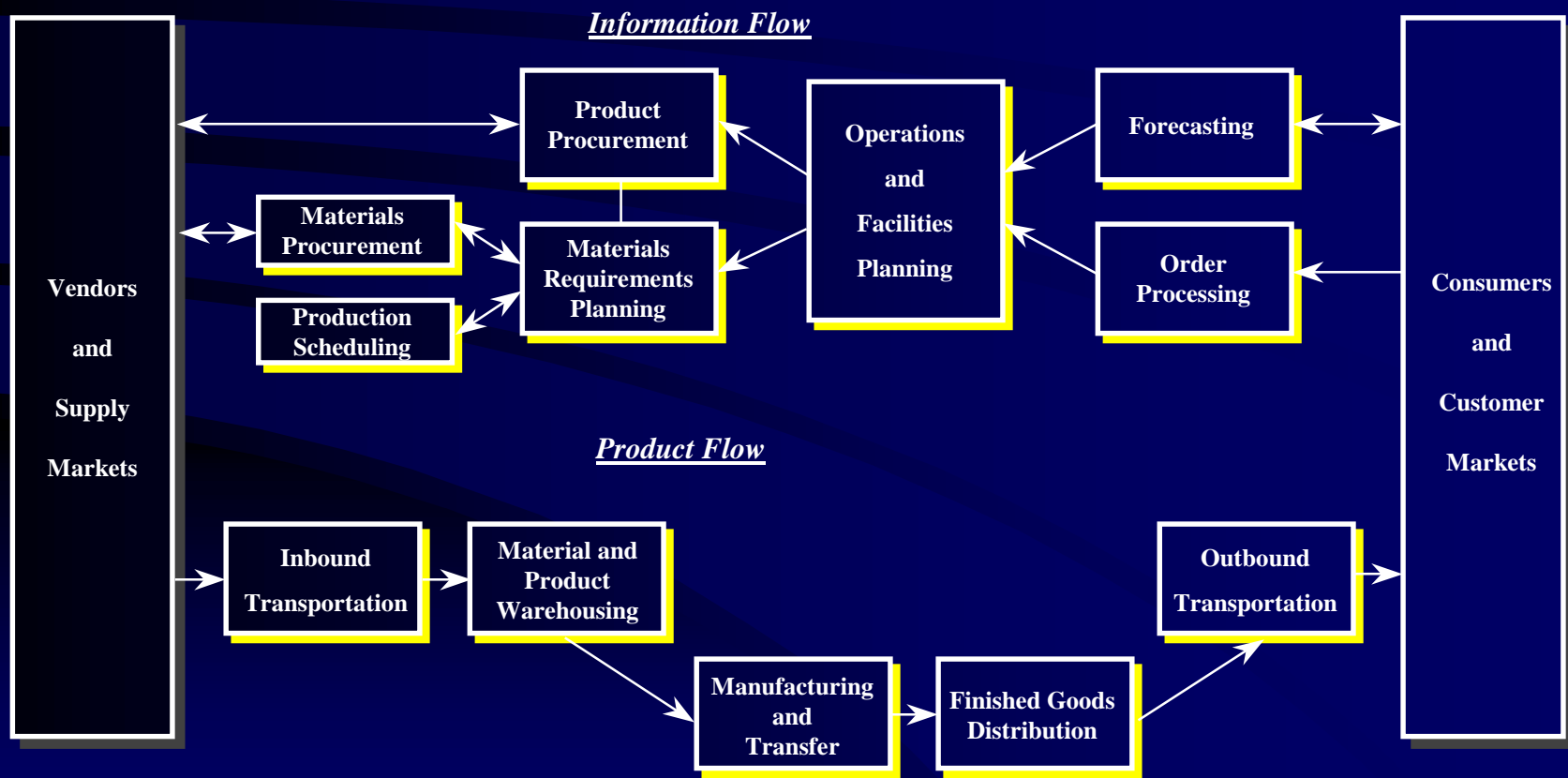
*Supply chain management groups together a complex network of functions into a true cost and service effective business strategy . . . .*

- Sourcing
  - Purchasing
  - Procurement
- Production Planning & Scheduling
- Inventory Planning & Management
- Distribution Network Design & Management
- Transportation
  - Warehousing
- Customer Service
  - Order Fulfillment



# Perspective on Supply Chain Management

*The logic of supply chain planning relates directly to the functional flows of information and product through the business . . . .*



# Background and Company Profile

*Our presentation today uses a global consumer product company to illustrate the complexities of supply chain management across multiple cultures and business environments . . . .*

- Our company is a multi-billion dollars pharmaceutical company
- Manufactured product groups include:
  - Over the counter drugs
  - Prescription drugs
  - Nutritional products
  - Health and beauty aids
- Product markets include:
  - Primary - internal markets
  - In-country markets
  - International internal markets
  - International external markets

# Background and Company Profile

*Our company business model consisted of over two dozen facility locations in over twenty countries, a sampling included . . . .*

*Africa*

*Australia*

*China*

*Costa Rica*

*India*

*Indonesia*

*Korea*

*Malaysia*

*Mexico*

*Pakistan*

*Panama*

*Philippines*

*Singapore*

*Taiwan*

# Background and Company Profile

*The objective, reasoning, and logic for implementing an integrated global supply chain strategy included the need to . . . .*

- Integrate a global supply chain network worldwide
- Standardize processes, and 'ways of working'
- Improve inventory and information accuracy
- Update production, information, order processing, and financial systems more quickly and easily
- Implement common performance measures
- Set the stage for future change compatibility

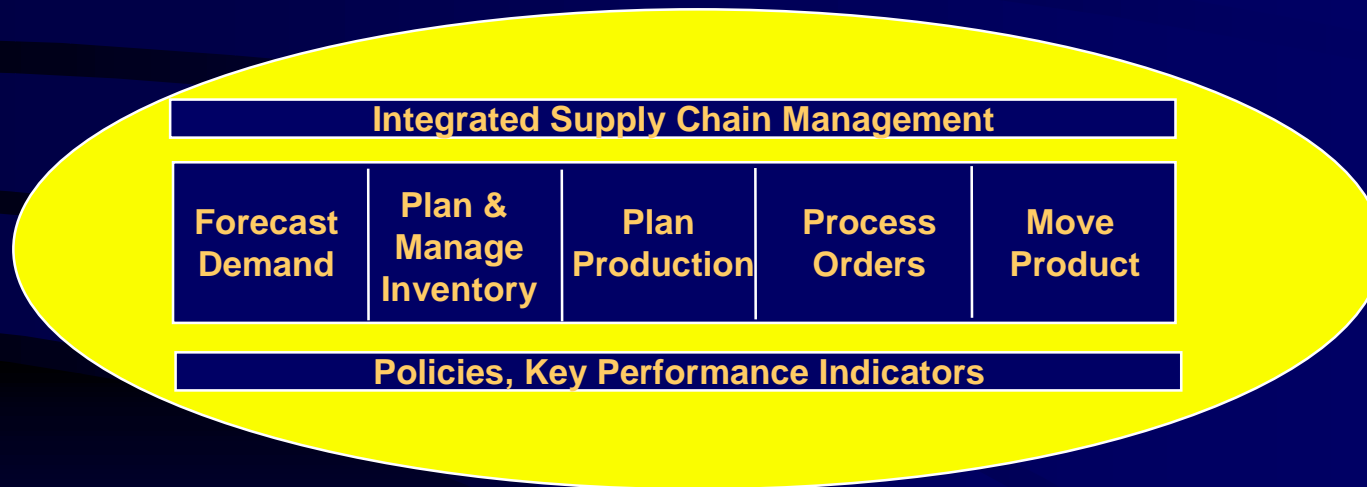
# Supply Chain Business Models

*Consideration was given to various supply chain business operating models based on . . . .*

- Type of business and products
- Dynamics of distribution and markets
- Global supply chain differences
- Models of company components could consist of:
  - Production model - produce and distribute
  - Market model - acquire and sell
  - Country business model - country self-contained

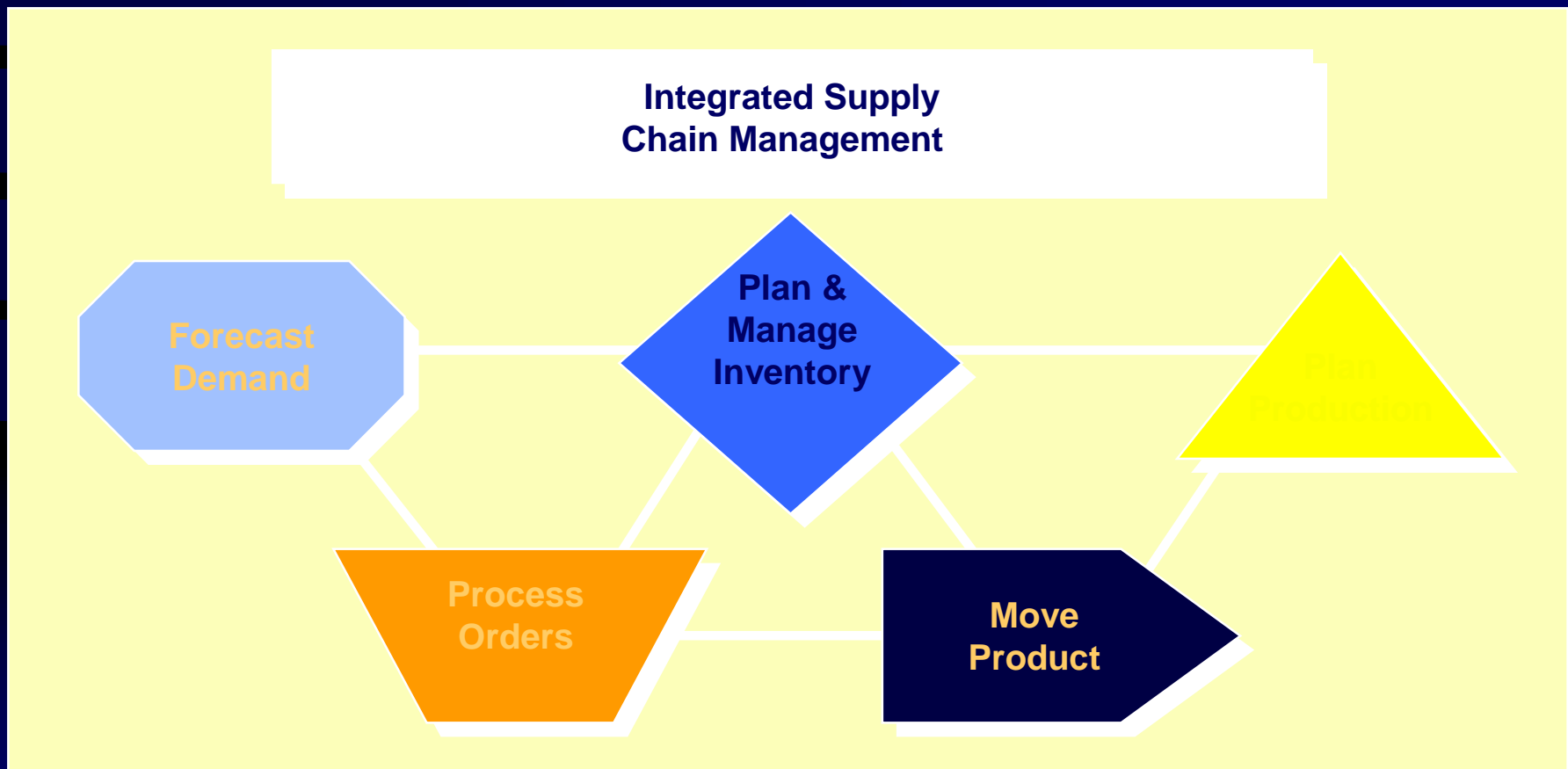
# Supply Chain Business Models

*The company supply chain structures and functions consists of . . . .*



# Supply Chain Business Models

*The integrated supply chain business model included certain key functions in order to effectively support the business . . . .*



# Supply Chain Business Models

*Alternative supply chain structures need to consider products, markets, production capability, logistics network resources, and customer service in order to effectively support the overall business strategy . . . .*

- Market forecast
- Sales plan

- Customer order processing

- Plan and manage inventory

- Plan and schedule production

- Distribute product

# Supply Chain Business Models

*An alternative supply chain structure that places most of the responsibility on the demand side can be illustrated as follows . . . .*

## Demand

- Market forecast
- Sales plan

- Plan and manage inventory

- Customer order processing

- Distribute product

## Supply

- Plan and schedule production

# Supply Chain Business Models

*An alternative supply chain structure that balances the responsibility on both the demand and supply side can be illustrated as follows . . . .*

## Demand

- Market forecast
- Sales plan

- Customer order processing

## Supply

- Plan and manage inventory

- Plan and schedule production

- Distribute product

# Implementing Structure and Process Change

*Once the structure is decided on, the tasks turn to implementation and process change and must consider . . . .*

- Understanding ways of working, reasoning, and logic
- Uniqueness of country operating characteristics
- Identifying process and productive operations change
- Standardization of ways of working versus unique country needs -  
‘financial, marketing, etc.’

# Program Organization and Structure

*Effective program organization must blend the proper mix of resources, matching skills with specific functional requirements . . . .*

## Resource Teams

Corporate resources

Above country  
resources

External resources

Local resources

Process owners

Technical resources

Internal resources

# Program Planning and Controlling

*Planning, monitoring, and control are the essential ingredients to successful program implementation . . . .*

- A well organized and documented plan is the first step
- Effective communications at all levels is the second step
- Up front ‘ownership and buy in’ are keys to success
- Establishment of clearly defined roles, responsibilities, and accountabilities are essential
- Monitoring, progress reporting, and plan management make sure timing and progress are kept on track

# Dealing with Multi-Country Businesses

*Multi-country environments create significant challenges to program implementation . . . .*

- ‘Up front agreement’ and ‘buy in’ are key to multi country program success
- Ways of working, considering functions, tasks, and activities, can be very different and demand unique processes
- Cultural differences must be considered and dealt with in an effective manner
- Sequence and timing are critical to maintaining program momentum
- Responsibility and discipline are necessary for program management
- Respect for country style and culture must be considered in all phases of program implementation
- REM rule: One third country; one third culture; one third business

# Trading Service Agreements - TSAs

*Trading service agreements are used to make firm both demand and supply requirements and negotiate key points of difference . . . .*

- Demand must initiate marketplace requirements in terms of:
  - Products
  - Quantities
  - Time
- Supply must define production and distribution capacities in terms of:
  - Products and production capacity
  - EOQs
  - Inventories and locations
  - Distribution and delivery timing

# Trading Service Agreements - TSAs

*Trading service agreements must consider, negotiate, and agree on certain key elements . . . .*

- Initial consideration given to:
  - Uniqueness of products, markets, country, etc.
  - Product life cycle and volatility
  - Product sourcing
- Key agreement components:
  - Product quantities
  - Timing
  - Firm versus planned orders
  - Negotiation process
  - When and how to change
- TSA agreement must be a process - not a product

# Applying Standards in a Worldwide Environment

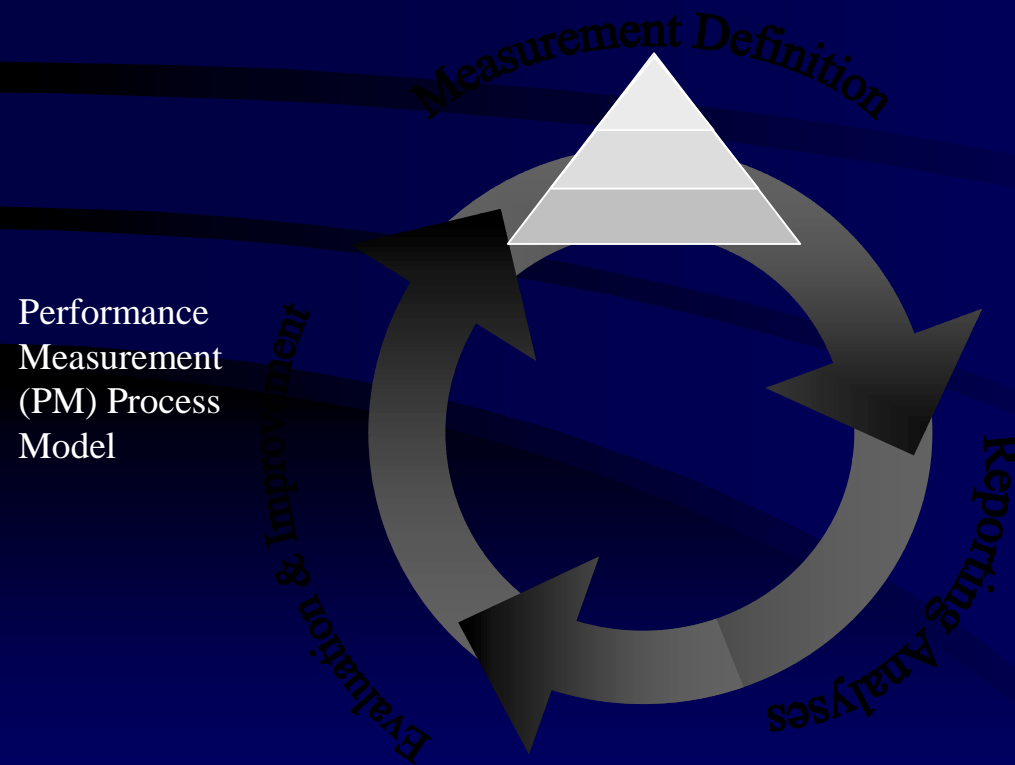
*Once agreements are in place and the process is working effectively, there is a need to develop standards and measures . . . .*

- Benchmarks need to measure progress over time
- Measures need to benchmark and compare
  - Internal measures
  - Functional elements
  - Industry benchmarks
  - World class benchmarks
- They must recognize operational differences
- They must compare ‘apples to apples’

# Applying Standards in a Worldwide Environment

*The performance measurement framework model demonstrates the use of evaluation, measurement, and reporting in applying standards . . . .*

## Performance Measurement Framework



### What is PM?

A management process that translates business strategies into action steps:

- Business Decisions
- Information Requirements
- Organizational Accountabilities
- Resource Allocation & Prioritization

# Monitoring, Managing, and Reporting

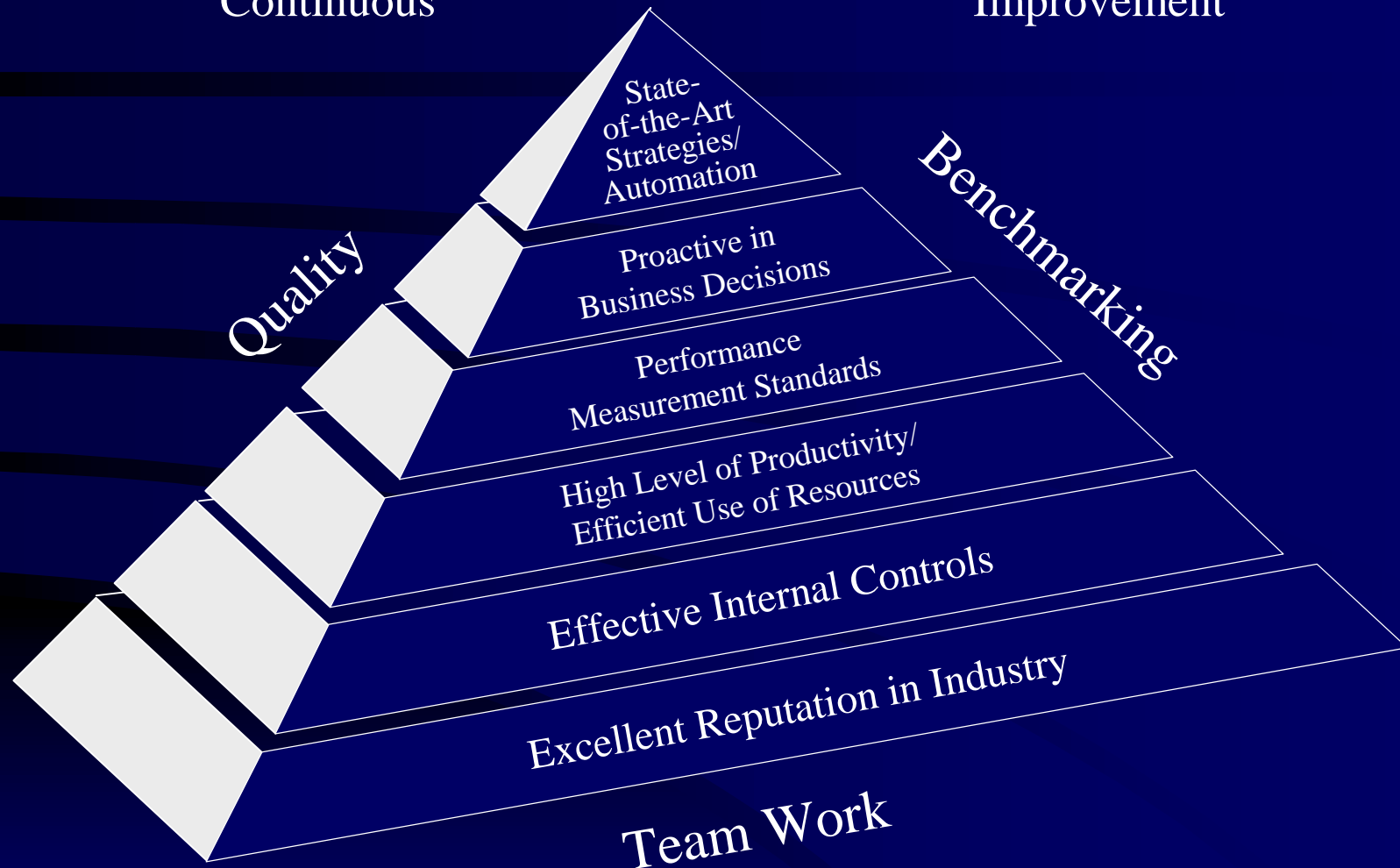
*Measures and standards provide the ability to manage the supply chain to effectively support the business . . . .*

- Monitoring supply chain operations must consider:
  - Key elements and functions
  - Exception reporting
- Timing is a key to effective management
  - Daily activities
  - Weekly trends
  - Monthly summaries
  - Yearly planning
- Tolerance ranges can be effective tools for management
  - Focus on key functions and elements
  - Signal problem areas based on data outside ranges
  - Ranges can set degree and priority of management attention

# Monitoring, Managing, and Reporting

Continuous

Improvement



# Pitfalls - What to Look For and How to Look

*Pitfalls to watch out for and be aware of include . . . .*

- Insufficient planning and organization
- Incorrect deployment of internal and external resources
- Insufficient time to deal with cultural differences
- In-depth knowledge of country and local uniquenesses
- Lack of effective and timely communications from beginning to end
- Unanticipated issues - e.g. inventory and data accuracy

## In Summary

*In summary, a successful global integrated supply chain program implementation must consider . . . .*

- Worldwide markets, products, and businesses
- The reality of a global economy
- Multidimensional operating environments
- Need for up front planning and resource commitment
- Effective and timely communications
- Need for coordination and cooperation
- *The assumption that one thing that is constant is 'Change'*



**MANAGEMENT CONSULTANTS**

**20 NASSAU STREET, Suite 244  
PO Box 7345  
PRINCETON, NEW JERSEY 08543-7345**

*Phone: 609-275-4444*

*Fax: 609-275-5651*

*E-Mail: [rem@remassoc.com](mailto:rem@remassoc.com)*

*WWW: <http://www.remassoc.com>*