

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

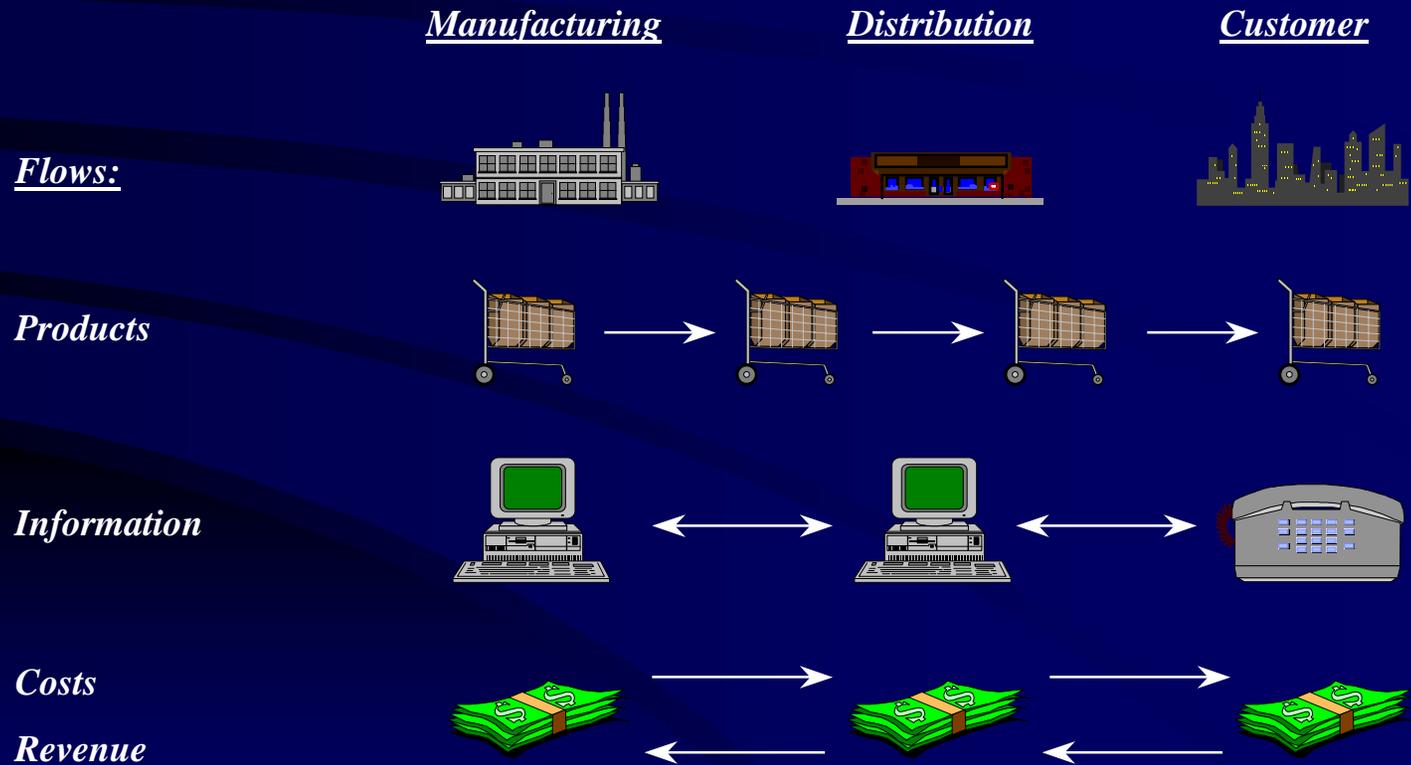
Today's Presentation

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

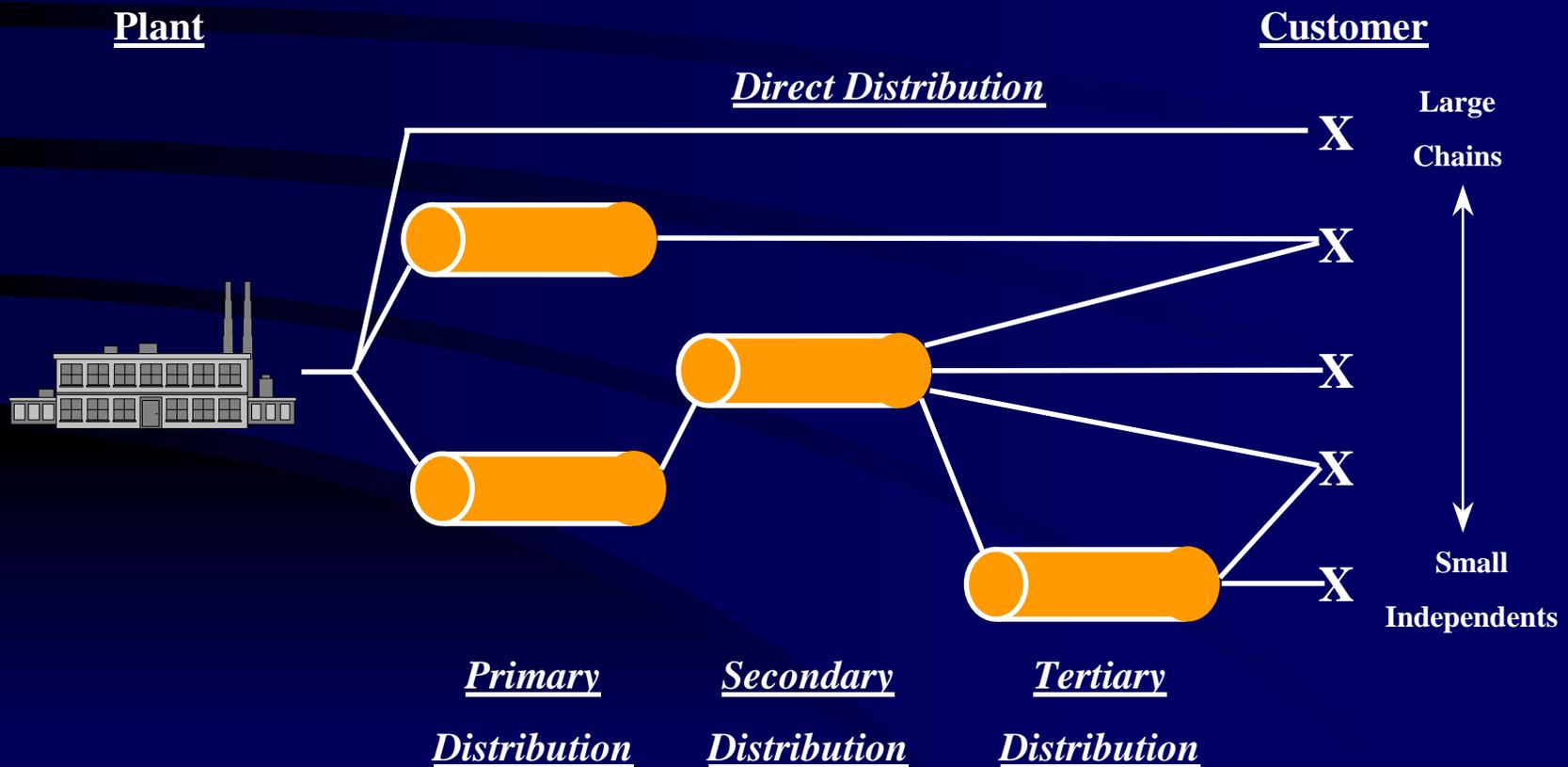
Perspective on Supply Chain Management

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

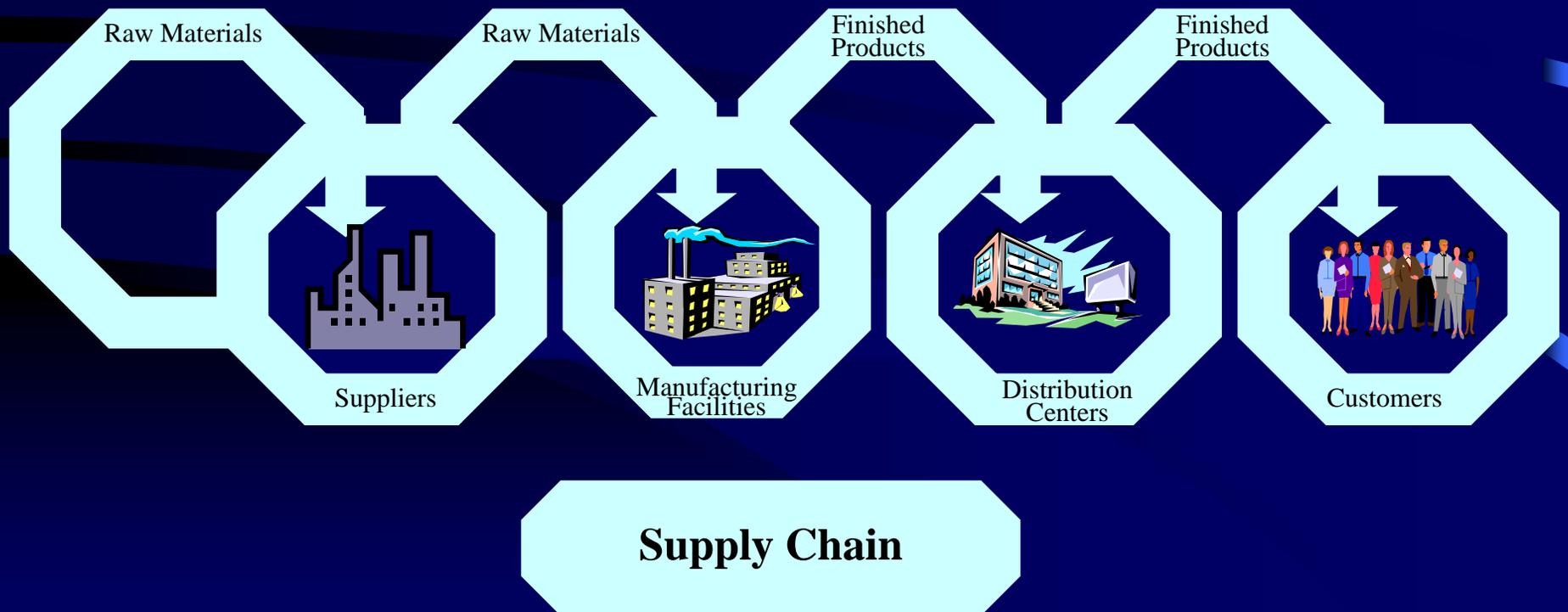
There are several levels of supply chain activities between the product source and the customer



Perspective on Supply Chain Management

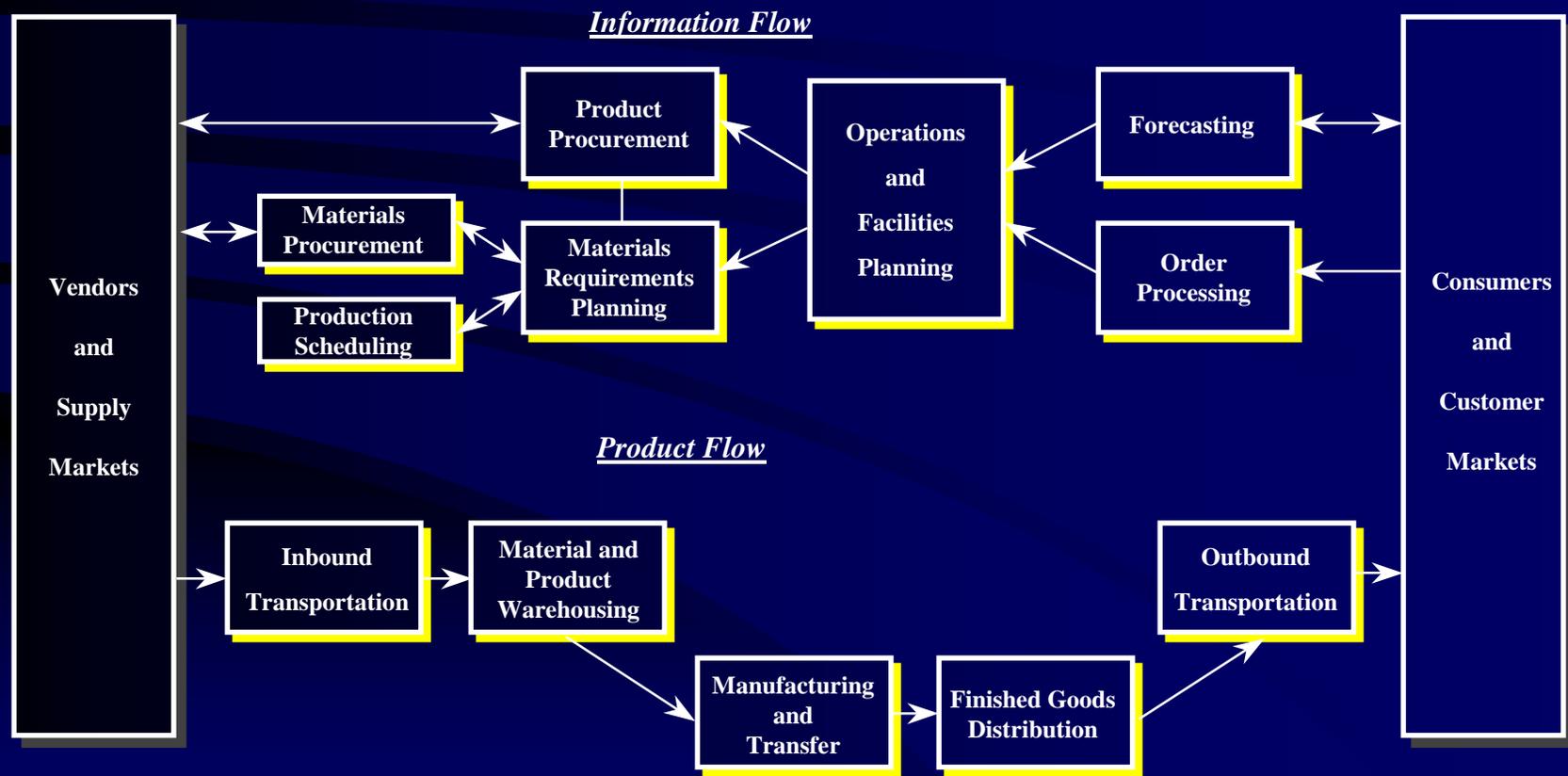
Supply chain management groups together a complex network of functions into a true cost and service effective business strategy

- 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

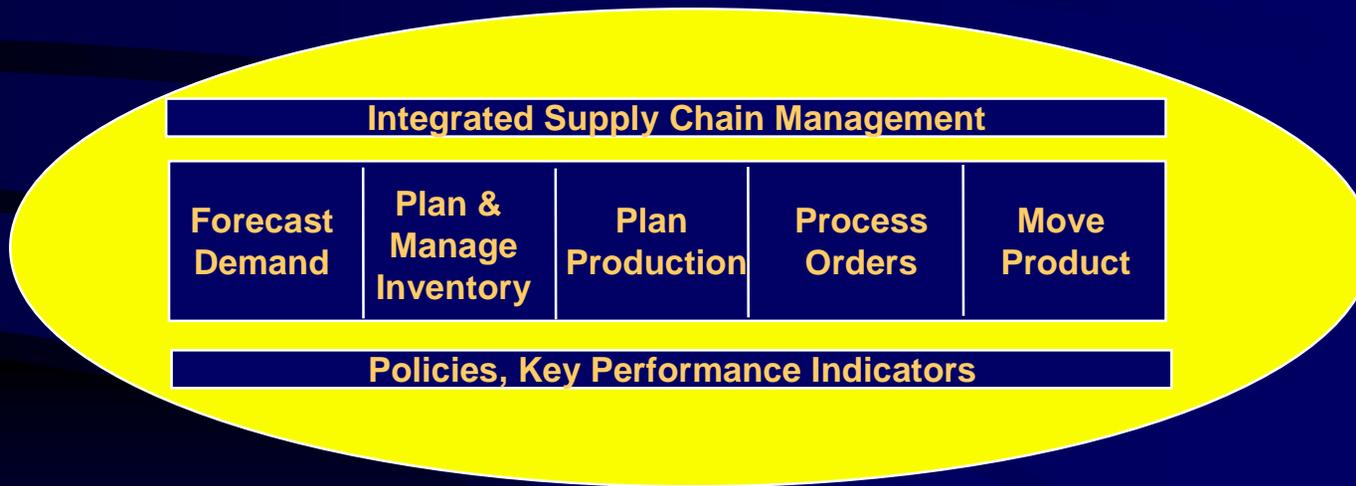
Supply Chain Business Models

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

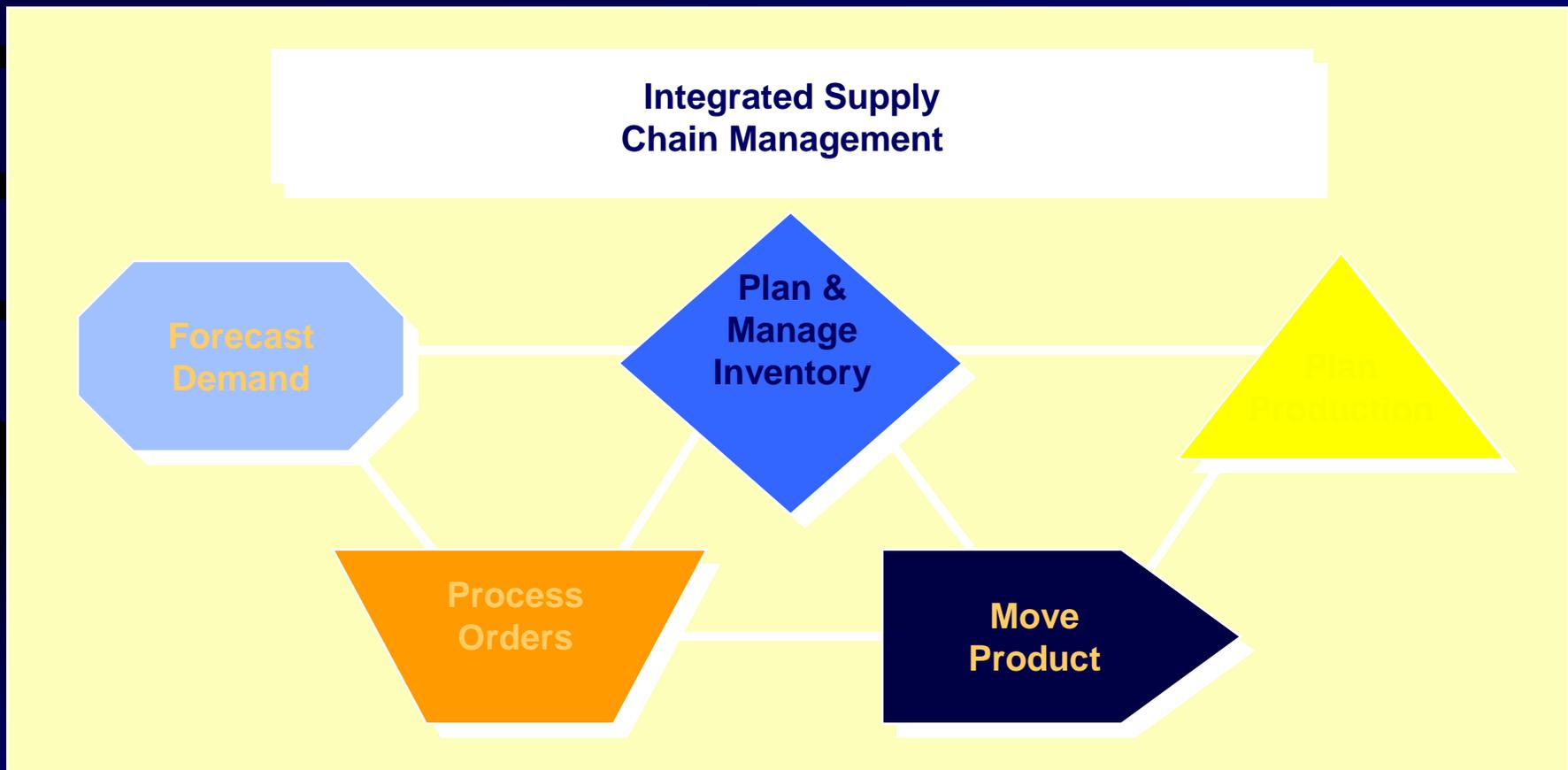
Supply Chain Business Models

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

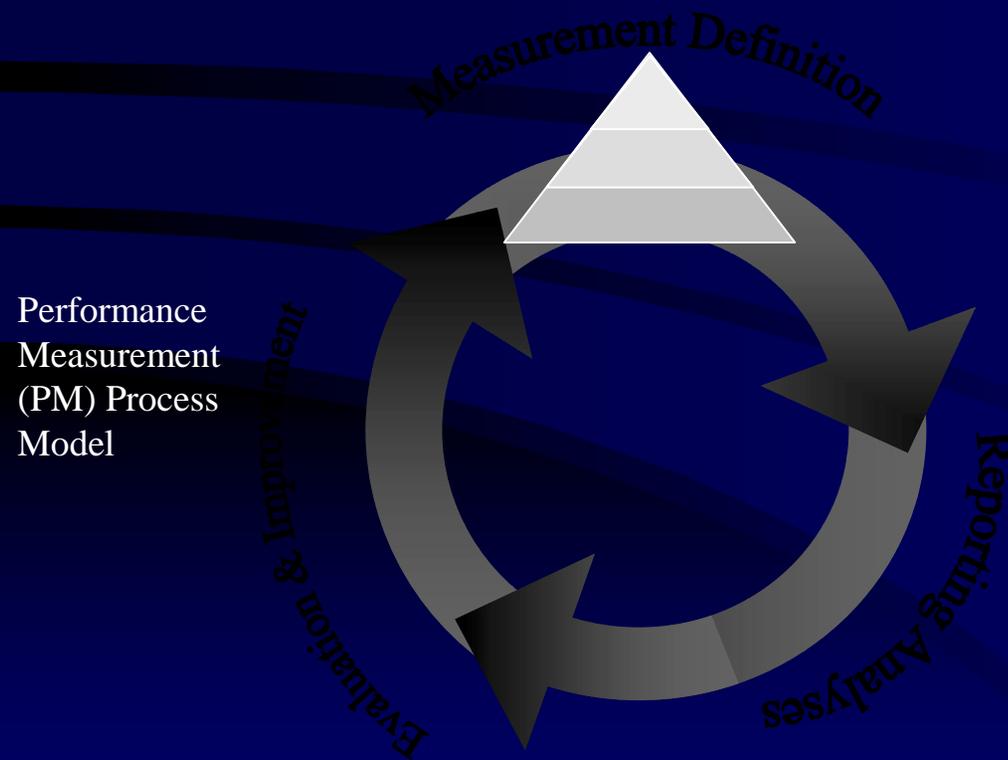
Once agreements are in place and the process is working effectively, there is a need to develop standards and measures

- 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

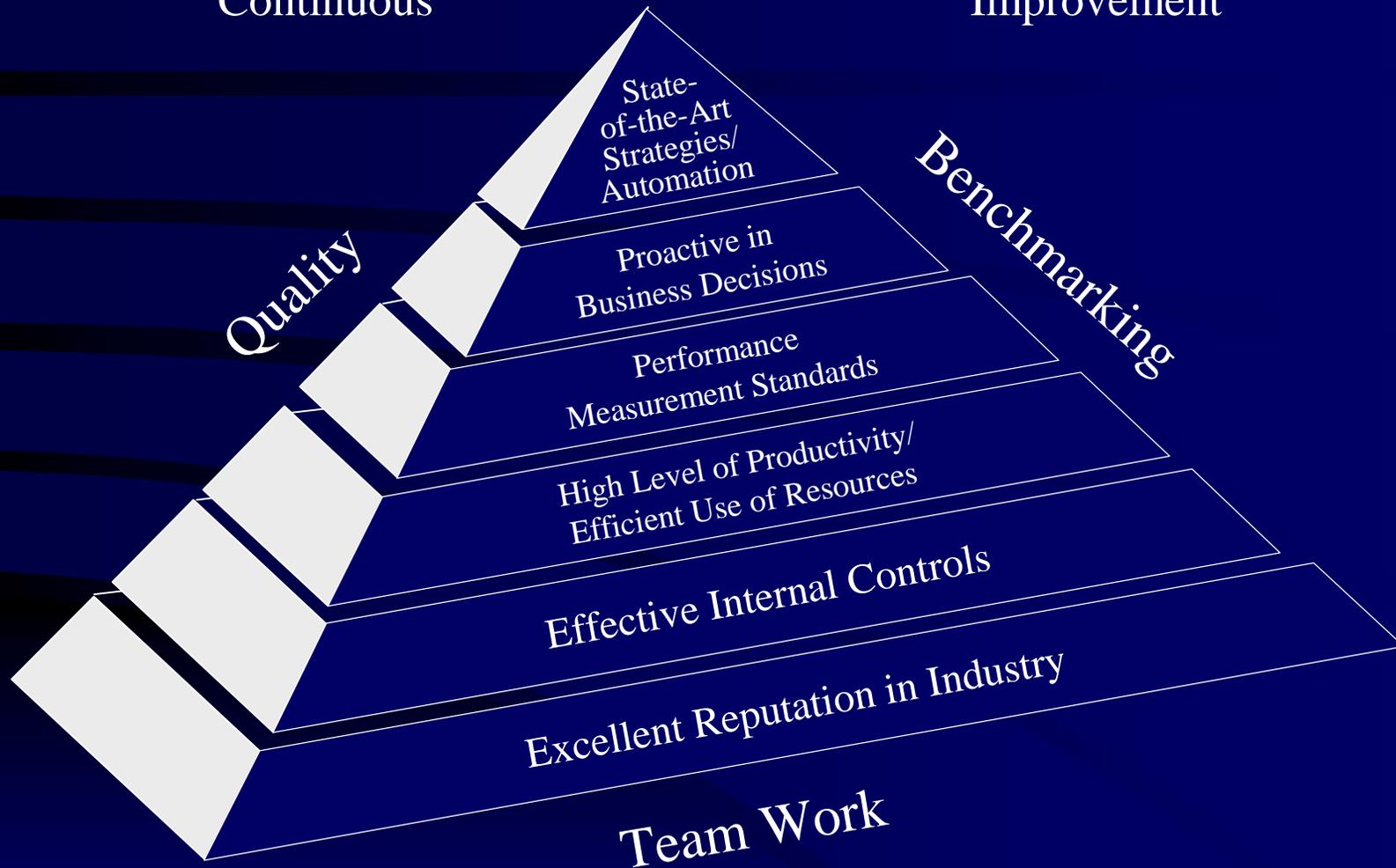
Measures and standards provide the ability to manage the supply chain to effectively support the business

- 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

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