

What is a Supply Chain?

Definition: the network of retailers, distributors, transporters, storage facilities and suppliers that participate in the sale, delivery and production of a particular product or service.

No man is an island

The key word in the definition above is '**network**'. In today's global market place this can be known as the **Extended Enterprise**, a loosely coupled, self-organising network of firms that combine their economic output to provide products and service offerings to the market. Firms in the extended enterprise may operate independently, for example, through market mechanisms, or cooperatively through agreements and contracts.

However they may be set up, organisations must operate collaboratively within the supply chain; and for that collaboration to work effectively and efficiently all of the supply chain constituents need to be transparent and trustworthy. This is why the term 'chain' is so apt – any weakness, unreliability or missing link within that chain makes it ineffectual. In other words the whole chain is only as strong as its weakest link.

Organisational Goals

There are 2 simple questions organisations need to ask to define their goals:

1. Why do I exist, what is my purpose?
2. What do I need to do to achieve my reason for existence?

In the broadest sense these can be answered:

1. I exist to meet all of my stakeholder's requirements such that they demonstrate that they value my work.
2. I need to ensure that I can consistently deliver upon all of my promises.

A well managed supply chain can ensure that organisations can consistently deliver upon their promises. To do this they will need to meet some fundamental objectives; firstly to get the right product/service, to the right place/customer, at the right time and of the right quality. But stakeholders today are seeking more from organisations; they need to ensure that supply chains are:

Safe

Secure from danger, harm, or evil

Responsible

Able to be trusted or depended upon; reliable

Sustainable

To keep in existence; maintain

To be confident in ones supply chain and maximise stakeholder value, organisations need to be assured that these 3 additional objectives are being met.

The main driving force for any business when considering how to manage their 'supply chain' is the knowledge that they can be assured that it works correctly, it adds value and that if it does go wrong the organisation is resilient enough to cope with the situation.

An organisation's brand is one of its most valuable assets and the protection of that brand is dependant upon consistently getting things right, being seen doing the right things and planning responses to unforeseen events.

Safe

- Delivering safe conforming product/services
- Delivering product safely
- Safeguarding people

Product safety especially in industry sectors where the goods are consumed by humans/animals is paramount and can have a devastating effect on the organisation's credibility and shareholder value if it goes wrong.

Making supply chains safe means not only ensuring that your product or service is of the right quality and causes no harm to its prospective end user, but also ensuring that it arrives, is in tact, has not been tampered with or substituted.

Over the past few years many examples of this have been reported in the global media.

- Chemically tainted pet food (2006)
- Lead in toy paint (2007)
- Counterfeit toothpaste, laced with antifreeze (2007)

As the labour market becomes more mobile we are also seeing large percentages of foreign workers in organisations triggering the need for careful/considered training to protect workers in health and safety matters.

Responsible

- Ensuring secure delivery
- Ethically responsible

Since 9/11 the threat of terrorism to supply chains has been high on the agenda. But, whilst the effect of a terrorist attack may be potentially catastrophic, thankfully terrorism remains an uncommon occurrence. Theft on the other hand, is a very real and present threat:

- Theft – USA National Insurance Crime Bureau (NICB) Annual Report 2006 - Estimated annual loss – cargo theft crime in USA \$10-25 billion (79,782 insurance claims) and global transit loss estimates were \$30 to \$50 billion per year. This represents typically between 2% to 8% income reductions for Fortune 500 companies due to poor security.

Organisations must be aware of their responsibility for ethical issues such as child labour, workers rights, hazardous working conditions, animal testing. Numerous examples of the use of child labour and unsafe employment environments can be seen in today's news items. All of which will cause damage to organisational brand reputation.

Sustainable

The Philanthropic Foundations Canada describes sustainability as: 'the ability to meet the needs of today's people and environment without compromising that of subsequent generations. When a program seeks to create sustainability, it aims to create an environment that can renew itself without damage to future stakeholders'.

This can be summarised as:

- Being environmentally friendly; and
- Managing changing requirements

But organisations must also be aware of:

- Preparing for the worst; and
- Recovering from disaster; to be sustainable in today's global environment.

Awareness, commitment and careful planning can help to create world class supply chains able to cope with the fast paced, expansive, fluctuating markets of our current and future business climates.

Life Matters – to survive, organisations need to be responsible for making their supply chains both safe and sustainable.