Opening International Keynote Presentation

Making Supply Chain Management into a Competitive Weapon

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Presenter Information

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Supply Chain Management
The *Invisible* Supply Chain
The Existing Supply Chain

• The Cost Driven

*Chain Reaction*

- We have three primary supply chain objectives this year.
- No. 1, reduce manufacturing costs.
- No. 2, reduce transportation costs.
- No. 3, reduce distribution costs.

Any questions?

I understand finally how the CEO decided he was the right man for the job.
The Future Supply Chain

- Supply Chain as competitive advantage.
- More than software
- More than tools
- The result of three forces
The Strategic Supply Chain - Drivers

- Mastering the business model
- Exploiting the Outcomes
- Managing the Metamorphosis
Which would you pick?

In terms of innovation, what has the biggest impact on average year sales increase and average impact on stock price?

* Innovative Product
* Innovative Process
* Innovative Customer Experience
* Innovative Business Model
Which is best?

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Process</td>
<td>1.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Product</td>
<td>3.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>2.5%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Business Model</td>
<td>16.6%</td>
<td>7.2%</td>
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</tbody>
</table>
The Business Model

- **Value Proposition**
- **Key Customer**
- **Capabilities**

**Performance**
Changing Realities

• 1990s
  – Company against company

• 2000
  – Supply chain against supply chain

• 2015
  – Business model against business model
The Strategic Supply Chain - Drivers

- Mastering the business model
- Exploiting the Outcomes
- Managing the Metamorphosis
The USCG and Haiti
Outcome-driven supply chain

Six Major Outcomes:

– Cost
– Responsiveness
– Security
– Sustainability
– Resiliency
– Innovation
The Single Outcome Solution

- Focus on one outcome!
- Be the best on it!
- Attractive because it is simple and direct!
- YET → High Risk
We Need to *Blend* Outcomes

- Mix outcomes to create attractive outcomes for critical customers
- Some outcomes don’t mix:
  - Lean/Cost and Innovation
- Must prioritize outcomes!
Prioritization – Key to Blending

• 1 – 2 – 3

1 outcome → strategically critical
2 outcomes → strategically important
3 outcomes → strategically necessary
The Strategic Supply Chain - Drivers

- Mastering the business model
- Exploiting the Outcomes
- Managing the Metamorphosis
Supply Chain Management
BEYOND THE HORIZON

MICHIGAN STATE UNIVERSITY
Broad College of Business

APICS
SUPPLY CHAIN COUNCIL

smart
supply chain & logistics CONFERENC
The Realities New Problems

• Supply chains are transforming..
  – From tactical (cost-focused)
  – To strategic (value-focused)
• Yet, most of our knowledge is tactical!

• Despite large resource investments in supply chains,
  – The gap between the best and the rest continues to widen.
Michigan State University Team

- David J. Closs, Ph.D.
- M. Bixby Cooper, Ph.D.
- Patricia J. Daugherty, Ph.D.
- David J. Frayer, Ph.D.
- Stanley E. Griffis, Ph.D.
- Nick Little, MCIPS
- Steven A. Melnyk, Ph.D.
- Gary L. Ragatz, Ph.D.
- Judy M. Whipple, Ph.D.
SCM: Beyond the Horizon

Key Driving Questions

• How is supply chain management becoming a strategic asset?

• What emerging trends or developments will shape the future of supply chain management?

• Why are some firms more successful with strategic supply chain management than others, even though they seem to have the same tools, systems and practices?
### Managing the Metamorphosis

<table>
<thead>
<tr>
<th>Threads</th>
<th>Tapestries</th>
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<tbody>
<tr>
<td>Implementing Practices</td>
<td>Building Capabilities</td>
</tr>
<tr>
<td>Supply chain solutions</td>
<td>Business solutions</td>
</tr>
<tr>
<td>One supply chain fits all</td>
<td>Tailored supply chains</td>
</tr>
<tr>
<td>Invisible supply chain</td>
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</tr>
<tr>
<td>Avoiding complexity</td>
<td>Exploiting complexity</td>
</tr>
<tr>
<td>Talent acquisition</td>
<td>Talent leadership</td>
</tr>
<tr>
<td>Internal planning</td>
<td>Planning integration</td>
</tr>
<tr>
<td>Inside out measurement</td>
<td>Outside In measurement</td>
</tr>
<tr>
<td>Interfacing data</td>
<td>Integrating organizations</td>
</tr>
<tr>
<td>Managing for today</td>
<td>Building for tomorrow</td>
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Implementing Practices -> Building Capabilities

• Practices
  – Individual
  – Generic
  – Not linked

• Capabilities
  – Linked to the firm’s business model
Building Capabilities

• Value:
  – Value design
  – Value delivery
  – Value maintenance

• Components
  – Technology
  – Processes
  – People
    • Talent
    • Culture
    • Replacement

• Time
  – Today
  – Tomorrow
  – Transition plan
Preliminary Insights & Observations

Implementing Practices → Building Capabilities

Supply Chain Solutions → Business Solutions

Avoiding Complexity → Exploiting Complexity

Inside out → Outside in

Interfacing Data → Integrating Organizations
Business Solutions

• End to End SC
  – Customer – Supply Chain-Firm
  – Product life cycle
    • Cradle – to – cradle
  – Marketing – engineering – supply chain
  – Components → solutions
The New Realities

Customers are not buying the parts

Customers are buying a solution!
Preliminary Insights & Observations

- Implementing Practices → Building Capabilities
- Supply Chain Solutions → Business Solutions
- Avoiding Complexity → Exploiting Complexity
- Inside out → Outside in
- Interfacing Data → Integrating Organizations
Our views of complexity must change!

Old view – avoid complexity

New view – exploit complexity
Preliminary Insights & Observations

Implementing Practices → Building Capabilities

Supply Chain Solutions → Business Solutions

Avoiding Complexity → Exploiting Complexity

Inside out → Outside in

Interfacing Data → Integrating Organizations
Through Whose Eyes Do We See the World

Through our own!

Through our customers’
## Preliminary Insights & Observations

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How linked are you?

Data/processes

Organizational

Activities
Expectations
Business Models
Skills
Culture
Your Challenge!

• Recognizes and deals with supply chain paradox

  – Managing for stability in the short-term; planning for change in the long-term

• Recognition that all “solutions” are ultimately limited.
The Challenge – Bridging the Chasm

Where we are
Drivers
Strategy
Structure
Practices

The Unexplained Gap

Where we want to be
Bridging the Gap Between Intent & Realization
Final comments

• A change is taking place in supply chain management

• More integrative, strategic with a greater emphasis on fit

• A new vocabulary is now developing

• A new type of supply chain leader is needed!
WE NEED YOU!
Interested in Participating?

• Contact us at:  
  msu_scm_research@broad.msu.edu

• Participation
  – Surveys
  – Case studies
  – Focus groups
New issues and concerns for firms

- Business solutions
- Capabilities
- Culture
- Fit
- Interoperability
- Metrics
  - Inside-out to outside-in
- Talent management
thank you
Questions?!?!