

# The top 10 supply chain mistakes

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**By Sumantra Sengupta**

**W**hy do so many companies fail to extract the full value out of their supply chain transformation efforts? Most failures occur at the intersection points between employees, process, and technology.

From the perspective of one veteran practitioner and consultant, here are the ten most common mistakes that companies make when trying to enact meaningful change in their supply chains.

No one disputes the economic impact of supply chain management. Study after study has linked supply chain performance to shareholder value and shown that total supply chain costs account for more than half of the finished cost of a typical product.

But for the most part, initiatives to improve supply chain processes to date have fallen short of expectations. How else can you explain why inventory has continued to grow at a 3-percent compound annual growth rate over the last decade? And why 30-percent of new consumer goods products fail to meet basic financial returns?

Part of the answer may be that the execution of these programs is flawed or is inadequately planned by people who don't possess the right training and skills. I would also argue that in many companies--certainly in those that I have worked for and with--there has been a tendency to treat supply chain initiatives simply as cost-containment or technology-implementation exercises.

Finally, many efforts fail to realize their potential because companies view the supply chain only as the internal elements within their four walls. True supply chain management--what I call total supply chain management (TSCM)--goes beyond the four walls. It begins and ends with the wants and needs of customers and consumers.

I have observed many companies struggling with their initiatives and have seen certain recurring mistakes--mistakes that if corrected could help companies realize total supply chain management.

# SUPPLY CHAIN MANAGEMENT REVIEW

This article condenses my experiences and observations, both as a practitioner and as a management consultant, into some guidelines that I hope can help others as they implement their supply chain initiatives. The guidelines reflect many of the discussions that we've had here at Scotts, where most of our revenues come from lawn and garden products that are produced and distributed in bulk.

These guidelines have proven instrumental in improving our annual inventory turns from 1.8 to 3.6, which freed up millions of dollars in working capital over the last three years. And they continue to inform our operations: We expect to significantly increase inventory turns again in the next two years.

The guidelines are not meant to constitute an exhaustive list nor are they arranged in order of importance. Rather, they are simply a set of concepts, expressed as the mistakes that managers often make when attempting system-wide change in their supply chains. I've focused on the ten most common mistakes I've seen in hopes that others can identify and avoid repeating them.

## Top Ten Supply Chain Mistakes

**Mistake 1: Always viewing the supply chain as a "chain"** In addition to the traditional internal activities and relationships, supply chain practitioners now need to focus externally on business-to-business and even business-to-consumer processes and interactions.

**Mistake 2: Continuing to do business as usual.** Companies that did not substantially shift their go-to-market strategies or channel strategies achieved only small incremental improvements.

**Mistake 3: Having the wrong idea about "control"** Not every company will be able to become virtual in all aspects, nor should they. Even a company like Cisco Systems still retains strategic control and planning of its overall supply chain and firm tactical control of key elements. In the

future, supply chain success will be determined largely by the degree of partnership between the businesses that make up the extended value chain.

**Mistake 4: Failing to synchronize demand and supply signals.** We need to track point-of-consumption data as well as inventory at the last point of consumption, and they use sophisticated tracking technology to transmit the data effectively.

**Mistake 5: Believing that technology is the real enabler.** Six times out of ten, a complex supply chain project will involve an IT implementation. The importance of the fundamental business processes and the strategy surrounding the use of the technology, however, continues to be underestimated..

**Mistake 6: Failing to gain real visibility.** Rich quantities of real-time data aren't universally beneficial. It is important for companies to identify where in their extended supply chains such data can be of business value.

**Mistake 7: Adopting a "one-channel-fits-all" approach.** In practice, there are multiple supply chain designs to suit the characteristics of the products and the channels they are sold through.

**Mistake 8: Misreading the people factor.** The biggest challenges for employees center around rigorous analytical thinking and technology understanding.

**Mistake 9: Not leveraging global elements of supply chain operations.** Globalization of supply chain functions and processes and shared leverage with partners appear to deliver productivity benefits of between 8 and 10 percent.

**Mistake 10: Underestimating the size of the transformation task.** A long-term success horizon (three to five years) and dedicated project teams..