

You would use this approach to understand the importance of the Supply Chain to your business

Projected performance gains

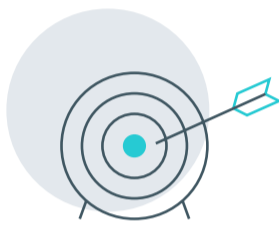


Increased

- perspective on the influence of the Supply Chains on your business performance

What investment is needed to understand the concept?

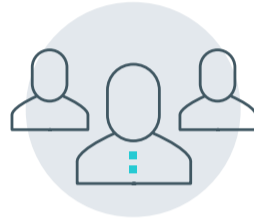
DIFFICULTY



Low

Requires some reading around the subject

ACTIVITY



Individual

Individual learning activity

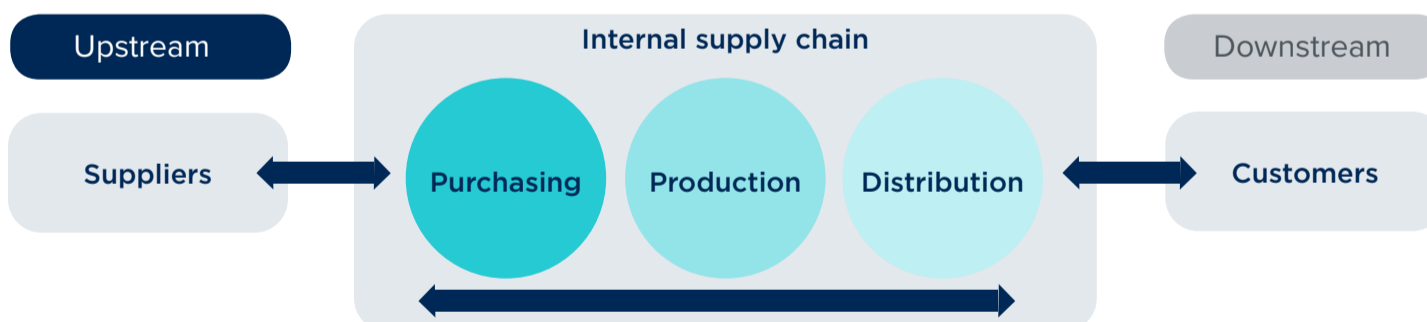
EQUIPMENT



None

Explanation of the concept

The Supply Chain, at a simple level, is the network of suppliers and customers that your company interacts with. Usually suppliers are “upstream” of your business and supply products, services and information that allows you to meet your “downstream” customers' requirements for products, services and information. It can also be said that any business has an internal supply chain where individuals and departments are internal customers and suppliers.



It is unusual for any business not to have suppliers. Generally any business focuses on what they believe they are good at, their “core” activities, and uses a range of suppliers to provide what is often described as “non-core” supplies of products, services and information. As an example, most car plants are car assembly plants. They make almost none of the vehicle parts themselves but buy these in, ready to be used on the assembly line to assemble the cars. The “core” activities of the car company are the design, assembly, sales and marketing on the cars. The supply chain consists of hundreds of suppliers, each playing their role in the successful assembly of cars.

The focus of the procurement teams in such a business is to successfully manage the Supply Chain. Clearly the supplier delivery performance, product/service quality and product/service cost has a significant effect on the overall performance of the business. It is generally accepted that the more reliant you are on a particular supplier, the closer the relationship needs to be to ensure continuity of supply. Where there are multiple suppliers available for a product/service that could be considered a commodity, there is more of an opportunity to tactically seek out the best overall deal at any given time – the ongoing relationship is less important.

As managing suppliers is time intensive, many companies try to limit or reduce the total number of suppliers to concentrate their spend with the best overall performers.

What action should I take?



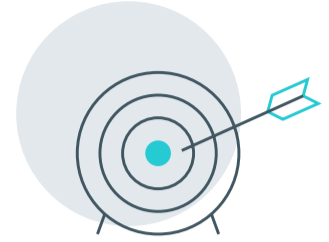
1

Create a report of the spend by supplier for the last 2 years



2

Arrange the data from highest to lowest spend



3

Understand the criticality of each supplier to the business and assign them High, Medium, Low



4

Look for opportunities to consolidate spend with a smaller number of suppliers who are the best overall performers in terms of Quality, Delivery and Cost



5

Consider these suppliers first when developing new products/services



6

Work with your key suppliers to implement lean tools and techniques across the supply chain to improve lead times, reduce costs and increase quality.

Recommended reading



Bicheno, J. (2004). *The New Lean Toolbox*. Piccie Books.
ISBN: 0-9541-2441-3

Handfield, B. (2017). *Introduction to Operations Management and Supply Chain*.
ISBN: 978-9332586376



Factsheet 02: Concepts of Lean Manufacturing
<https://www.businessgrowthhub.com/manufacturing/resources/fact-sheets>

Glossary

1. Core activities – what you believe your business was established to do well

For more advice, case studies and additional factsheets visit:
www.businessgrowthhub.com/manufacturing