

Supply Chain Fundamentals

This factsheet will help you to understand your Supply Chain, enabling you to prioritise suppliers by importance and improve performance.

Projected performance gains



Increased

- Perspective on the influence of the Supply Chains on your business performance
- Understanding of who your key suppliers are, to help you prioritise your most important business relationships
- Opportunity to consolidate your supply chains or to ensure the best price between competing suppliers
- Supply Chain resilience



Reduced

- Costs
- Lead times



Improved

- Product quality and pricing

What investment is needed to understand the concept?

DIFFICULTY



Low

Requires some reading around the subject.

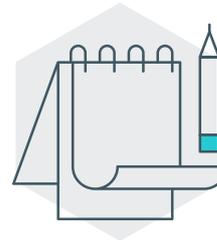
ACTIVITY



Individual

Individual learning activity.

EQUIPMENT



None

No equipment is needed.

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.

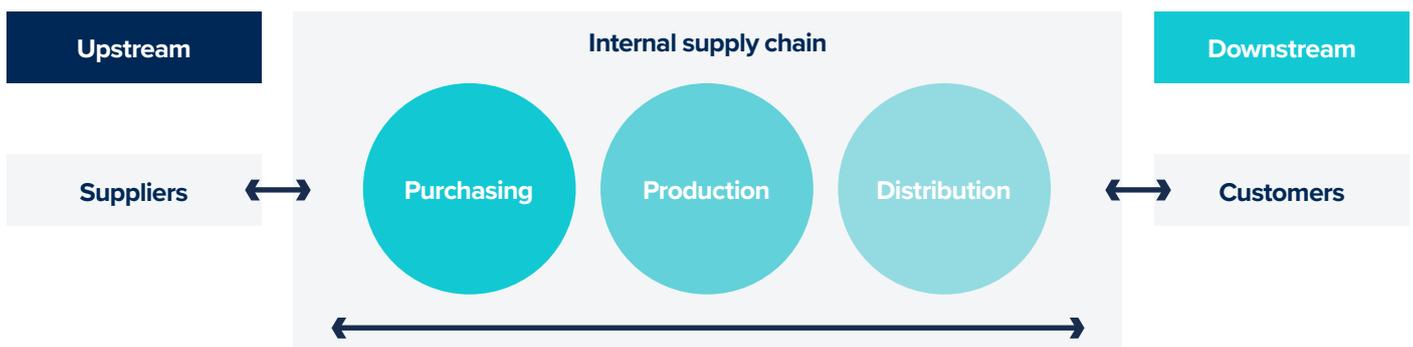
It is unusual for any business not to have suppliers. Generally any business focuses on what they believe they are good at, their “core” activities, and uses a range of suppliers to provide what is often described as “non-core” supplies of products, services and information. As an example, most car plants 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 have 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. Whilst multiple sources of supply can add some additional cost, it ensures resilience, in case one of your key suppliers becomes unable to 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 with each 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.

4. Remember to consider dual sources of supply where appropriate for high risk/hard to replace items of supply. [Note that sometimes this may be in-practicable due to the cost of dual Testing Certification/Approvals etc]

Recommended resources



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

Handfield, B. (2019). Introduction to Operations Management and Supply Chain.
ISBN-10: 1292291583 - ISBN-13: 978-1292291581



[GC Business Growth Hub Factsheet 02: Concepts of Lean Manufacturing](#)

Glossary

Core activities: What you believe your business was established to do well.

Lead time: The time it takes from order placement to the delivery of product or service.

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