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## Supply Chain Transformation To Transform or not to Transform?

"Your supply chain is perfectly designed to deliver the results it achieves"

Coined originally by Deming for **systems** and later by Arthur Jones for **organisations**, this phrase is especially true for **supply chains**.

So, if your supply chain is struggling to meet the needs of your consumer or business strategy, what are your options?

While the focus is supply chain, the principles hold for any type of organisational transformation.

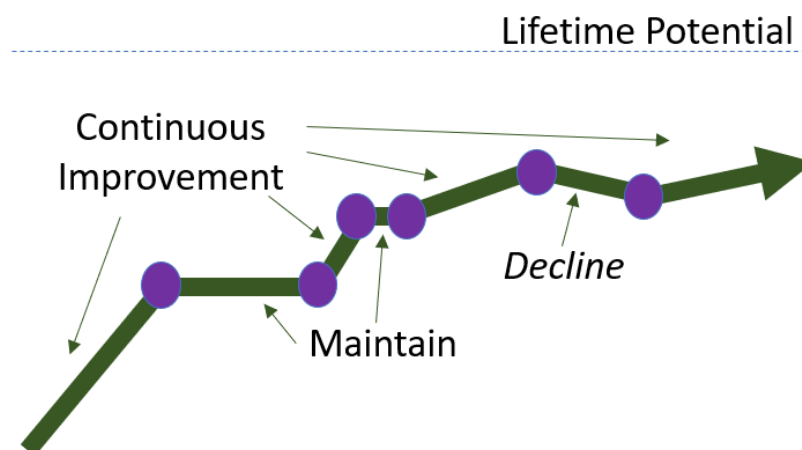
The supply chain is no longer just about good quality and service; at low cost. It is increasingly a differentiated, strategic source of competitive advantage

integral to the business`s commercial strategy. Supply chain leaders are increasingly involved in shaping business strategy rather than just translating it.

Together with rising consumer expectations, technological innovation and global crises, the pace of change and the exciting potential in supply chain management has never been greater.

### “To transform or not to transform?”

Transformations are hard, costly and risky. Deciding if, when and how to transform are fundamental questions. Not every unmet need or opportunity requires a transformation. Organisations typically operate in three states: **maintain, improve, or transform**, across various areas, dimensions and processes. Each of these states occurs concurrently in different areas, balanced with resources and priorities.



Continuous improvement toward lifetime potential

Significant progress can be made by focussed **continuous improvement** efforts. After each effort, new processes or structures must be stabilized with change management and **maintained** with essential systems and controls, or the improvements will **decline** over time. Deming`s study of Japanese automotive manufacturing dominance pioneered the **PDCA (Plan-Do-Check/Study-Act) cycle** as one excellent example of a generic,



continuous improvement management framework. The lean six sigma and other cultures and methodologies provide numerous tools to drive and maintain each effort.

A transformation is not always needed to achieve transformational outcomes. As this example illustrates.

## Case Study : “Supply Chain from Hell”

*"Wella faced challenges with a natural hair colour product susceptible to low risk microbial contamination.*

*The supply chain, spanning over six months and between 3 different manufacturing vendors, led to service levels in the high 80s and low 90s—unacceptable for a hairdresser's pre-booked \$100-200 service.*

*By mapping the value stream and partnering with QA and external suppliers a new operating model was created. The lengthy, positive release at each step was replaced with continuous flow and negative release.*

*Packaging liability was underwritten by Wella and was purchased to safety stock via multi-echelon inventory optimization rather than order by order. This increased responsiveness by 75%, and service levels rose to the high 90s, leading to increased sales. This was a surgical, continuous improvement "transformation."*

## Continuous improvement is foundational, but it has limits.



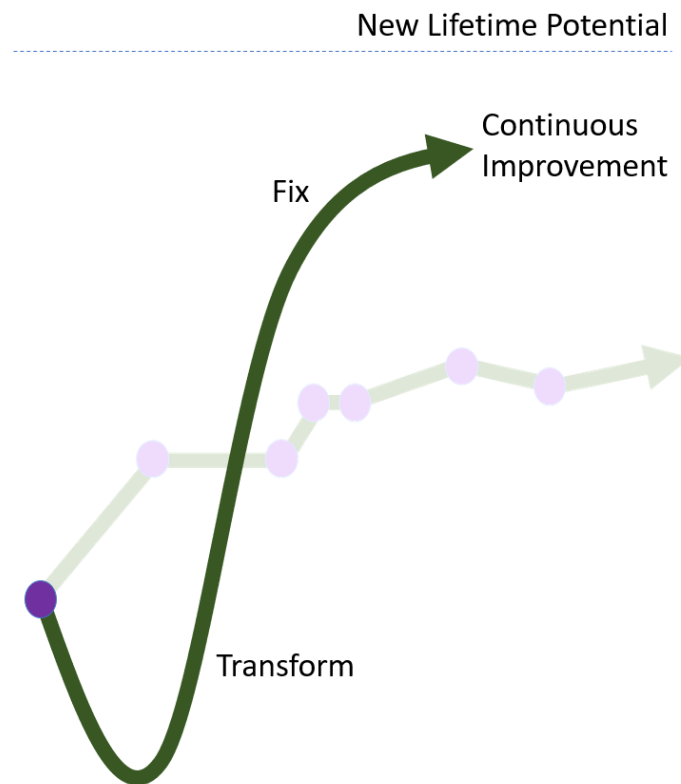
The current state, even with incremental improvement, will reach a “ceiling of potential”. If this ceiling of potential matches the needs of your consumers` and business needs, great! Transformation is needed when it does not.

“OK, Let`s transform?”

Transformation, like a chrysalis becoming a butterfly, creates a new state replacing the current reality and norms.

The cost and risk come from the need to strip away the fabric of your existing supply chain, operating model and throwing your colleagues into uncertainty. Like the butterfly shedding its shell before it`s true beauty and freedom is revealed. Unwinding what has been carefully built, and served you well, over the years.

The treasure is the ability to reach a new capability, a new lifetime potential, that was previously unreachable with your prior trajectory.



OK, Let`s Transform!

The chart is a perfect plan, however, there will be bumps in the road and agile fixes needed to match the transformation vision to the reality of what is executed. This then creates a new base for ongoing continuous improvement.

A classic example that illustrates this choice, was the disruptive, irreversible innovation that transformed photography from film to a new, digital platform with breakthroughs in new lifetime value and consumer satisfaction. Canon, Nikon and Sony thrived by intercepting and shaping the industry transformation, whereas Kodak were left behind.

These choices are needing to be made right now in supply chain so your business doesn`t get left behind as Kodak was.



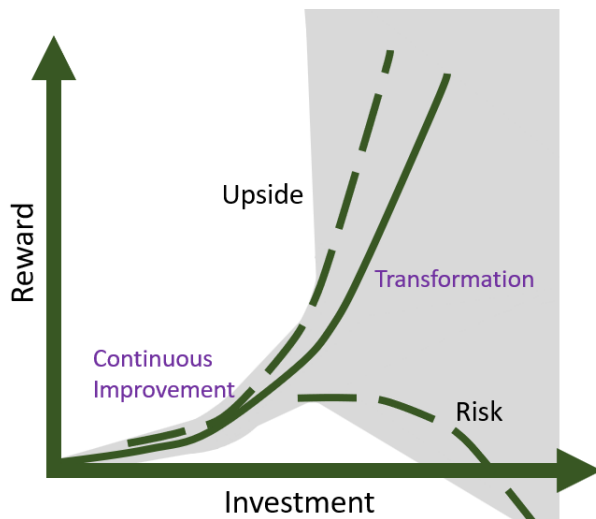
## Case Study : "Gillette`s bold manufacturing network transformation"

*In the mid 2000`s, Gillette made the bold, successful decision to relocate its West London razor manufacturing site to a greenfield site in Lodz, Poland.*

*This move was necessary for competitiveness and to reset the organisational culture. Growth from adding more blades to an increasingly “perfect shave” was diminishing and the supply chain needed to play its part.*

*A lifetime of future consumer and shareholder value was unlocked well beyond the ingoing project NPV.*

Sounds great when the transformation works! Unfortunately, when the rubber hits the road, there are a number of challenges that I will explore from personal experience in the forthcoming series.



Risk/Reward versus Investment

According to a [McKinsey study](#), more than 70% of business transformations fail to meet ingoing expectations. I would argue that the challenge may be higher, as many also fail trying to solve the wrong problem. Supply chain & manufacturing 4.0 innovation offers an unlimited toy box of exciting solutions

that undoubtedly improve things but there's a risk of technology-driven rather than consumer-driven transformation.

Amid the deserved hype around Industry 4.0, machine learning, and AI, the key questions are:

- What are emerging opportunities and threats?
- What is needed?
- Should we transform?
- If so, how and when?

How do you discover this and if transformation is the answer, how do you set the right vision and goals? How do you manage the journey effectively, bucking the transformation failure risk?

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Having worked in supply chain operations and now at mile20 consulting, I have lead diverse examples of supply chain improvements and transformations, particularly in technological, digitisation, supply network & organisational changes. My career map energy levels have reminded me of my passion in managing such complex, challenging, frightening and exciting changes!

In future articles, I will share what I have learnt in a field that is gaining pace! My goal is to contribute to this important discussion, make more supply chain transformations successful and help further with advancing the profile and presence of our profession.

My sincere gratitude, to all the wonderful friends and colleagues I have learnt so much from and who have supported me on this journey. This article is a presentation of your collective wisdom.

Stay tuned for more articles. In the meantime, don't hesitate to reach out to me or my [mile20](#) colleagues to discuss further or for support in navigating your supply chain's transformation journey.

*Michael Dewey*