

The dichotomy of supply chain perspectives

I APPRECIATE THE FEEDBACK I HAVE been receiving on this column. I'm glad to know we have so many folks interested in the evolution of our industrial engineering profession and the transformation of the supply chain.

Many of the comments I have received contain one key theme, which led me to my topic for this month's column: the dichotomy of supply chain perspectives. A number of you clearly have adopted a strong supply chain perspective. However, I would like to see that more folks are adopting multiple perspectives. By adopting multiple perspectives, we add the greatest value to our companies and supply chains.

The supply chain can be viewed through our engineering eyes as a huge opportunity for cost reduction: reduced transportation costs, reduced operations costs, increased inventory turns and so on. This engineering view sees the supply chain as an integrated whole of the process: plan, buy, make, move, store and sell. This process (or cost reduction mindset) is on target. It is a valid view of the supply chain and the opportunity presented by transforming the supply chain to a more efficient, lower cost operation.

At the same time, from a CEO perspective, the supply chain is viewed not as a series of processes but rather as a core business enabler that creates organization value. Here, we see the supply chain as the vehicle that delivers the corporate strategy to the marketplace. Our role is way beyond

the role of supply chain cost reduction. We must participate in the development of the corporate strategy as well as define the supply chain capabilities necessary to make these strategies a reality in the marketplace. As such, supply chain excellence is less about cost reduction and more about revenue creation, market share growth and share of customer spend.

Which view is accurate? Both. Which view should you use? Both. It is important that the industrial engineer sees the cost reduction opportunity as well as the value creation opportunity.

When combined, these two views can lead to stronger organizations. Reducing costs improves margins, and delivering the corporate strategy to the marketplace increases revenue. These two combined increase value.

Organizations are becoming more aware of the impact their end-to-end supply chains have on the profitability and value of the overall company. The profession of industrial engineering has never been more important to ensuring that executives of these companies take full advantage of both perspectives.

To achieve the benefits from both perspectives, pursue the following cost reduction opportunities: within the supply chain process within a company, between the supply chain processes within a company, within our supply chain trading partners and between all links of our supply chain.

And incorporate these revenue



Which view should you use? Both.

creation opportunities: improved customer satisfaction, innovative service offerings, enhanced product offerings and increased responsiveness to customer needs.

Adopt a perspective that looks at the supply chain from a strategic, a tactical and a contingency perspective. At the same time, apply innovation and creativity to address both the top line (revenue) and the bottom line (profits), while managing the risk associated with supply chain execution.

As industrial engineers, we have the history, the intellectual obligation and the operations prerogative to adopt both perspectives. This makes the supply chain a key rallying point for our companies and our profession moving forward. ❖

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