

4 keys to supply chain success

Dr. Dawei Lu of the University of Warwick says supply chain and logistics management businesses should be unique and agile to whip up a profit.



*Dr. Dawei Lu
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In today's volatile global marketplace, the successful businesses are the ones that shine even amidst global uncertainties and economic challenges. Dr. Dawei Lu, principal teaching fellow at the University of Warwick, says companies seeking profitable supply chain and logistics operations amidst a relatively weak global economy should apply what he calls the "World Class Diamond Model."

He says that the model has "four diamond facets" that represent four business dimensions: operational excellence, strategic fit, capability to adapt, and unique voice.

"Without particular order, the model specifies that to achieve business excellence and utmost profitability companies must deliver satisfactory performance in the four dimensions," he explains.

"The University of Warwick is one of UK's leading research universities with a reputation for excellence in teaching and for links with business and industry. Warwick's master's programmes (Engineering Business Management and Supply Chain and Logistics Management) are offered in Singapore via SIM Global Education."

Dr. Lu explains that supply chain success and profitability are hinged on a business operation's level of excellence.

"Operations directly add value and define the supply chain performance and competitiveness. Whether it is in internal operations or in customer service, the customer expects nothing short of excellent operations," he says.

At present, supply chain and logistics companies face several challenges when it comes to operations. It requires hiring and retaining talent, as well as keeping up with operational complexity.

"Supply chain management covers multiple disciplines and it can therefore be difficult to find that all-round supply chain person," Dr. Lu says, adding that reducing attrition is also a challenge.

The complexity of supply chain and logistics networks also necessitates the hiring of "problem solvers" who can pinpoint the clog in the system.

Strategic fit & capability to adapt

Dr. Lu points out that, "If the operational excellence is 'doing things right,' then the strategic fit is 'doing the right things.'" He says companies should be able to formulate and implement the right supply chain and logistic strategies that "fit their internal resources to the market opportunities." He adds that by far, the most popular challenge is finding and implementing the right metrics for a problem in supply chain management. He explains that it is difficult to find the right metrics in benchmarking and reporting.

Adaptability is an important factor in any business endeavor. The supply chain and logistics industry continue to face increasing global market volatility, especially since the 2008 recession. This has resulted in increased market

transparency and price sensitivity.

With the industry becoming more reliant on the growth of global customer bases, models and trends are shifting towards a more global facing business model. "In Asia, the shipping sector is suffering from a combination of plummeting demand and an oversupply of ships, as vessels ordered during the growth years are delivered," Dr. Lu reveals.

He says although demand picked up in 2012, there is still overcapacity. Companies like China Cosco Holdings Co has been reporting losses because of the uncertainties of the international shipping market.

Dr. Lu says because of constantly shifting global markets, technological development and environmental and social challenges, supply chains "must enhance the capability to adapt themselves into the new business eco-system in order to secure long-term survival."

Businesses should be cautious so they don't lag in performance. "Often improvement on one set of metrics results in deterioration on the other," he says.

Unique voice

An interesting addition to Dr. Lu's Diamond Model is the idea of a unique voice. "There are overwhelming evidences that all companies that have achieved utmost profitability have exhibited something unique in managing their supply chain. The truly successful stories never repeat themselves," Dr. Lu says.

He adds, "Benchmarking on other supply chain's best practices will only make the company the second best. Unique voice calls for innovation and creativity."

In the end, Dr. Lu says that despite all the guidelines and models made available on the supply chain and logistics industry, "there is no ready-made one-size-fits-all approach."

Dr. Lu, as part of the University of Warwick's partnership with SIM Global Education (SIM GE), teaches the Supply Chain Management module for the Master of Science in Supply Chain and Logistics Management programme at the institute.