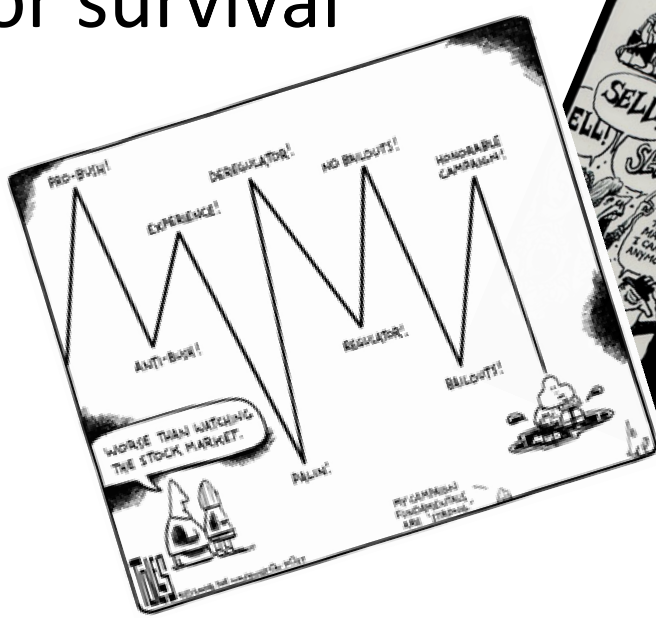
The University of Manchester
Manchester
Business School

Surviving in a turbulent environment: Maintaining Supply Chain Health

Paul D Cousins
Professor in Operations Management
Manchester Business School

Overview

- Introduction
- Effects of Environmental Change
- Supply Chain Management
  - Trends and key issues
- Strategies for survival
- Conclusions



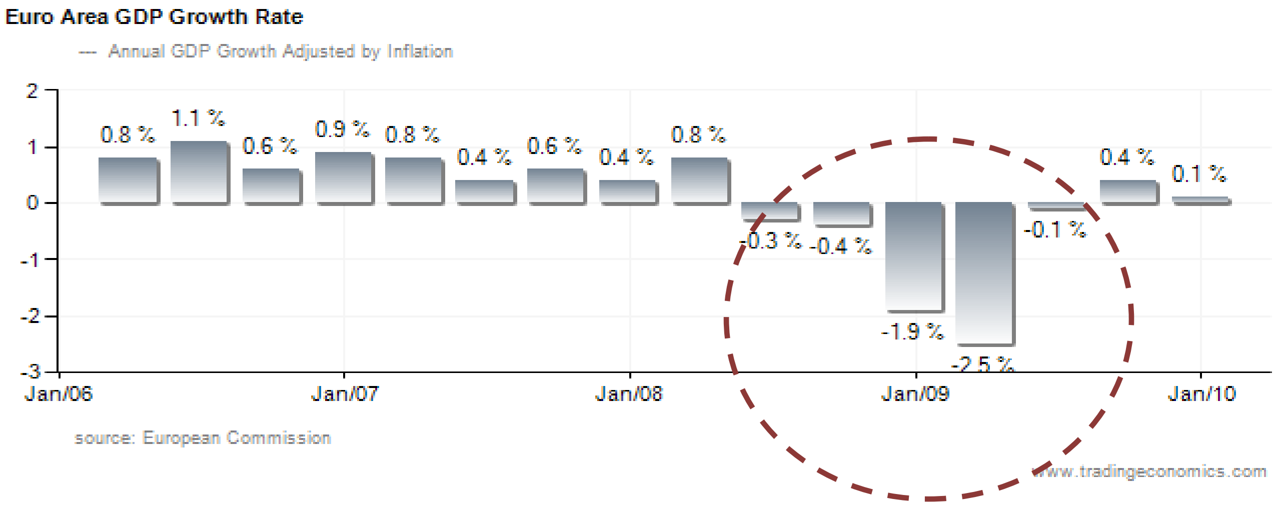
Key Questions?

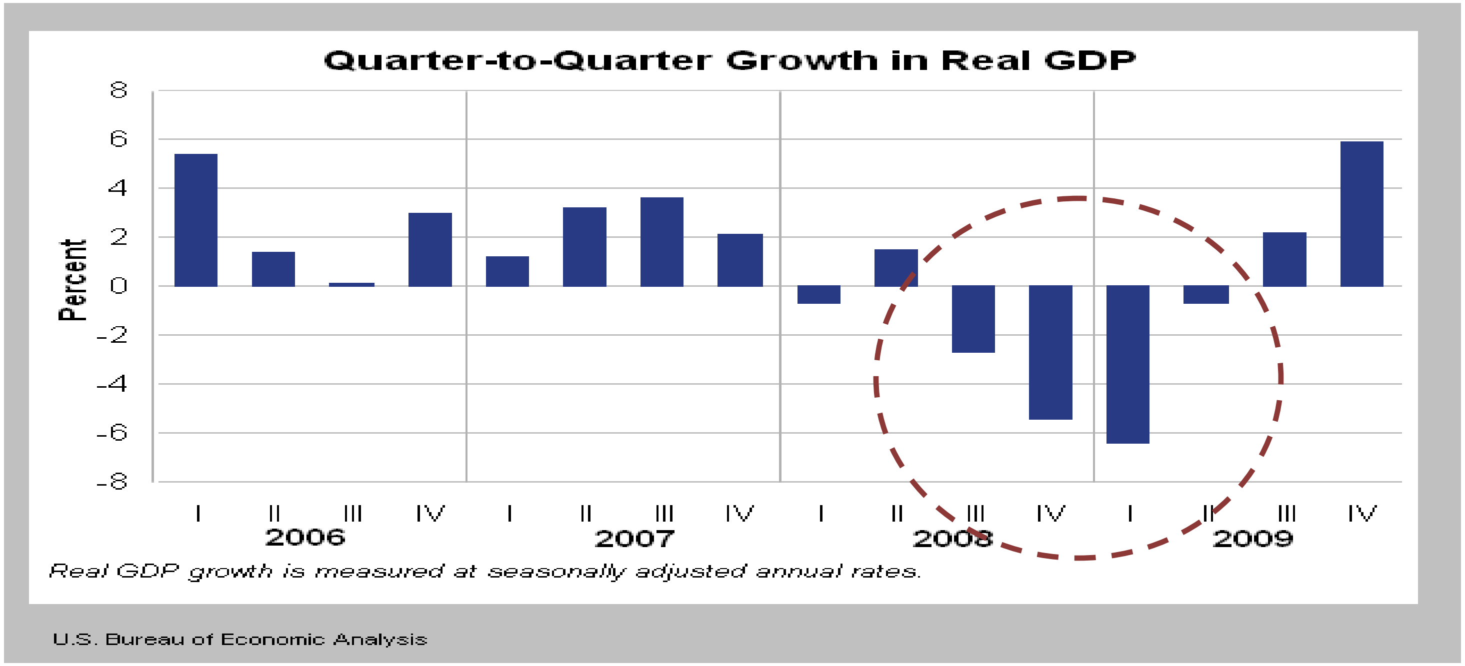
- What effect has the financial crisis had on supply chain management practices?
- What approaches should supply chain professionals adopt to manage in a turbulent environment?

Research Background

- Manchester Business School – study on the credit crisis.
  - Key respondent interviews.
  - Initial Survey (Handfield) www.scrc.com
  - Large scale survey – currently underway.
- Prof Cousins (Manchester); Prof Handfield (NCSU), Prof Petersen, (Colorado), Dr Lawson (Cambridge).

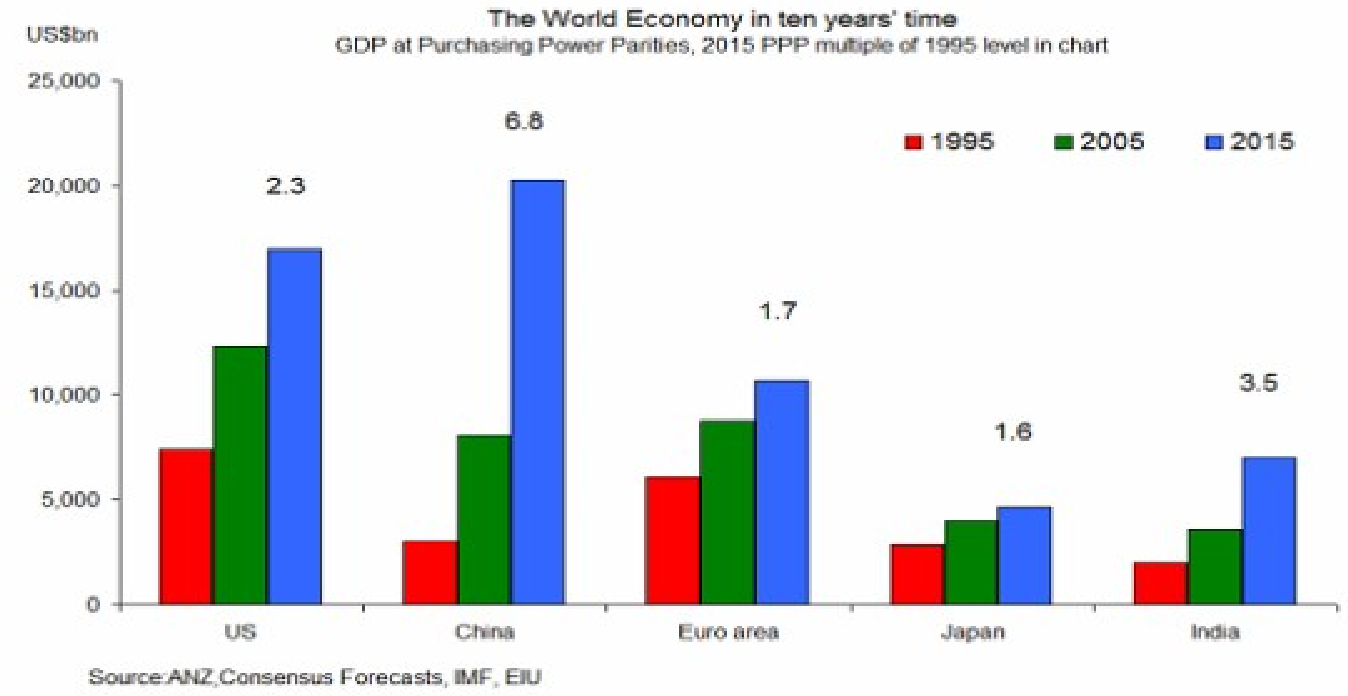
Environmental Change: GDP



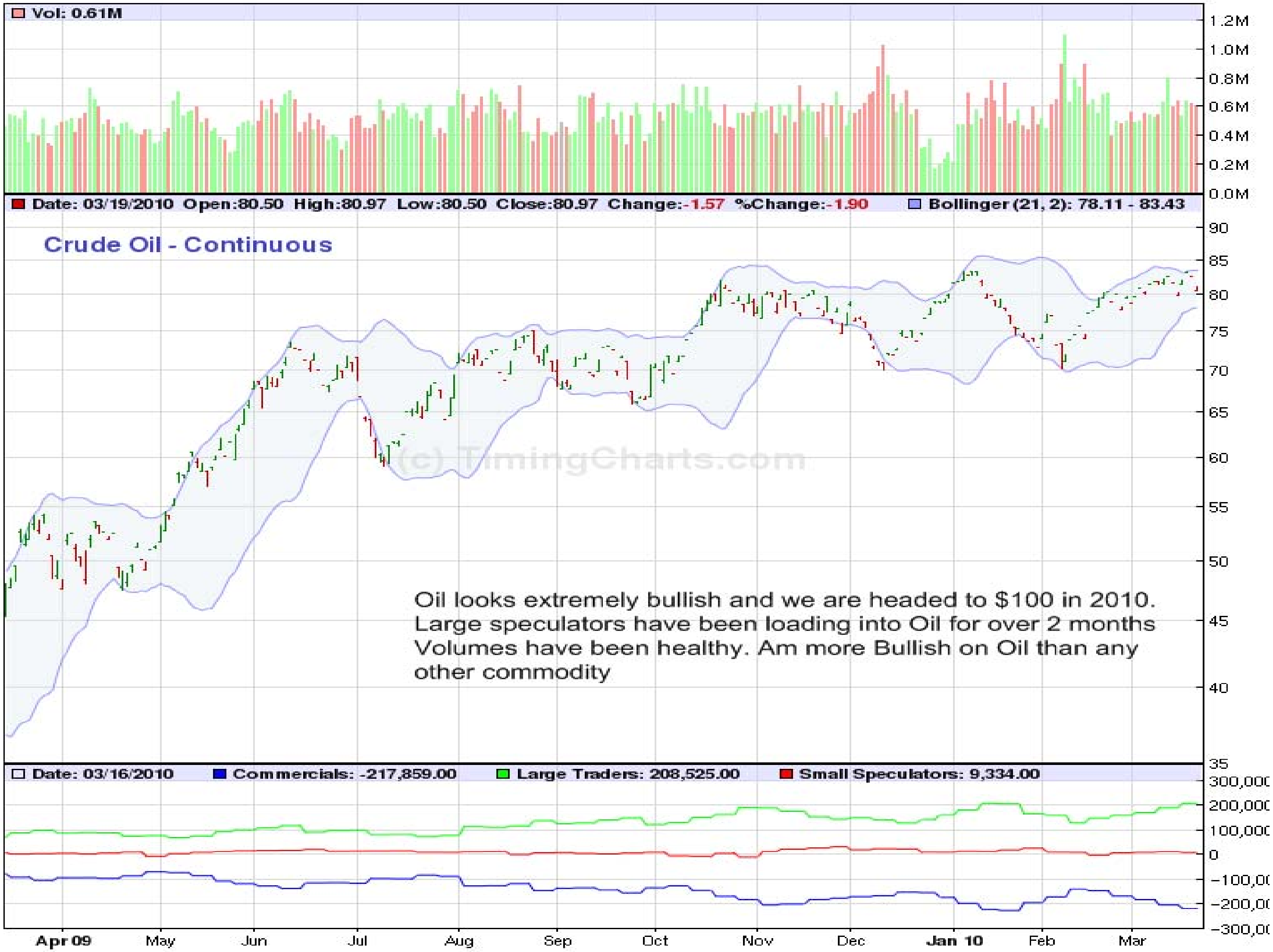


World Economic Changes

- Change in world economic order?
- Globalisation?
- Capacity Constraints



Price of Oil – Set to rise



The University of Manchester
Manchester
Business School

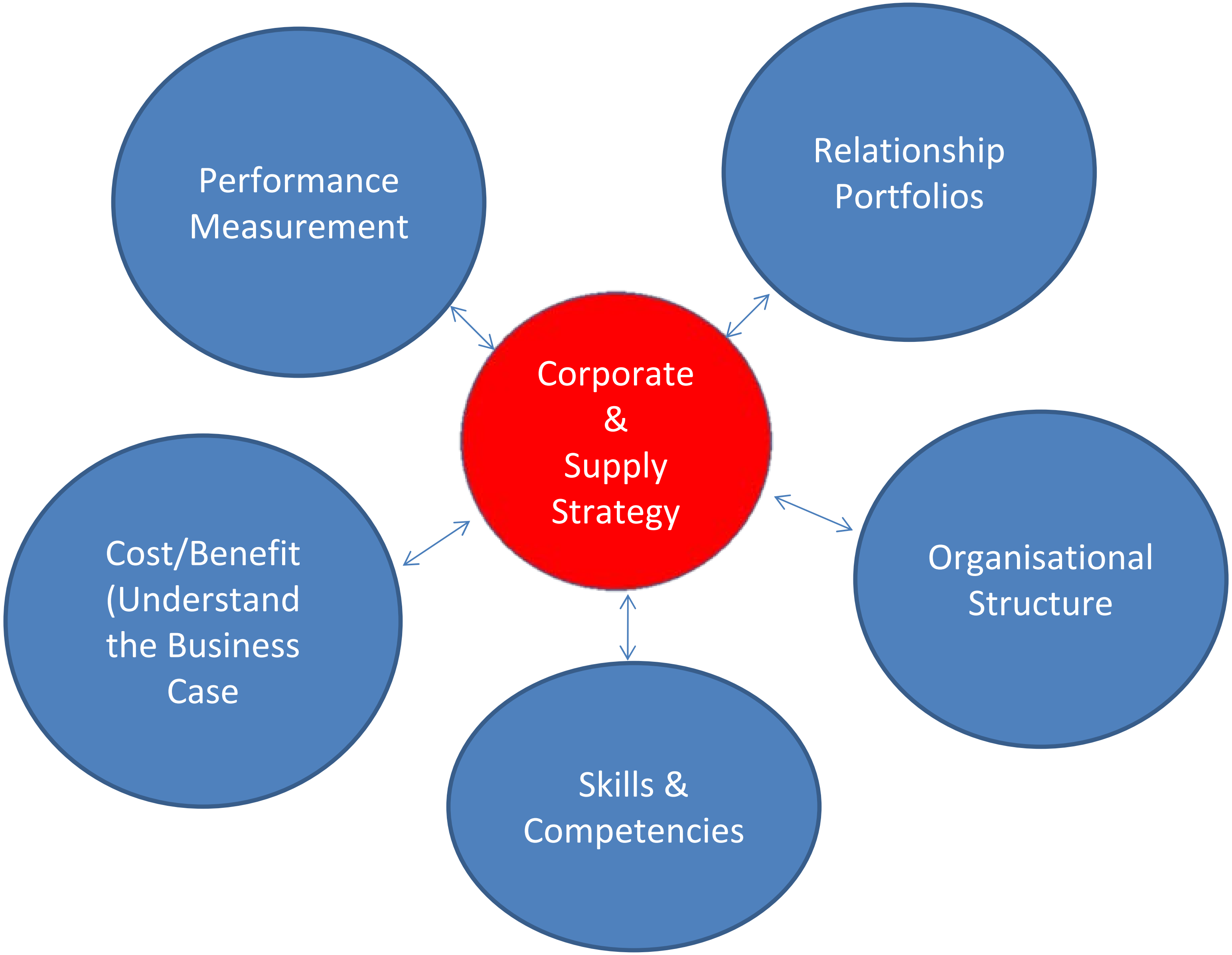
Supply Chain Management: Key trends from the study

- From Outsourcing to in-sourcing
- From Off-shoring to On-shoring
- Supply Base Rationalisation (reduction)
- Cost Focus (price orientated)
- Supplier Working Capital Issues
- Capacity Issues
- Sustainability Focus

Initial Survey Results (Full survey results late 2010)

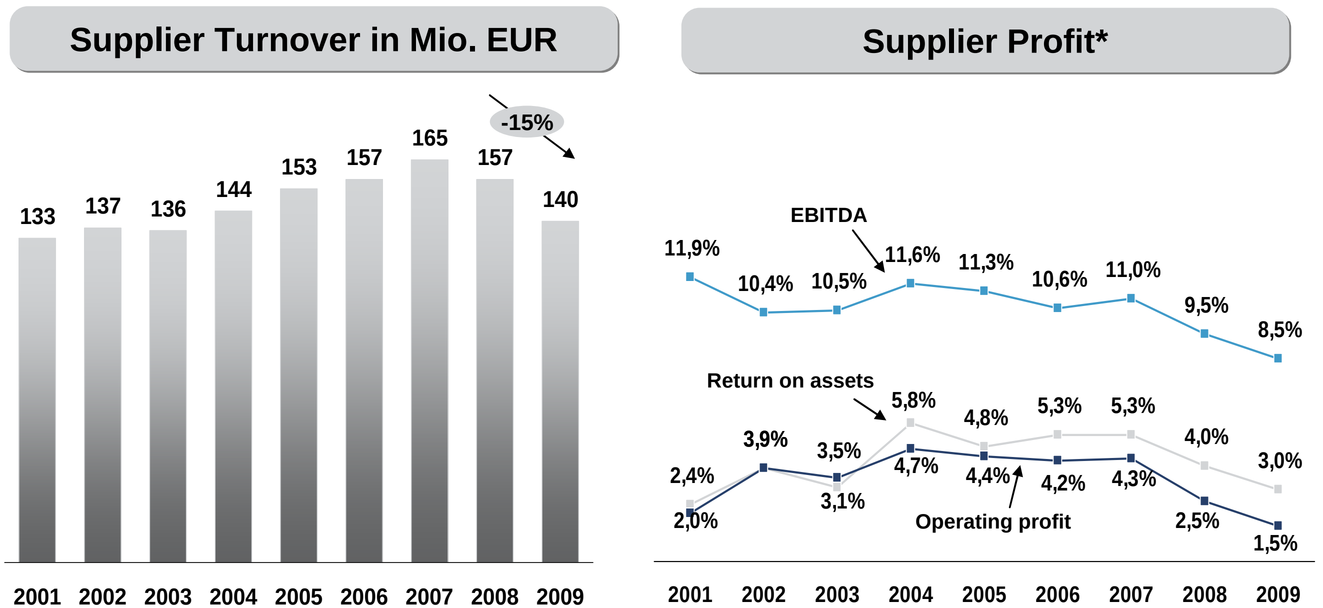
- 88% of respondents – Purchasing to save money on costs – Price Reduction Strategies
- 33% indicated that they had already targeted between 1%-5% of savings
- 27% reported stretch targets 6-10%.
- 54% sample reported reviewing Outsouring strategies.
- Key issues on Supplier Working Capital

Key Areas for Success



Supplier Health

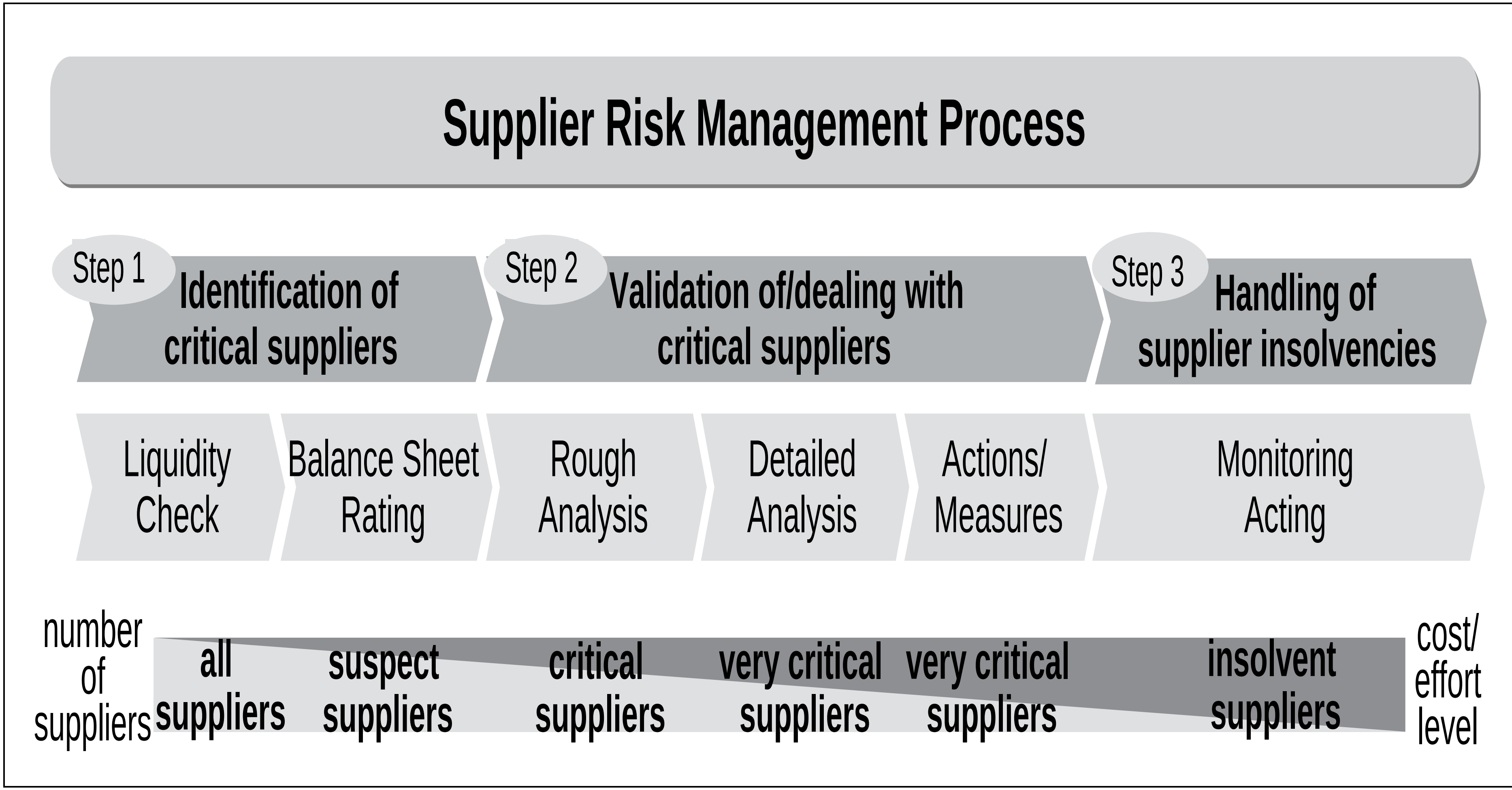
- Problems of profitability
- Issues of Supplier Tiers
- Payment terms extensions (30-60 days)



* Results of the single companies are weighted according to their share in the total turnover

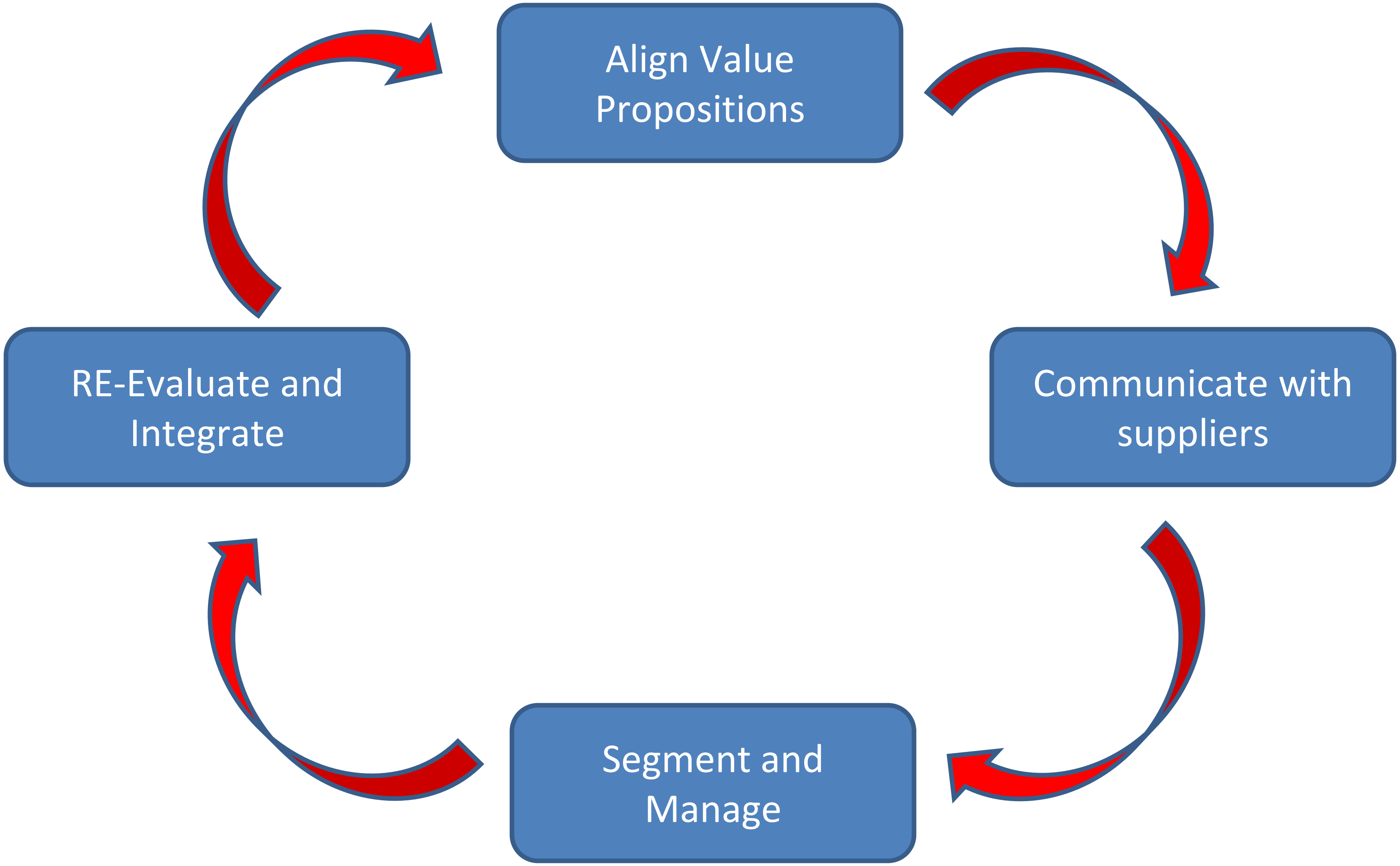
Data: 90 European automotive suppliers examined in a Oliver Wyman/Hypovereinsbank-Analysis, 2008 and 2009 based on estimates

Suggested Risk Process



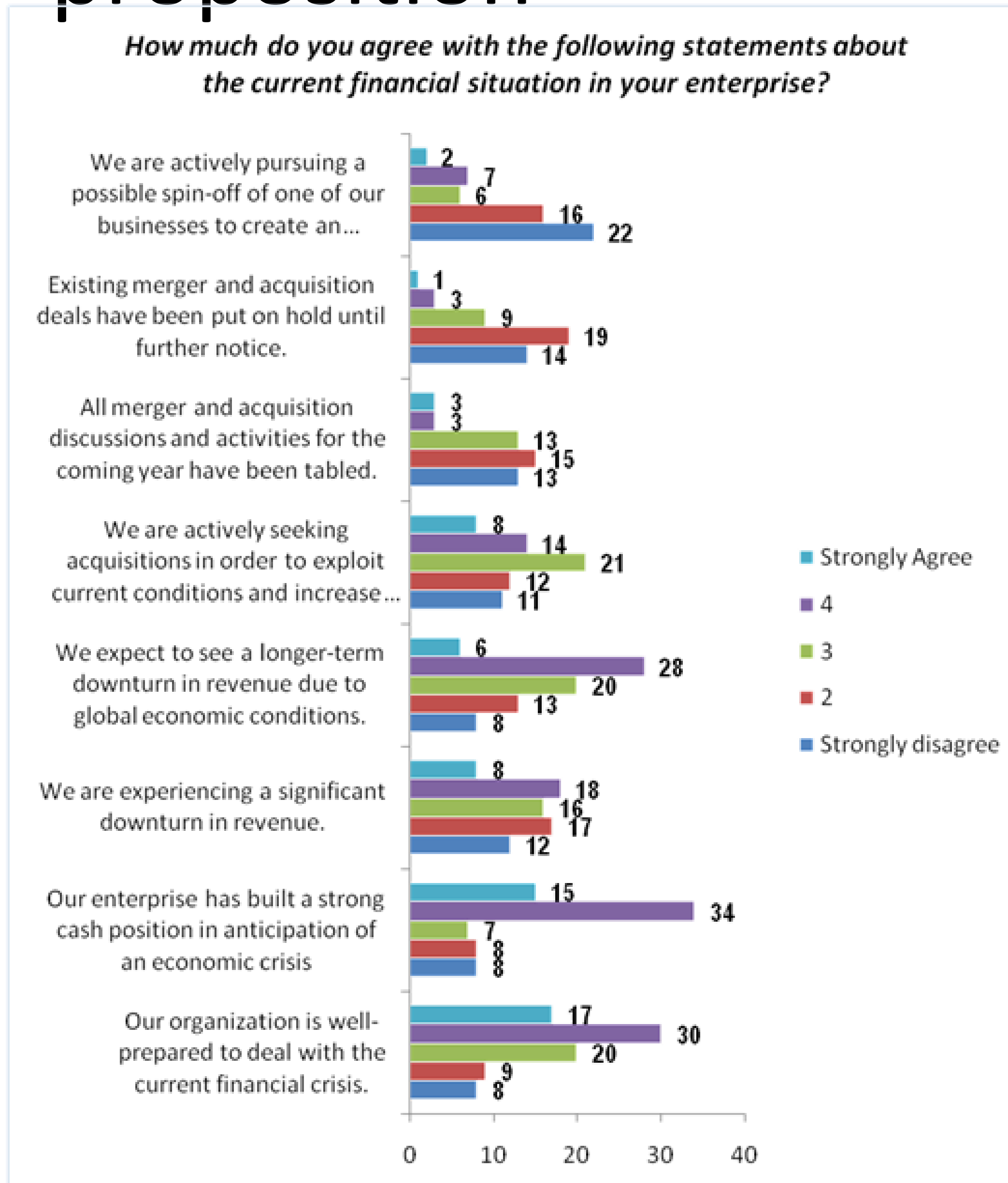
Source: Dietenberger & Cousins, 2010

Value Drive Supply Approach: Survival and Growth in turbulence.



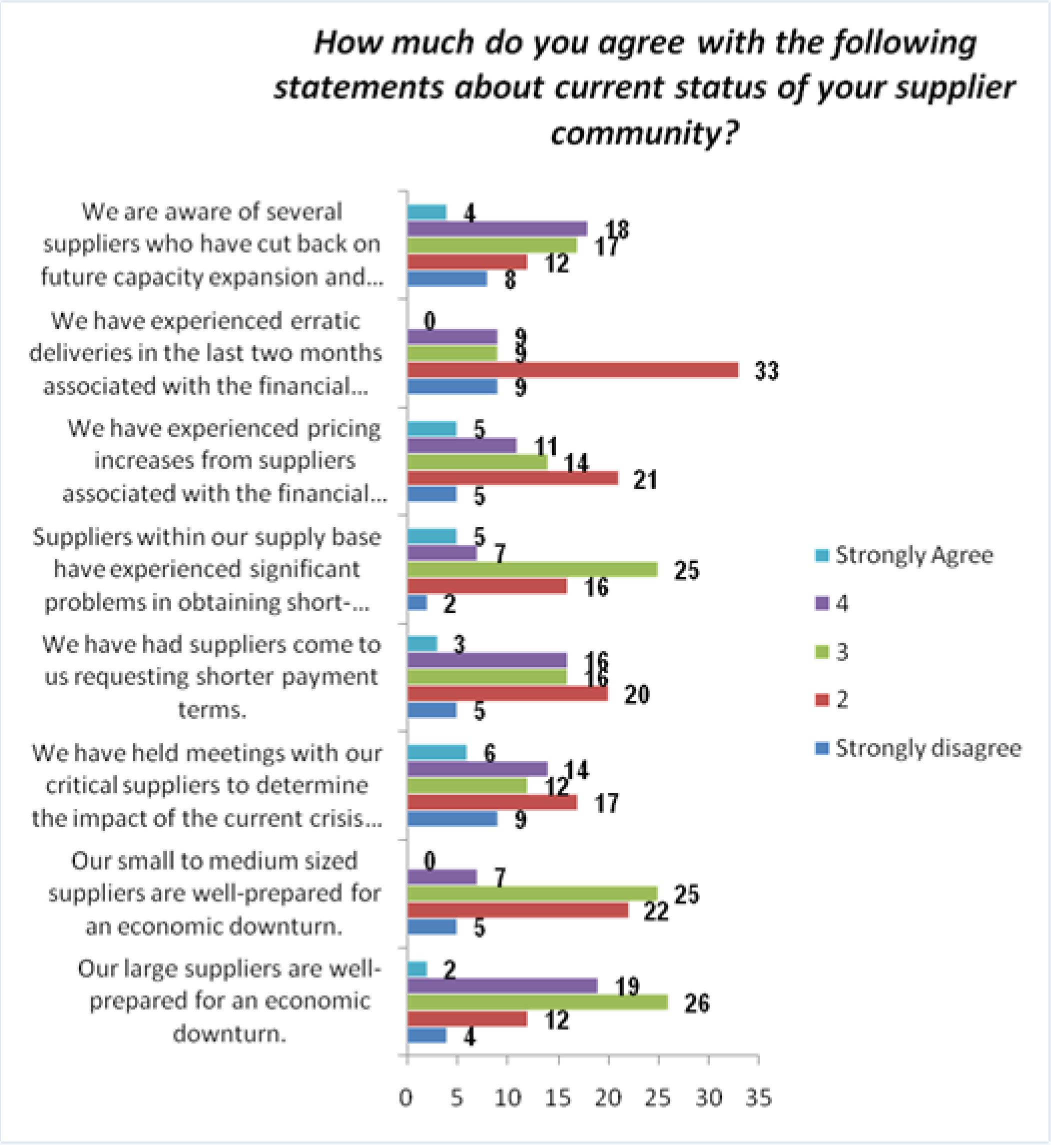
Align with your organisations value proposition

- Short-term vs. Structural Changes (tactical or strategic)
- Need to be seen as '**Strategic**' – what does this mean?
  – Value driven approach to SM



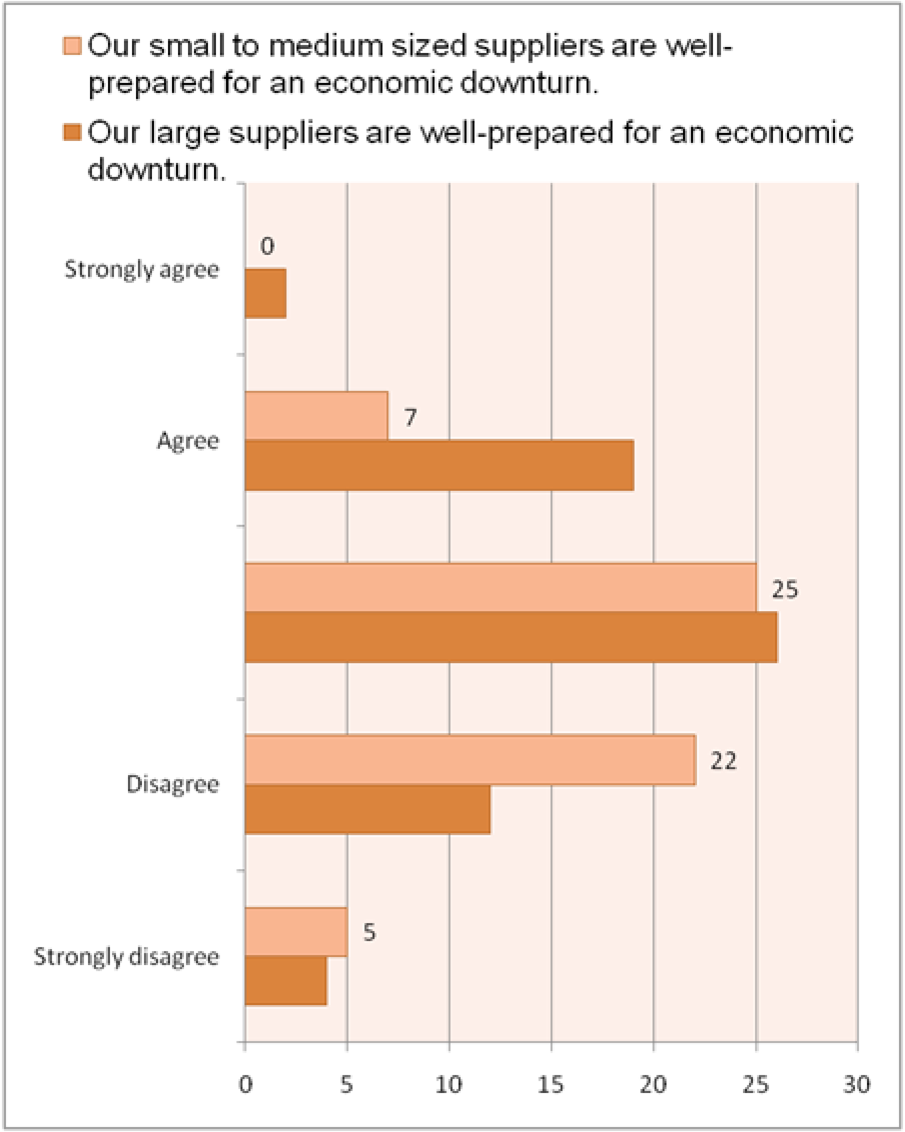
Communicate with your suppliers

- Be clear about your policies
- Supply Market Intelligence is key
- Consistent and meaningful message



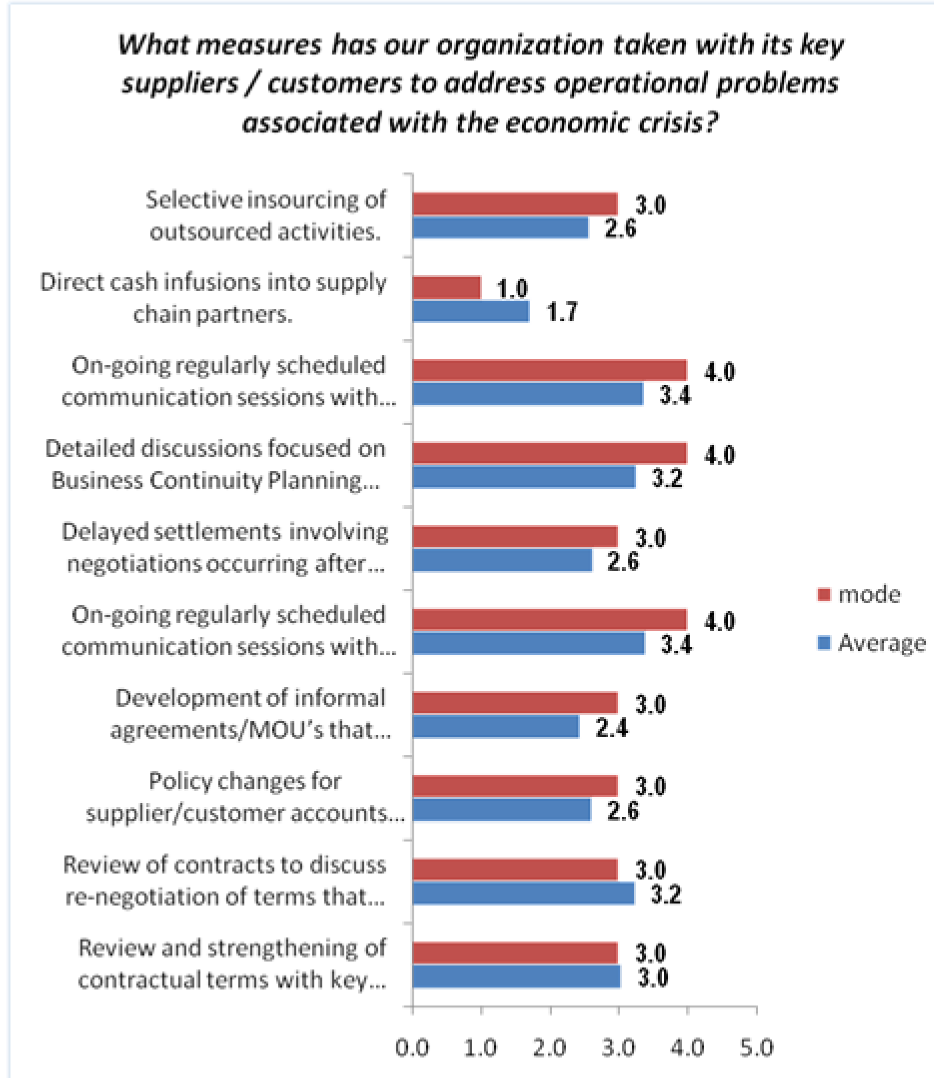
Segment and Manage according to risk

- Understand who are the key ‘risk’ candidates.
- They maybe large or small!
- Traffic light system
- Develop mitigation strategies



Re-Evaluate Value Propositions

- Use the SC to inform strategy.
- New innovative options
- Develop policy and contract management approaches.



Conclusions

- What effect has the financial crisis had on supply chain management practices?

- What approaches should supply chain professionals adopt to manage in a turbulent environment?

The University of Manchester
Manchester
Business School

Surviving in a turbulent environment: Maintaining Supply Chain Health

Contact Details:

Professor Paul Cousins

Email: paul.cousins@mbs.ac.uk