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# NEW HORIZON WITH DOGMA /CHALLENGES FOR FINANCIAL PROFESSIONAL “SUPPLY CHAIN MANAGEMENT”

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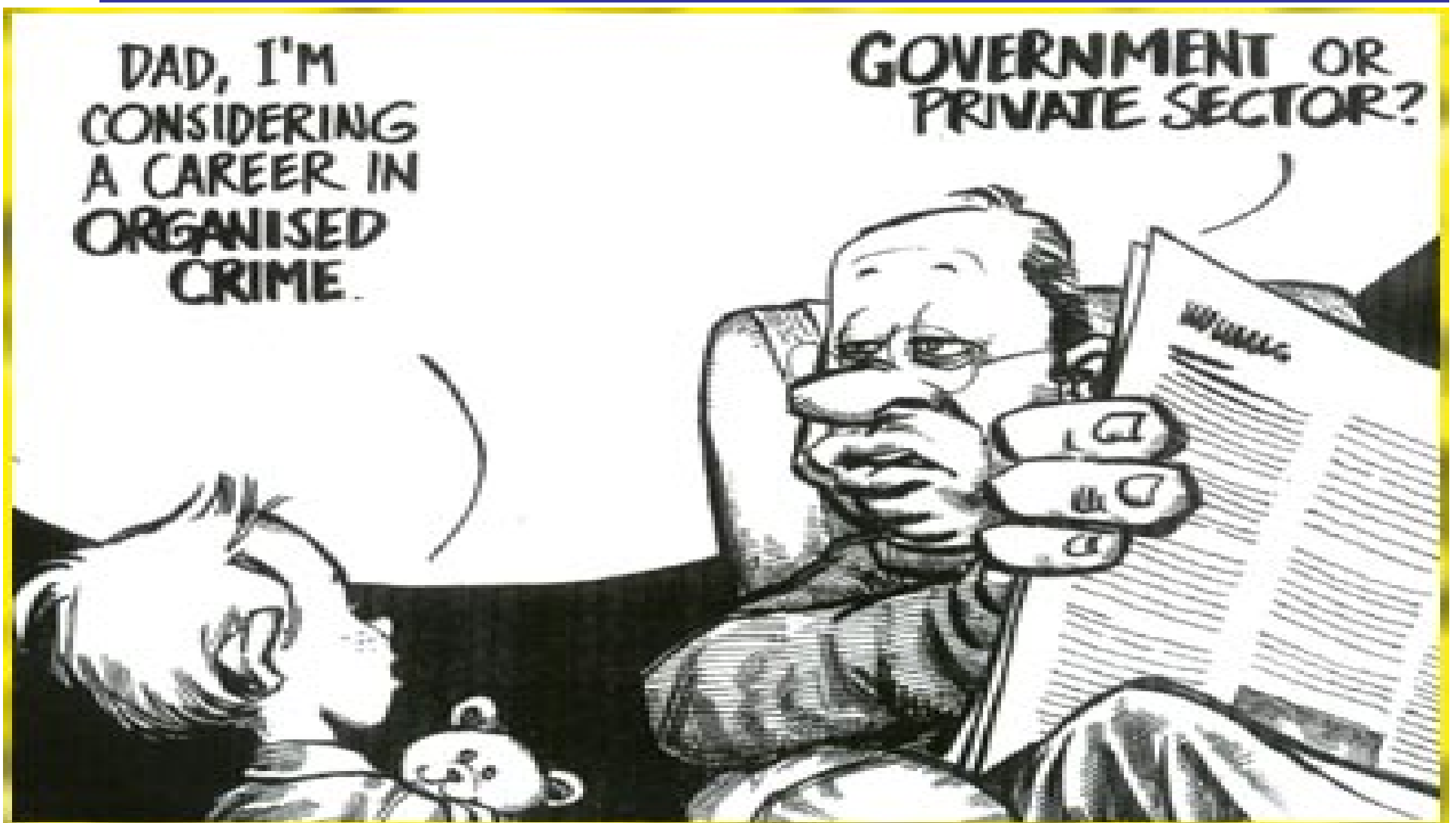
*Board member Supply Chain Forum-Pakistan*

*Strategic Director Getz Pharma*

*FCMA, M.PHIL PhD, ISM CILT*



# Career guidance and worries



# Agenda for Today's Presentation

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*Supply Chain Management:  
Where Are We Now?*

*Supply Chain Management:  
Where Would We Like To Be?*

*Can We Get There  
From Here?*



*Propositions  
For Success*

*Closing  
Thoughts*

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*"The Future of SCM: Can We Get There From Here?"*

# What Keeps You Up at Night?

Stock Market Volatility, Oil Prices,  
Labor, Political Instability, Security

Reducing Inventory/  
Working Capital/ Asset  
Management

Reducing Total Supply  
Chain Costs

Supply Chain  
Resiliency &  
Sustainability:  
Risk Management  
& Green



Competing in a  
Global Market

Providing Superior & Consistent  
Customer Service While  
Increasing Revenue & Margin

**Business As Usual Has Been Cancelled...Now What?**



**It's  
hard to  
soar with  
EAGLES  
when you  
work with  
TURKEYS!**



# Proposition #1

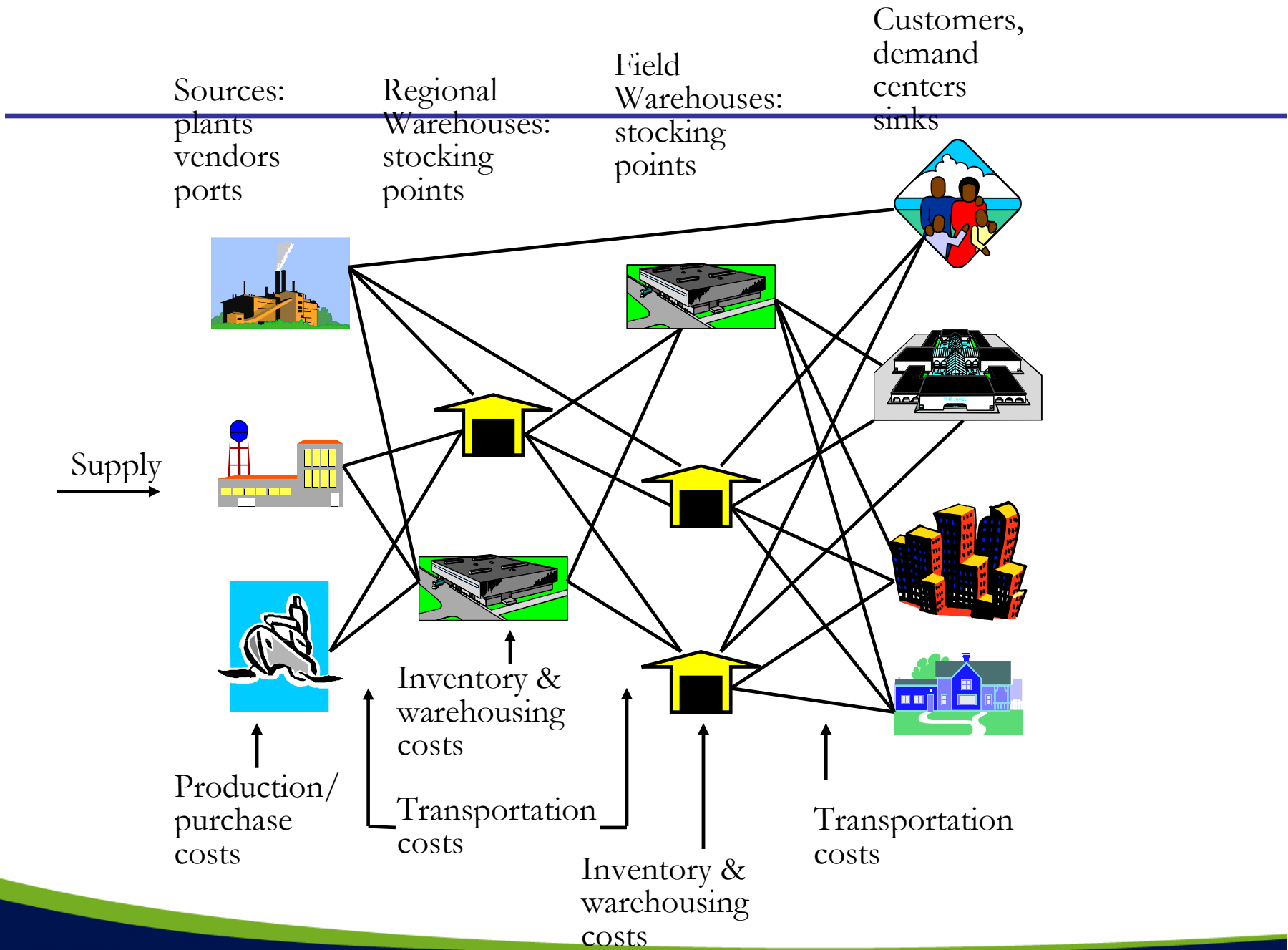
## *Importance of the Customer*

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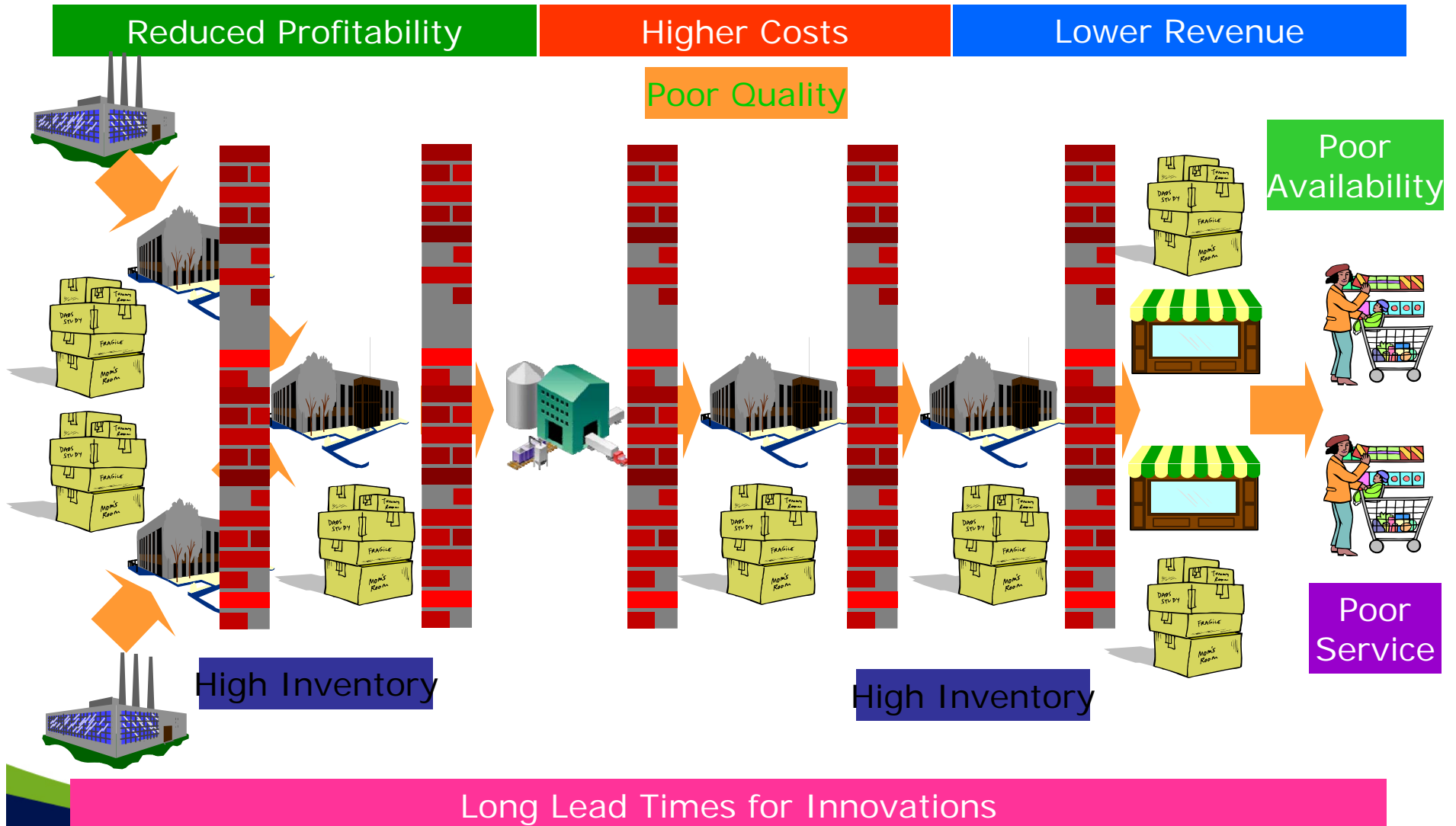
*“If You Don’t Care About  
The Customer ...  
The Customer Won’t Care  
About You”*

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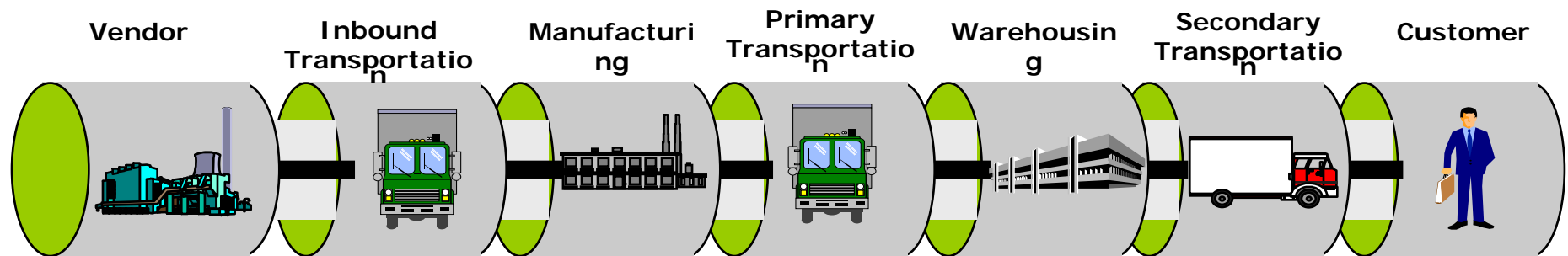
*“The Future of SCM: Can We Get There From Here?”*



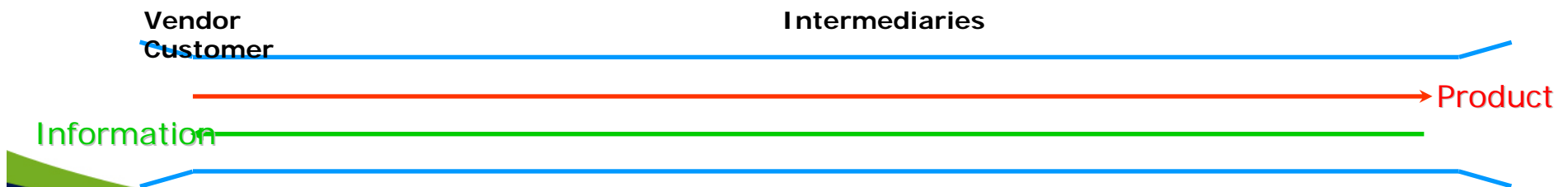
# SC, if not managed effectively...



# New-age Supply Chain



Inventory Mgmt.	Inventory Flows	Cost	Information Flow	Risk	Planning	Relationships
Pipeline Intergration	Seamless/Visible	Landed Cost	Shared	Shared	SC Team Approach	Focus on landed Cost



# Supply Chain Management

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- **Definition:**

Supply Chain Management is primarily concerned with the efficient integration of suppliers, factories, warehouses and stores so that merchandise is produced and distributed in the right quantities, to the right locations and at the right time, and so as to minimize total system cost subject to satisfying service requirements.

- **Notice:**

- Who is involved
- Cost and Service Level
- It is all about integration

# Supply Chain Management

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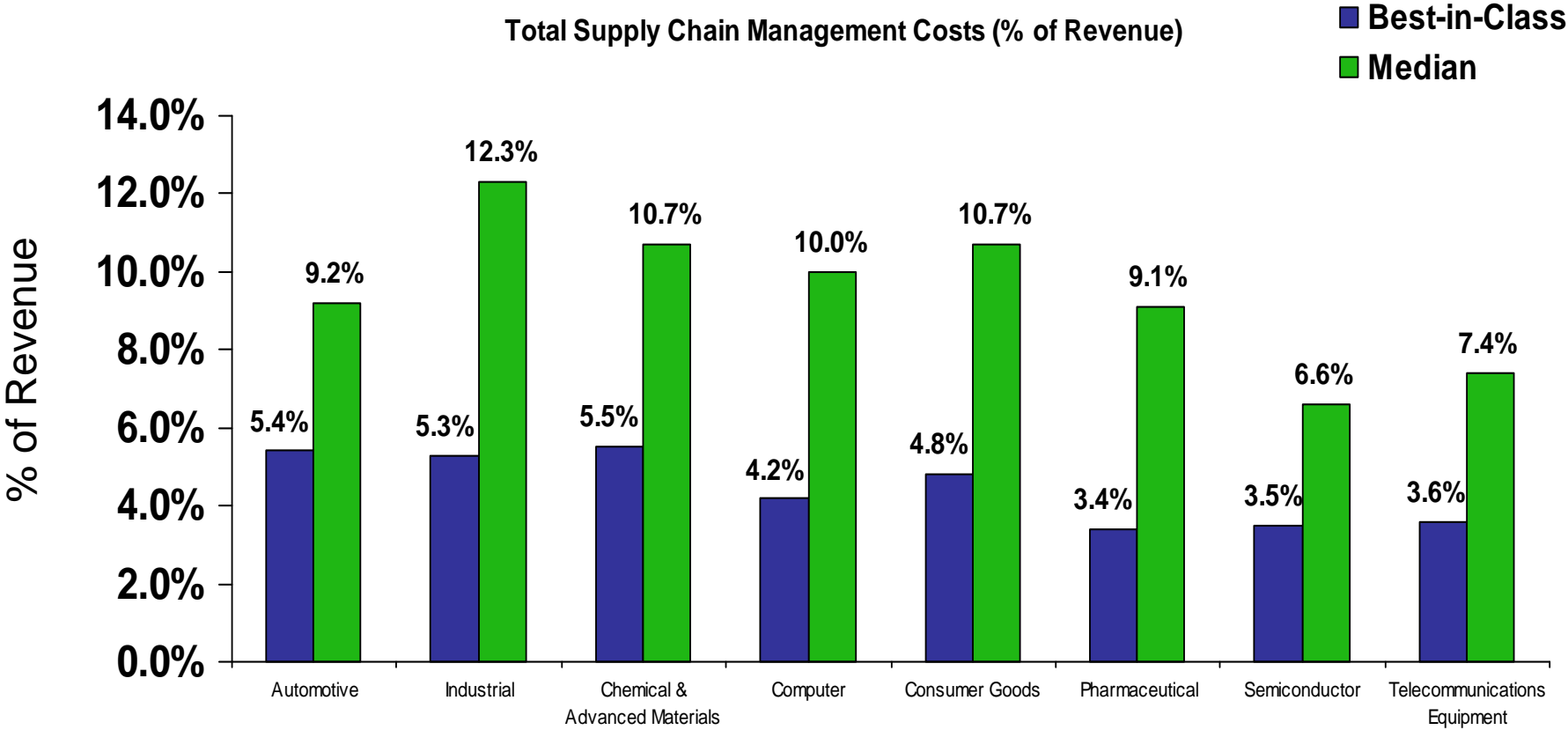
- Refers to all the management functions related to the flow of materials from the company's direct suppliers to its direct customers.
- Includes purchasing, traffic, production control, inventory control, warehousing, and shipping.
- Two alternative names:
  - Materials management
  - Logistics management

# Supply Chain Management Requires Many Different Functions

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**Purchasing**      **Logistics**  
**Engineering**  
**Distribution**      **Operations**      **Procurement**  
**Information Systems**      **Transportation**  
**Materials**      **Marketing**  
**Production**      **Warehousing**  
**Stores**

# Superior Supply Chain Management (SCM) has Long Been a Source of Competitive Advantage



**Best-in-class Companies' Outperform Their Median Competitors with a 50% Cost Advantage**

Source: **PRTM**/The Performance Measurement Group

# But SCM is Paramount in Times of Economic Uncertainty

- In 2007, US business logistics costs rose to an all time high of \$1.4 trillion (10.1% of US nominal Gross Domestic Product )<sup>3</sup>
- Supply-chain generally accounts for between 60% and 90% of all company costs<sup>1</sup>
- A 2% improvement in process efficiency for supply-chain processes has 3000% - 5000% the impact of a 2% improvement in efficiency for... IT... HR... Finance<sup>1</sup>... Sales...

<sup>1</sup> Exclusive of Financial Services companies

<sup>2</sup> Source: Hoovers 2006 Financial Data, Supply-Chain Council 2006 SCM Benchmark data on SCM cost for discrete & process industries

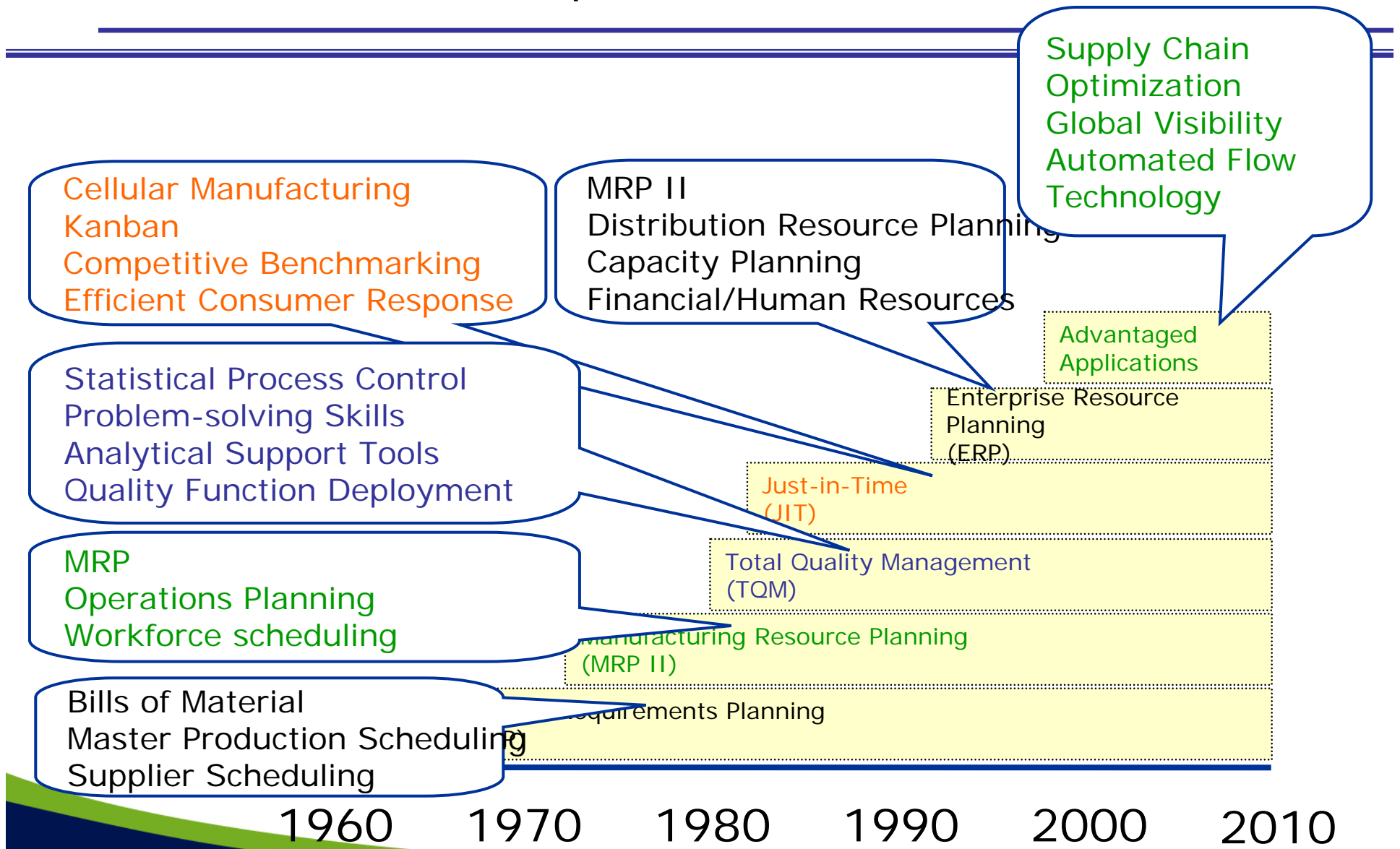
<sup>3</sup> CSCMP 19<sup>th</sup> Annual State of the Logistics Industry

## Fortune-10 Company Supply-Chain Cost as % of Total Costs <sup>2</sup>

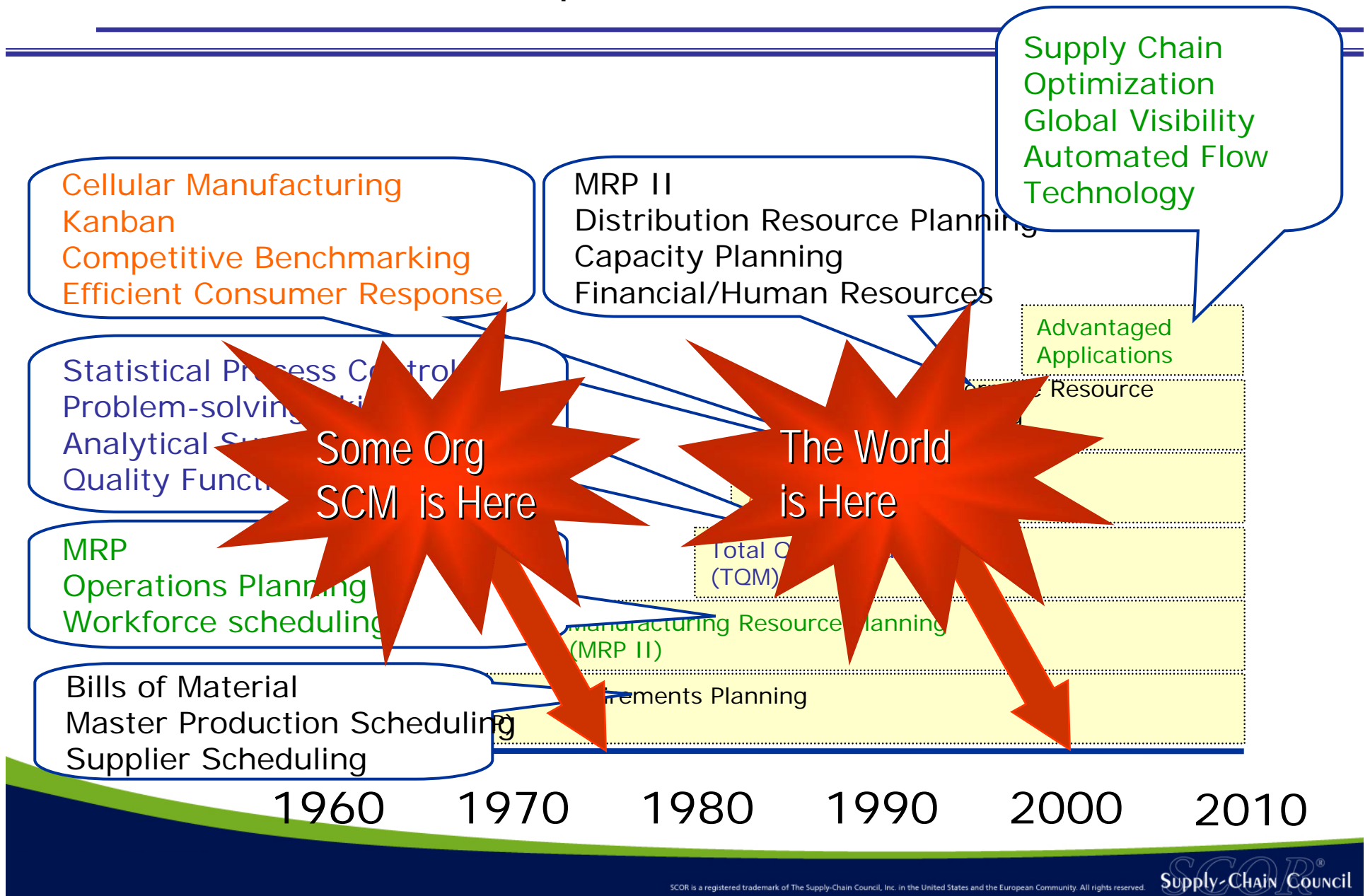
GM	94%
Ford	93%
Conoco	90%
Wal-Mart	90%
Chevron	88%
IBM	77%
Exxon	75%
GE	63%
Citi <sup>1</sup>	0%
AIG <sup>1</sup>	0%

**Focused initiatives in Supply Chain Management can result in 30-35% cost reductions, liberation of working capital, and revenue increases of 3-5%!**

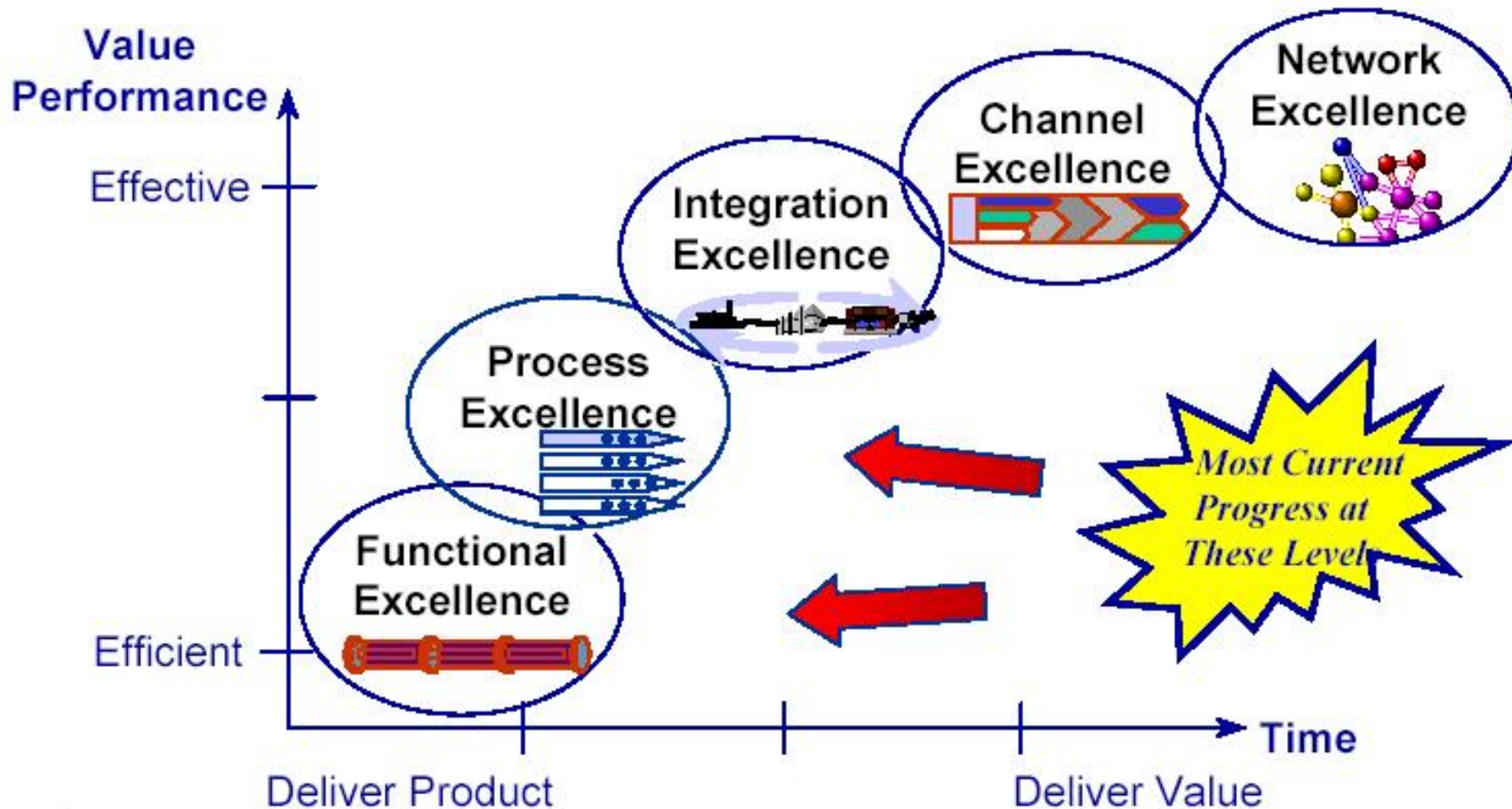
# Private Sector Experience



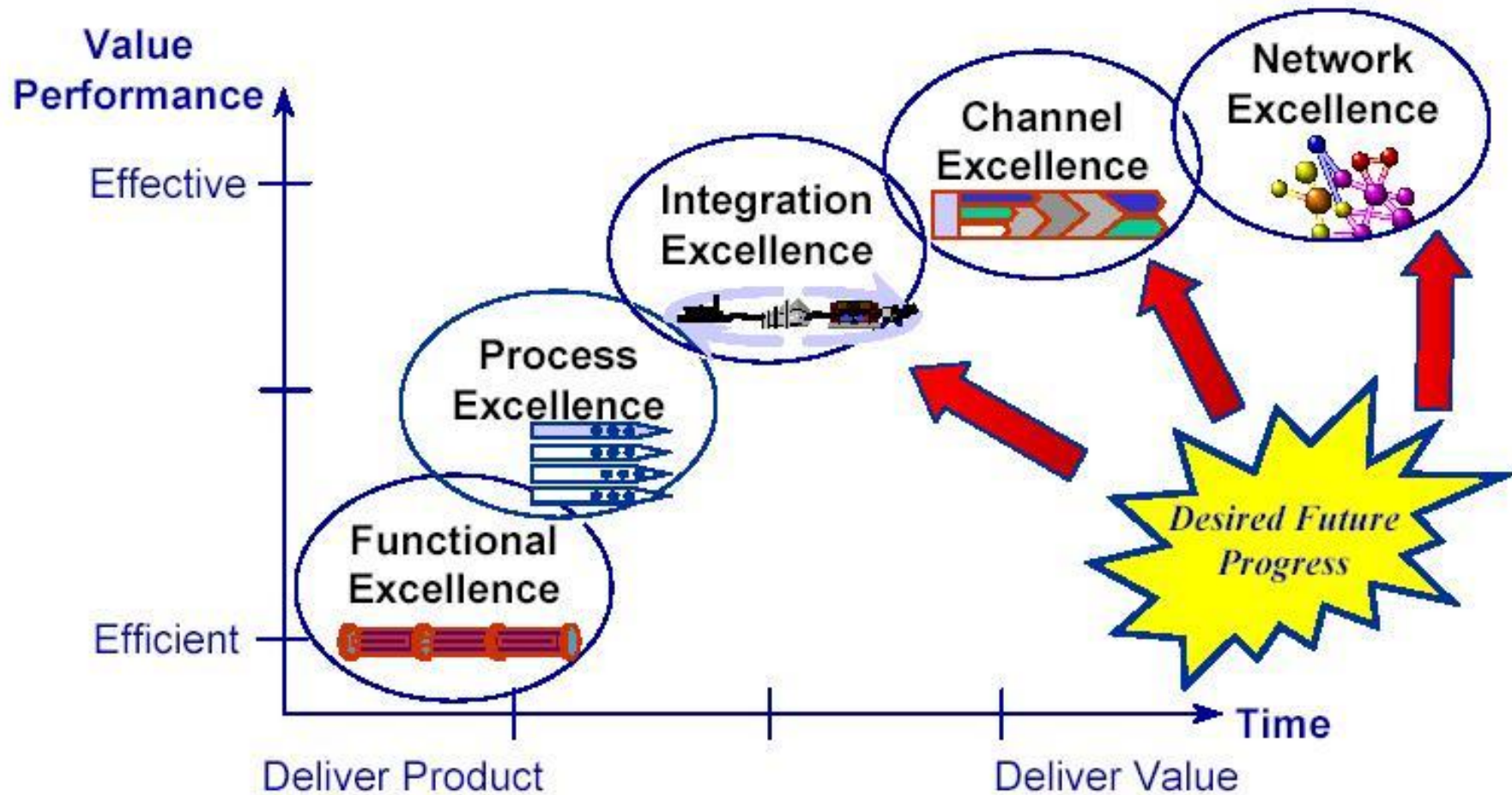
# Private Sector Experience



# Supply Chain Management: Where Are We Now?



# Supply Chain Management: Where Would We Like To Be?



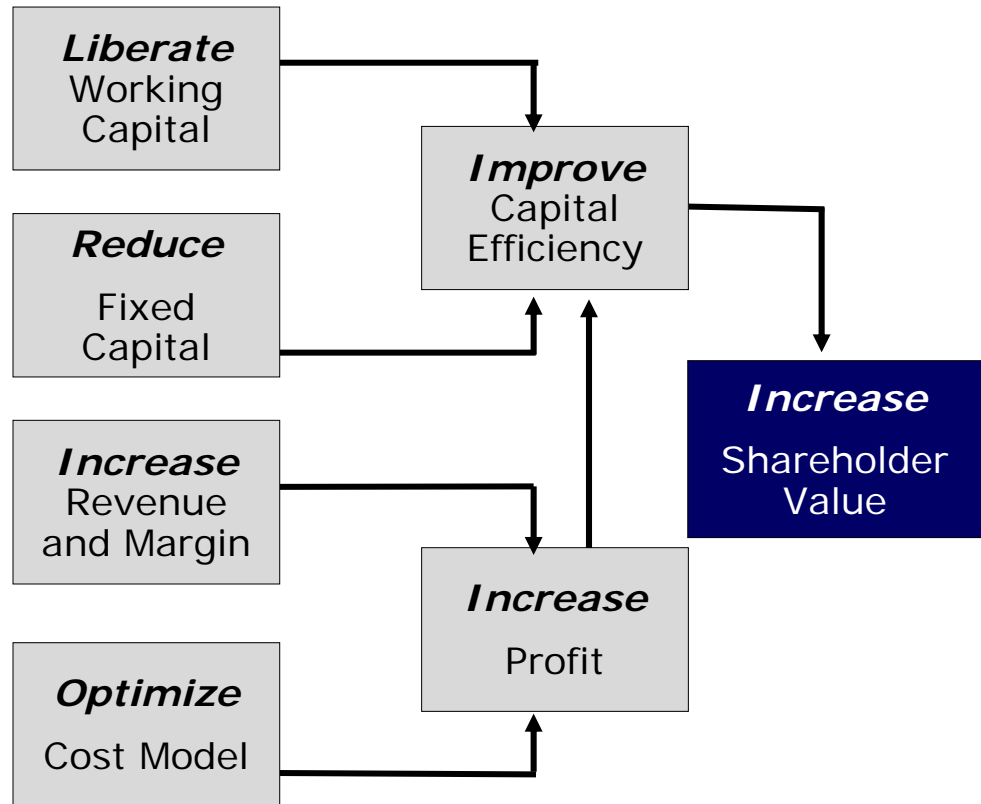
*"The Future of SCM: Can We Get There From Here?"*

# Supply chain is a instrument of creating value for shareholders

## The Supply Chain Impacts . . .

- Improve customer service and response
- Optimize inventory flow, utilization & productivity
- Best-in-class customer relationships
- Differentiated service capabilities
- Best-in-class strategic supplier partnerships
- Leverage of outsourcing of business processes
- Unique supply chain models

## All Financial Metrics . . .



## & Shareholder Value

**Effective Supply Chain Management can increase a Return on Capital Employed by 30% and More!**

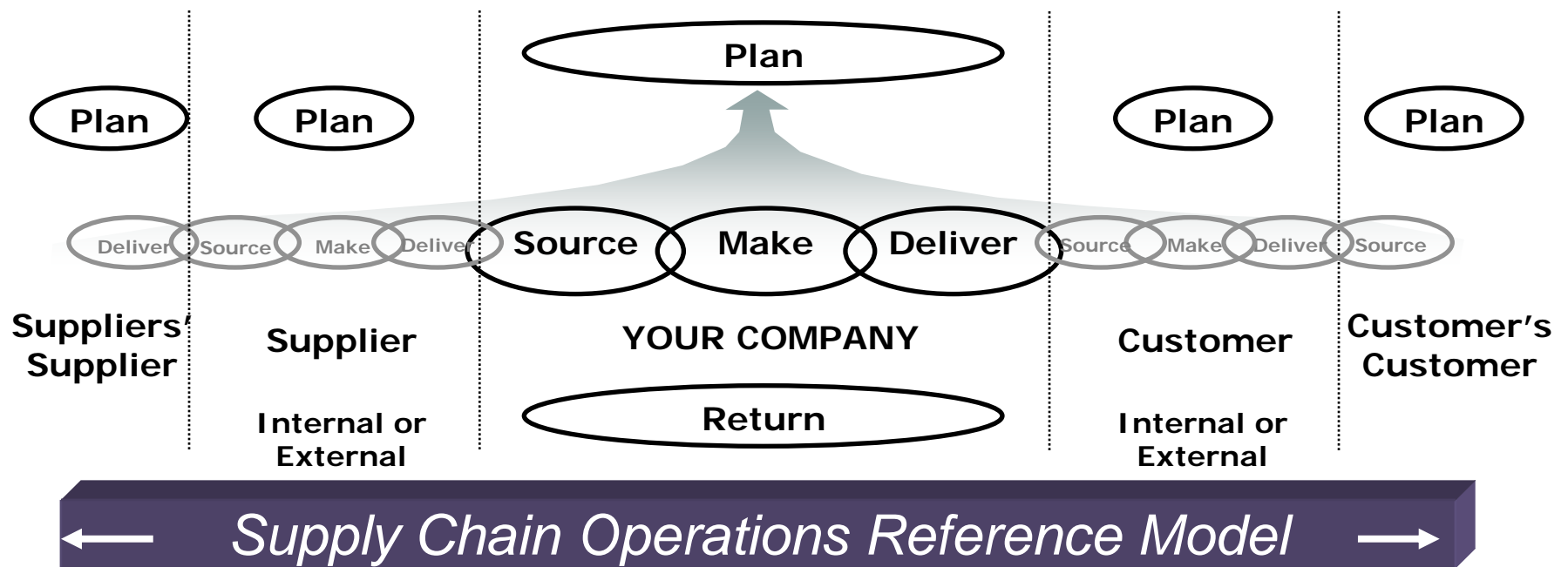
# Modus Media's One-Stop Supply Chain Solution

**photoalley.com** had a great eCommerce idea but no technological or supply chain expertise. MMI stepped in to provide an integrated supply chain solution.



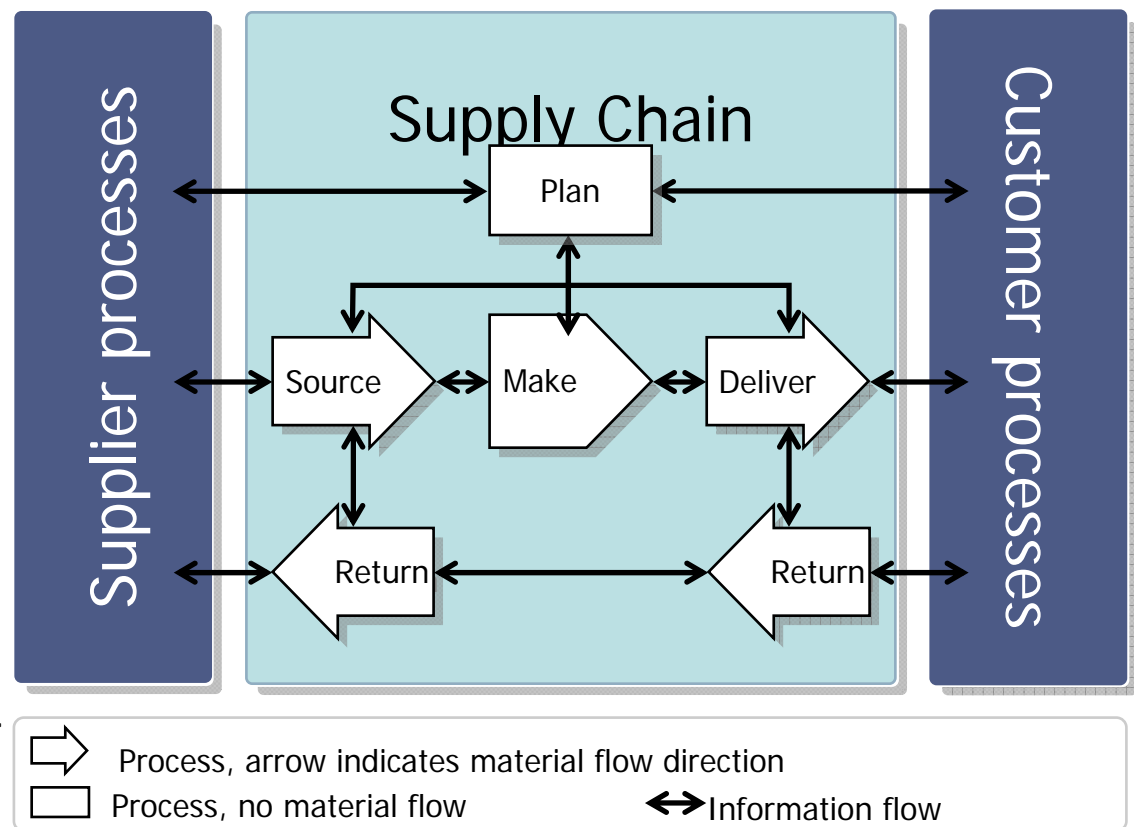
# The SCOR Framework

SCOR defines supply chain as the **integrated** processes of Plan, Source, Make, Deliver and Return, spanning your suppliers' supplier to your customers' customer, aligned with **Operational Strategy, Material, Work & Information Flows**.



# What is SCOR®?

- SCOR is a supply chain process reference model containing over 200 **process elements**, 550 **metrics**, and 500 **best practices** including risk and environmental management
- Organized around the **five primary management processes** of Plan, Source, Make, Deliver and Return
- Developed by the industry for use as **an industry open standard** - Any interested organization can participate in its continual development

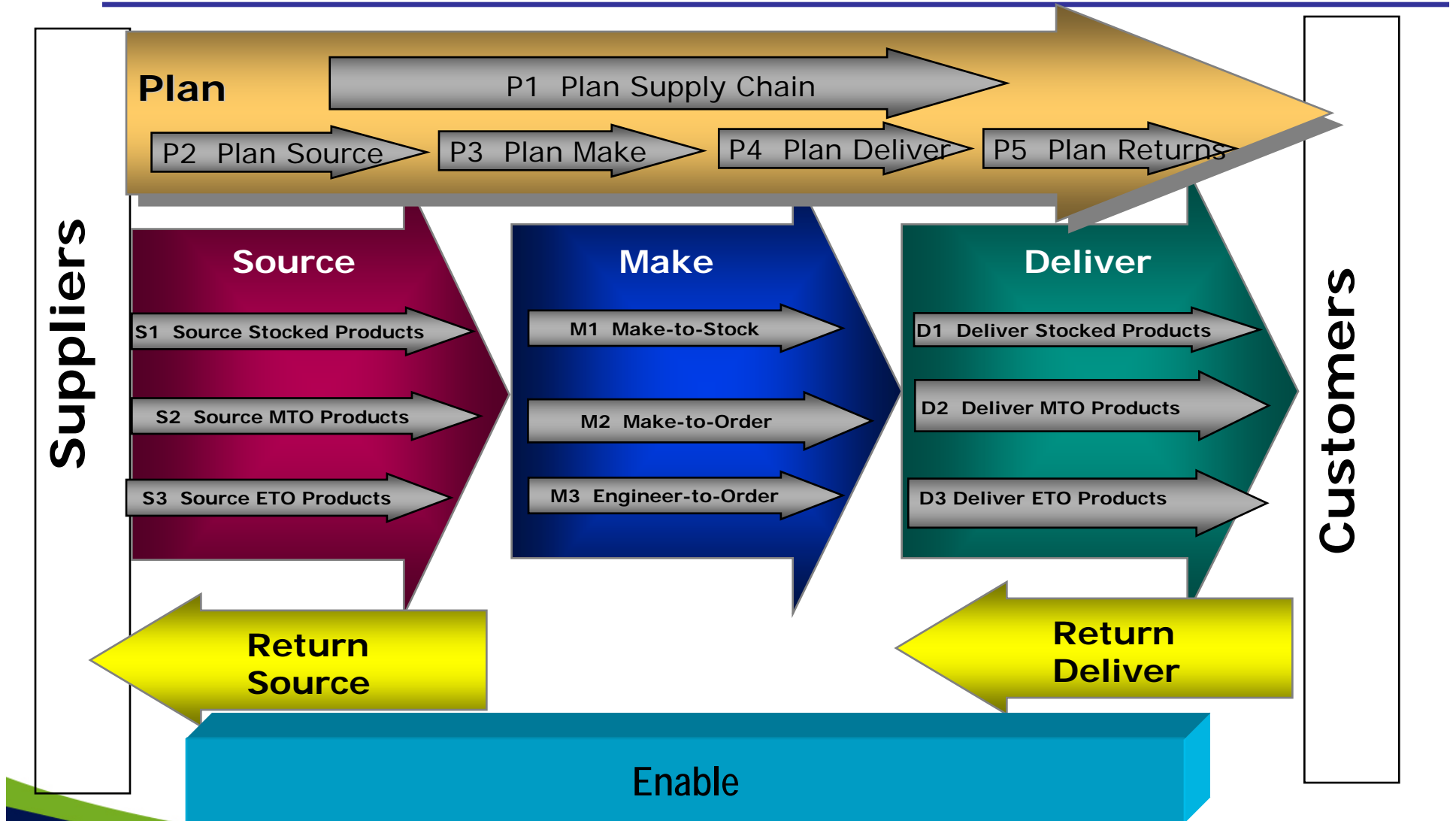


# Supply-Chain

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# Supply-Chain Operations Reference-model (SCOR) 8.0 - Processes



# Supply Chain upstream Activities

In most supply chains, the upstream activities respond to forecast, while somewhere on the downstream side the chain waits for orders to be placed. Consider these two former fast slogans

- "We do it all for you!"

McDonald's

- "Have it your way"

Burger King

Build to stock

VS

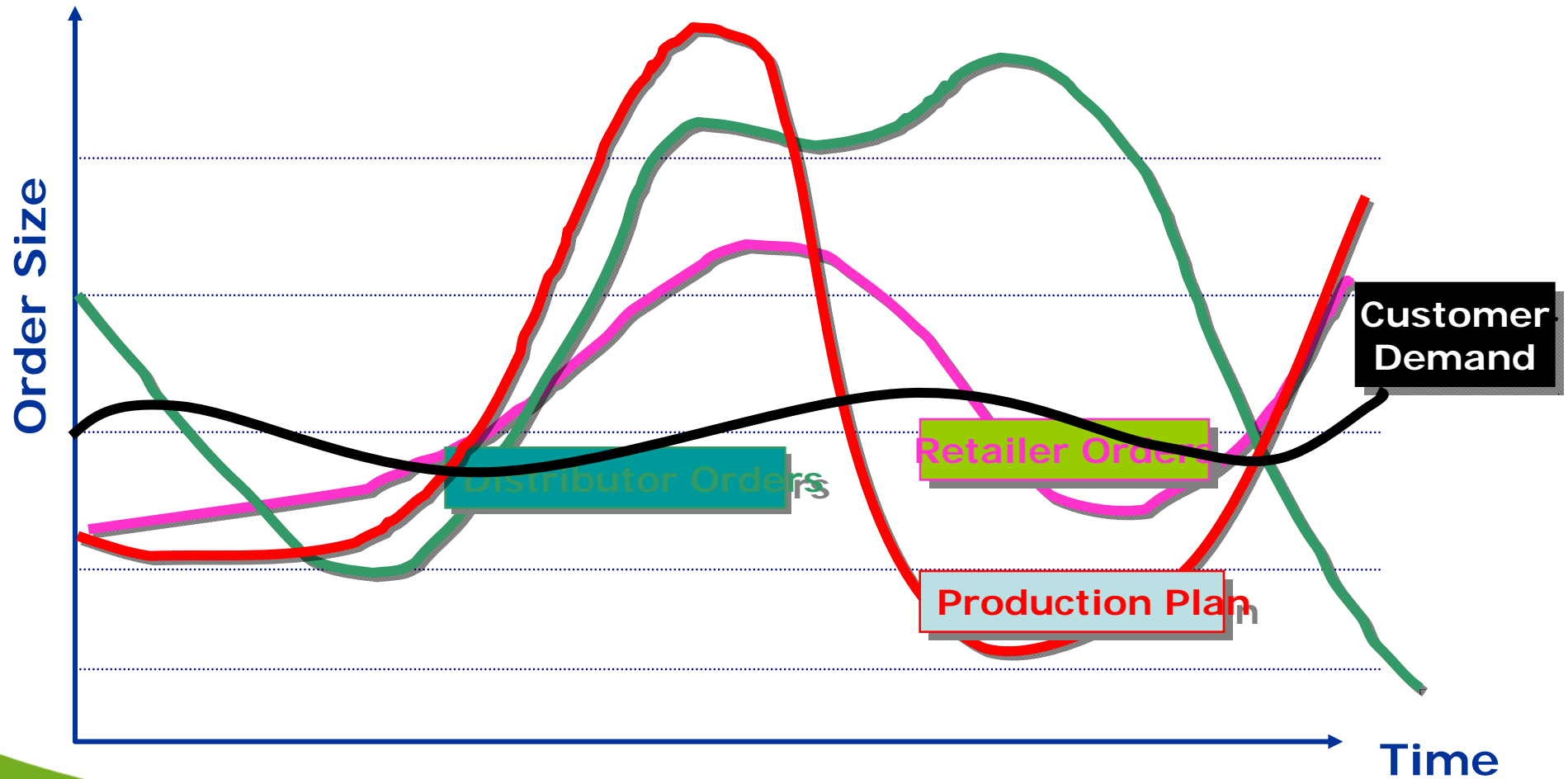
Build to Order

"The bullwhip Effect is a major cause of higher costs and inefficiencies in supply chains. It describes how small fluctuations in demand at the customer level are amplified as orders pass up the supply chain through distributors, manufacturers, and suppliers."

"As an example, consider disposable diapers. Babies generally consume diapers at a more or less consistent rate when aggregated over a large group of customers. Nevertheless, order fluctuations invariably become considerably larger as one moves upstream in this chain."

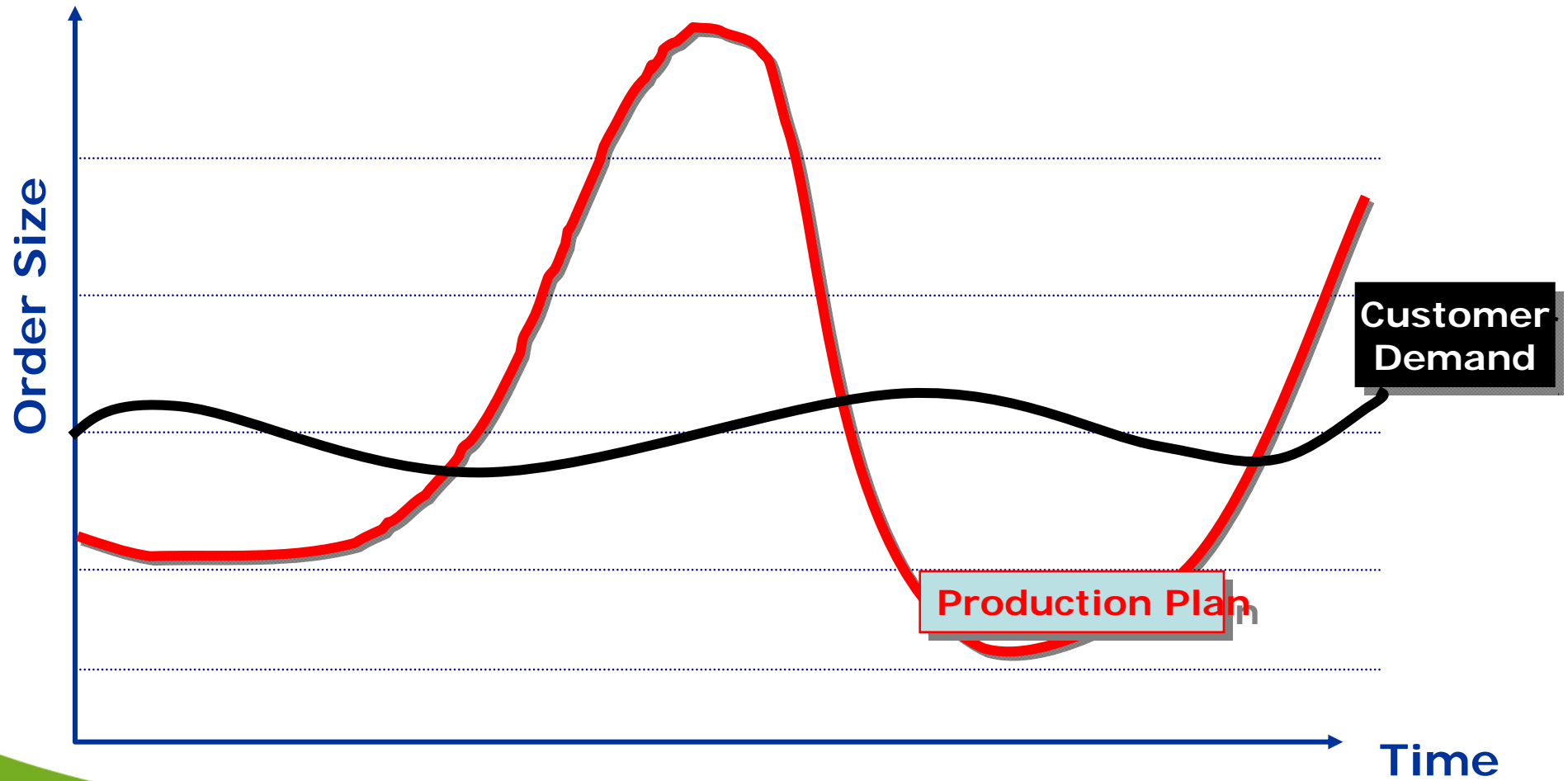
Consequences of the Bullwhip Effect include excess/ fluctuating inventories, shortages/stockouts, longer lead times, higher transportation and manufacturing costs, and mistrust between supply chain partners

# The Dynamics of the Supply Chain



Source: Tom Mc Guffry, *Electronic Commerce and Value Chain Management*.

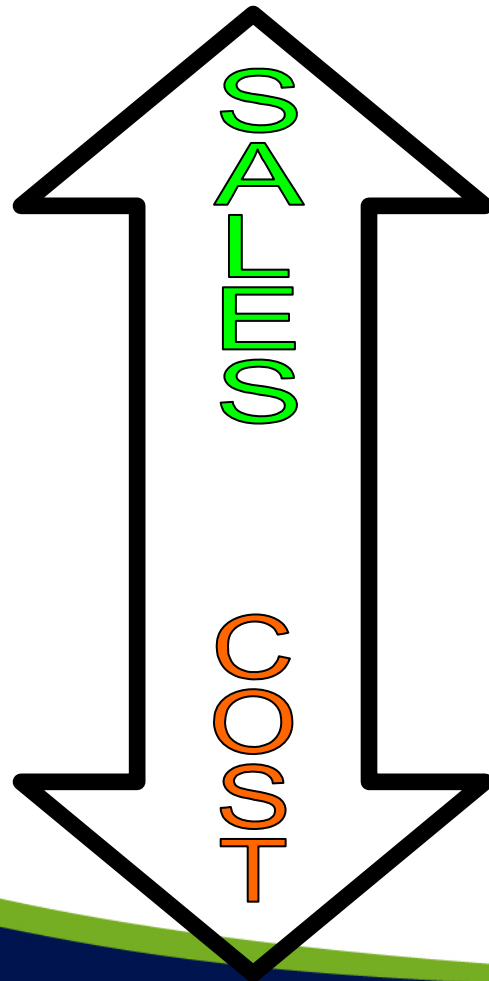
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# Supply Management's Impact on Net Income and the Bottom Line

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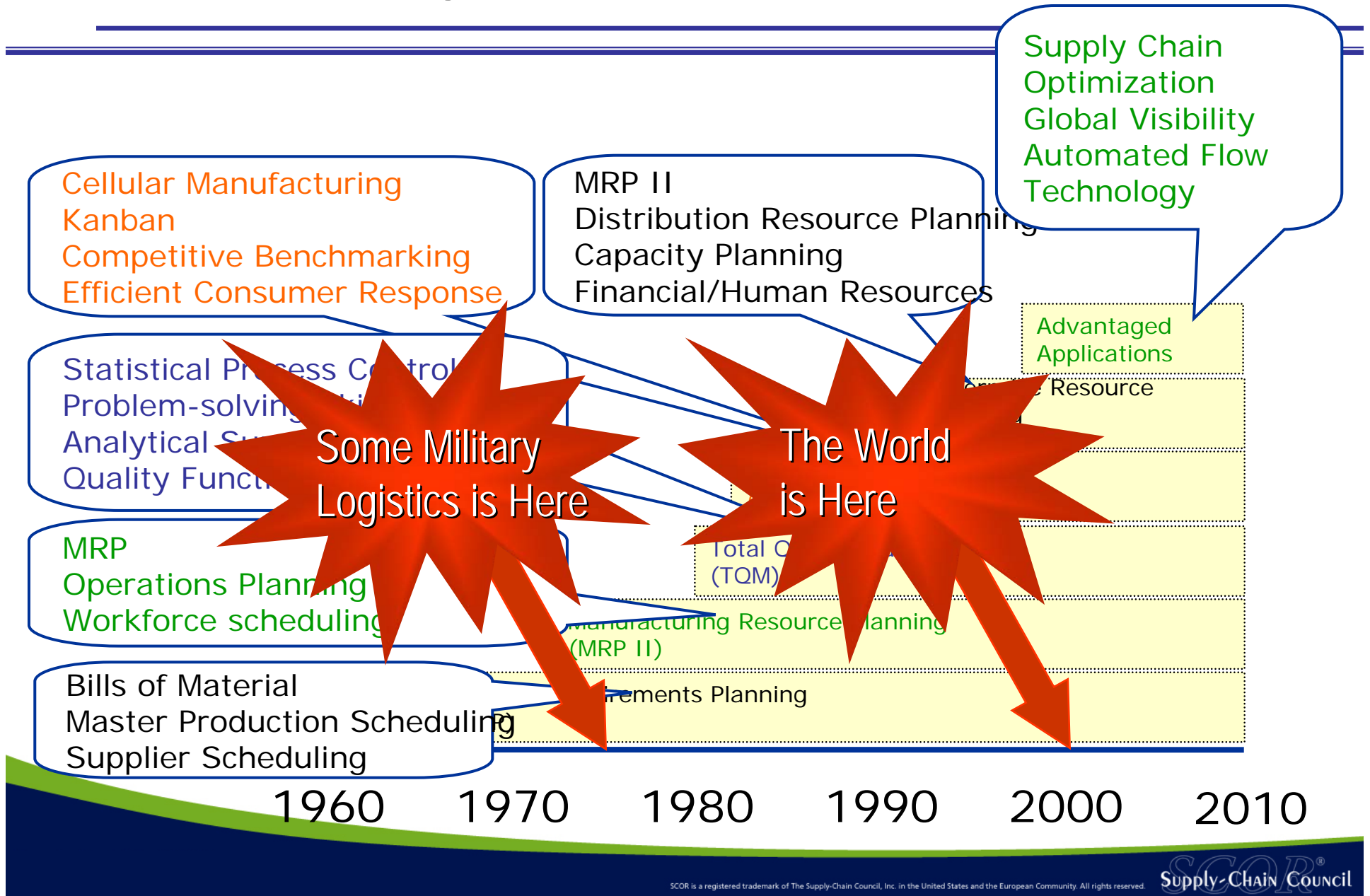
## Increased Sales:

- Faster to Market
- Improved Quality
- Pricing Flexibility
- Innovation

## Lower Total Cost:

- Acquisition Cost
- Processing Cost
- Quality Cost
- Downtime Cost
- Risk Cost
- Cycle Time Cost
- Conversion Cost
- Non-value Added Cost
- Supply Chain Cost
- Post Ownership Cost

# Our Challenge...



# Our Solution...

Cellular Manufacturing  
 Kanban  
 Competitive Benchmarking  
 Efficient Consumer Response

MRP II  
 Distribution Resource Planning  
 Capacity Planning  
 Financial/Human Resources

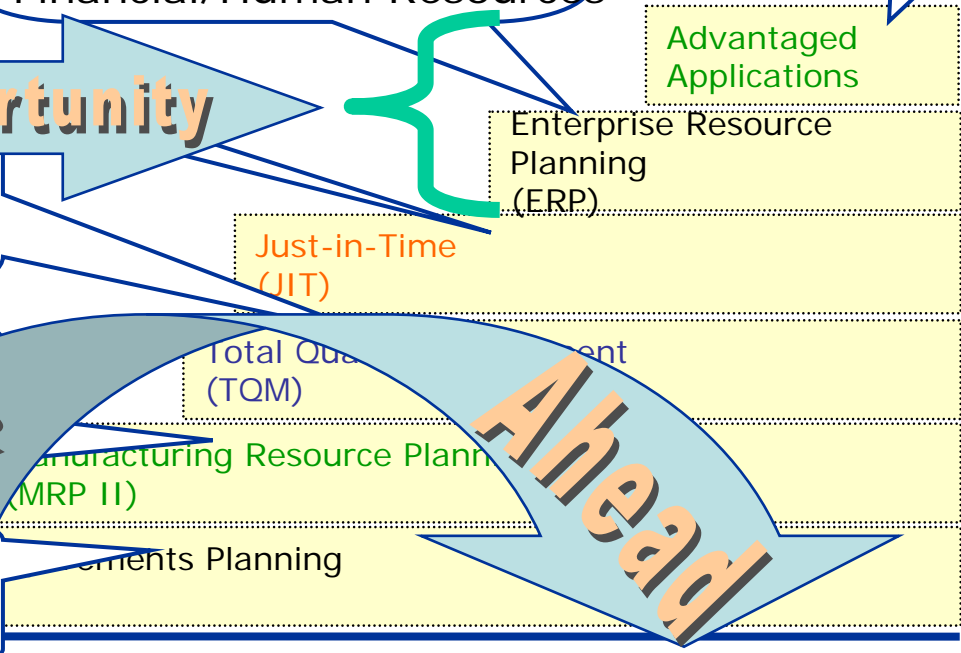
Supply Chain Optimization  
 Global Visibility  
 Automated Flow Technology

Strategic Problem Solving Skills  
 Analytical Support Tools  
 Quality Function Deployment

**Targets of Opportunity**

MRP  
 Operations Planning  
 Workforce scheduling

Bills of Material  
 Master Production Scheduling  
 Supplier Scheduling



1960 1970 1980 1990 2000 2010

**Education + Best Practices + Partnerships**