April 2016 – Interview - Supply Chain and Complexity Management

Q1) Can you please provide a bit of context for complexity management within Supply Chain?

Answer:

* Customers are increasingly demanding more customised solutions in terms of products and services
* This brings a significant additional complexity to the operations
* Supply Chain is the area that needs to deliver them at the end of the day with higher and higher service level expectations
* This directly impacts all areas of the extended S/Chain: customer service, transportation, warehousing, manufacturing, planning (demand and supply), procurement

Q2) What types of complexity do you deal with?

Answer:

1. Portfolio / SKUs

* Materials / Ingredients
* Packaging
* Formulations
* Number of Suppliers / 3PM’s
* Distribution Channels
* # Customers
* you name it

Q3) What is the role of supply chain in managing complexity ?

Answer:

* S/Chain must be the business partner to support the business taking better solutions whilst managing complexity
* It is not necessarily about reducing complexity, but proactively managing it
* S/Chain must provide data, analysis and solutions to reduce the complexity in a proactive way
* In that sense, the leadership role of S/Chain is crucial once it needs to be able to work cross-functionally with a wide range of stakeholders within the business, with different interests and incentives
* S/Chain must not only look at the already existing complexity in the business, but also ensure that the new product launch / innovation go to the market taking into consideration the right approach for complexity management

Q4) What is the difference between complexity management vs complexity reduction ?

Answer:

* That is a good question
* Generally S/Chain position that complexity must be reduced. This cause in most cases a considerable push back from the business, especially from marketeers who at the end of the day are primarily accountable for managing the portfolio
* Complexity must be managed, proactively, instead of reduced only
* This means harmonising specs, simplifying / merging SKUs, working collaboratively with suppliers, etc

Q5) how to position supply chain as an entity to manage a complexity management cross business wide?

Answer:

* This is another very interesting questions
* Generally I experience 3 main approaches:
  + Approach 1 is when the CEO / Company Board determines a complexity reduction target and empower S/Chain to make it happen. This is the top down approach, works really well in terms of pace of implementation, but It is hard to manage as the approach is typically ‘do it’ rather than ‘getting into a consensus that is the best thing to be done)
  + Approach 2 is the bottom up, i.e., S/Chain map the existing and future complexity and works collaboratively with the various areas of the business (especially Marketing and R&D) to make it happen. It takes a little bit of more time, but results are more sustainable over time
  + Approach 3 is a blend of Approach 1 and 2, what I call Middle Out, i.e., S/Chain has a mandate from the Board to reduce/manage complexity, but works collaboratively with the various areas involved.
  + It is important to mention that in all approaches, it is crucial to define and formalize targets for complexity management and links into to the individual targets and remuneration of the key stakeholders involved.

Q6) How to tackle complexity management in the context of product launch / innovation?

Answer:

* I like to use the Lego approach, i.e., enabling New Product Launch by using a set of already existing components from a ‘tool-box’. This can be for example a box with 3000 ingredients / packaging / formulations / etc.
* In case of new elements are needed, then one existing one, out of the 3000 elements, must be replaced by the new one.
* In short, this is the ONE-IN, ONE-OUT concept.
* Lego has been extremely successful in adopting this concept with unquestionable discipline. This has been recognised even as one of the key drivers for their turnaround process few years ago. They were struggling lots with the increasing complexity of their business.
* At the end of the day, Growing the Business doesn’t necessarily means Growing Complexity. The best organizations out there manage it with a high degree of sophistication and discipline. You can think about Apple, Amazon, Lego, Unilever, P&G, etc

Q7) Can you please provide us with some example and highlights on recent case studies?  
  
Answer:

* Well, over the 10 years, I have been involved, and leading, in many of these projects
* I will briefly tackle 2 examples
* Example 1 is a Food Manufacturer who mergered 3 companies into 1, due to acquisitions, over less than 1 years, and ended up with a portfolio of 1.500 SKUs, in very similar product categories. My role was to analyse the portfolio considering financial, operational and markets aspects and reduce the portfolio down to 500 SKUs, whilst still growing the business.
* Example 2 was a FMCG manufacturer with 30.000 SKUs, who wanted to reduce complexity in Europe by 40% in a period over 2 years. This involved over 20 countries operating In more than 10 product categories each. The key levers were harmonization and simplification of the portfolio, raw and pack materials, formulations, S/Chain blueprint, among others
* As you can imagine the change management and leadership required is very considerable and we have worked with both clients to bring the expertise, data management and programme leadership.

Q8) Can you please provide an overview about Julio Franca and Spin Consulting?

Answer:

* Of course! My name is Julio Franca, I have been working in S/Chain and Procurement over the last 20 years in many industries, geographies and areas of S/Chain
* I am one of the partners of Spin Consulting, a niche S/Chain consultancy focused in delivering tangible, quick and sustainable results for our clients.
* Please visit us at www.spinconsulting .net or drop me an email at [Julio.franca@spinconsulting.net](mailto:Julio.franca@spinconsulting.net) in case you wish to further discuss
* Thanks for the opportunity Dustin and many congratulations for your excellent work!