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Supply Chain Management For Small And Medium-Sized Businesses

Track 3 Session 2



Supply Chain  **Forward.**

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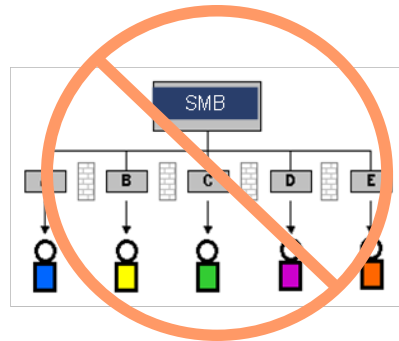
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Abstract

- ▶ **Tired of supply chain conferences and presentations that are geared to multi-billion dollar, Fortune 500 companies and their elaborate supply chain strategies? There are 10,000 to 20,000 companies in the small and medium-sized business space that are often left out of the conversation. Some supply chain concepts used by big firms don't apply to their SMB counterparts and still others have to be adapted before being employed in smaller companies. This session will discuss the key differences between large enterprises and SMBs, as well as opportunities to leverage supply chain management for SMBs.**

Background Thoughts

Develop an Enterprise View of the Business



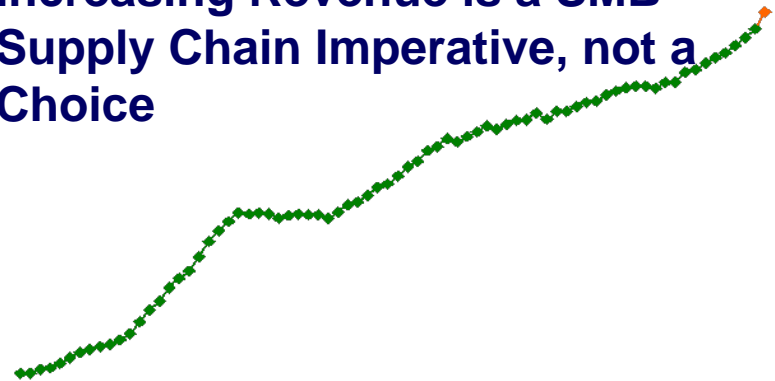
Demonstrate that Supply Chain is a Catalyst for Higher Revenues and Profits



Expand Supply Chain Influence in Strategic Decision Making



Increasing Revenue is a SMB Supply Chain Imperative, not a Choice



Agenda

- ▶ **What Is the Issue with SMBs?**
- ▶ **Familiar Challenges for SMBs**
- ▶ **Unique Advantages of SMBs**
- ▶ **Shape Corporate Strategy via Supply Chain Management**
- ▶ **Increase Corporate Revenue**
- ▶ **Solutions to Challenges and Examples**
- ▶ **Key Takeaways**
- ▶ **Questions**

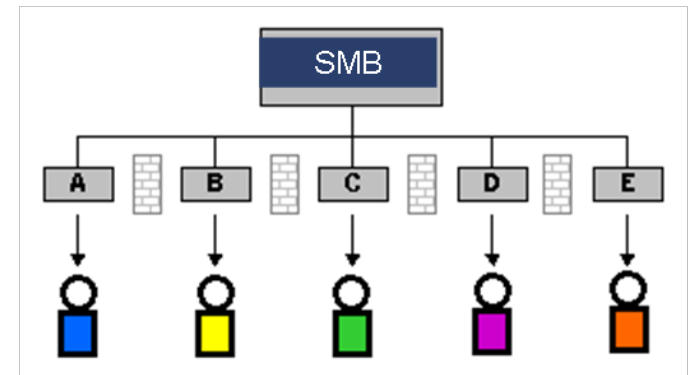
What Is the Issue with SMBs?

▶ Identification and Visibility

- ◆ How many companies in the Fortune 500?
- ◆ How many SMBs are there?
 - How do we find them?
 - Do they want to be identified?
 - How to we help them?
- ◆ What are their specific issues?
- ◆ How can they be made to feel unique?

Familiar Challenges for SMBs

- ▶ **Supply Chain Organizational Design**
- ▶ **Supply Chain Network Design**
- ▶ **Economic Leverage**
- ▶ **Business Process Discipline**
- ▶ **Integrated Technology Enablers**
- ▶ **Global Expertise**
- ▶ **Talent Management**
- ▶ **Investment Capital**



Familiar Challenges for SMBs

- ▶ **Supply Chain Organizational Design**
 - ◆ **What is the appropriate senior supply chain executive (title) and organization in the supply chain area for a SMB as it grows?**
 - ◆ **Might require an evolution over time as company and organization grows**
 - **Manager to Director to Vice President**
 - **Perhaps Distribution to Logistics to Supply Chain**

Familiar Challenges for SMBs

▶ Supply Chain Network Design

- ◆ **How many DCs are needed?; Where should they be located?; Which customers should be served by which facility?; What should be manufactured where?**
- ◆ **Once a company goes from a single facility to two or more, there may be some opportunities to optimize the network for current and future volumes**
 - **Focus is on local, single facility solution for materials and services purchasing**

Familiar Challenges for SMBs

▶ Economic Leverage

- ◆ Without large coffers to fund supply chain initiatives, SMBs have to be more creative in the area of financing growth
- ◆ What are the ways to expand geographic reach both domestically and internationally with minimal investment?

▶ Business Process Discipline

- ◆ Requires documentation of internal processes which doesn't exist at many companies—both large and small
- ◆ Efficiency gains are easier to achieve if business processes are made standard or uniform

Familiar Challenges for SMBs

▶ Integrated Technology Enablers

- ◆ Traditionally, SMBs were limited as to their access to state-of-the-art supply chain software
- ◆ Often used cobbled together data management tools including Excel spreadsheets

▶ Global Expertise

- ◆ Most SMBs don't have a great deal of international expertise in-house
- ◆ Typical start from one U.S. plant and related sales and then growth beyond original markets

Familiar Challenges for SMBs

▶ Talent Management

- ◆ **Traditionally hard to recruit top supply chain talent to SMBs due to lack of name recognition**
 - **SMBs are challenged in offering salaries comparable to Fortune 500 companies**
 - Result can be less experienced personnel and less supply chain knowledge
- ◆ **Hiring budgets made it more difficult to hire top talent either for experienced personnel or top grads from supply chain programs**

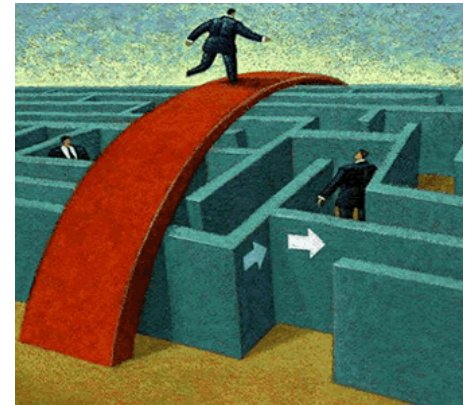
Familiar Challenges for SMBs

▶ Investment Capital

- ◆ **SMBs often don't have significant internal cash resources to expand operations**
- ◆ **Smaller firms have more difficulty raising investment capital from outside the company as well**
 - **Therefore, growing corporate footprint with minimal investment is important**

Unique Advantages of SMBs

- ▶ **Smaller, flat organizations with access to senior management**
- ▶ **Adaptability, flexibility, speed, responsiveness**
- ▶ **Private Ownership**
 - ◆ **Long term focus vs. Wall Street earnings expectations**
- ▶ **Results Orientation**
 - ◆ **All levels more in tune with bottom line impacts**
- ▶ **Entrepreneurial**
 - ◆ **Failures from taking risks more accepted**
- ▶ **Virtual Organization**
 - ◆ **Extending capabilities with third party expertise**



Shape Corporate Strategy



- ▶ **Use Supply Chain Principles to drive corporate strategy**
 - ◆ No longer is supply chain only an enabler
- ▶ **Expand Markets**
 - ◆ New geographies
 - ◆ New trade channels
- ▶ **Know the Capital Investment Strategy**
- ▶ **In a smaller company, more likely to know the priority of investment spend**

Shape Corporate Strategy

▶ **Manage Risk**

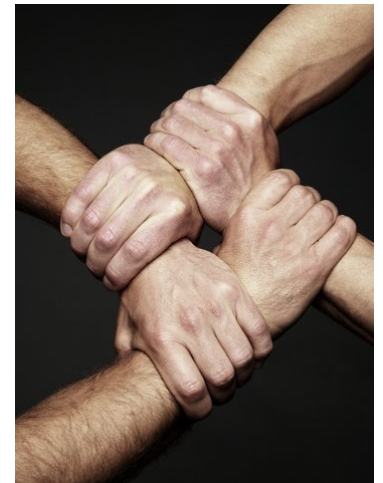
- ◆ **Create and implement continuity plans for disruptions**

▶ **Lead Expansion Plans**

- ◆ **Where/when facility recommendations**

▶ **Improve Planning Efficiency**

- ◆ **Understand bottlenecks and gaps**



Increase Corporate Revenue

- ▶ **Source New Products and Services**
 - ◆ **Partner with suppliers to bring new ingredients, products and delivery methods to market**
- ▶ **Improve Service**
 - ◆ **Own the metrics, take action and secure the service relationship with customers**
- ▶ **Boost Cash Flow**
 - ◆ **Manage inventory and open receivables**
 - **Determine and apply inventory carrying cost**

Increase Corporate Revenue

▶ Finance Growth

- ◆ **Manage the cost structure—supply chain costs significant portion of total corporate costs (cost of goods, etc.)**

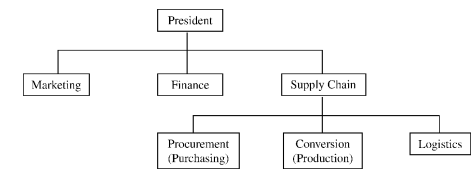
▶ Use Lean Principles

- ◆ **Become the expert in business planning processes to improve physical flow**
 - **Demand planning, inventory planning, production planning, distribution planning**

Solutions to Challenges and Examples

► Supply Chain Organizational Design

- ◆ **A SMB manufacturer of industrial products revised their organization to include a holistic supply chain view**



- **Hired a Director of Sourcing and Procurement**
- **Hired a Manager of Transportation**
- **Both report to Vice President of Operations and Supply Chain**
- **Goal is to eventually have two directors reporting to VP—one for inbound and procurement and one for outbound**
 - **Trying to give incumbents the chance to grow into more responsible positions**

Solutions to Challenges and Examples



► Supply Chain Network Design

- ◆ **Once a SMB grows from one to two or more facilities, there are typically benefits from modeling**
 - **Supply chain operations of multiple, autonomous divisions can be integrated for better service and lower cost**
- ◆ **Network modeling software pricing options now allow SMBs to use state-of-the-art modeling tools to determine optimal distribution network**
 - **Distribution network strategy software companies offer a lease rate which makes modeling affordable for a SMB**
- ◆ **Working with multi-divisional company with duplication in region to streamline network**
- ◆ **Not just for facility location—customer service issues as well**

Solutions to Challenges and Examples

▶ Economic Leverage

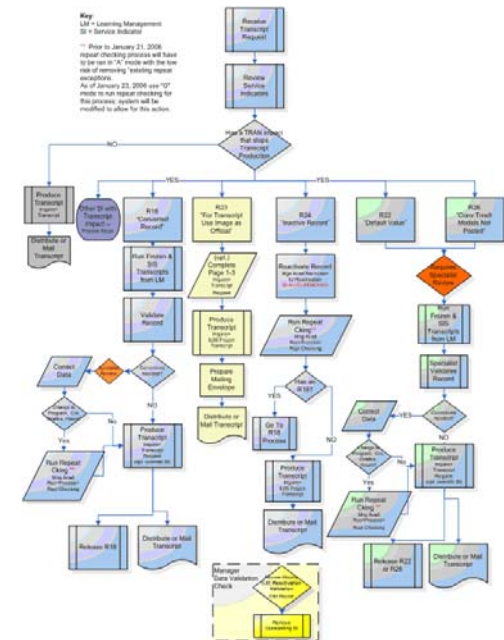
- ◆ **SMB Manufacturer used international contract manufacturers and logistics service providers to increase their global reach without direct investment**
 - **Created a phased approach to international expansion**
 - First Asia and then Eastern Europe
 - **Goal is to make and sell in-region rather than manufacture in cheaper location to distribute in U.S.**
 - **Product characteristics prohibit long distance transits**
 - **Big, bulky**
 - **Light and somewhat fragile**



Solutions to Challenges and Examples

► Business Process Discipline

- ◆ Document key business processes
 - Purchase-to-Pay
 - Order-to-Cash
 - Plan-to-Produce
 - Produce-to-Ship
 - Sales & Operations Planning
- ◆ Time – reduce cycle times
- ◆ Money – eliminate stranded inventory, free-up working capital
- ◆ Convert to supply chain driven sales opportunities



Solutions to Challenges and Examples



▶ Integrated Technology Enablers

- ◆ **Great news for SMBs!! Technology solutions are now affordable.**
 - **Software as a Service (SaaS) opportunities allow pricing according to use--“buy by the drink.” Typical pricing is on a monthly basis based on total usage**
- ◆ **More and more affordable supply chain technology opportunities exist**
 - **Software as a Service (SaaS) options allow SMBs to pay based on usage rather than large license fees**
 - **Procurement Solutions: Warehouse Management Systems (WMS); Transportation Management Systems (TMS); Business Intelligence (Reporting and Analysis) Solutions**
- ◆ **Selected and implemented a TMS for industrial manufacturer in three months.**
 - **No contract up front for flexibility with monthly subscription fees based on transaction volume**
 - **Volume with software provider (total transactions) has increased as company has grown.**

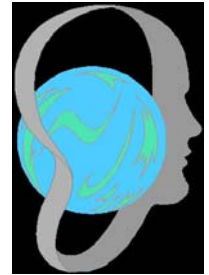
Solutions to Challenges and Examples

▶ Global Expertise

- ◆ **It is a lot to ask for a SMB to have strong international supply chain expertise in-house**
 - **Helped SMB manufacturer to identify global partners for both manufacturing and logistics**
 - **Some initial difficulties became key learnings for future opportunities**
 - **Major OEM and logistics service provider players might act interested initially but then back off when volumes don't match their expectations or needs**
- ◆ **Key learning is that large OEMs might not want to do business with SMBs**
 - **Use companies that can qualify international sources and match with your needs**
 - E.g. www.mfg.com
- ◆ **Used the learnings and training to embark on their own to find additional suppliers in Asia and Eastern Europe**

Solutions to Challenges and Examples

▶ Talent Management



- ◆ **Helped manufacturer find new, very experienced individuals without recruiter**
 - **CSCMP and ISM resume databases/clearinghouses**
 - **Saved thousands of dollars in recruiter fees**
 - **Both individuals had significant Fortune 500 experience**
- ◆ **Quality of life is now a factor in favor of the SMBs that should be emphasized when contacting potential employees**

Solutions to Challenges and Examples

▶ Investment Capital

- ◆ **Grow with minimal investment**
- ◆ **Strategic global geographic positioning with 3PL's**
 - **Distribution Centers**
 - **Transportation Providers**
- ◆ **Contract manufacturers**
 - **Product portfolio**
 - **Specialty packaging**
- ◆ **Integrated technology enablers**

Current Issues



▶ Opportunities in a Down Economy

◆ Reduce supply chain costs to save jobs

- **Example:** Had a client who could renegotiate transportation contracts and save \$50,000 to \$150,000 per MONTH
 - In just one or two months potentially two or three jobs could be saved
- **Problem:** In down times, people have a bunker mentality and shut off all spending and client decided not to spend any additional money at this time

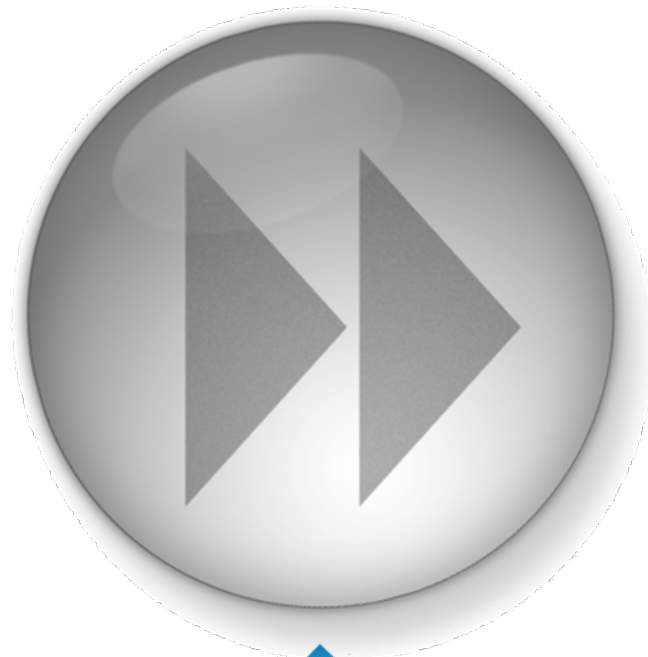
◆ Prepare for the recovery in advance

- It is going to happen!

▶ Continue to value and leverage supply chain management to increase revenue and reduce costs

Key Takeaways

- ▶ **SMBs are a driving force for our economy**
- ▶ **SMBs need help in supply chain management**
- ▶ **There are great opportunities if there is a focus on supply chain management**
- ▶ **What applies to big companies might not apply to SMBs**
- ▶ **SMBs might need adaptations of concepts used by big companies**
- ▶ **Use supply chain management to drive corporate strategy**



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Questions?