

REVENGE OF THE NERDS

Dynamic Supply Chains: Delivering Value Through People, Second Edition, John Gattorna, FT Prentice Hall, Harlow, England 2010. 503 pages.

Reviewed by Ralph Evans

Business abounds in lively stock characters. The top CEOs are of course charismatic and walk off with millions. The best people in finance are the Masters of the Universe. Marketing has its louche and trendy crowd, whom we saw recently in the retro TV series *Mad Men*. Technical innovators and product designers are acquiring a certain glamour: think of Steve Jobs, or of Sir James Dyson, who was knighted for making a better vacuum cleaner.

Women are moving into most of these categories now, and making a good deal of noise about it.

Out the back, however, is an unglamorous and typically drably attired class of people, almost exclusively male. These are the ones who manage the processes of making things and shifting them about, or of actually doing services, and of getting the whole lot delivered to customers and turned into money. You might say they are the people who really create the value in business (or at least a Marxist might say this).

These people have their own branches of management science, with names like “Operations Management” and “Logistics”. Some of them practise Enterprise Resource Planning, or ERP. There is not much glamour in these names. The signs on the doors might as well say don’t come in, there is nothing in here you would want to talk about at parties.

Now, along comes someone with a transforming idea.

John Gattorna is a global management guru who serves consulting clients on all six continents from an office in North Sydney. He spends most of his time on planes and is known to give his place of residence as “Seat 13B”. While he has a PhD in logistics, Gattorna is no drab introvert with a focus exclusively on the engine room of business. He has a mind big enough to think about businesses in their full, holistic, top-to-bottom entirety. Gattorna has proposed a new framework to tie together the market and customer front-end of a business, its inner workings, its sourcing of things that it buys in, its people management, its finances and its overall strategy into a single, humungous, coherent whole.

With 500 pages of text and many complex diagrams, Gattorna’s new book is packed with detail. It contains a host of real examples and much practical advice straight from the author’s consultancy work for a diverse range of companies in many parts of the world. All this information supports three main ideas.

The first of these is that a business should be organised from the customer right back to inputs bought in order to maximise value added and competitive advantage. All of the functions should be thought about together, from product design and marketing to operations, sourcing, the management and training of people and the financing of the enterprise. None of these should be in a box separate from the others. Even the culture should be moulded to maximise the chances of leadership in the competitive space the company is in.

This is not new, but the second big idea is. It is that a company can operate multiple “value chains” in parallel. Think of Toyota, with its Lexus brand, or its Hino trucks for that matter. These are not just separate brands for essentially the same kind of goods as the company’s biggest product, Toyota cars. They have separate product development teams and design philosophies, separate marketing people and dealer networks, separate factories, even deliberately separate cultures among their employees. Each value chain is designed to outperform its own competitors: the German luxury car makers in the case of Lexus; and firms like Ford, GM and Hyundai in that of Toyota cars. Gattorna gives us examples of this from the small end as well as among the giant companies, for instance a Melbourne clothing trade company that has done well in creating parallel value chains.

The third big idea, which takes some complicated diagrams to get across in detail, is that each value chain should be managed flexibly to adapt to circumstances. The whole company needs to be as flexible as a vast jellyfish with each part moving separately while the whole still hangs together. For instance the sales of trucks plummeted in the West during the GFC while it continued to boom in China and India. A world-beating company has to let itself move with such changes.

Dynamic Supply Chains may not be bedside reading or ready material for party conversation, but it is a bold challenge to the established hierarchy of business functions. It puts the physical side of business right up with the glamour functions like finance and marketing. It brings the nerds into the executive suite and makes them acquire some of the style of the CEO. For those who aspire to these heights or to have their businesses outdo competitors in a new way, it is a good read and a detailed instruction manual as well.

12.10.10

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