

## EXECUTIVE VIEW

## JOINING THE DOTS

Logistics guru Dr John Gattorna explains why he has made the study of supply chains his life's work – and reveals his latest thinking on the subject.

**D**r John Gattorna, one of the world's foremost supply chain experts and thought leaders, is passionate about his work. In fact, he admits, he borders on the obsessive. "My wife thinks that I spend too much time thinking about supply chains," he says. "But they pervade all our lives and everyone is affected by them. And that's what I find so fascinating."

Sydney-based Gattorna started his "journey of discovery through the maze of logistics and supply chain networks" in 1975 and, during his career, has worked as a consultant/advisor, helping major blue chip corporations around the world optimize their supply chains. Now the Executive Chairman of a specialist advisory business, Gattorna Alignment Pty Ltd, he is also the author of a number of ground-breaking books on the subject. His latest, *Dynamic Supply Chains: how to design, build and manage people-centric value networks*, was published in May and explains how his thinking around supply chains has evolved through to 2015.

Gattorna stresses that 'one size fits all' supply chains are unworkable, and that aligning supply chains with customers, suppliers and third party logistics providers is the way forward. But to engineer an aligned supply chain the trick is to understand patterns in

the marketplace and, he says, "join the dots" – which isn't something that many, if any, people have tried to do before in book form. John Gattorna excepted, of course.

"If you want to sum up the things I've done in my life," he says, "you could say that I have joined a lot of dots..."

#### Your first seminal book was called *Living Supply Chains*. What did you mean by 'living'?

Years ago, people only thought about a very small part of the supply chain. It was called 'finished goods distribution' back then. Now when we talk about supply chains we start from the raw materials and go right the way through to the end user and beyond, actually. So what I was saying – and what I'm still saying – is that effectively supply chains are like the body's central nervous system; but what flows through their veins are finances, information, and product. I realized early on that supply chains aren't driven by technology and they aren't driven by infrastructure. Those things are just enablers. What they're driven by is people making decisions: customers at one end, suppliers at the other and enterprises in the middle. Not many people understood the word 'living', though, so we came up with another word for my next book: dynamic.

#### Why do you believe the 'one-size fits all' supply chain is 'seriously flawed'?

One of the big problems is that a business can't cost-effectively service the whole market with a single supply chain configuration. The more it tries to capture a marketplace with that approach, the more exceptions will arise – and that drives cost up. In fact the more you try to standardize things, the worse it gets... and paradoxically you end up with a higher cost than if you stayed in bed and did nothing. You have to align with your marketplace. That means you first of all have to understand what your marketplace is telling you; and then you link your marketplace with your marketing strategies, your product, your supply chains, and your corresponding logistics.

#### You've talked about the importance of understanding buying behaviors. How many are there?

There's a relatively small number. There are 'loyal' or 'collaborative' customers who trust the brand and don't care if they pay a premium for it; 'transactionals' who are constantly looking around for the lowest price; and 'opportunistic' customers who are unpredictable and demanding, but driven by immediate satisfaction and want things now. Then there is 'transitory' buying behavior, as market situations force a change in buying behavior, at least temporarily. That's the dynamic bit we have to cope with. As a business you can look at your market – whatever it is you are selling – and you identify what the structure is: what percentage of your customers are loyal, what percentage are transactional, etc. Using this method you can then reverse engineer your processes, and precisely build your supply chains. Whereas, in the past, it's just been one great big guess.

#### In your experience, what keeps supply chain managers awake at night?

The fear of unplanned disruptions, whether they are caused by an internal computer failure or external factors such as natural disasters. More and more senior managers

look to the area of logistics and supply chain as a way to cut costs; but the more costs you cut the more you lessen your ability to recover from a major disaster – the kind that puts companies out of business.

A famous example I mention in my book is the major fire in the year 2000 at the Philips New Mexico plant which was making chips for both Nokia and Ericsson. Nokia were clever and found out about it early; but by the time Ericsson were clued in, all the remaining stocks had been soaked up by Nokia. Risk management is the single biggest worry.

#### What effect has e-commerce had on supply chains – and how will it continue to effect them in the future?

Where do we start? It's had a huge effect. If we go back to the dot com boom of 2000, the front end of e-commerce was pretty easy. But there were two main problems that caused a lot of companies to subsequently fall over. One was that the fulfillment end wasn't ready and just couldn't cost effectively cope. The other was that when consumers place an order online they expect to get it tomorrow and pay nothing for delivery. Companies are a lot better prepared now. They have worked out their fulfillment end processes so they no longer fall behind the front end order processing and order entry. I'd say the overall benefit of e-commerce is that the whole supply chain has sped up.

#### Do you ever switch off?

To relax, I play golf. But if I'm having a lesson with my golf pro, he might say something like: "It's the left hand that drives the company, John!" What he means by that is if you're a right-hander playing golf, it's not your right hand that's in command and control, it's your left. That will strike a chord with me and I'll think: "I can use that idea and apply it to my work!" So I filter stuff in and out of my mental framework all the time... ■ Tony Greenway

## ABOUT DR JOHN GATTORNA

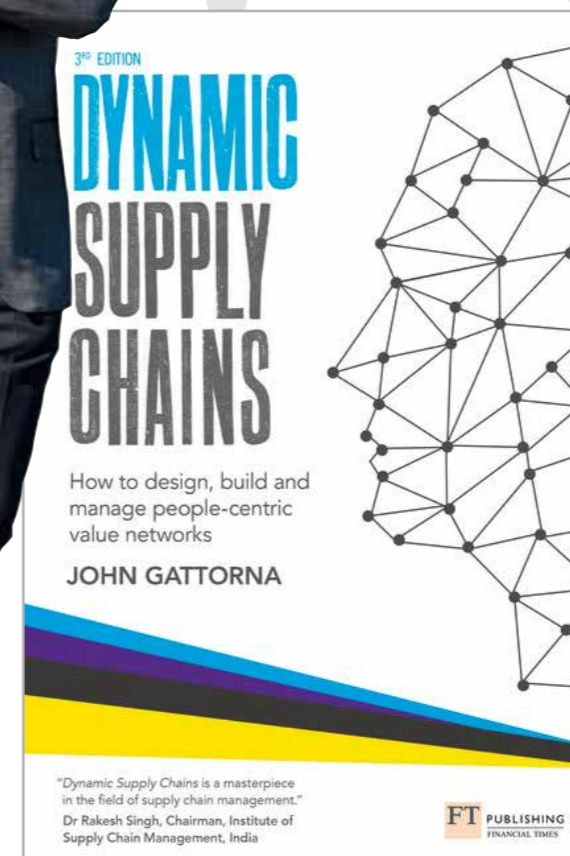
After a spell as a civil engineer, Dr Gattorna switched to the field of supply chain research, completing his PhD at the Cranfield School of Management in the U.K. A former Managing Partner of the Accenture Supply Chain Practice – ANZ and Southern Asia, Gattorna is the author of major books including *Living Supply Chains: how to mobilize the enterprise around delivering what your customers want* and *Dynamic Supply Chain Alignment*. He is also a frequent speaker on the international conference circuit.

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