



SUPPLY CHAIN MANAGEMENT
FOR
EFFICIENT CONSUMER RESPONSE
SYMPOSIUM



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**A new paradigm in
collaborative business**

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It appears that everywhere in the world where we meet leaders of the business and political world, practically everybody feels that *this age is different...*

...A NEW TYPE OF NORMALITY:

CHAOTICS

Source: *Chaotics – Management si Marketing in Era Turbulentelor*, P.Koetler, J.A. Caslione, 2009

CHAOTICIST MANAGEMENT SYSTEM

Not a modified strategy for a particular case, but a conceptual framework of strategic behaviors that can be adapted to particular situations.

As a supplementary guide – a five steps process for putting into practice the strategic behavior in chaos situations.

THE PROCESS

Step 1. Reconfirming the current strategy and actual activity model

Step 2. Assessing the company capability of executing strategy in chaos conditions

Step 3. Defining the application process of strategic behaviors

Step 4. Putting in practice the chaoticist strategic behaviors

Step 5. Reevaluation and review

Blue Ocean Strategy

Blue ocean strategy challenges companies to break out of the red ocean of bloody competition by creating uncontested market space that makes the competition irrelevant. Instead of dividing up existing – and often shrinking – demand and benchmarking competitors, blue ocean strategy **is about growing demand and breaking away from the competition.**

Source: *Blue Ocean Strategy – How to Create Uncontested Market Space and Make Competition Irrelevant*, W. Chan Kim, Renée Mauborgne, 2005

Blue Ocean Strategy

Red ocean represent all the industries in existence today. This is the known market space. Blue oceans denote all the industries not in existence today. This is the unknown market space.

Source: *Blue Ocean Strategy – How to Create Uncontested Market Space and Make Competition Irrelevant*, W. Chan Kim, Renée Mauborgne, 2005

Blue Ocean Strategy

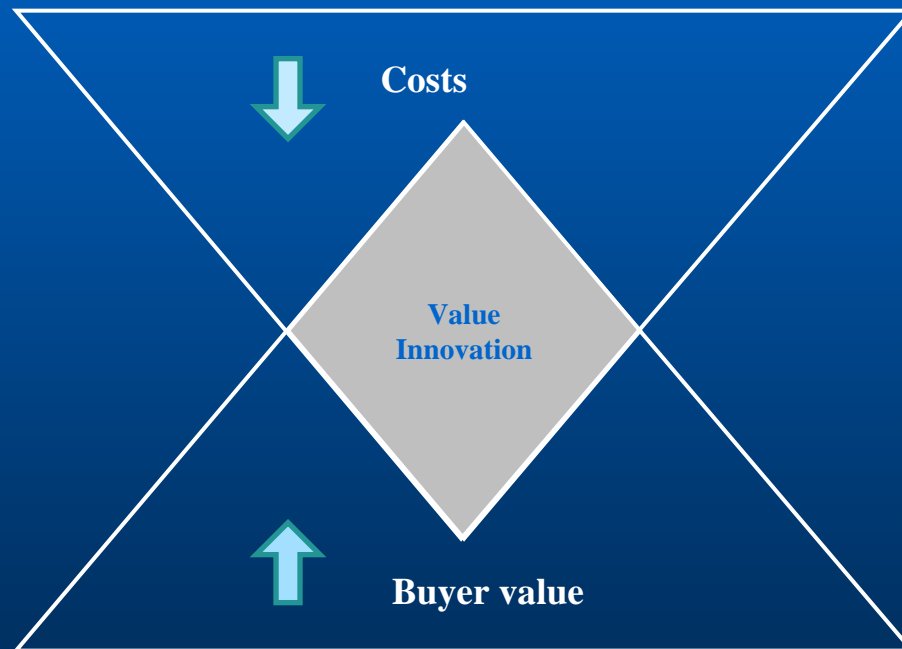
Value Innovation

Value innovation is a new way of thinking about and executing strategy that results in the creation of a blue ocean and a break from the competition.

Importantly, value innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade-off. It is conventionally believed that companies can either create greater value to customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost. In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously.

Value Innovation: The Cornerstone of Blue Ocean Strategy

Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates.



Source: *Blue Ocean Strategy – How to Create Uncontested Market Space and Make Competition Irrelevant*, W. Chan Kim, Renée Mauborgne, 2005

Blue Ocean Strategy

As long as this remains true, red oceans will continue to dominate companies' strategic agenda even as the business imperative for creating blue oceans takes on **new urgency**.

Source: *Blue Ocean Strategy – How to Create Uncontested Market Space and Make Competition Irrelevant*, W. Chan Kim, Renée Mauborgne, 2005

Definition of management:

The systematic pursuit of desired conditions by utilizing human capabilities in a concerted way.

Source: *Toyota Kata: Managing people for Improvement, Adaptiveness, and Superior Results* ,
Mike Rother, 2010

KATA

In Japan such patterns or routines are called *kata* (noun). The word stems from basic forms of movement in martial arts, which are handed down from master to student over generations. Some common translations or definitions are:

- A way of doing something; a method or routine
- A pattern
- A standard form of movement
- A predefined, or choreographed, sequence of movements
- The customary procedure
- A training method or drill

A further definition and translation for the word:

- A way of keeping two things in alignment or synchronization with one another

Source: *Toyota Kata: Managing people for Improvement, Adaptiveness, and Superior Results* , Mike Rother, 2010

The management challenge

The challenge we face is not to turn the heads of executives and managers toward implementing new production or management techniques or adopting new principles, but to achieving systematic continuous evolution and improvement across the organization by developing repeatedly and consistently applied behavioral routines:

kata

Supply – Chaining

Supply – chaining is a method of collaborating horizontally – among suppliers, retailers, and customers – to create value.

Supply-chaining is both enabled by the flattening of the world and a hugely important flattener itself, because the more these supply chains grow and proliferate, the more they force the adoption of common standards between companies (so that every link of every supply chain can interface with the next), the more they eliminate points of friction at borders, the more the efficiencies of one company get adopted by the others, and the more they encourage global collaboration.

Supply – Chaining

When the world is flat, your company both can and must take advantage of the best producers at the lowest prices anywhere they can be found. If you don't, your competitors will. So global supply chains – that draw parts and products from every corner of the world – have become essential for both retailers and manufacturers. That is the good news. The bad news, as Sheffi suggest, is that making these chains work is much harder than it looks and requires constant innovation and constant adjustment.

Supply – Chaining

As consumers, we love supply chains, because they deliver us all sorts of goods – from tennis shoes to laptop computers – at lower and lower prices and tailored more and more precisely to just what we want. That is how Wal-Mart became the world's biggest retailer. But as workers, we are sometime ambivalent or hostile to these supply chains, because they expose us to higher and higher pressures to compete, and force our companies to cut costs, and also, at times, cut our wages and benefits. That is how Wal-Mart became one of the world's most controversial companies.

Supply – Chaining (Wal-Mart's)

Once it established that basic method of buying directly from manufacturers to get the deepest discounts possible, Wal-Mart focused relentlessly on three things. **The first** was working with the manufacturers to get them to cut their costs as much as possible. **The second** was working on its supply chain from those manufacturers, wherever they were in the world, to Wal-Mart's distribution centers, to make it as low-cost and frictionless as possible. **The third** was constantly improving Wal-Mart's information systems, so it knew exactly what its customers were buying and could feed that information to all the manufacturers, so the shelves would always be stocked with the right items at the right time.

Long-Term Philosophy

We believe that our fundamental mission is to contribute to the economy and society through creating value, mainly by manufacturing high-quality products and providing related services.

-Toyota Way document

The long-term philosophy of the Toyota Way is to create value for customers&shoppers, suppliers, and the society.

THE EVOLUTION OF COLLABORATIVE MANAGEMENT MODEL

