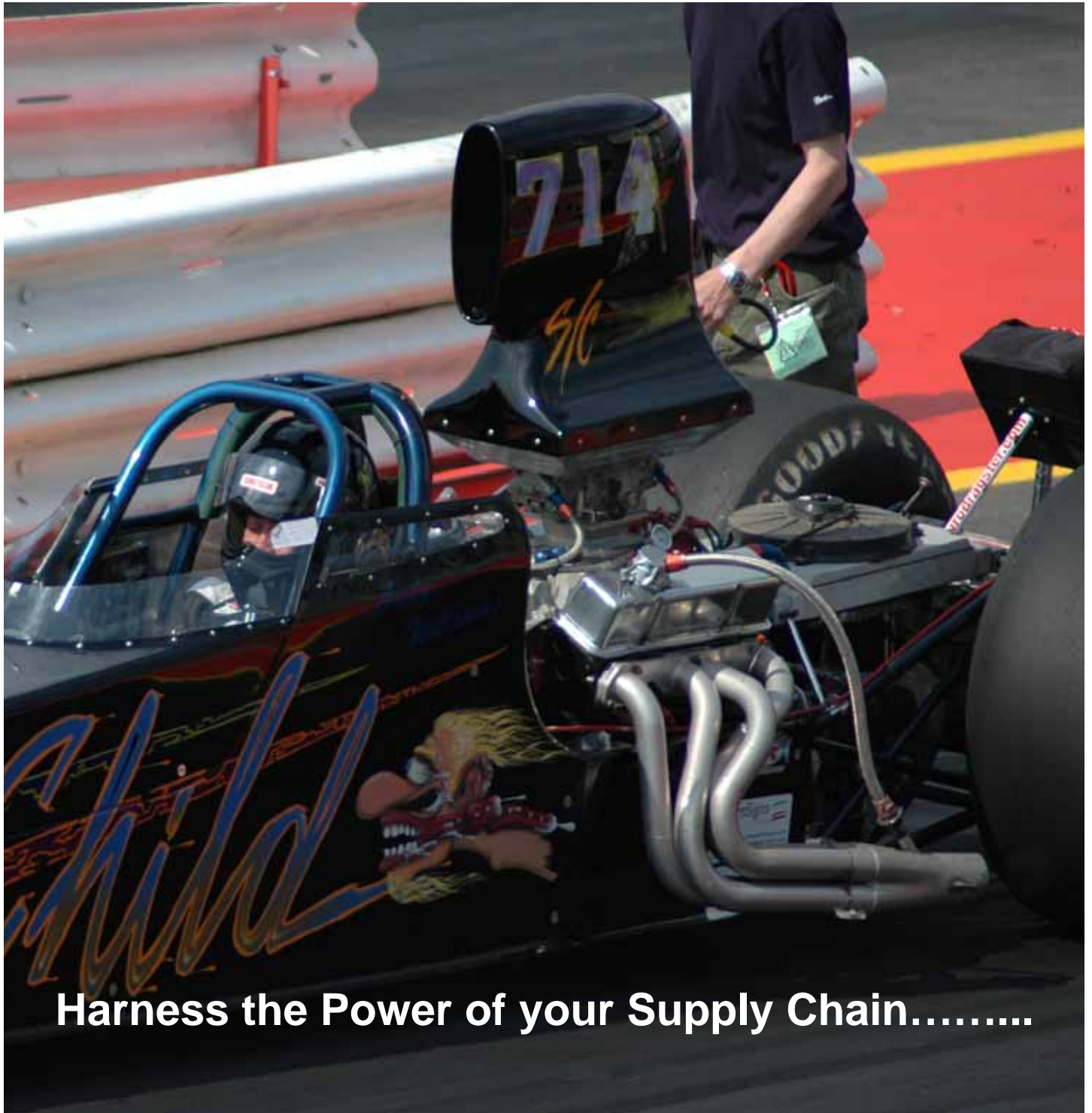


# Value Add

Supply Chain Management: the link to better business



**Harness the Power of your Supply Chain.....**

Consultants in  
Supply Chain Management,  
Procurement,  
& Logistics



# Welcome to **Value Add**

## Welcome to SCMG's Newsletter

*Harness the Power of Your Supply Chain.*

Raw power in itself is useless. Unless that power is harnessed and applied properly, where and when it is needed, most businesses and organisations will never achieve their full potential.

The potential for most supply chains to add value, win more business and create wealth is always sub-optimised because most organisations still think inside out and not outside in.

An outside in approach means challenging many of the conventional wisdoms that we have grown to accept by way of our education or practice. Competition is still preferred over collaboration

and like the 'prisoner's dilemma' we are afraid to blink first.

Can Collaboration really work?

Collaboration is a natural state of equilibrium that many creatures have evolved to practice like the Remora (sucker) fish on the underside of a shark. Organisations also do collaborate and when this happens this becomes a tremendous catalyst for improved performance. Unfortunately this is most evident in a time of crisis.

Can this be replicated in a business context without a crisis?

Collaboration can mean being more competitive together and rather than the politics of winning or losing organisations can focus on who they prefer to work with, both downstream with customers, and upstream with suppliers, to build

powerful supply chains that have the capacity to be successful, create sustainable wealth and eliminate the waste and pollution that is a threat to our planet. Its about, in addition to, not instead of!

Many of SCMG's clients are focused on that **Value Add** process to drive out waste and focus on a portfolio of relationships with customers and suppliers.

This is not the easy road to take. However, it is a dilemma and a choice that all organisations must face. Do they play the short term game of win-lose or the long term game of win-win.

This edition of **Value Add** looks at specific issues of how SCMG Clients are adapting and successfully developing their strategy and business models around about this approach.

In the meantime, if you're swimming with sharks don't get too close!

Martin Murphy  
Managing Director

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## Comment *China or bust!*

It used to be that we just had to worry about wine lakes and butter mountains! Now we have bra wars and find that only half way through the year that the Chinese have already reached their allocated import allowances for clothing. At the same time energy and raw material prices have increased as China's seemingly insatiable appetite cannot be satisfied. What does this mean for companies in the west trying to compete? There was a collective sigh of despair when even IBM decided that rather than just continue to outsource PC manufacturing they instead sold the business to Lenovo. In the UK, the last volume car manufacturer, Rover, was purchased from the receivers, by the Shanghai Automotive Industrial Company.

So if companies like IBM choose this option and Rover has capitulated what hope is there for the rest of us?

The cause of this fundamental shift is a function of us, the consumer. We want more and we want it for less and we are fickle enough not to really care where it comes from when we have to part with our own hard earned money.

So what can businesses do!? There are still many areas where companies can compete on logistics and services in local markets where geographically distant manufacturers cannot.

Total Supply Chain Costs are the real key and not just the short term benefit of low labour rates. For most manufacturers labour accounts for less than 10% of their product costs.

We should not fear the economic rise of China but see it as an opportunity and similarly the emergence of what we once considered to be rather dismal Eastern European countries that we now find are rich pools of talent and resources. These markets can become suppliers as well as possible market places to sell our own products and services. The globalisation process is unstoppable and if anything is accelerating. How we react will determine our future wealth prospects.

Putting up barriers will not stifle the demand. These are only artificial short terms measures that allow many companies to avoid the issues.

Understanding what your customers' real requirements are and managing that demand with your network of partners and suppliers, wherever they are, to deliver the lowest total supply chain costs is the challenge.

We will have to embrace lower cost countries and learn to work with them. Only by doing that can we create our own future.

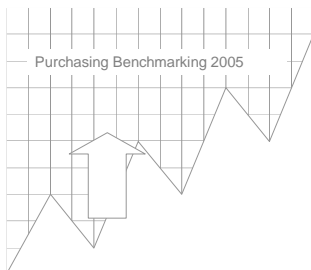
## Global Supply Chain—Local Impact

**g** SCMG supported and facilitated BG Group's Contracts and Procurement Global Procurement Forum. The Forum was held over three days and involved over 100 delegates from over 10 different countries and locations that BG Group operate in.

The Forum was a chance for the international delegates to meet each other and share best practices from different parts of the business. BG Group operate a complex supply chain of Contractors and Suppliers in many different locations around the World. This was reflected in the range of delegates who never previously had the chance to meet and work together. The Forum included sessions that dealt with some of the practicalities of working in BG, a vision for the future presented by Michael Rees, Head of Contracts and Procurement and other guest speakers from BG and the Academic world. Delegates also had a chance to meet each other socially and team building events were also included in the busy three day schedule. The Forum also included end users and specifiers and internal customers of Contracts and Procurement to help build improved relationships between the different



stakeholders involved across the supply chain. Technip and KBR also supported the event and provided a key challenge to BG from a Contractors' perspective in terms of how Contracts will be managed in the future. The Forum was considered to be a great success and many compliments were received from senior Executives within the business about the value the Forum had in breaking down barriers and helping improve communications across the business.



## Purchasing Benchmarking PBS 2005

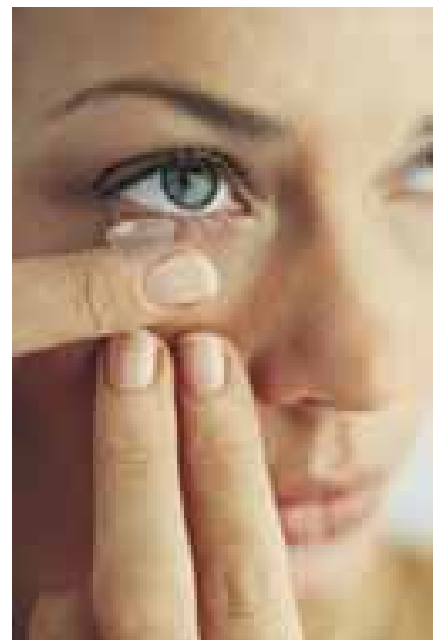
PBS 2005 is on line at [www.scmg.co.uk](http://www.scmg.co.uk). If you participate and complete the survey you will receive a copy of the PBS Report. Approximately 50 companies have participated so far in 2005 adding relevant data for the period. 85 companies participated in 2004 so there is still plenty of time for companies to get involved this year. Look for the PBS 2005 logo at [www.scmg.co.uk](http://www.scmg.co.uk)

## Bausch & Lomb Supply Chain Vision

SCMG supported Bausch & Lomb to refine and improve their supply chain approach. The project focused on Bausch & Lomb's Strategy and Organisation and developed short, medium and long term objectives.

SCMG previously supported Bausch & Lomb to consider the issues of UK manufacturing versus Far East competition and considered Total Supply Chain Costs as a more informed way of making decisions. This included considering the Working Capital implications associated with having more finished product tied up in the supply chain for a longer period of time. In many cases this eliminates the initial benefit of lower cost manufacturing.

The project used SCMG's Supply Chain Audit to quickly focus and identify key supply chain issues. These issues were challenged and analysed further by Bausch & Lomb's Management team and developed as an Action plan to support future developments.



## Supply Chain Programme for SEEL Companies!

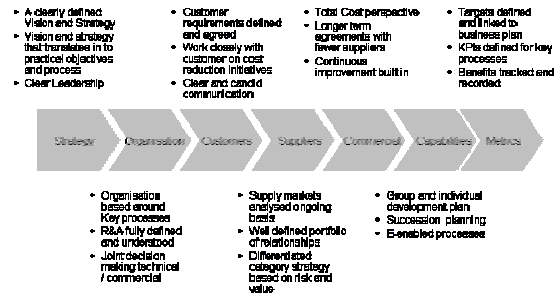


SCMG tendered for and won a Project to run a Supply Chain Programme for companies in the Edinburgh and Lothian's area. The Project was funded by Scottish Enterprise Edinburgh and Lothians. Three companies including Bausch & Lomb, TESS Ltd and Agilent participated in the Project.

A large number of companies expressed an interest in the Programme and may become involved at a later date. The demand for the programme illustrates how critical supply chain issues have become for companies as they strive to compete in global markets.

The Projects were varied in emphasis looking at issues like how to access more customers and win more business through to identifying supply chain cost drivers as well as fundamental strategy development issues.

### Supply Chain Audit



Scottish Enterprise Edinburgh & Lothian  
Supply Chain Audit  
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## Focus on the Rail Sector

SCMG have worked with many companies in the rail sector. Despite the public's poor perception of rail performance the sector attracts high level of public and private funding with some very high performing companies. This section focuses on our recent experience with three such clients.

Edgar Allen, part of the Mowlem Group, produce



castings for the rail industry from their integrated foundry site in Bathgate. Edgar Allen produce 90% of the rail crossings on the UK network.

SCMG undertook a competitive analysis of Edgar Allen's supply chain and compared performance with other foundry sites around the World including China, the Middle East and South Africa. The project confirmed competitive strengths and identified future opportunities to consolidate Edgar Allen's market leading position.

Hunslet Barclay of Kilmarnock have a 140 year history



and experience of the Rail industry originally being a locomotive manufacturer but more recently focused on refurbishing and repairing vehicles, manufacturing wheelsets and spare parts business. Hunslet Barclay are part of Waagner-Biro AG of Austria.

SCMG worked to develop a Customer driven supply chain and identify opportunities in both Hunslet Barclay's customer and supplier portfolios.

SCMG have been engaged to develop and support the



Grant Rail and Trackworks Joint Venture for London Underground. The GTJV combines Grant Rail's ETR capability with Trackworks' underground capability.

SCMG will provide strategic advice to the JV but also support team building activities and focus on common processes that can help improve performance and develop a shared purpose for the JV.

SCMG have worked with London Underground and suppliers to the Underground over the last 10 years.

## NAP Partnership

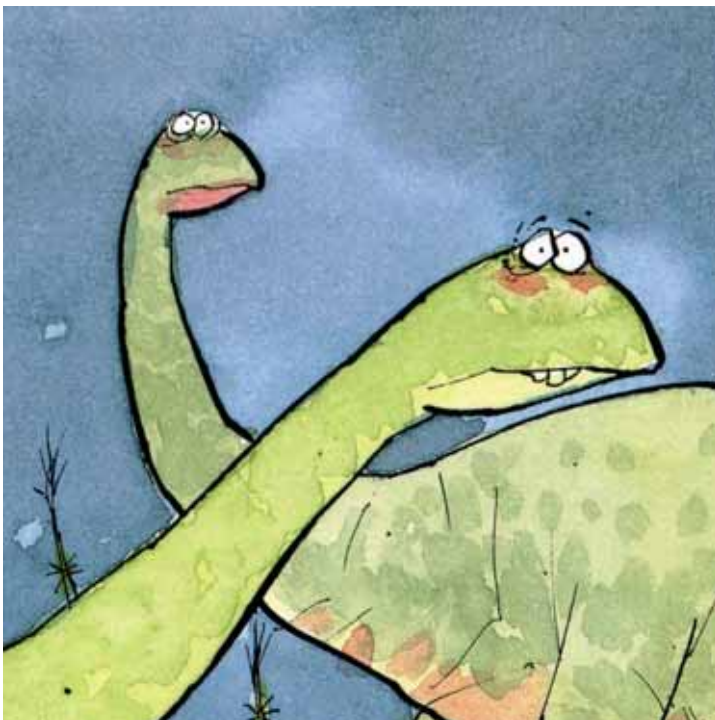
SCMG have collaborated with NAP Consultants based in the North East of England to develop a value proposition based on NAP's technical project and cost management capability and SCMG's supply chain skills. Many of NAP's clients are involved in significant infrastructure and construction projects that are based on Partnering and Alliancing principles.

This provides a great opportunity to combine SCMG's consultancy skills and approach with NAP's technical skills. NAP employ over 100 Project Managers, Cost Engineers and Quantity Surveyors on Projects in the UK, USA and the Middle East.

Both SCMG and NAP have experience of working with IPT's, Prime Contractors and System Integrators in Defence and Civil projects.



## Dinosaurs Weren't Very Clever



Sometimes the theory can just get too complicated. Don't worry! If your supply chain strategy has lost the plot maybe you need this fun publication from SCMG.

Dinosaur's Weren't Very Clever is a small booklet that explains quite simply but very specifically what you need to do to improve your supply chain.

Maybe if the Dinosaurs had practised a supply chain approach they might have survived.....bad news for us of course!

If you would like a copy of this booklet free of charge and no strings attached you can order it from our website. And even if it does nothing for you the kids will love it?

## Construction Supply Partnering

The first major Project to get underway as part of Highland and Islands Enterprise's (HIE) Property Supply Partnering Agreement is the Centre for Health Science. The Centre is a bespoke building that will become the focal point in the Highland's for Medical research and development and host for established and start-up businesses alike.

A key issue in attracting investment is the availability of high quality practical office and factory property. HIE have a clear strategy to counter market failure by developing world class facilities for companies to operate from. The Centre for Health Science is a state of the art building that will consolidate the Highland's increasing reputation in the medical sector.

HIE's Property Supply Partnership includes HIE, Tullochs plc as Prime Contractor and Synergie as Prime Consultants supported by EC Harris.

SCMG helped HIE develop and implement the Supply Partnering model as a more strategic way to plan, deliver and manage HIE's Property portfolio over the longer term. This approach is acknowledged in the Construction sector as a best practice approach. Many Construction companies have adopted this approach which encourages collaboration as opposed to traditional adversarial approaches. Image used with kind permission from HIE.



## It's a Taxing Issue, just how do you build a team?



Just how do you build a Team? Well you could ask SCMG to help you! SCMG have extensive experience of working with client's to develop teams with a real purpose that can realise their full potential.

We recently facilitated a Team building workshop for IBM's European Tax team as part of their 2005 Conference held at IBM's Bedfont Lakes facility near to Heathrow Airport.

The workshop ran over two days and involved 14 senior managers from no less than 11 different countries.

Our approach focuses on understanding,

1. the Context that the Team operates in e.g. a major change,
2. the Current Reality, how do we actually perform as a Team,
3. what are the Barriers to Change?

The IBM Team were a pleasure to work with and demonstrated a willingness to challenge the status quo as well as focus specifically on key areas where processes could be improved and behaviours changed to become the "best team" in IBM which is of course no small task.

## Advance Notice: Supply Chain Conference 2006

Advance Notice: SCMG will run a Supply Chain Conference in March 2006 in Glasgow. The Conference will provide a value for money alternative to the London based conference scene. Like previous Conferences we have managed and organised the event will include top supply chain experts with an emphasis on practical solutions to difficult problems.

The Conference will be chaired by Professor Douglas Macbeth the CIPS/SCMG Professor of Supply Chain Management at the University of Glasgow.

Further information will be provided closer to the actual date. You can express an interest by sending an email to [enquiries@scmg.co.uk](mailto:enquiries@scmg.co.uk) and we will add your name to our conference mailing list and send full details and booking forms when they become available.

## Supply Chain Facts

Results from SCMG's benchmarking exercises include,

- 81% of companies surveyed had a clearly defined supply chain strategy
- 83% had a statement on business ethics
- 58% had an eProcurement system
- 62% had a formal programme for training and developing supply chain professionals
- 59% of companies have fully defined Metrics
- 53% involve suppliers in their planning process

We can help you design and develop your supply chain strategy and organisation driven by facts and figures benchmarked from our other clients and survey research. Join the 2005 Benchmarking Study at [www.scmg.co.uk](http://www.scmg.co.uk)

SCMG's integrated supply chain approach considers a whole lifecycle perspective involving Process, Organisation and Technology issues. Our projects range from strategy development to implementation and include private and public sector clients in the UK, Europe, US, Middle East and Far East.

### Supply Chain Management

Supply Chain Strategy  
Supply Chain Audit (SCA ©SCMG)  
Partner Selection (PST ©SCMG)  
Partnering & Alliances  
Relationship Strategy  
Portfolio Management  
Supplier Development  
Supply Chain Improvement Process (SCIP ©SCMG)  
Outsourcing

### Procurement

Procurement Strategy  
Category Spend Analysis  
Category Spend Strategy  
Supply Base Strategy  
Supplier Reduction  
Strategic Sourcing  
Tender and Bid Management  
OJEU Public Procurement  
Tendering  
e-Procurement  
e-Auctions

### Logistics

Logistics Strategy  
Planning  
Demand Management  
Customer Service  
Inventory Management  
Transport  
Primary Distribution  
Secondary Distribution  
Warehousing  
Location Optimisation  
IT for Logistics

Our consultancy approach is underpinned by processes and tools that we have developed over the past 10 years. This means that the soft (cultural) and hard (process) issues are considered in equal measure to ensure that sustainable improvements are delivered to your business or organisation. These tools provide best practice terms of reference for our projects and provide clients with a perspective on what they do and what others have done to ensure that realistic and ambitious improvement targets are set and delivered.

SCMG have clients in Oil and Gas, Manufacturing, Electronics, Aerospace and Defence, Rail, Transport, Pharmaceuticals, Construction, Drinks Industry, Utilities, Mobile Phones, Health Service, Local Authorities and Service Organisations including Outsource Service Providers, Hotel and Leisure and Economic Development Agencies, Industry Associations and Trade Bodies including the DTI.

