



## SCM – discrepancy between promise and reality?!

The term 'supply chain' is used to refer to the flow of goods between legally and economically separate business entities that are jointly involved in the process of adding value. The remit of Supply Chain Management extends beyond dealing with suppliers to include coordination with customers. Over the past few years, experts have frequently stressed how important it is for a company's success to have a well adjusted and coordinated supply chain. But is that really true?

Looking at the current situation, I have my doubts. In the automotive industry, repeatedly cited as an example of optimised Supply Chain Management, the business situation is particularly fraught. OEMs battle with 20% overcapacity and their suppliers sometimes with up to 50%. In the past few years, a number of SCM tools have been developed and implemented at various corporate levels. Thus, for example, SCM planning tools have been developed with the purpose of making joint planning instruments available across the supply chain. The idea was to achieve a unified level of information both upstream and downstream. In the current crisis, however, a boomerang effect has been caused by the (albeit) positive situation in which information is simultaneously available at every level of the company, allowing demands to be coordinated in real time with efficient optimisation for a set number of customers. The tightening of links in the supply chain has had an immediate knock-on effect as the crisis facing OEMs is passed on to their suppliers.

The interdependency of suppliers and manufacturers has also made it very difficult for the former to make autonomous decisions. Suppliers have been obliged to subordinate their interests to those of supply chain optimisation, which has also affected investment. Newspaper reports provide daily evidence of the extent to which they are reaching their financial limits.

These are the questions playing on my mind:

- > Are systems or organisations with perfect optimisation and integration actually more vulnerable during times of crisis?
- > Do integrated systems reinforce crises by removing the scope for time to act as a buffer?

These are bold questions to be asking, I admit, and I am not in a position to offer any clear answers. But I am convinced that now, more than ever, a less blinkered way of viewing and discussing the situation will help us to find solutions, rather than remaining stuck with outdated structures.

Yours,  
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