Change Management- A Challenge in Supply Chain Management

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Abstract

Ever changing business environment is resulting in an ever increasing need for making corresponding changes in your business system. Entrepreneurs who are slow or who fail in their endeavor to implement change get left behind with fair chances of getting doomed. The biggest challenge is to the supply change management because of ever changing technologies, fast product improvements, and inclination to adopt global perspective for future growth. Consumer has a wide choice today because of high degree of visibility of world markets. There is frequent introduction of innovative products in the market by global competitors forcing various entrepreneurs to find alternative ways to maintain their market share. Increased international trades have changed various systems for material handling and transport etc. As such, there are many such factors which call for changes in supply chain management every now and then. There are various challenges in managing changes, particularly changes in supply chains, which are life line of any organization. Any disruption to it can result in a devastating impact on the health of an organization. No matter how effective a change is designed, it can be undermined by a few disgruntled individuals at some point of supply chain. There is no clear cut methodology that can effectively tackle all changes in supply chains of all organizations. There has to be a tailor made solution to suit every change. Above all, every ‘change program’ in supply chain always works in an uncertain and changing external environment. Effective change management helps you to convert these challenges due to changing environment into opportunities for development of an organization.
Keywords: globalization, change, supply chain, external environment, human behavior, e-commerce, stakeholders.

1. Introduction
The earlier system of establishing a business once and then reaping fruits of that business for years and years peacefully without being bothered by any change in the external business environment no more exits. Today the ever changing business environment is resulting in an ever increasing need for making changes in your internal business system to counter the changes in external environment. You are bound to respond to changes in external environment, otherwise, there are fair chances of your getting doomed. In addition, you need to adapt yourself to the changes at the earliest to reap competitive advantage of an early bird. Entrepreneurs who are slow or who fail in their endeavor to implement change get left behind with fair chances of getting doomed.

Ever changing technologies, fast product improvements, tremendous growth rates in developing countries and inclination to adopt global perspective are all resulting in rapid changes in supply chain management. The most important challenge to supply chain management, today, is to manage the frequent changes in the external business environment. There is still a big gap between expected benefits from new initiatives and the actual results achieved over a long period of time.

- Supply chain transformation projects may cover any one or more of following areas:
  - Reduce manufacturing/Replenishment lead times.
  - Accelerate supply chain response times.
    - Reduce Inventory levels
    - Increase assets utilization
    - Enhance customer satisfaction
    - Reduce cost base throughout supply chain

1.1 Streamline processes
The change does not happen in isolation. It impacts the whole organization and all its stakeholders are affected by these changes. In order to manage changes successfully, it is necessary to attend to the whole spectrum of system affected by the change. It calls for considering the impact of changes on the personal life of all the stakeholders, including the employees, and also the reaction of all stakeholders towards the proposed changes in addition to the tangible impacts these changes would have on the organisation. The whole-hearted support of stakeholders is necessary to facilitate the change. Effective change management helps you to convert challenges due to changing environment into opportunities for development of the organization.
2. Factors Necessitating Changes in Supply Chain Management

Supply chain adjustments are most widely preferred modes of meeting the challenges of fast changing business environment today. Companies are increasingly playing up Supply chain Management to compete and gain market share and to take benefit of opportunities thrown open by global scenario. Following are some important factors responsible for initiating such change activities and increased spending in the area of supply chain management.

2.1. Making changes in plant production facilities is highly time consuming and demands high budgetary commitments. It is difficult for companies to follow this option frequently to respond to ever changing business environment. Companies are preferring to focus on factors influencing demands and to take steps to manage demand efficiently. Emphasis today is to create a more and more customer focused approach. All stakeholders including sales, finance, product development and supply chain are getting involved to discuss factors affecting demand patterns such as product details, competitors, market conditions etc.

2.2. Globalisation has already engulfed practically all countries and all aspects of economy. No individual entrepreneur or any country as a whole can insulate itself from effects of Global economy. International trades are growing at a very high rate. Consumer has a wide choice to-day because of high degree of visibility of world markets. In India, there is exponential increase in the spending capacity of middle income group. The group is not ready to make any compromise on the basis of patriotic feelings of consuming only the Indian products. It needs only the global best product and he is ready to pay for the same. This is a great challenge to supply chain management to satisfy the customer that the product being offered by the organization best suits the purchaser.

2.3. Increased international trade has increased manifold the need for more and more ports, equipment for Inland handling and for transport of goods. More and more ports are being established as existing ports are already handing goods much beyond their genuine capacity. Various dry ports are being created to make international trade efficient. The cult of outsourcing services, like turn-key handling and movement of goods, is establishing its foothold. The companies have varied options to outsource one or other part of their supply chain. These changes may look small but these have a far reaching effect on the overall shape and efficiency of supply chain networks.

2.4. Earlier, some leading business houses enjoyed uninterrupted benefit of price, product features and brand recognition for quite a long period of time. Now, with frequent introduction of innovated products in the market by global competitors, the companies need alternate ways to distinguish themselves to maintain their market share. In such a scenario, companies are resorting to significant cost cutting in addition to frequent supply chain redesign to offset the ill effect of the emerging market.

2.5. Companies are reviewing their supply chain to see if they can concentrate on their core competence areas and off load part of supply chain to outsourcing agents to avail significant economic benefits. Such a step requires updated systems, processes and management structure. In such cases any failed attempt can lead to very
devastating results. Change Management is, indeed, a great challenge to supply chain management today.

3. Challenges in Managing Changes in Supply Chain

3.1. The modern day supply chains are so complex, people often identify and fix wrong things. In any case, the supply chain improvements often are too big and are likely to become unmanageable if supply chain executives do not personally see the processes operating. They must go into details of the problem and the proposed solutions right from the beginning to the end. In addition, senior supply chain executives must involve themselves whole heartedly with the field teams.

3.2. Supply chain improvements (changes) produce benefits by affecting one or more of following three critical areas.

- Providing better product availability
- Improvement in working capital requirement.
- Reduction in costs.

All these are key drivers of economic benefits. However, it requires a lot of efforts and time to quantify such benefits. In the absence of quantification, the management cannot work out the cost benefit ratio for a particular proposal. This is a big challenge to supply chain executives to strike some balance to tide over this problem.

3.3. Supply chain, being life line of any organization, any disruptions to it can result in a devastating impact on the health of an organisation. Any change in the supply line, though may be well designed, does carry huge risks. A common error with many firms is to make inadequate provision for management and mitigation of associated risks.

3.4. No matter how effective the change is designed, it can be undermined by a handful of individuals at various points of a supply chain. Certain type of human behavior, if not anticipated and dealt with from the start, can quickly sabotage a change effort.

3.5. A very careful attention to the project and change management is required to ensure success of a change and to derive benefits from it. Supply chain professionals are often ill equipped to accomplish the task, because of:

a) Lack of coordinated efforts at various levels of chain management.
b) Neglect of application of change management principles at one or the other level of chain management.
c) Supply chain executives are normally too busy to pay due attention to change management.
d) In dynamic business environment today the executives do not stay in their jobs for reasonable length of time. New incumbent is likely to lose sight of key issues involved in change management.
For all these reasons, successful execution of a supply chain project is a big challenge for the organization.

3.6. The functioning of supply chain executives looks just like that of other executives. They operate in the same mode of competitive priorities and limited time. However, they have much broader horizontal zone to work in and with only limited direct control. This is greatest challenge to supply chain executives while involved in a change management.

3.7. The rise of e-commerce as well as increasingly sophisticated and well informed customers has dramatically raised benchmarks for speed, reliability and quality of change managements. Example: Chandigarh Edition of The Economic Times dated 30th Sept 2013 has reported that:

“Amazon, World’s largest on-line retailer has launched its India platform in June, 2013. Indian rules do not yet allow Amazon to stock and sell products in India. Still, in anticipation of favourable rules in near future, it is creating infrastructure and tasting Indian market. At the moment, it is establishing its brand in India by being an active online market place. In short span of about 3 months about 500 Indian sellers are already using its online market place. Amazon is providing this service free of cost just to create brand for its ‘online market place’. It is reported that on line business of these sellers is growing much faster than their conventional fixed floor trade. They are able to touch purchasers all over India through this platform. “

3.8. There is no clear cut methodology that can effectively tackle changes in all aspect of supply chain at all stages of its development. Supply chain executives are required to develop a tailor made solution suiting the unique needs of their organization.

3.9. Sustaining change is as difficult as implementing change in the first place. Yet, supply change executives, who are very busy in their routine normal work, normally neglect to develop a well designed plan to sustain change. This creates uncertainty in reaping fruits of change management.

3.10. While designing any modification to supply chain, the major consideration is to tackle the response of market/consumers. Normally the interest of employees affected by change management is not considered. Certain individuals, who are adversely affected due to designed change, are not enthusiastic to implement the change. Many a time the change project gets derailed due to such weak links. For success it is essential to ensure full hearted co-ordination among the members of supply chain network. Employees are not interested in broad corporate strategy. They want to know how their jobs/future would be affected by the change.

4. Key Guidelines for Change Management

4.1. For identification of opportunities for improvement in supply chains, feed back from all stakeholders including customers should be carefully analyzed and evaluated. Supply chains of no two organizations are exactly similar. As such, supply chain executives should avoid temptation to copy other organisations in the market. One
must design its own strategy and ensure that benefit-cost analysis is carefully done before embarking upon any proposal.

4.2. All employees, by nature, tend to be resistant to change. Personal interest always take precedence over company interest. Every employee is eager to know as to how his/her career would be affected by the proposed change. They always look to leadership for answers to their concerns. The leadership must articulate a convincing need for proposed change. When the employees understand that proposed change is in the interest of both the organisation and its employees, they would do their best to make the change fully successful. Communications targeted to provide the employee right information at right time is always useful to solicit their full hearted input. Highly visible rewards, such as promotion and recognition, greatly help in change management.

4.3. Be prepared for unexpected hurdles. Every change programme in supply chain management always works in an uncertain and changing external environment. There is every likely-hood that market parameters at the time of implementation of ‘Change’ may be quite different from the one when the change was conceived and designed. There should be built in arrangement to make necessary adjustments to derive designed results.

5. Conclusion
No organization can escape real threat from ‘changing business environment’. Yes, one can convert this threat into an opportunity for growth, if one has strong will and resources. Sufficient guidance is available for the purpose. Change is inevitable and in the present day world, it is not the survival of the fittest, not even the fastest, rather of the one who is most adaptable to change.

References