

Chapter 8

Supply–Side: Mapping High Capacity Suppliers of Goods and Services

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ABSTRACT

With the evolving understanding of the role of the Supply Chain Management and its potential to add value, the integrated business planning is a key concept in any modern organization. That brings complexity to the Supply Chain Management requiring companies aiming to operate a world class process to have a strong coordination between internal functions which is only possible with a highly efficient information management framework. This chapter discusses how companies can extract competitive advantage from the use of available information on the supply side. For that is applied the Side Supply Methodology focused on mapping high-capacity suppliers. The chapter also includes a case study of the Consulting Engineering Services sector, with 628 businesses in 27 Brazilian states.

INTRODUCTION

An efficient management of the supply chain can create a sustainable competitive advantage in nowadays global markets. Being a cross-functional discipline, the supply chain management materializes the strategy. For decades the supply chain management was a synonym for logistics cost control, not including planning activities, information sharing or any value adding whatsoever. The integrated planning rise in adoption by companies came with the understanding that a superior integrated planning, overseeing all business processes from raw material to customer delivery, can create value to the company, not only reducing logistics and inventory costs, but also assuring revenue by reducing out of stock events and

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increasing customer satisfaction. To assure a global optimization, each link in the supply chain must also have accountability for the supply and demand management and be “able to manage risks, respond to changes in the economic, technological, and competitive environment and exploit new opportunities more effectively than their competitors” (Glatzel & Röhren, 2014, p. 7).

The discipline is growing exponentially in complexity with the accelerating spread of the supply chain, geographically, where all information is connected and the outstanding availability of data and the fast pace at which scenarios are changing, driving new trends (Glatzel & Röhren, 2014; Handfield, Straube, Pfohl, & Wieland, 2013). Among those trends, which the Supply Chain Management will have to have absorb and adapt, according to Handfield et al. (2013), are the increasing customer expectations, managing supplier-customer interface, increasing savings pressure, soaring risks and disruptions. In order to operate a world class supply chain management companies will have to have strong cross functional coordination and assertive decision making, implying a superior capability for identifying and correctly assessing trade-offs to explore opportunities, emerging or not, depending on the competitive position of each company.

For that to happen, a great management is paramount. “If you can’t measure it, you can’t manage it.” And to measure it, you need an ever evolving information flow. Nowadays, each and every link of the supply chain almost certainly has one or more information systems that use software. Those systems can be assessed and the all the information is connected and analyzed together. But before that, the information input must be accurate and comprehensive. With a good information collection process in place, it is possible to identify and create more assertive action plans to structuring the production network, supplier selection and refine the capacity planning.

Looking exclusively to the supply side by mapping the existing suppliers and ranking them by capacity, the supply chain manager can create a more effective planning to assure the highest quality and lowest price. He can also propose the identification and developing of new suppliers that can assure quality supply and low cost in an increasing volatile environment. The company can also anticipate competitors in finding new suppliers and commercial partners creating a strategic competitive advantage.

With that in mind, this chapter aims to show how the Side-Supply methodology uses the information as a source of competitive advantage. The methodology ranks the suppliers in a given geography according to the most relevant measure for the business question in place (i.e. capacity). To the case study presented in this chapter the authors focuses exclusively on the supply side in order to better explore the nuances of the methodology. Applying the methodology, the manager can map who are the suppliers in which geographies that are capable of delivering the products and services in the needed amounts and required quality. This study comes to fill a void in literature of a more practical approach on how to enhance the supply management by leveraging information and knowledge. This means working with concepts like price volatility, high velocity suppliers, customers changing habits and expectations about delivery timing while focusing on the Supply-Side debate.

This chapter is divided in five sections:

1. This introduction;
2. The background, where we discuss the Supply Chain Management and information theories and how they interact,
3. Presenting the Supply-Side Methodology,

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