











THE VALUE OF SUPPLY CHAIN MANAGEMENT PRINCIPLES

#	SCM Principles	scm-knowhow
1		Customer Orientation
2		Global view
3		Holistic Thinking
4		Adding value
5		Sustainability
6		Risk Management
7		Two-pronged Innovation
8		Adaptability
9		Collaboration
10		Digitalization & Transparency

Principles stand for fundamental, generally valid assumptions or for guiding beliefs based on a common sense (Ref1: [Principle](#)). Clearly defined and communicated **Supply Chain Management Principles** can be a strong supporter and guiding framework in explaining which key deliverables, results and value add the supply chain wants to create.

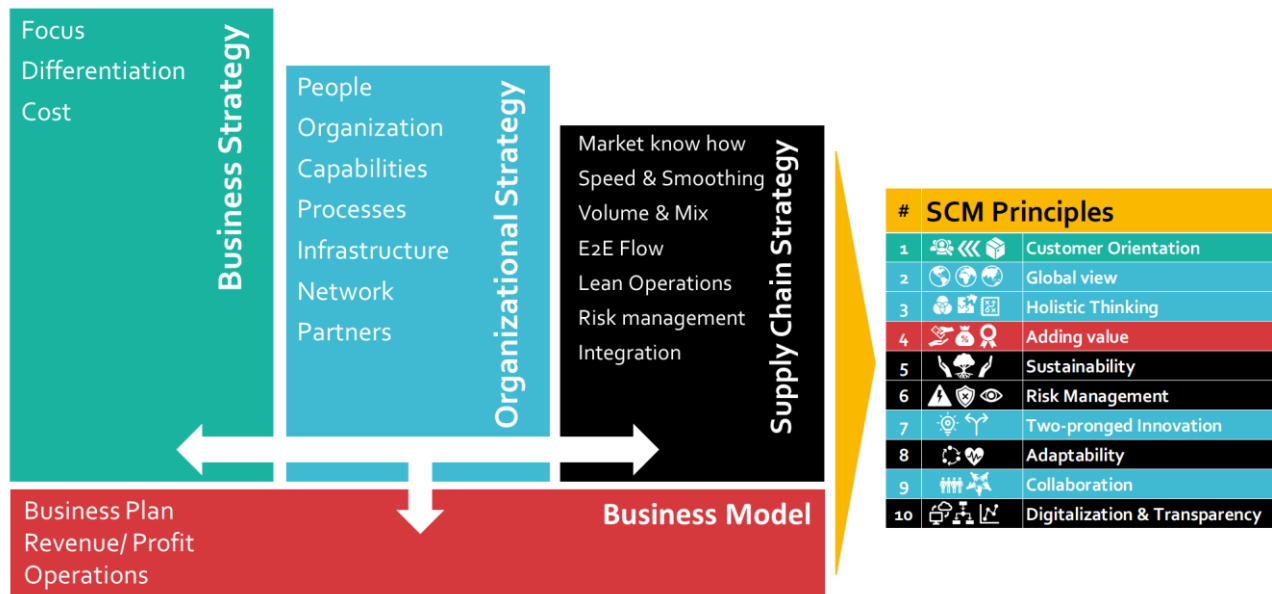
These principles must be deducted from the overall Company's Vision, Mission, and Values. Then they can be used to provide guidelines for all areas, departments, and decision makers throughout the corporation and network in executing the business strategy as well as in developing a world class supply chain.

WORLD CLASS SUPPLY CHAIN

A **World Class Supply Chain** is distinguished by a high collaborative, integrated E2E supply chain management, focusing & serving the customer needs, and supporting the overall business strategy. Whereby it's running with balanced benefits for all stakeholders & partners, adding real value and competitive advantage, being sustainable for the environment, knowing its social responsibility, continuously improving the effectivity & efficiency in all impacted areas, and is always staying innovative.

STRATEGY EXECUTION SUPPORTED BY PRINCIPLES

In addition to the **8 Core Capabilities**, which help to structure and develop a Supply Chain Strategy (Ref2: [SC Strategy](#)), you will find in the following the description of **10 Supply Chain Management Principles**, which can be used to help translating different Strategy elements into execution. Each principle can be linked back to a strategic driver and provides a selection of needed capabilities, themes, aspects, rules, and/or tools to be considered for its execution.



SUPPLY CHAIN MANAGEMENT PRINCIPLES

The following 10 identified and chosen **Supply Chain Management Principles** should be seen as a kind of reference model to help and drive thought processes as needed. The number, content and order should be always adjusted in alignment with the overall business requirements and strategy of the respective company or network you look at. Further on the summarized Topics / Aspects / Content for each principle has no claim for completeness.

#	Principle	Topics / Aspects / Content
1	Customer Orientation	<p>Clearly understand who your customers are. What are their real needs, requirements, and expectations which you must fulfill with your services and/or products. Always drive your actions and decisions with a clear focus on your customer.</p> <p>Hereby the customers can be external your internal of your company. It could be a person, company, a department, or other kind of entities.</p> <p>Also the context if you are in a B2C, B2B, or B2G business (Ref3: B2X-Def) might be very important to reflect & consider while executing the strategy.</p>
2	Global View	<p>Always consider and review your actions from a global perspective.</p> <p>This can be related to global markets and regions and must be considered from a demand but also supply point of view.</p> <p>Another line of sight should be the different market actors and influencers like political systems, social systems, and the environment. There are often multiple but also different rules and regulations.</p> <p>It is important to understand the trends and challenges impacting your company and business within the supply chain.</p>

3	Holistic Thinking	<p>The increasing globalization needs to have a holistic view which results in a total E2E supply chain framework supporting your business model.</p> <p>Collect and map all relevant interdependencies and flows within your network.</p> <p>Consider all market actors and drivers, like governments, organizations, people, products & services, processes, technologies, etc.</p>
4	Adding Value	<p>All your decisions, work, actions, products & services, projects, and initiatives should add value.</p> <p>There are different categories and options to add value. It could support the demand fulfillment and revenue model, service or quality improvements, results in cost or waste reductions, increase sustainability, support the environmental health, etc.</p>
5	Sustainability	<p>All products, processes, capabilities, and activities to execute the business strategy should be done with highest sustainability for a healthy environment.</p> <p>Key elements could be sustainable product & process design, the use of green technologies & renewable energy, a negative carbon footprint, waste avoidance & reduction, and/ or using and offering recycling processes.</p>
6	Risk Management	<p>Risk awareness and management capabilities should be part of your working style and DNA. This will be a key element to navigate your company and supply chain through the increasing global complexity and its global risks.</p> <p>Appropriate scenario planning, risk identification and evaluation capabilities should be embedded throughout the organization. All areas should be accountable and capable to understand the potential risk probabilities and impacts and to manage and mitigate them in case of occurrence.</p>
7	Two-pronged Innovation	<p>The degree of innovation ability within your company or organization will be the key success factor to stay in business or not.</p> <p>Therefore, you should address, and drive innovation based on two approaches:</p> <ol style="list-style-type: none"> 1) Continuous Innovation: Linear with Lean Management, Six Sigma, Kaizen, etc. 2) Disruptive Innovation: Leaping based on break-through and/ or paradigm shifting new technologies, products, processes, etc.
8	Adaptability	<p>The world, and its people, organizations, markets, and environment, is constantly changing. Du to this your supply chain strategy and execution must address and build the needed adaptability within your network including all your partners.</p> <p>Flexibility and speed are key elements for success. This must be reflected e.g., in your demand planning & forecasting processes, your sourcing & capacity strategies; your lead-time, inventory & cash management; your</p>

		<p>time-to-market capabilities; or your transportation, technology and communication network.</p> <p>Ensure a continuous demand & supply smoothing, implement PDCA cycles across the network, and leverage change management tools and capabilities to develop the supply chain resilience.</p>
9	Collaboration	<p>Global and high integrated supply chains and organizations can't be successful without collaboration. Competition is no longer based on competing companies; it's based on competing supply chains & network.</p> <p>With this you must achieve real, fair, and open collaboration, based on aligned & shared values with all organizations, partners and people, and supported by clear rules for communication and a common understanding of integrity.</p> <p>A key element is the appropriate "culture" on all levels and in all directions (interdepartmental, cross functional, cross corporation / up- and downstream) and should be addressed via a change management program.</p>
10	Digitalization & Transparency	<p>Backbone of the network and has a huge impact via data – technology – integration – automation – analytics – information – decision making support.</p> <p>Key enabler for all other principles and should be real-time & simultaneous visible across the network, available to all stakeholders, relevant, appropriate aggregated & presented, and easily accessible.</p>

SUMMARY & CONCLUSION

The successful building of the needed best in class supply chain for a company, in the context of a given Supply Chain Strategy, can be strong supported by the development and formulating of appropriate Supply Chain Management Principles. They will help, as a framework, guidelines, and checklist, to translate the business strategy into day-to-day execution of decisions, work, tasks, and processes. Further on they support the communication throughout the network and to all partners what drives alignment, common sense & understanding, as well as collaboration.

REFERENCES

Ref1: Principle: <https://en.wiktionary.org/wiki/principle>

Ref2: SC Strategy: <https://www.linkedin.com/pulse/how-structure-supply-chain-strategy-christian-jahn>

Ref3: B2X-Def: <https://payspacemagazine.com/tech/b2b-b2c-c2c-c2b-etc>

Ref4: PDCA: <https://en.wikipedia.org/wiki/PDCA>