

# USING SUPPLY CHAINS TO TRANSFER LEARNING ABOUT BEST PRACTICE

A report to the Department of Trade and Industry

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## GLOSSARY

The use of acronyms has been kept to a minimum in this Report and is restricted to the following terms:

**Value chains** comprise the full range of activities which are involved in the design, production, delivery and marketing of different goods and services. This comprises the different links in the production chain – for example the tiers of suppliers making components for assembly into the final product – as well as the range of activities which occur within individual links (for example, the design procurement and manufacturing activities within a particular firm).

**Supply chains** refer to the base of vendors to a particular link in the value chain, and may comprise of different **tiers**. For example, a firm may have a direct first-tier supplier who may in turn be supplied by a second-tier supplier, who in turn may purchase components from a third-tier supplier. A similar phenomenon occurs with regard to tiers of customers.

**Supply chain learning (SCL in the Report)** refers to a process whereby individual firms in the value chain actively assist their suppliers, and sometimes their customers in improving their performance and in developing their own capabilities to improve performance over time.

Experience suggests that SCL occurs when individual key links in the chain take responsibility for ensuring (and sometimes facilitating) a process of learning through the chain; these firms are referred to as **Supply Chain Coordinators (SCC in this Report)**.

## EXECUTIVE SUMMARY

An earlier review of international experience with supply chain learning (SCL) identified this as a key area of emerging international competitive advantage. At the same time, international experience also showed that SCL does not occur automatically, and that there are many areas of market failure, particularly with respect to the role played by SMEs. For this reason, a number of large firms are playing an important role in coordinating value chain effectiveness.

Consequently, it is concluded that there is scope for sensitive government policies, and for a range of roles to be played by intermediary organisations. If, together, these resources can be marshalled in an effective manner, it was argued that the UK might be able to leapfrog competitor nations by driving best practice SCL activities through a number of different sectors.

On the basis of this earlier report, the DTI commissioned the University of Brighton, the University of Bath and the IBM Consulting Group to undertake a survey of SCL in a number of value chains. The idea behind the study was not to provide a comprehensive overview of SCL throughout UK industry, but rather to identify those process factors which either enabled or blocked SCL. In consultation with the DTI and other interested parties, six value chains were chosen for detailed investigation. In addition, interviews were conducted by telephone with 25 British firms, and in-depth interviews were conducted with leading firms which had some experience with SCL. The six value chains chosen for detailed investigation represented different types of value chains, and encompassed a range of sectors and different types of firms. The chains were:

- Semiconductor industry equipment
- The production of tubular structures for the oil and gas industry
- The computing equipment industry
- Two different chains in the chemicals industry
- The aerospace industry

In addition, a workshop was held in London involving the participation of a number of public and private sector stakeholders and interviews were held with senior executives in the brewing, confectionery, the Northern Ireland aerospace industry and the surface finishing sectors.

The findings of our investigation can be grouped in two areas. First, we have used a model of supply chain learning which suggests a number of generally (but not necessarily) sequential steps. These steps begin with a "wake-up call", pass through processes of internal change and the recognition of the role played by the supply/customer base, and then to mandate change amongst suppliers (and sometimes customers). But SCL proper only really occurs once the coordinating firm plays an active role in *assisting* processes of learning amongst other firms in the value chain, and proceeds further when it recognises that it also has something to learn from these firms. As can be seen from Table ES1, even though we have focused on relatively progressive chains, SCL is only in its infancy.

