

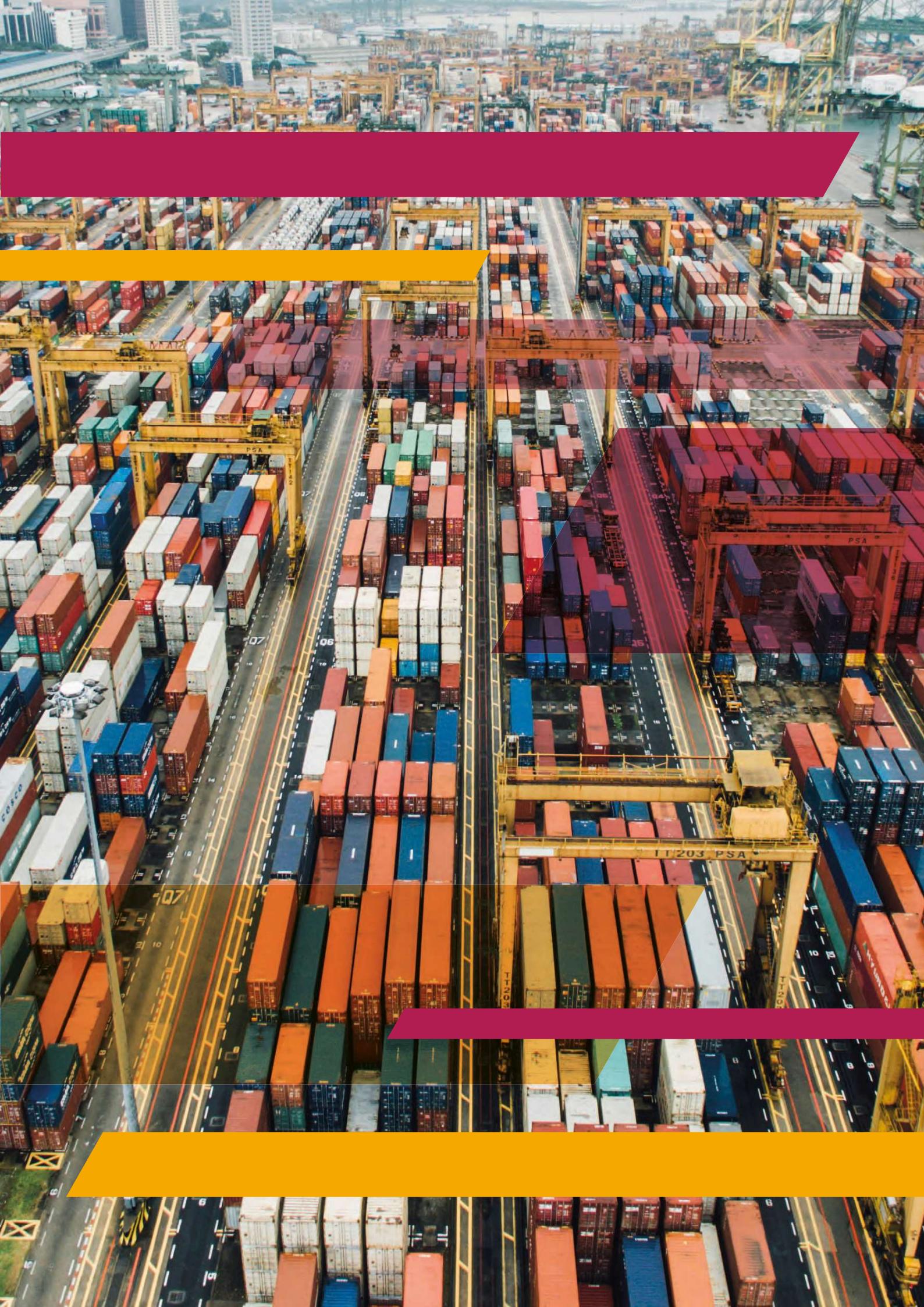


STRATEGY
& PLANNING

SUPPLY CHAIN MANAGEMENT

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1 PREFACE

1.1 INTRODUCTION TO SUBJECT SPECIFIC GUIDANCE

This Subject Specific Guideline (SSG) is part of a suite of documents designed to expand and enrich the description of the Asset Management discipline as summarized in the IAM's document 'Asset Management – an Anatomy' Version 4 (referred to throughout this document as 'The Anatomy').

The SSGs cover the Subjects in The Anatomy directly as a 'one to one' (where a subject is very broad) or grouped (where subjects are very closely related).

1.2 PURPOSE OF THE SSGS

This document provides guidance for good asset management.

ISO 55001 sets out the requirements necessary for establishing, implementing, maintaining, and improving a management system for asset management. The Global Forum on Maintenance and Asset Management (GFMAM) Asset Management Landscape establishes a globally shared understanding of the subjects which comprise the asset management discipline, emphasizing its wide-ranging nature and breadth of scope. Neither ISO55001 nor the GFMAM Asset Management Landscape explains how to implement asset management.

The Anatomy is a good introduction for people seeking to understand asset management. It is intended to:

- Explain the asset management approach and introduce the asset management subjects;
- Help individuals see how asset management can assist their professional development, and integrate their contribution with the work of colleagues and other teams; and
- Help organizations decide whether to adopt asset management and how to improve their asset management capabilities.

The SSGs develop the next level of detail for each subject in the Anatomy. They are guidance intended to help individuals and organizations by providing a consolidated view of good practice drawn from experienced practitioners across many sectors and geographies.

The SSGs include guidance for simple and complex operational environments, together with real examples from different geographies and sectors, to support the explanatory text. This is because there are widely different operational environments, constraints, cultures and opportunities in asset management. In particular, levels of sophistication, refinement and optimization that are worthwhile and possible in one environment may not represent either a possibility or a worthwhile investment in another. In addition, organizations will be at different stages of adoption of asset management; some may be relatively mature while others are at the beginning of the journey.

The guidance in this SSG recognizes each organization needs the flexibility to adopt its own 'fit-for-purpose' practical approaches and solutions that are economic, viable, understandable, and usable and that organizations will adapt their asset management approaches as part of continual improvement.

1.3 THE SSGs IN CONTEXT

The SSGs are a core element within the IAM Body of Knowledge. They have been peer-reviewed by subject matter experts identified by the IAM Knowledge Leadership Group. They align fully with the IAM's values and beliefs, which relate to the development of excellence in the asset management discipline and the provision of support to those who seek to achieve that level of excellence.

1.4 SSGs AND COMPLEXITY VERSUS MATURITY

It is important to understand and contrast these terms. Put simply:

- The complexity of the organization's operational environment will drive the complexity of the solution required; and
- The maturity of the organization will determine its ability to recognize and implement an appropriate solution.

A mature organization may choose a simple solution, while a naive organization may think that a complex solution will solve all its problems. In truth, there is no universal best practice in asset management - only good practice appropriate for the operating context of any particular organization. What is good practice for one organization may not be good practice for another.

For example, an organization that is responsible for managing 100 assets, all in the same location, could use a spreadsheet-based solution for an asset register and work management system. This is arguably good practice for that organization.

However, for a utility business with thousands of distributed assets, this is unlikely to represent a good practice solution.

It is important to understand the organization's complexity and maturity to best apply the guidance in this SSG.

1.5 FURTHER READING

In addition to the Anatomy and SSGs, the IAM provides a range of knowledge and professional development resources, which can be accessed through the IAM website.



2 SCOPE OF THIS SSG



Figure 1 Context of this SSG in relation to the IAM 10-Box Capabilities Model

Figure source: Asset Management – an anatomy (Version 4), The Institute of Asset Management, July 2024

2.1 SUPPLY CHAIN MANAGEMENT OVERVIEW

A supply chain is the network of individuals, organizations, resources, and activities involved in creating and delivering a product or service from raw materials to end user. It covers every stage of production, including sourcing raw materials, manufacturing, transportation, warehousing, and distribution.

As the name implies, it involves a chain of activities, where each link in the chain adds to the final product or service. However, it is not a simple linear chain of activities, but a complex network of links. Each organization may own several links in the chain and be reliant on downstream links for supplies and upstream links for customers.

Supply chain management is the art of understanding and controlling this chain. Good supply chain management involves managing inputs (suppliers) and outputs (customers). Great supply chain management involves understanding the full chain, managing its risks, and identifying the potential for optimization.

The importance of the supply chain was highlighted by the automobile industry in 2021. As the world emerged from its Covid slumber, demand for cars spiked. Many companies supply parts and materials to car manufacturers. Their account managers talked to their customers and were assured of sales. Their procurement teams ramped up inventory ready for a production surge. Then demand crashed as production of automobiles slumped 26%. A semiconductor shortage throttled the production of automobiles, and its knock-on effects ricocheted through the supply chain, affecting companies with no direct connection to computer chips.

This guide aims to help define a strategy for an organization's supply chain. It will examine common roles and processes used to manage supply chain activity; how to define requirements for supply; factors to consider when defining budgets and expected return on investments; how to ensure the supply chain is ethical and sustainable; how external constraints, such as laws and regulations, can be managed; what to consider when dealing with external suppliers, customers and other stakeholders; common ways to tender and contract; how to plan for resilience; common concerns with logistics and how effective Information Management enables informed decisions.

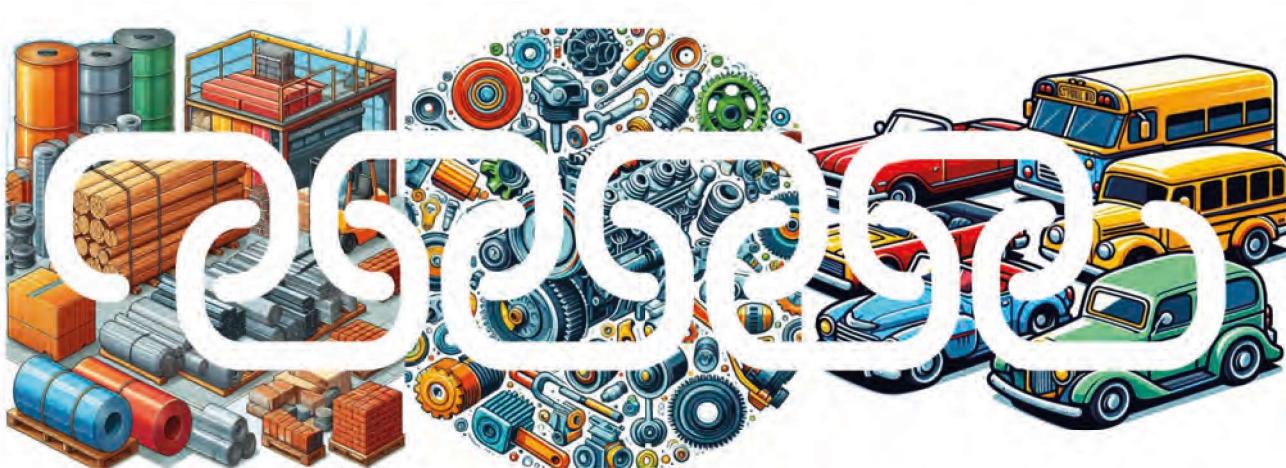


Figure 2 Supply Chain