



SIPOC (Customer-Supplier Chain)

What is it?

A method used to clarify the value chain in which you operate. It is often used to:

- ◆ Develop team purpose or mission
- ◆ Identify possible “quick hit” opportunities to eliminate some non value-added outputs
- ◆ Select a core process to redesign
- ◆ Clarify key customer or supplier relationships needing improvement

The name **SIPOC** derives from the content of the chain: Suppliers, Intputs, Processes, Outputs, Customers.

How do I use It?

- ❶ Identify the team or organizational unit for which the SIPOC chain is being developed.

Inevitably this chain is a sub-unit of other, larger chains and has sub-chains within it. Use your judgment to decide the proper level of perspective, but it is generally best to focus on the SIPOC of the group completing the chain.

- ❷ Clarify roles and allow 30-60 minutes to complete the chain.
- ❸ Brainstorm to fill the SIPOC one category at a time.



HINT: Suppliers and Customers are WHOs, Inputs and Outputs are WHATs, and Processes are HOWs. Therefore the S, I, O, and C columns should be lists of nouns. The Process column should be written in the form Verb-Direct Object, e.g., Take orders, Write Code, Select vendors, etc.

To complete the chain, it usually works best to...

- ◆ Start with Product/Service **Outputs**,
- ◆ Then work backwards from there by identifying the **Processes** that produce those outputs,
- ◆ The **Inputs** to those processes, and
- ◆ The **Suppliers** of those inputs (both internal and external).
- ◆ Finish by identifying all **Customers** (internal and external), i.e., anyone who receives and uses your Product/Service outputs.



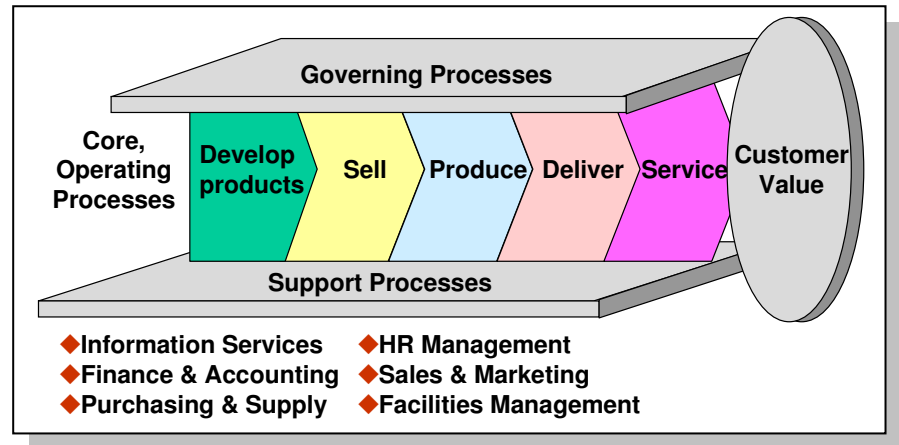
HINT: For some types of knowledge work, you might also include anyone whose behavior you wish to influence through your work processes.



Don't be surprised to discover overlap between your lists of Suppliers and Customers. This indicates life is more non-linear than this method, and explains why managing these relationships can be so challenging. At one minute, you are a supplier; the next a customer, and often within the same conversation.

- ④ Refine your Processes into a final list of 5-15. You may divide your list of processes into three types based upon the process model illustrated at right and described below:

C	<i>Core processes directly add value to customers</i>	<i>Examples are:</i> <ul style="list-style-type: none"> • <i>New Product Design</i> • <i>Production</i> • <i>After-sales support</i>
S	<i>Support processes enable the Core processes</i>	<i>Examples are:</i> <ul style="list-style-type: none"> • <i>Finance</i> • <i>Facilities management</i> • <i>Information management</i>
G	<i>Governing processes direct or monitor other processes</i>	<i>Examples are:</i> <ul style="list-style-type: none"> • <i>Strategic Planning</i> • <i>Performance Reviews</i>



- ⑤ Analyze the chain to identify areas for improvement. Use a red pen to “flag” any areas in your chain where:

- ♦ Customer requirements are not clear,
- ♦ Outputs are non value-added and can be eliminated,
- ♦ Processes aren't functioning effectively,
- ♦ Supplier performance is not satisfactory.



POINTER: Methods in Chapter 6: *Making Improvements* can address identified opportunities. See **Stop-Start-Streamline** to identify “quick hit” improvements. See **Customer Segmentation** to clarify target customers for further study. See **Supplier Assessment** to address the performance of key suppliers.



POINTER: A common use of **SIPOC** is to develop a list of processes, then select one or more to improve. Refer to Chapter 5: *Making Decisions* for methods such as the Impact-Ease Grid or Goals Evaluation Matrix in

When selecting a process for improvement, consider the following criteria to ensure you focus your improvement efforts on the VITAL few processes:



Versus--How large is the gap versus competitors? Versus customers' perception?

Influence--To what extent will improvement in this area influence other areas?

Timing--How urgent is it we improve in that area now? Other things we should do first?

Appetite--Is there enthusiasm for achieving this goal? Improving this process?

Likelihood of success--How feasible is it? Do we currently have the required capabilities in that area? Can we develop them?

In addition to these criteria, experience has shown that for teams new to process improvement, it is usually best to map, analyze and improve a process that...

- ◆ Is existing (versus designing a new one).
- ◆ Involves multiple individuals, groups or functions.
- ◆ The right team can be assembled, including those with sufficient understanding of how it works and authority to change it.
- ◆ The team's sponsor agrees is a priority.
- ◆ Is likely to yield significant payoff as a result of improvement.
- ◆ You are enthusiastic about changing.
- ◆ You aren't certain how to improve it, i.e., the answer is "unknown".

On the next page is an example, followed by a blank SIPOC worksheet.



SIPOC (Customer-Supplier Chain)

2 Roles

1 Chain for: JOE'S PERFECT PIZZA

Scribe: _____ Facilitator: _____

Date: _____ Participants: _____

Timekeeper: _____

SUPPLIERS	INPUTS	PROCESSES	PRODUCT/SERVICE OUTPUTS	CUSTOMERS
Dough Boys, Inc. Cheesheads, Inc. Meatheads, Inc. Tomatos R' Us Veggies R' Us Sodas R' Us Cooking is Us Boxing is Us Printing is Us Signs R' Us Registers R' Us Accounting R' Us the Landlord the Banker	Dough Cheese Salami Pastrami/ Sausage Tomato paste Vegetables Ovens Boxes Menus Signage Cash registers Phone system Cars Space	Develop new product concepts & menus Advertise Take orders Make pizza Deliver orders Purchase ingredients and materials Manage inventories Hire & train personnel Manage finances Maintain equipment and storefront Manage key relationships Participate in the local community	Delivered Pizzas made to order Carry-out Pizzas made to order Pre-made Pizza by the slice Soft drinks Party Packs	Walk-in diners Call-in diners Party-givers Administrative personnel who arrange meals for meetings Busy people
[WHO]	[WHAT]	[HOW]	[WHAT]	[WHO]

