

SUPPLY CHAIN RESEARCH CENTRE

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SUPPLY CHAIN STRATEGY IN THE BOARDROOM INTERIM FINDINGS - FEBRUARY 2010

Supply Chain on the boardroom agenda

Supply chain thinking is more important today than ever before. The impact of supply chain on company performance is increasingly prominent, not only in terms of cost, but also in terms of value creation - this is shown to be especially true in recessionary times, where supply chain thinking has gained prominence in many businesses in response to the economic pressures and concern for good cash management. Research has shown that poor management of the supply chain can significantly impact on an organisation's shareholder value and that for businesses to succeed, supply chain strategy should, therefore, be coming under far greater scrutiny in the boardroom and needs to be better understood. For these reasons, Cranfield embarked on this piece of research with the support of Solving Efeso.

Survey Objective

The objective of the research is to clarify and understand the interpretation of supply chain strategy in the boardroom.

Specifically the research addresses:

- Understanding the perception of supply chain strategy in the boardroom and its building blocks/elements
- Identifying and quantifying the key issues driving the boardroom agenda for supply chain strategy development
- Identifying the key enablers and obstacles to supply chain strategy implementation

Survey Approach

The "Supply Chain Strategy in the Boardroom" research survey was carried out in the second half of 2009. The survey represents senior executives in supply chain – nearly half are the highest decision makers for supply chain in their organisation. Respondents provided good coverage of global geography, company size, industry sectors and players along the value chain.

More than 180 responses were received from the online survey, with a further 20 structured one-to-one interviews undertaken to provide further insights and detail into the emerging issues from the survey findings. These interviews were completed in January 2010.

This report provides an overview of the Interim Findings.

The 10 Key Findings

The 10 key findings from initial analysis are:

1. **Supply chain is recognised as an important part of the business** The supply chain function is securing a solid representation at a senior level in most companies. Supply chain is typically still fragmented, but within a significant minority of organisations, the supply chain function is now responsible for the processes Plan, Source, Make and Deliver. There is a growing and significant presence of supply chain responsibility at a boardroom level.
2. **Customer Service and Corporate Strategy are key** There are many functional drivers of supply chain strategy, but the most significant one is customer service, followed by corporate strategy. However, corporate strategy becomes the main driver when the senior supply chain executive is on the board.
3. **Importance of supply chain drivers can vary** There are many performance drivers of supply chain strategy, but the major ones are cost focus, customer lead time and customer quality. The relative importance of these is found to vary by sector.
4. **Review of supply chain strategy is cross-functional** The supply chain strategy process in many businesses is still immature and fragmented. Within leading companies, the supply chain strategy, planning and

review process is becoming a continuous and, in many cases, a genuinely strategic and cross-functional process. The forward planning horizon for the strategy is typically 3 years plus, with reviews carried out usually on an annual basis. There are, however, variations by industry sector. Regular monitoring and adaptation of the strategy is typical and found to be a strength for successful implementation.

5. **Customer service and costs can be triggers for strategy review** Within organisations that do not have a continuous supply chain strategy planning and review process, the main triggers for organisations to review their supply chain strategy are customer service and cost.

6. **Supply chain strategy implementations are not straightforward** Very few supply chain strategy implementations run smoothly and to time and budget. Only a minority are implemented with very few problems. A substantial number of supply chain strategies get abandoned completely or incur significant implementation difficulties.

7. **Successful supply chain strategy implementations have top-level support** Initial results suggest that the success of the entire supply chain strategy process in terms of smooth implementation, even if with minor problems, is related to supply chain being represented at board level. When the process has the active support of the board, there is much greater likelihood of success. Senior executive buy-in and sponsorship increases the chance of the development and implementation process using a balanced combination of vision-led, quantitative modelling, and risk management techniques

8. **Improved results can also be achieved by other factors** The success of the supply chain strategy is also dependent on a number of related factors. Success is higher when the Marketing and Sales, Finance and IT functions are also held accountable during the strategy development process. However, it is also recognised that these inter-functional relationships are still maturing. The frequency of the supply chain strategy review is more important than the planning horizon to ensure success.

9. **Development of the supply chain strategy is internalised** The supply chain strategy development process is generally undertaken internally, with little visibility outside the company. This may account for

the substantial variations in the maturity of the approach to the process from one organisation to the next.

10. There are 3 major causes of implementation failure

There are many barriers to successful implementation, but the three main ones are company culture, lack of leadership by senior management, and poor visibility along the supply chain.

Further, more detailed, analysis of these 10 Key Findings is planned during the first months of 2010 and a full report will be available later in the year.

The Implication for Supply Chain Leaders

A number of workshops will be organised to explore the implications of the findings for businesses and for the future of supply chain in the boardroom.

Key issues for discussion will include:

- What is the role of the CEO and how should supply chain be represented in the boardroom?
- How can functional and business unit inputs best be aligned and how should innovation opportunities spanning national, regional and global geographies best be captured?
- What is the emerging best-practice approach and how can the supply chain strategy process be audited to improve level of success?

Contacts

Those who have completed the survey or have participated in the interview programme will automatically receive the report and information on the workshops.

Others who wish to receive further information should contact Dr. Silvia Rossi at *Cranfield Supply Chain Research Centre, Cranfield School of Management, Cranfield, Bedford, MK43 0AL UK, Tel.: +44 (0) 1234 751122*

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