SUPPLY CHAIN MANAGEMENT – A MULTIDISCIPLINARY APPROACH FOR COMPETITIVNESS IN VOLATILE TIMES

Venus Klaus

August 04, 2012 – Kufstein

Agenda

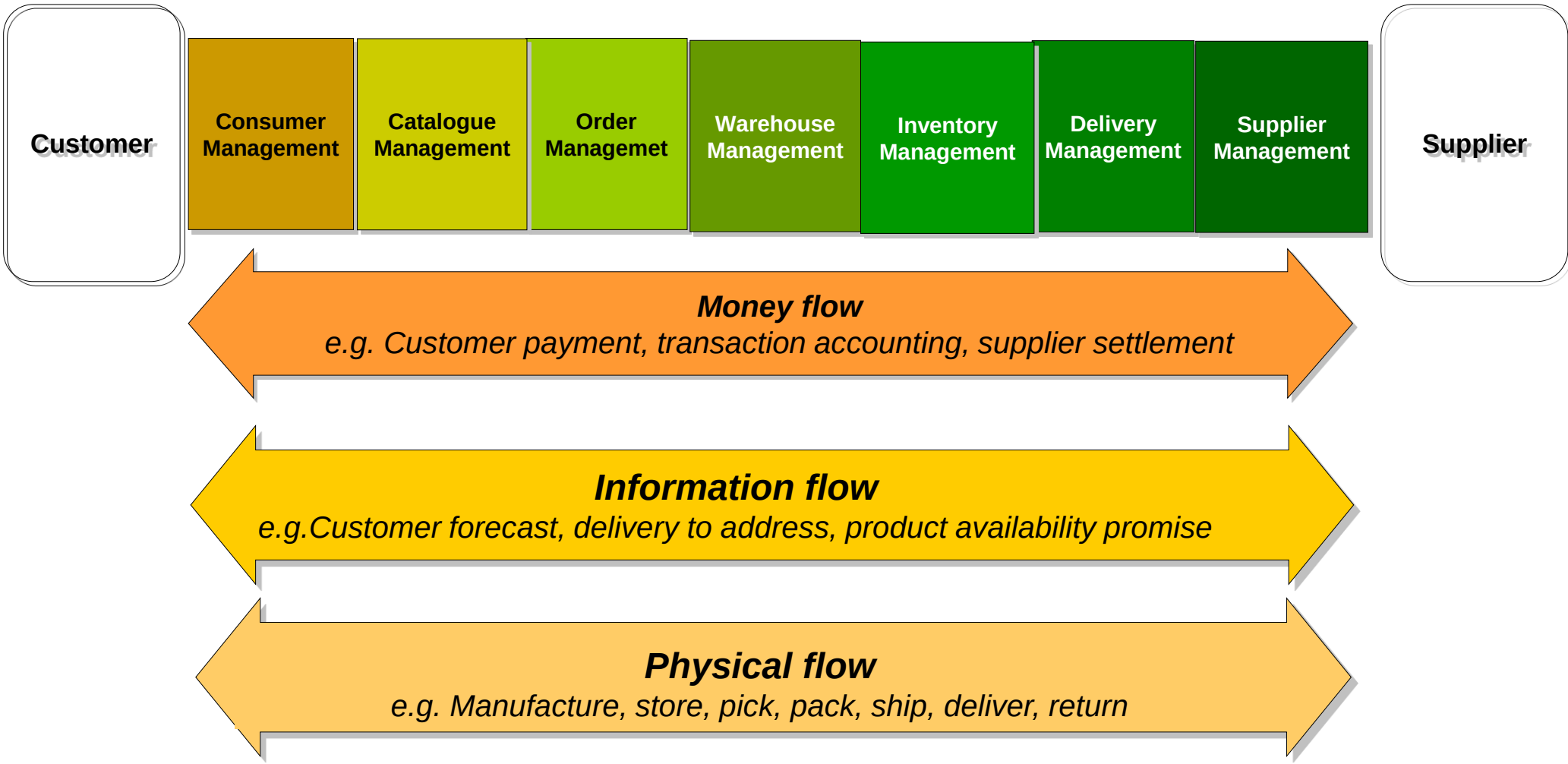
- **Introduction and what is SCM**
- Hypercompetition – fast Changing Environment – extreme Volatility….
- Corporate Strategy and SCM Strategy
- Aligning SCM Priorities with Strategy
- SCM Interdisciplinarity - Model & Empirical Testing
- Preliminary Results
- Conclusions - Next steps

Introduction

Klaus Venus
klaus.venus@ifl-consulting.at

- Partner and CEO of a Supply Chain & Logistics Consulting Business www.ifl-consulting.at
- 12 Years Head of Supply Chain Management Mondi, International Paper and Packaging Company, turnover 6,2 bn EUR in 2010 – winning the European SCM Award 2008 for the implemented “End to End” SCM integration in Mondi UFP
- Member of the Board in a Logistics Association – VNL www.vnl.at
  - Foundation and lead of SCM-Expert Group since 2008
- 13 Years Supply Chain Operations Management and Logistics Experience as Director Production, Logistics and Sourcing in the Food Industry

What about is Supply Chain Management?



Definitions

- Definition based on consensus of 173 definitions
  - 3 major themes: Activities, benefits, constituents/components (6 core elements)

- Definition: “The management of **networks of relationships** within and between interdependent organizations and business units **consisting of** material suppliers, purchasing, production facilities, logistics, marketing, and related systems that facilitate the **forward and reverse flow** of materials, services, finances and information **from the original producer to final customer** with the **benefits** of adding value, maximizing profitability through efficiencies, and achieving customer satisfaction”

J. R. Stock, S. L. Boyer: Developing a consensus definition of SCM: a qualitättive study, 2009

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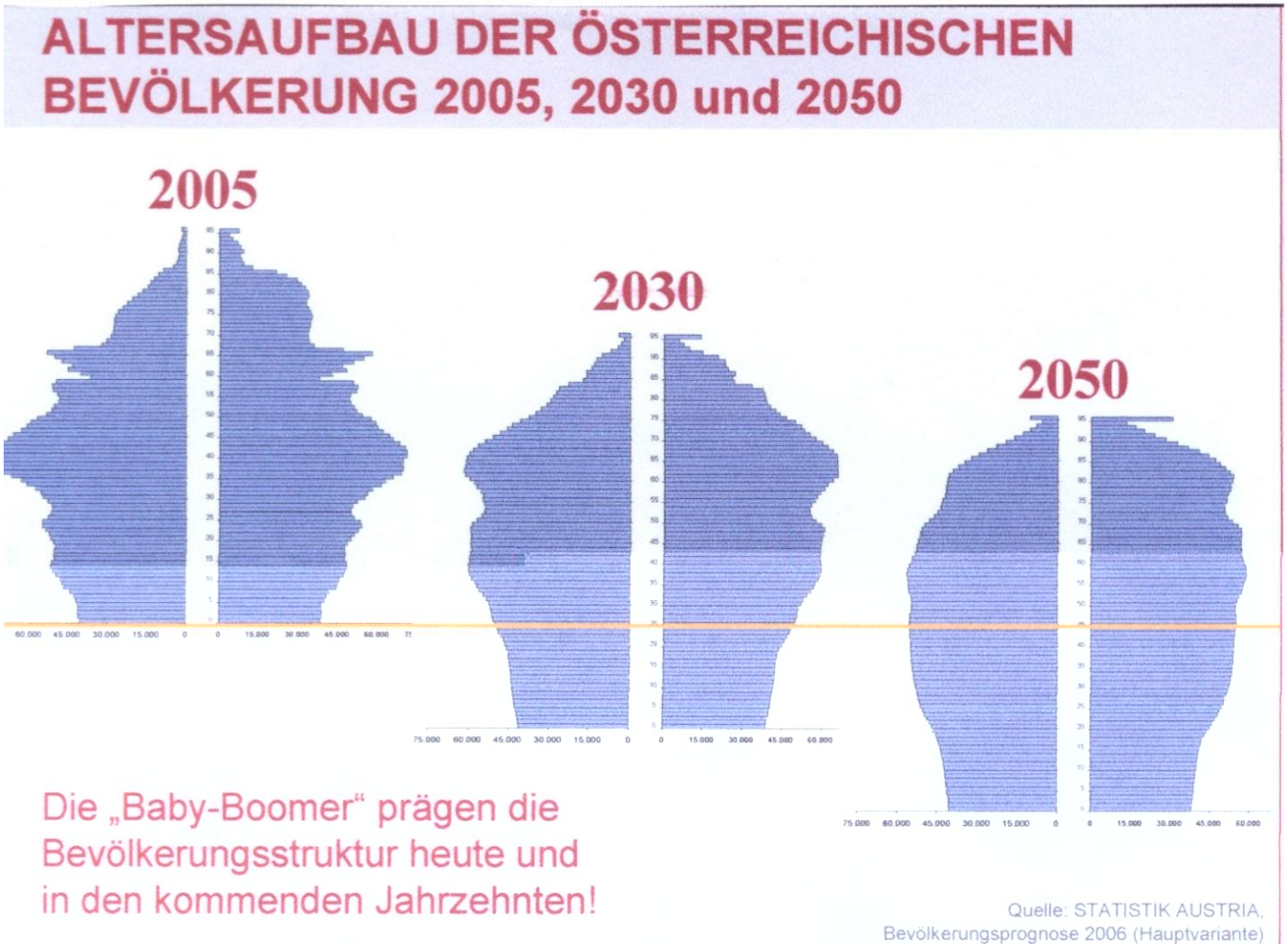
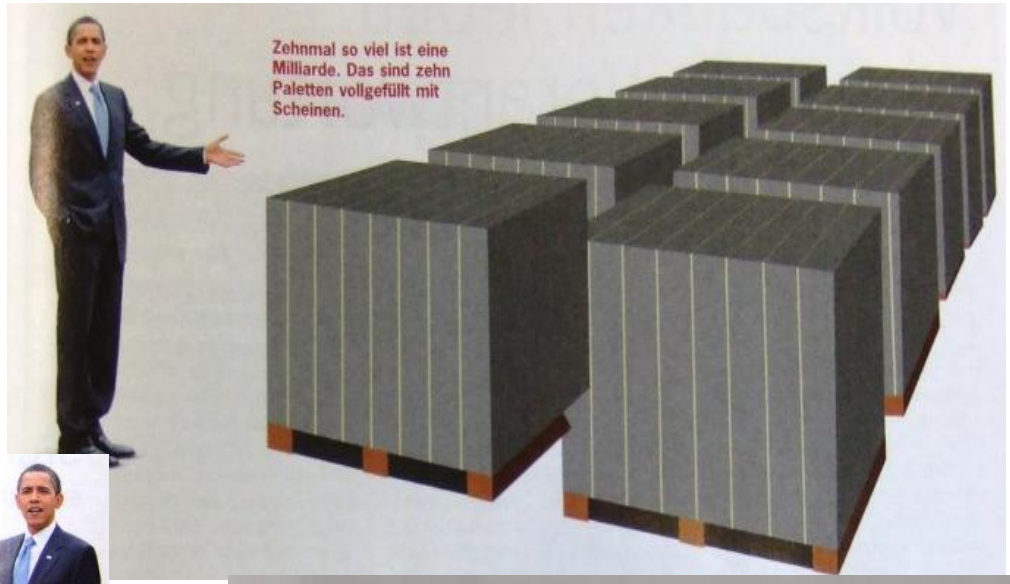
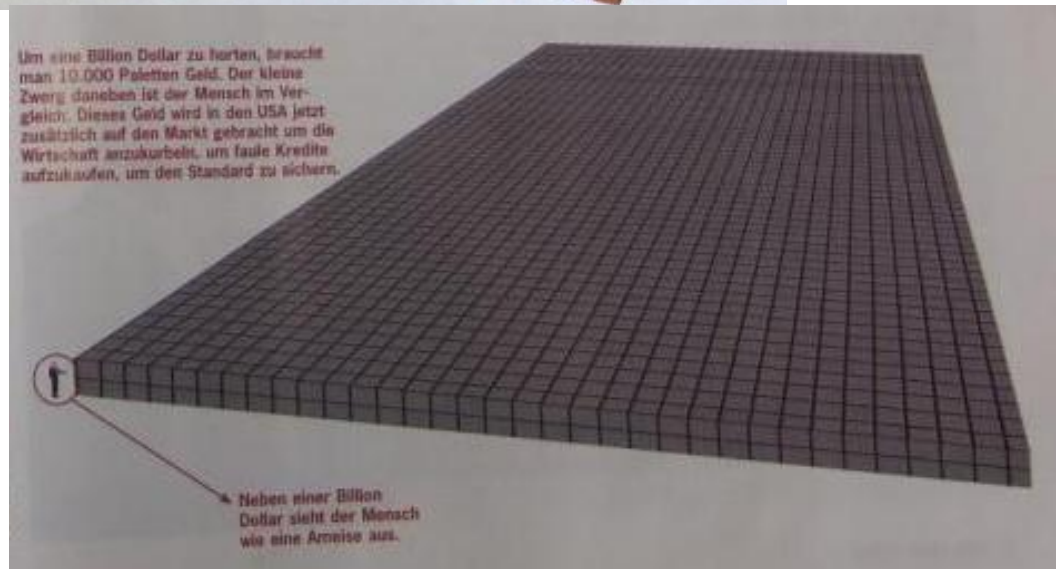
…Aging Strucutre



2011: Billions of NEW Dollars printed



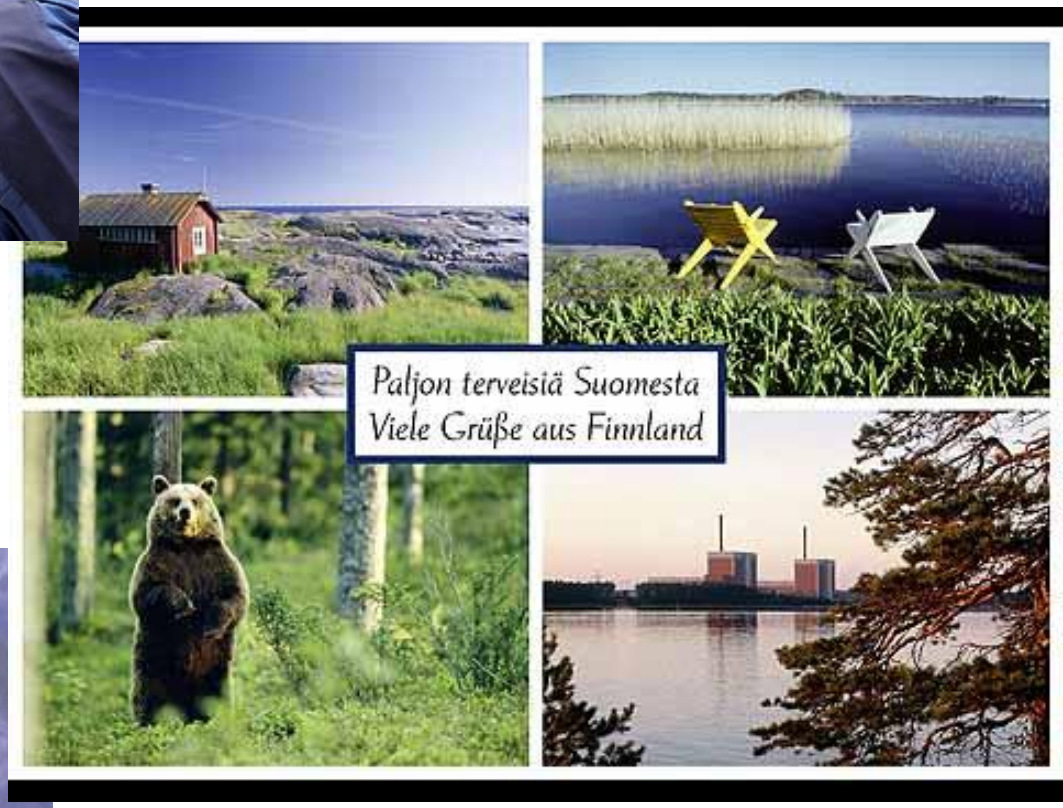


Quelle: CHEF INFO, April 2009

Currency Fluctuations…

Commodities rally….

Scenarios are Changing instantly and unsteady



Atomic power shall help the British Government to achieve their climate targets.
14 old atomic power plants shall be replaced till 2035 by new ones.

Cities are booming…

People living in cities

1800	3%
1900	10%
2011	53%
2050	75%

…Attractivity gets newly defined

Mumbai:80% are very happy

(Urban Age Questionnaire)

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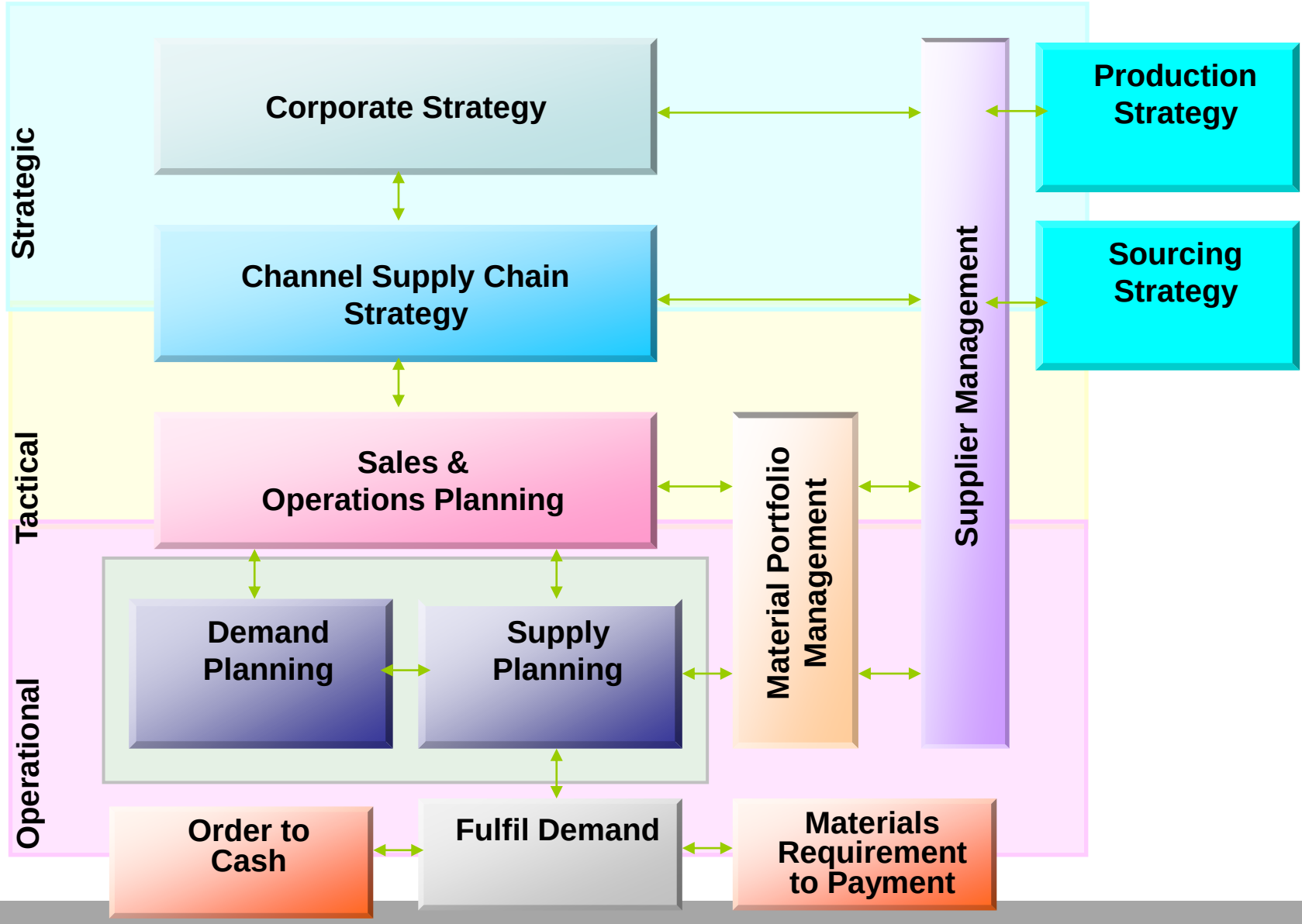
Key Priorities are Aligning Supply Chain...

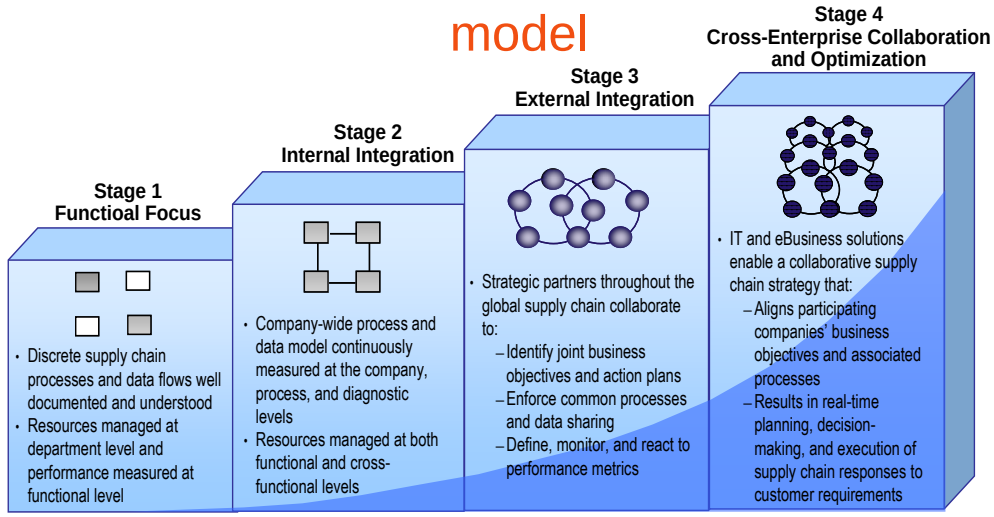
… with company strategy, aligning incentives across functions and with external parties, arming people with the right data, so they can make holistic decisions, and building flexibility to quickly respond to demand, rather than relying on forecast (Cohen, 2005).



Supply Chain Performance Indicator focuses on both quantitative Performance and qualitative Process Maturity

Key Supply Chain Management Metrics	Delivery Performance/ Responsiveness	Flexibility	Cost	Asset Management
Delivery Performance	✓			
Order Fulfillment Lead Time	✓	✓		
Production Flexibility		✓		
Total Supply Chain Management Cost			✓	
Inventory Days of Supply				✓
Cash-to-Cash Cycle Time				✓
Net Asset Turns				✓

Qualitative elements provide insights on the maturity of a company's supply chain processes based on a "stages of maturity" model



Supply Chain Performance Scorecard

Supply Chain Performance Indicator

Assessment of Supply Chain Practices
(not a full diagnostic)

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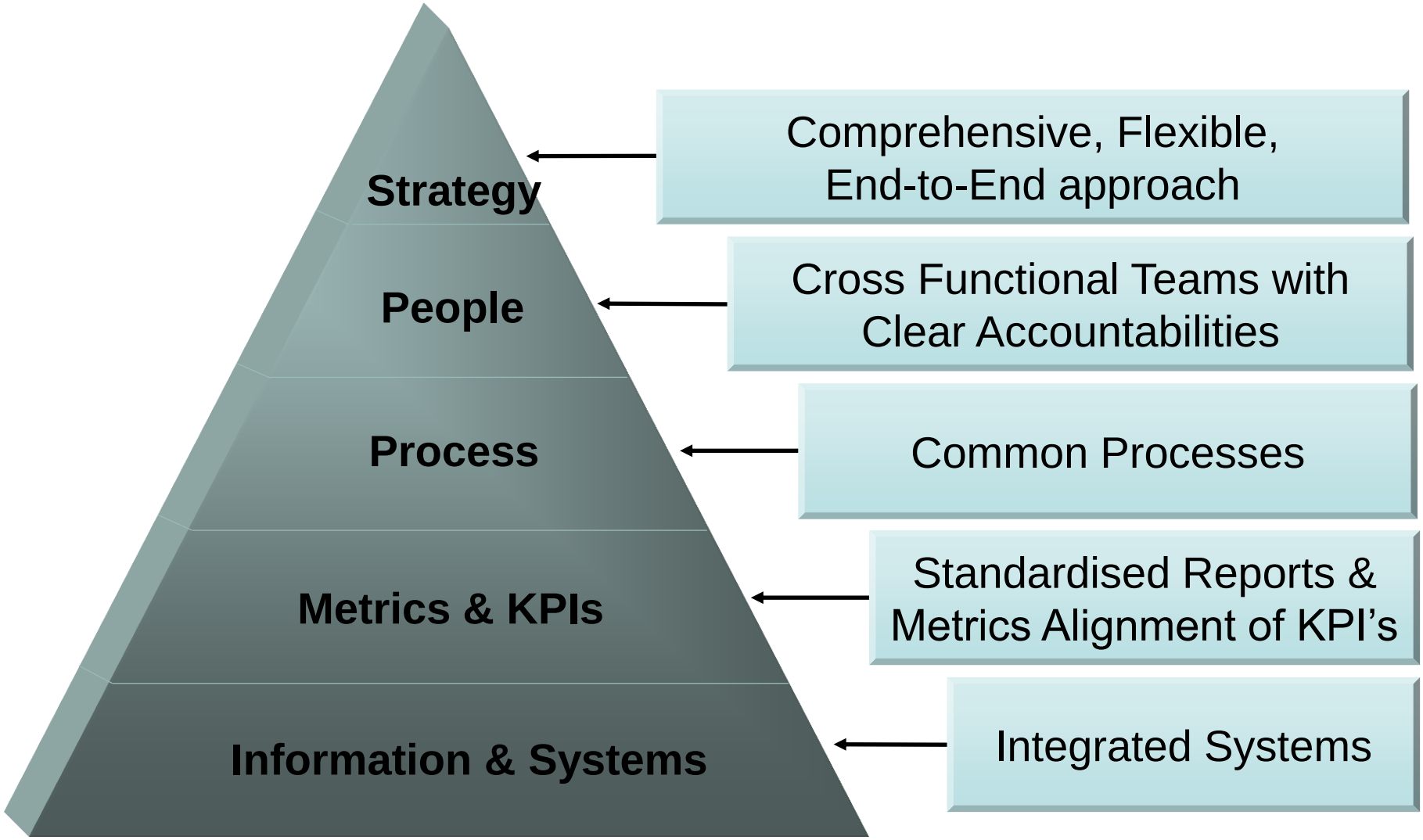
Aligning SCM Priorities with Strategy



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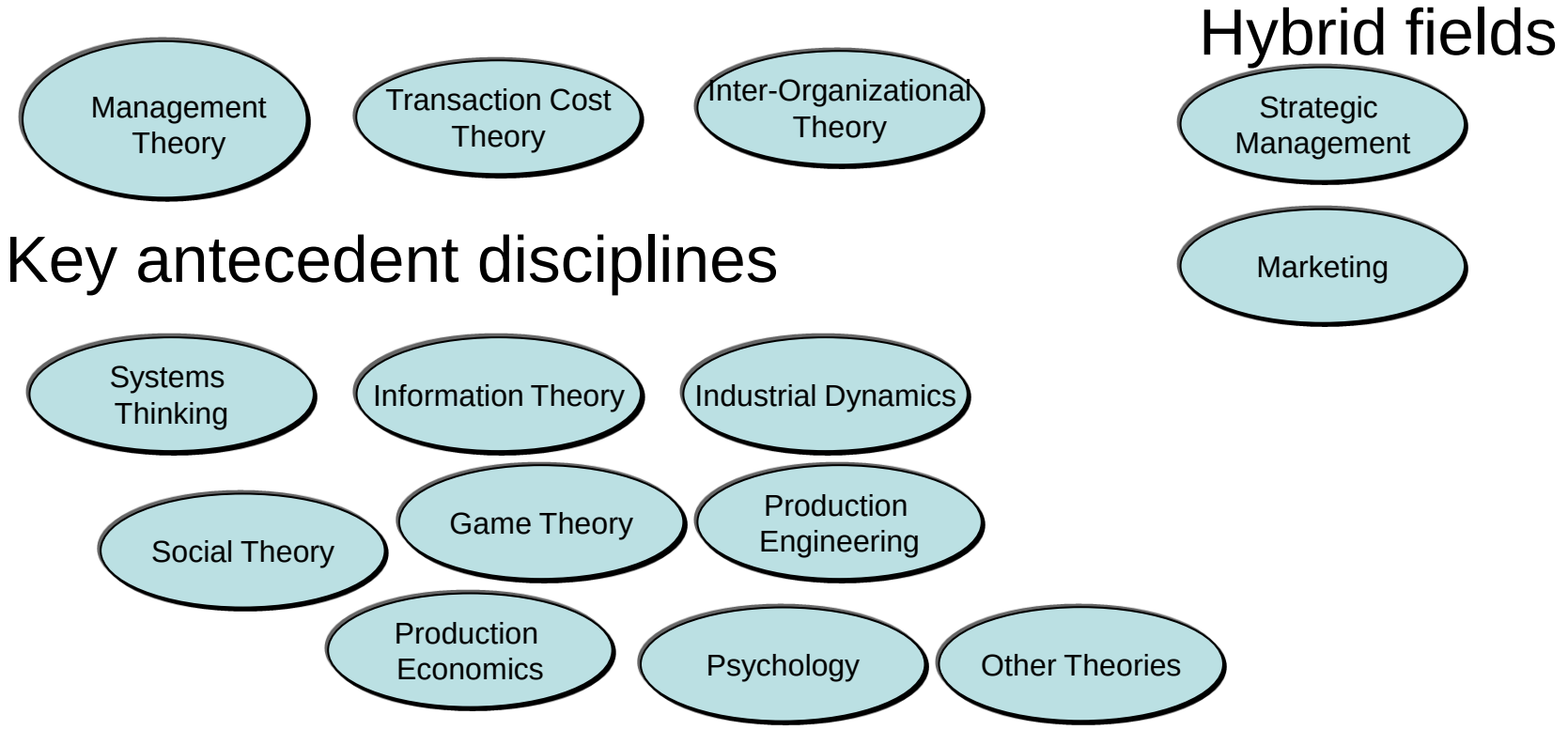
Influencing Theories – Multidisciplinary View



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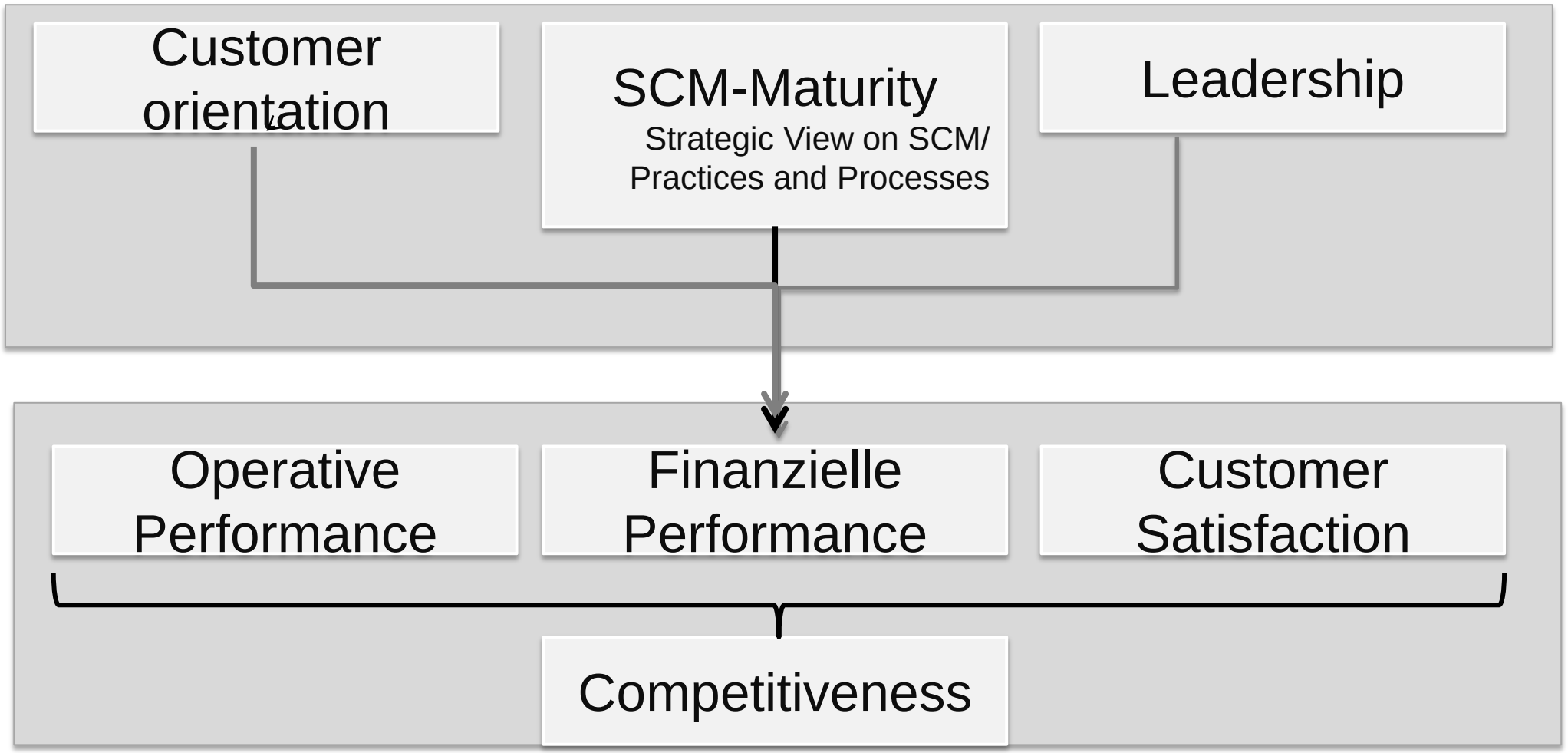
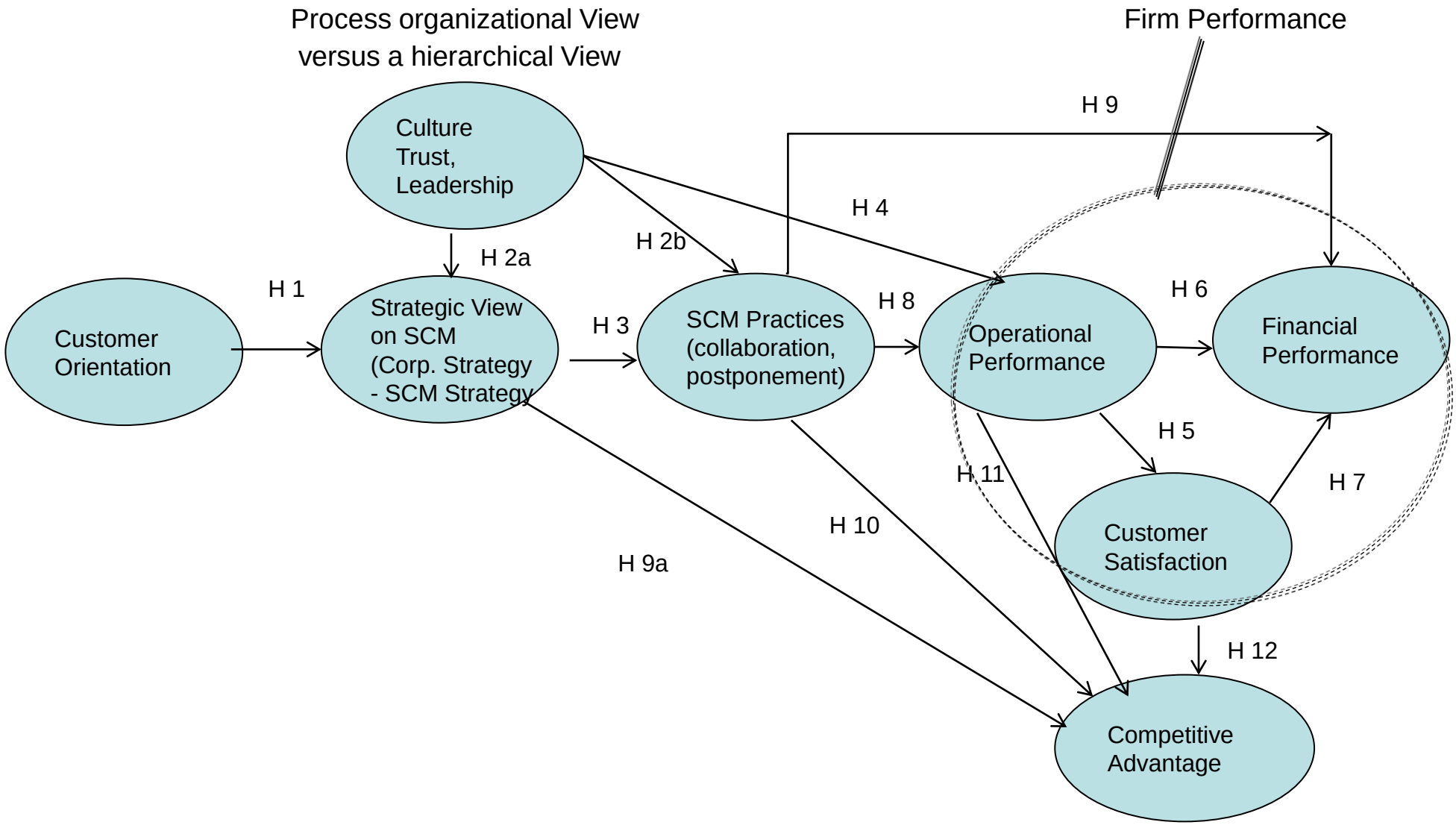
Building Blocks of the Model



In comparison what I found in literature, this thesis is the most comprehensive study in the field of SCM

Structural Model



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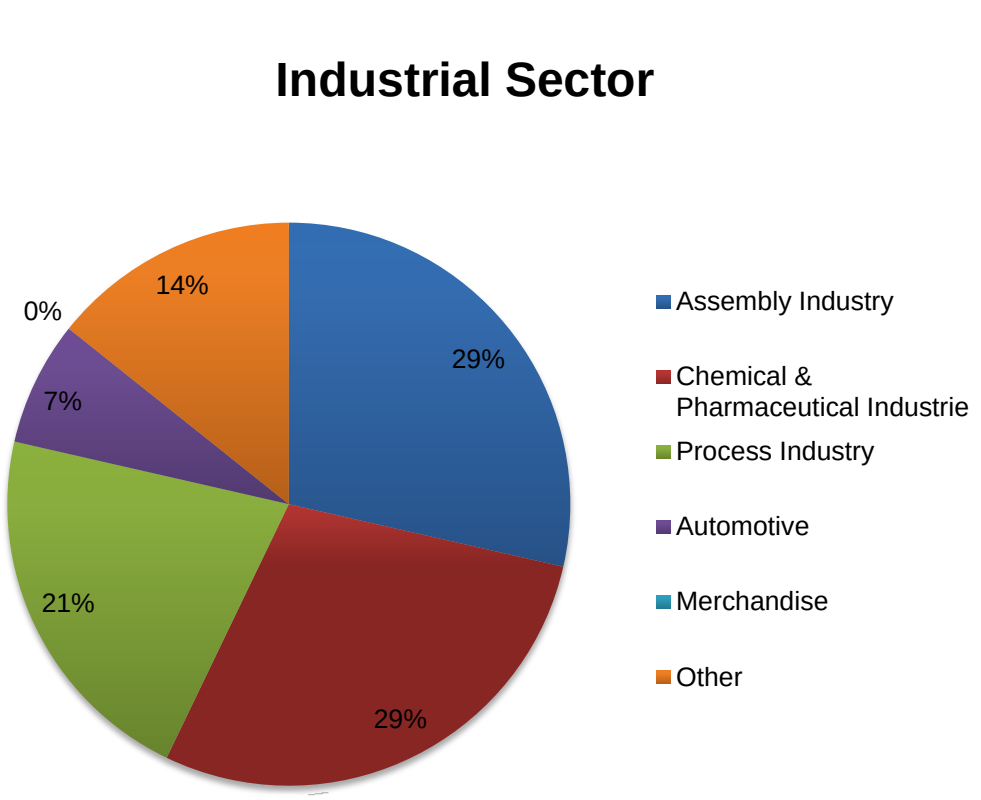
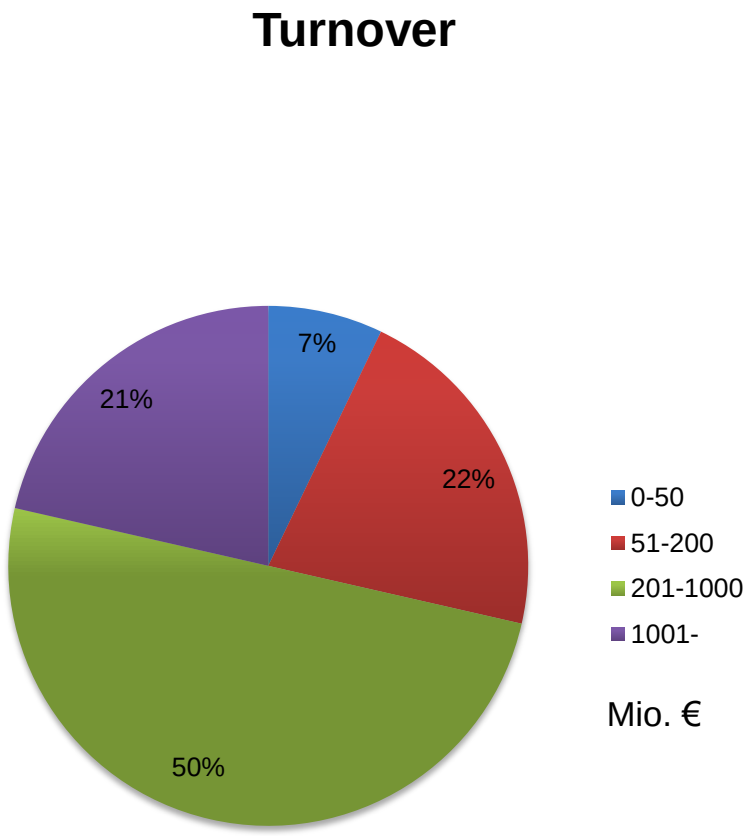
Preliminary Results of the Study

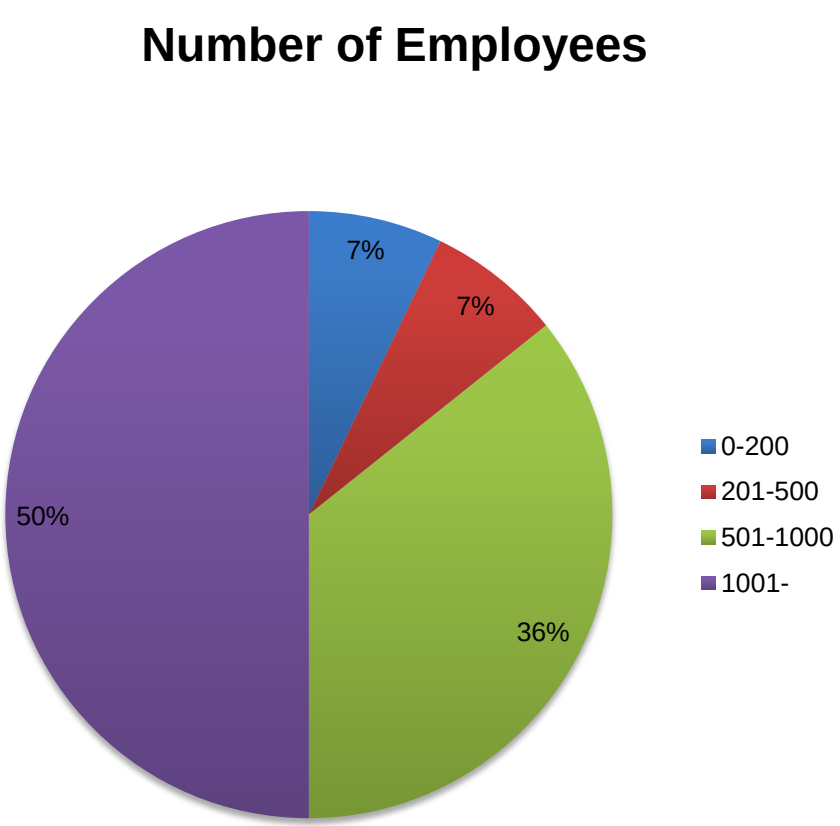
- Interview test with 2 companies in depth across different functions, model review with 2 SCM experts
- 15 interviews with SCM-Managers or Operations-Managers
- Interviews were chosen to secure a high level of quality and reliability as the interview is semi-structured and questions can be understood better by interviewee through additional explanations
- Interviews are done by different people to eliminate the personal bias (increase validity of results)

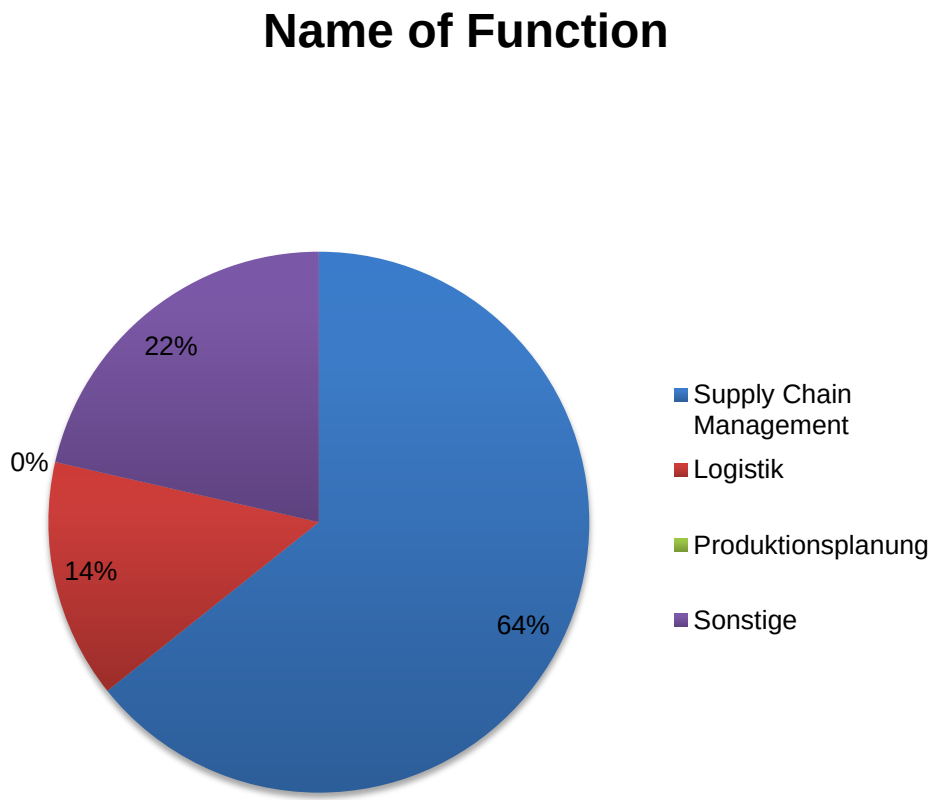
Industrial Sector / Turnover



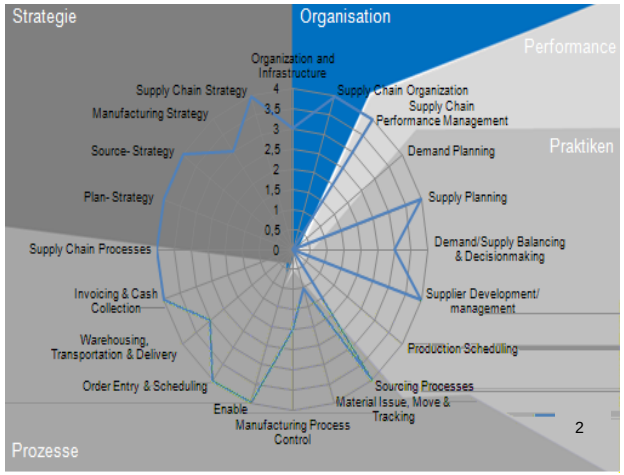


Number of Employees / Name of Function





Profil for a Company with low interdisciplinary view on SCM



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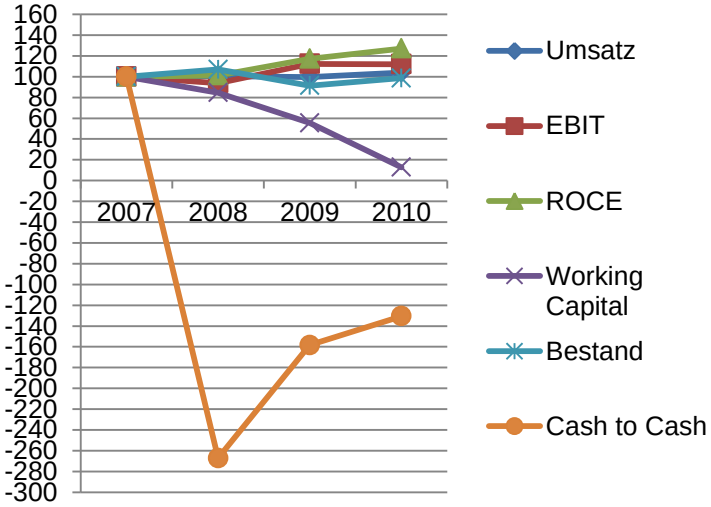
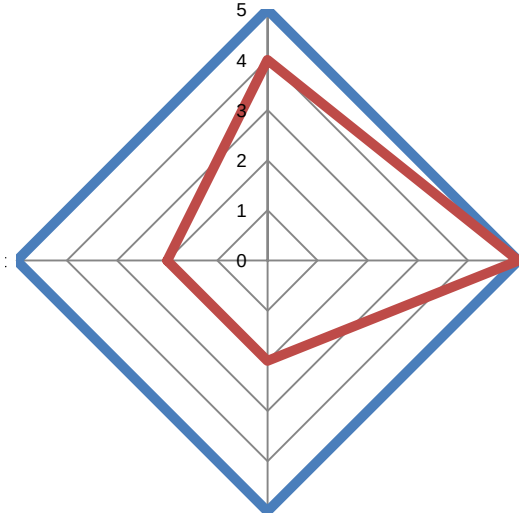


We have clear defined Service Levels

We define our Service Levels together with our customers



We measure our Service Levels regularly

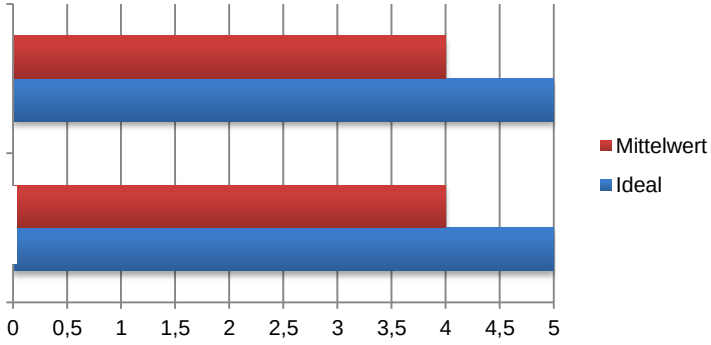
We define our Service Levels and offer them to the market

Kundenorientierung

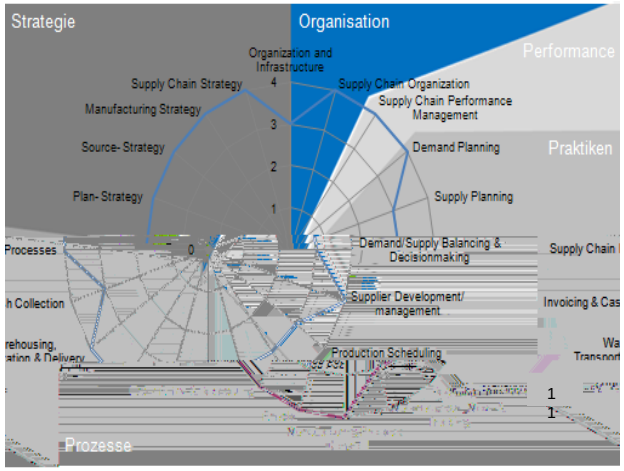
Our Customer Satisfaction is better than competition

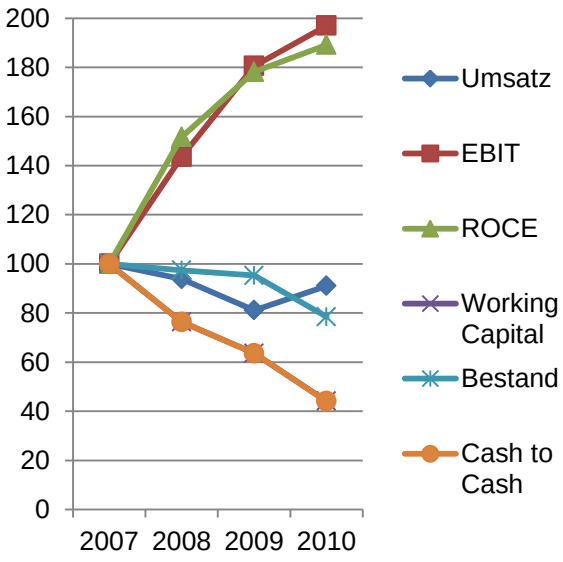
We measure our customer satisfaction regularly

Kundenzufriedenheit

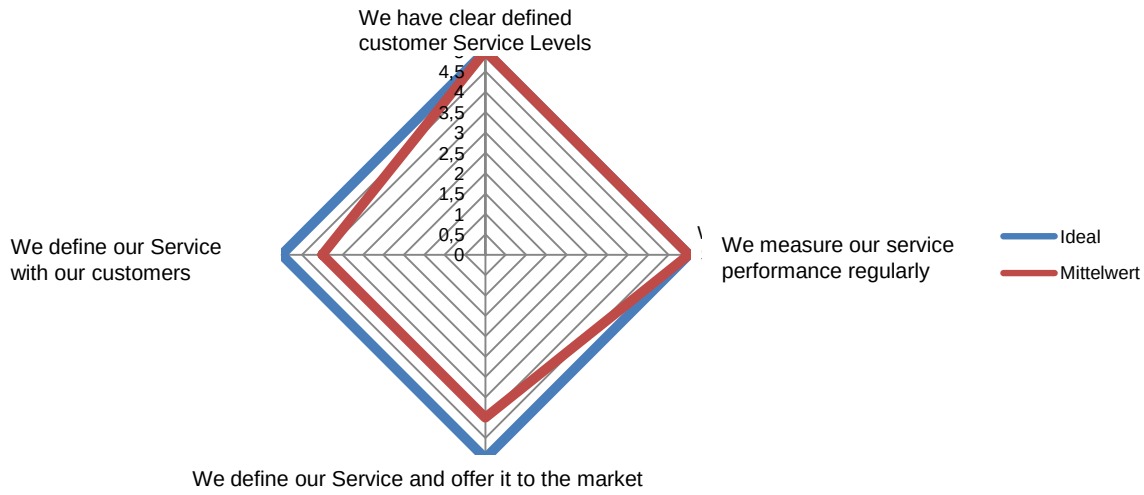


Profil for a Company with high interdisciplinary approach to SCM

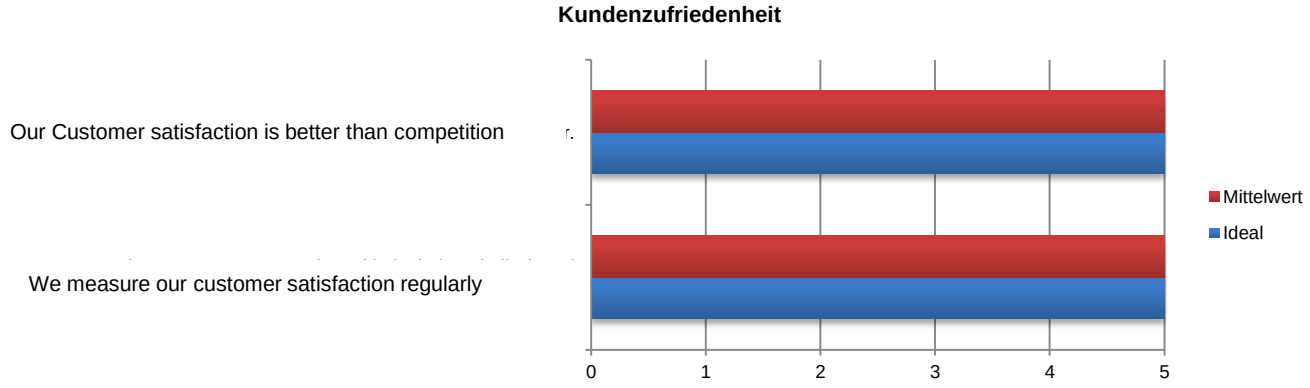




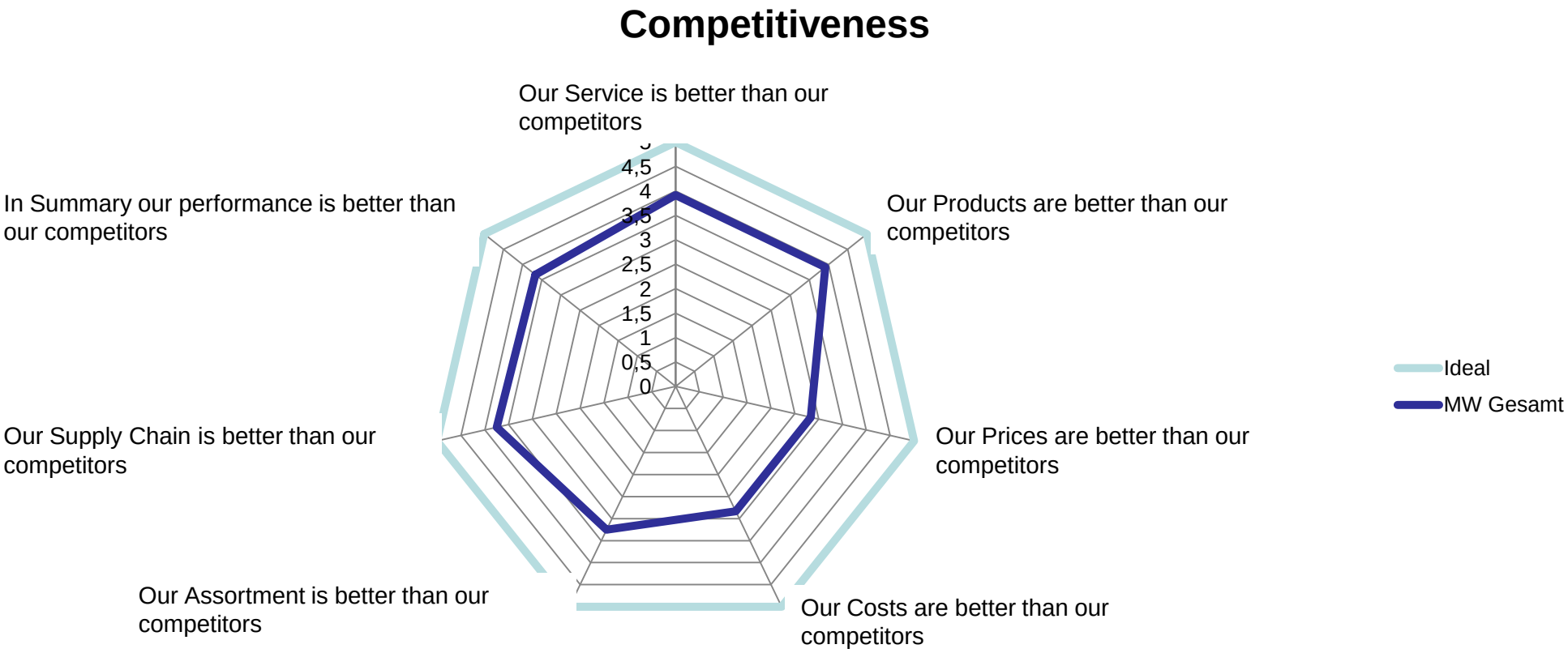
Customer Orientation



Kundenzufriedenheit



Competitiveness View of Companies



Preliminary Findings

- Significant correlations between SCM organization, SCM practices, SCM processes, SCM-strategy and SCM overall (0,89 - ,944)
  - Companies who have a clear SCM strategy, a SCM-organization, employ postponement and supplier & customer collaboration are higher mature in SCM and show more stable results in volatile times (2007-2010)
  - Cash to cash cycle negatively impacted by SCM-performance
    - Where no regular measuring exists companies show a higher volatility of C2C in volatile times

Preliminary Findings

- Absolut figures (financial and qual. SCM-performance) are not useful in cross industry comparision
- Companies who rank higher in terms of „strategic view on SCM“ show as well a higher „customer orientation“
- Companies who rank higher in processes, practices and have a higher rank on strategic view on SCM show as well higher levels of support for SCM from top management and management believes „SCM delivers significant contribution to results“ (Leadership-impact)
- More mature companies in SCM express a good idea about their positioning in terms of competitors and rank normally in terms of service and SCM better than peers

- There seems to be a strong correlation between strategic importance of SCM and competitiveness

Main Findings from the Interviews

- Service levels are not formalized
- Service levels are defined from the company without customer involvement
- Supply Chain strategy not formalized
- ROCE is not known by the SCM-Managers
- Working Capital is not known by the SCM-Managers
- Qualitative SCM performance is not measured regularly by about 30% of the companies and 20% do measure it wrong
- There is no supply chain segmentation - based on different service requirements
- Complexity is not measured to a high degree
  - What drives the complexity (Input material, Output/products, markets, sales structure,…)

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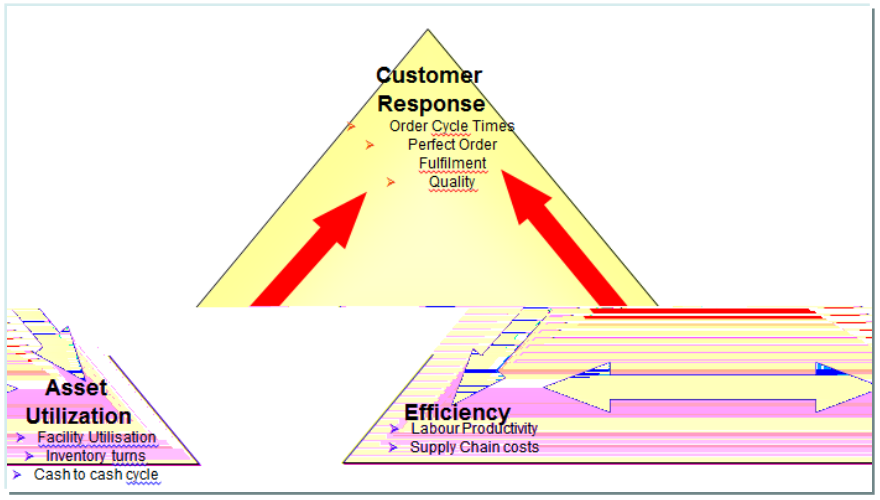
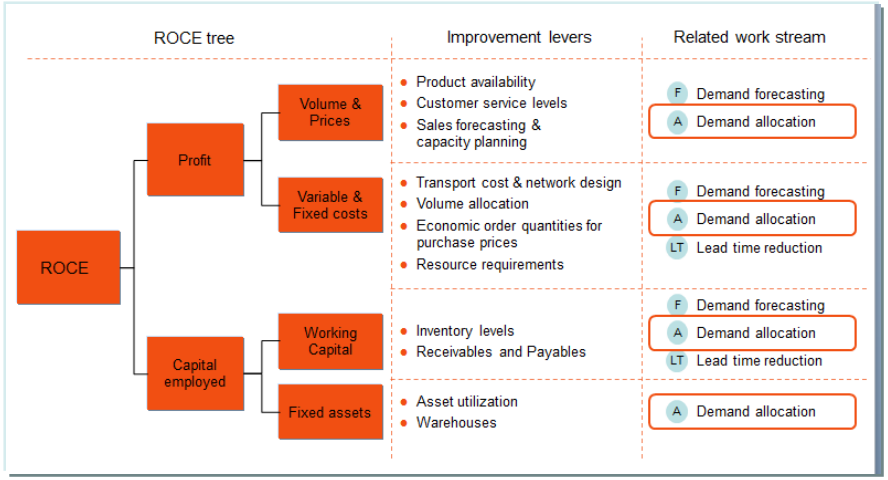
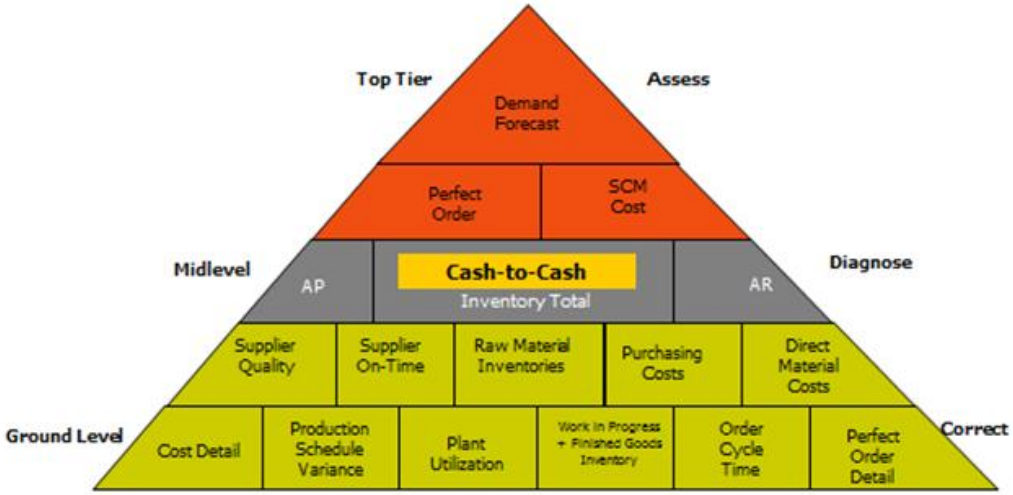
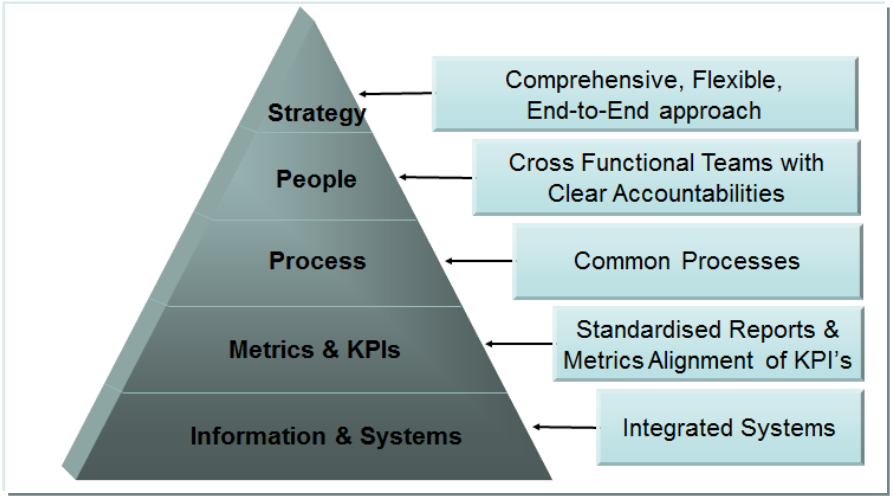
Interdependences between Corporate Strategy, SCM-Strategy, Leadership and Competitiveness









QUESTIONS?