

Process orientation and cross functional collaboration are still in short supply

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THE DANISH SUPPLY CHAIN PANEL

SURVEYS OF 2017:

1. Digitalization in the supply chain
2. Supplier relationship management
3. Supply chain mindset and orientation
4. Cost to serve

PROCESS ORIENTATION AND CROSS FUNCTIONAL COLLABORATION ARE STILL IN SHORT SUPPLY

DILF and researchers from the Department of Entrepreneurship and Relationship Management at SDU in Kolding conduct for the sixth year a number of mini surveys focusing on different supply chain management issues. Respondents to these mini-surveys are voluntary senior managers from various Danish companies represented as the Danish Supply Chain Panel. This article presents results from the 3rd mini survey this year focusing on supply chain

mindset and orientation.

VIL DU SIDDE MED I DET DANSKE SUPPLY CHAIN PANEL?

Panelet er gratis, og der sidder i dag over 100 ledende SCM-folk med. Som medlem modtager du fire surveys om året, og du får tilsendt alle resultater til benchmarking. Det fjerde, og sidste survey i 2017, er lige nu ved at blive afsluttet, men ønsker du at sidde med i panelet i 2018, så kontakt os på mail@dilf.dk



BY JAN STENTOFT, PROFESSOR AT DEPARTMENT OF ENTREPRENEURSHIP AND RELATIONSHIP MANAGEMENT, UNIVERSITY OF SOUTHERN DENMARK AND ASSOCIATE PARTNER AT 4IMPROVE

Introduction

One of the key characteristics of supply chain management is the flow thinking in terms of material, information and financial flows. In order to cope with such flows effectively and efficiently supply chain wisdom advocate for organizing supply chain management around business processes. Business processes do not only operate within the single company but also beyond the company to customers, suppliers, third party logistics providers, and even competitors. A key characteristic of business process is their cross-functional nature. In spite of supply chain management has been an active vocabulary in industry and academy since its first introduction in 1982, we still see companies missing the opportunities for further competitive advantages due to insufficient supply chain management practice. Such challenges might be caused by a lack of supply chain orientation. According to Mentzer (2001, p. 14), supply chain orientation is the “recognition by a company of the systemic, strategic implications of the activities and processes involved in managing the various flows in a supply chain” (Mentzer, 2001, p. 14). Supply chain orientation

DET KAN DU LÆSE OM

- ▮ Vigtigheden af supply chain orientering i organisationen
- ▮ Hvordan hænger relevans og praksis sammen i danske virksomheder?
- ▮ Hvordan kan man opnå en bedre supply chain orientering?

is a concept focused within the single firm and is a necessary antecedent for effective supply chain management (Esper et al., 2010; Min & Mentzer, 2004). Supply chain orientation is thus a concept about the degree of maturity of supply chain process understanding across the silos in the company. Still, many organizations operate under central control through functional departments. The linkage between sales and operations especially requires better integration and collaboration across operational silos (Wagner et al., 2014). Organizing the company along business processes is not without challenges while maintaining functional expertise (Fawcett et al., 2016). Apparently lack of supply chain orientation might be caused as a result of:

- ▮ Lack of skills to quantify and communicate the value of supply chain management to the top management and the board of directors (Hoberg et al., 2015)
- ▮ Lack of cross functional collaboration due to a continued old-school organization in functional silos (Fawcett et al., 2016)

- Lack of the right supply chain staff (Holcomb et al., 2016)
- A continuous focus on operation at the expense of business development activities (Stentoft, 2017, p. 18)
- Maintaining, either conscious or unconscious, an unbalanced company in terms of different strategic skills, power structures, competence levels, communication skills and degrees of structured work among the members of top management (Stentoft et al., 2016, p. 28)

With this opening, it is therefore of special interest to take the temperature of this theme among the members of the Danish Supply Chain Panel. The topic has received an average score of 3,67 on a 5-point Likert scale for its relevance by the panel members.

Business Processes

The respondents have been asked to evaluate 'Relevance' and 'Actual practice' of eight

supply chain management relevant business processes. Figure 1 reveals several interesting findings. Among the various business processes Customer relationship management obtains the highest average score of 4,15. This point indicates that customer orientation of supply chain management is well understood among the respondents. However, the actual practice obtains only an average of 3,41 indicating a need for improvement. Supplier relationship management also receives a high average score in relevance (4,14) but obtains only an average of 3,0 relating to actual practice. Among others, this is the business process with the highest gap between relevance and practice (1,14). The result is in line with the overall results revealed in the last panel survey that the panel apparently is lacking practice on the key area of supplier relationship management (Stentoft & Rajkumar, 2017), which also perceived low strategic focus concerning this area among the members of top management. Customer service management, Order fulfillment, Demand management and Product development and

'RELEVANCE' AND 'ACTUAL PRACTICE' OF VARIOUS BUSINESS PROCESSES

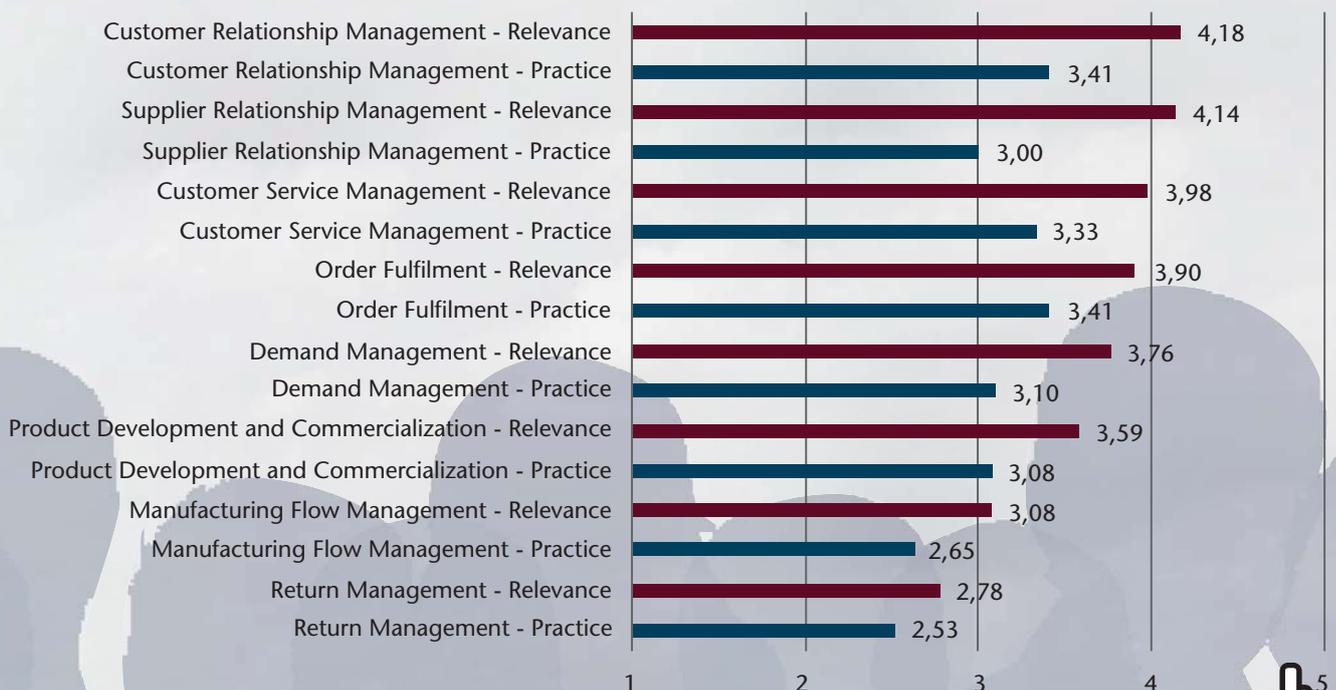


Figure 1. Source: The Danish Supply Chain Panel

Commercialization do also receive relatively high average relevance scores albeit the actual practice scores are lower. It is interesting to see that the return management process receives a relevance score below 3,0 and an actual practice score at 2,58. The relative low relevance score indicate that a major part of the panel members does not have issues here. If this survey had been conducted for companies all operating with e-commerce this average would inevitably have been higher.

The respondents have also been asked to which degree they measure their process performance. The average result is 3,18 which is surprisingly low. Beginning measuring the performance of the business processes is also a mean to improve supply chain visibility and to develop a supply chain orientation and mindset.

Top management's understanding of supply chain management

The respondents have been asked to evaluate on how well their board of directors and top management understand supply chain management (both importance and actual practice). The results appear in Figure 2 and 3. It is interesting to see the difference between the board level and the top management level. The board level obtains lower average scores both for their practice and importance. The practice level obtains quite close average scores for board of directors and top management (3,55 and

3,61 respectively). However, regarding the perceived importance of these groups understanding of supply chain management there is a notable difference between the average scores. The board gets an average of 3,2 for importance whereas top management gets an average of 4,04. As the board of directors constitute the company's utmost authority, it is surprising that the panel only find their supply chain management understanding to an average of 3,2. In many years supply chain managers have fought to get the top management attention and recently it has been proposed that supply chain managers should bring supply chain management to the board (Hoberg et al., 2015). If the board does not know about supply chain management then they will not ask questions regarding supply chain management issues. If top management receives no questions regarding supply chain management then they are perhaps not that focused on supply chain management. This is perhaps a little simplified but the message is that making the highest top management level aware of supply chain management and its sources for competitive advantages may be the crowbar to begin to work with and implementing supply chain orientation.

Value of supply chain management

The panel members have been asked a question concerning their judgement on how well the other functions in their organizations understand the importance

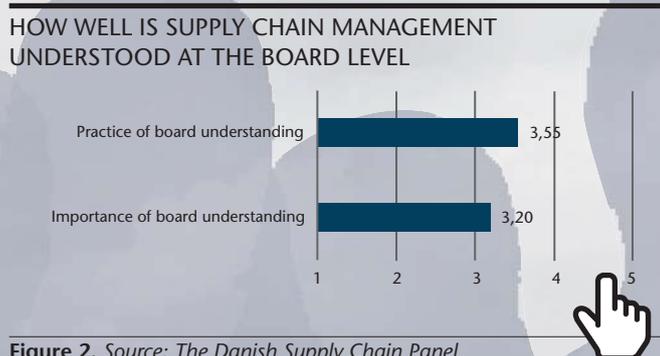


Figure 2. Source: The Danish Supply Chain Panel

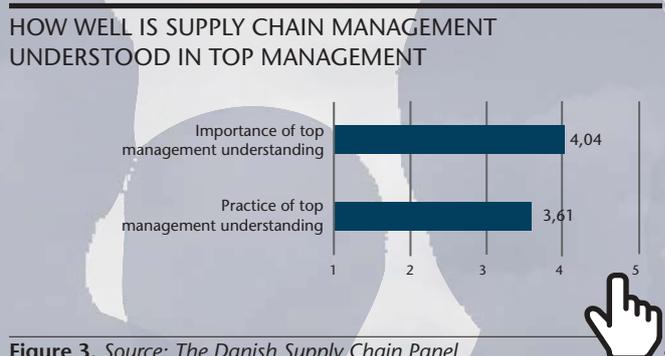


Figure 3. Source: The Danish Supply Chain Panel

VALUE OF SUPPLY CHAIN MANAGEMENT

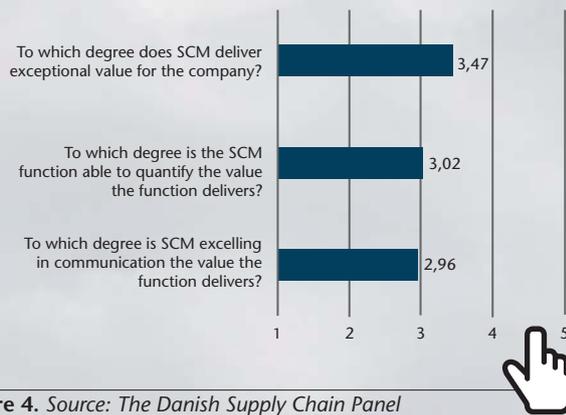


Figure 4. Source: The Danish Supply Chain Panel

of the supply chain for their companies' competitiveness. The average score reaches here 3,22. Thus there seems to be some understanding but also a potential development area. This can be done in different ways, but requires support from top management. The silo mentality may actually exist because staff from different functions is not aware of that they make sub-optimizations.

Dialogue advances the understanding. A better holistic understanding can tear down the silos. The respondents report with an average of 3.1 that they are con-

strained by silo mentality. Thus, there exist still a number of walls to break through. However, many supply chain staff still experience a barrier of too much focus on daily operations at the expense of development.

The respondents have also been asked about their perceptions on whether supply chain management delivers exceptional value for the company. Figure 4 shows an average of 3,47 indicating that some value is created. One can wonder why this average is not higher. Some reasons might be that this is due to an untapped improvement potential in the supply chain or it can be difficult to evaluate because the right measures are not in place. Figure 4 also shows an average of 3,02 concerning whether supply chain management is able to quantify the value it delivers. Some values can be quantified but there is still room for improvement. Finally, it also seems that the supply chain functions can improve in communicating the value it generates. As will be shown later, communication skills are valued high by the panel members.

PERCEIVED SCM COMPETENCE AREAS: IMPORTANCE AND CURRENT PRACTICE

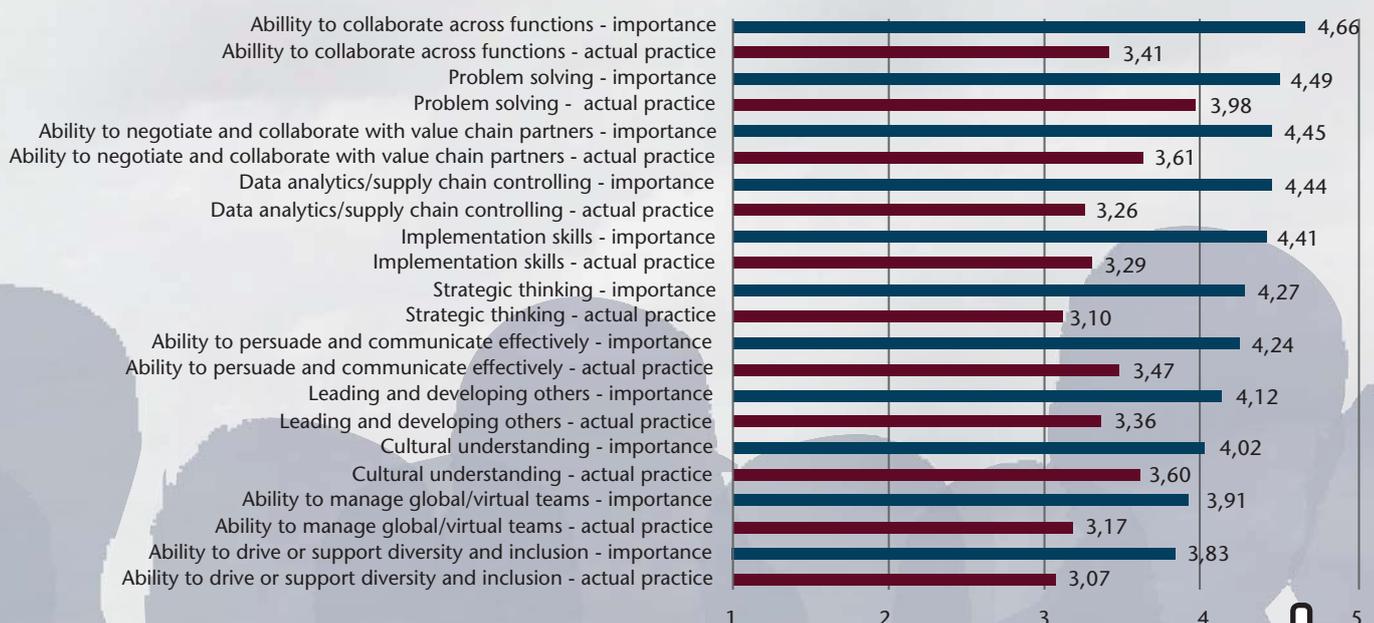


Figure 5. Source: The Danish Supply Chain Panel

Supply chain competence areas

Finally, the panel members have been asked about their opinions about supply chain related competence areas. For each of the predefined list of competences, the respondents should rate both the importance and their current level among their supply chain staff. The results reveal again interesting findings. Overall, there seems to be a wide gap between the perceived importance and the current competences, which is vital information for both top management at the companies, recruiters and the education system. From Figure 5, it is obvious that ability to collaborate across functions scores the highest average of 4,66 among the competence areas. But there is also a wide gap between importance and actual practice (3,41). Then follows perceived importance of competences with problem solving, negotiation and collaboration capabilities with supply chain partners, data analytics, implementation skills, strategic thinking, communication skills, leadership skills and cultural understanding where all having the average scores above 4,0. Again there is a huge gap to the current level except for problem solving and cultural understanding where the gaps are only 0,51 and 0,42 respectively.

Conclusion

This mini-survey has focused on supply chain orientation, silo mentality and competence requirements in Danish supply chains represented by the Danish Supply Chain Panel.

The survey reveals several development areas for the companies with being better to obtain supply chain orientation, removing functional silos and improving the supply chain competence areas in the organizations. There are no existing easy solutions. However, a simple mean is to begin articulating the silo mentality and the prob-

lems it generates and stimulates for cross functional improvement processes to be initiated.

Actually, it is amazing how far a company can move when staff across functions begins to talk to each other at an unbiased and informed level. /

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