

# Elevating Supply Chain to the Board

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# Foreword

Today, despite the rapid growth in global trade, the supply chains are still stuck in a functional world. Supply chain professionals are not getting their voices heard in the boardroom, and without their insights, many businesses are trapped in a performance virtual cul-de-sac.

To find some solutions, Holmes Noble and Concentra hosted a supply chain business breakfast with senior figures from the sector. We see scope for revolutionising the way supply chains are run by harnessing analytics and digital technology to achieve far greater agility – and far lower costs. However, making that happen means challenging conventional wisdom about how people and processes are managed – both within the supply chain function, and beyond.

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Thank you for reading.

## Company and Author Profiles

### **Holmes Noble**

Holmes Noble is a personal and progressive executive search firm led by a team of highly experienced sector and functional experts. We have extensive experience in identifying and placing great individuals within supply chain, logistics and procurement that facilitate growth and deliver change. We are driven by a united way of working and an inclusive, team orientated culture. Holmes Noble's Interim practice appoints senior managers up to C-Suite across all functions, in addition to offering clients a comprehensive range of services that are geared towards a longer-term view on talent. Working on a global scale we have successfully completed international and UK-based mandates throughout Europe, United States, North America, Canada, Australasia and Asia-Pacific.

### **Concentra**

Concentra is a specialist data analytics firm that helps organisations use data to get the edge. Concentra crafts information tools to solve business problems, partnering with leading technologies. Concentra's own revolutionary products include OrgVue, a solution for organisation design and transformation; and SupplyVue, a supply chain analytics and management tool.

## Overview

Let's start with some of the obstacles to change. As Lora Cecere, supply chain guru, highlights in her book *Metrics that Matter*, there are several commonly held fallacies that are preventing businesses from getting real performance improvement from their Supply chain:

- ◆ **Functional excellence drives the fastest results**  
Not so. Functional objectives often lead to conflicts and trade-offs, thus impeding business progress
- ◆ **Project-based focus = Lasting improvement**  
Wrong. Improvements may not last. Unless the root causes are addressed, performance will drift back to where it was.
- ◆ **A lean efficient supply chain is the most effective in all circumstances**  
Actually, the supply chain should be segmented to address different demand profiles and service needs.
- ◆ **Integration is the answer beyond the firewall**  
Think again. It's synchronisation, process and goal alignment that are the real value drivers.

## Elevating Supply chain to the Board

In this paper, we build on Lora's work, explaining why the functional view still dominates how businesses measure and manage their performance. We propose a better way, harmoniously combining the functional view and the holistic supply chain perspective. Supply chain management needs to sit comfortably within the business management process to ensure its agenda reaches up to the Board.

### There is a Matrix to be Managed

Executive Boards and Management Teams tend to manage their businesses through the functions, driven by SMART KPI's and a focus on costs. Within the supply chain function, this typically means an emphasis on procurement, manufacturing and logistics. Although this fosters clear accountability and cost management, it neglects the complexity and cross-functional nature of supply chains. Supply chain management needs to consider things that cut across other functions, such as:

- ◆ **Information and product flow**
- ◆ **Product portfolio and complexity**
- ◆ **Supply chain sourcing, cost and risk analysis**

These things significantly impact product costs, margins, customer service and competitive position – getting them right is essential. That requires the business focus to move from a primarily functional view to a complete matrix view – and a proactive and continuous management of it (see figure 1).



One might argue that the need for change has been recognised for many years. True enough – and yet the functional world still dominates. How can supply chain practitioners put theory into practice and make changes real?

### Respect the Business Culture

It is unlikely that the business will move away from its strong functional focus. Managers in different functions have their own agenda and set of KPI's to deliver against. More than likely, that is how they rose to the Board themselves and how they identify talent.

Therefore, to get the Management Board to adopt the matrix view, supply chain practitioners need to propose a hybrid model. This is where the role of a supply chain service centre (SCSC), or supply chain centre of excellence (SCCE), comes in. Through this structure, the 'functional management' system of governance can still be respected, while the SCSC can oversee the cross-functional management of the business. The SCSC will show how cross-functional processes are performing - and how they are impacting the supply chain and the overall business. It will then propose supply chain policies, parameters and recommended ways of operating to the management team for approval.

### Management

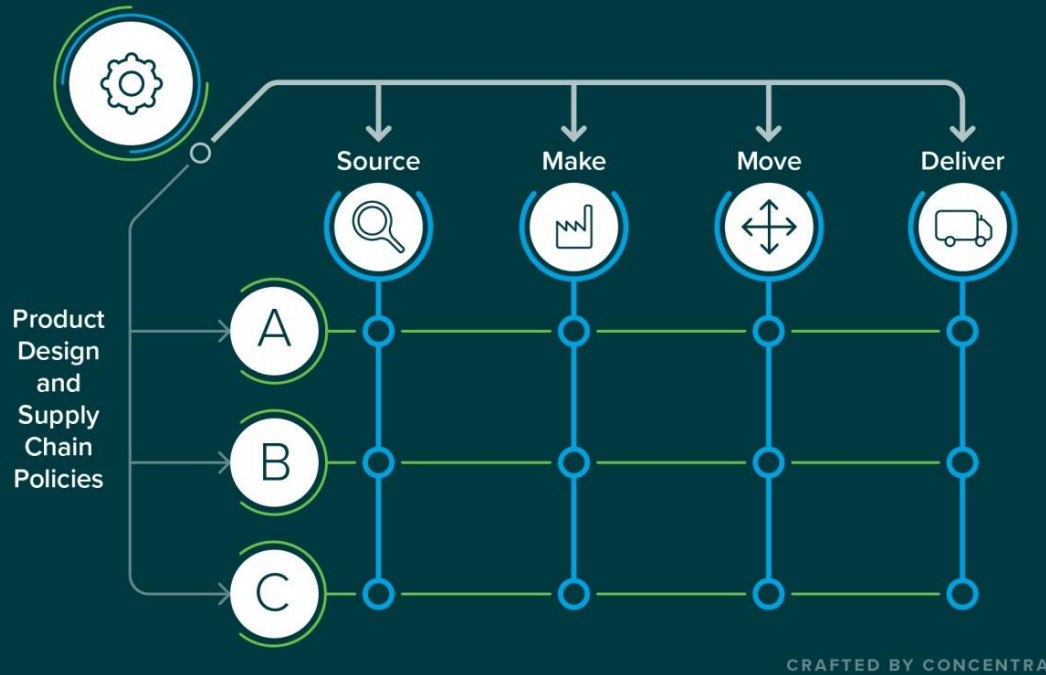


FIGURE 1. MATRIX VIEW OF SUPPLY CHAIN MANAGEMENT

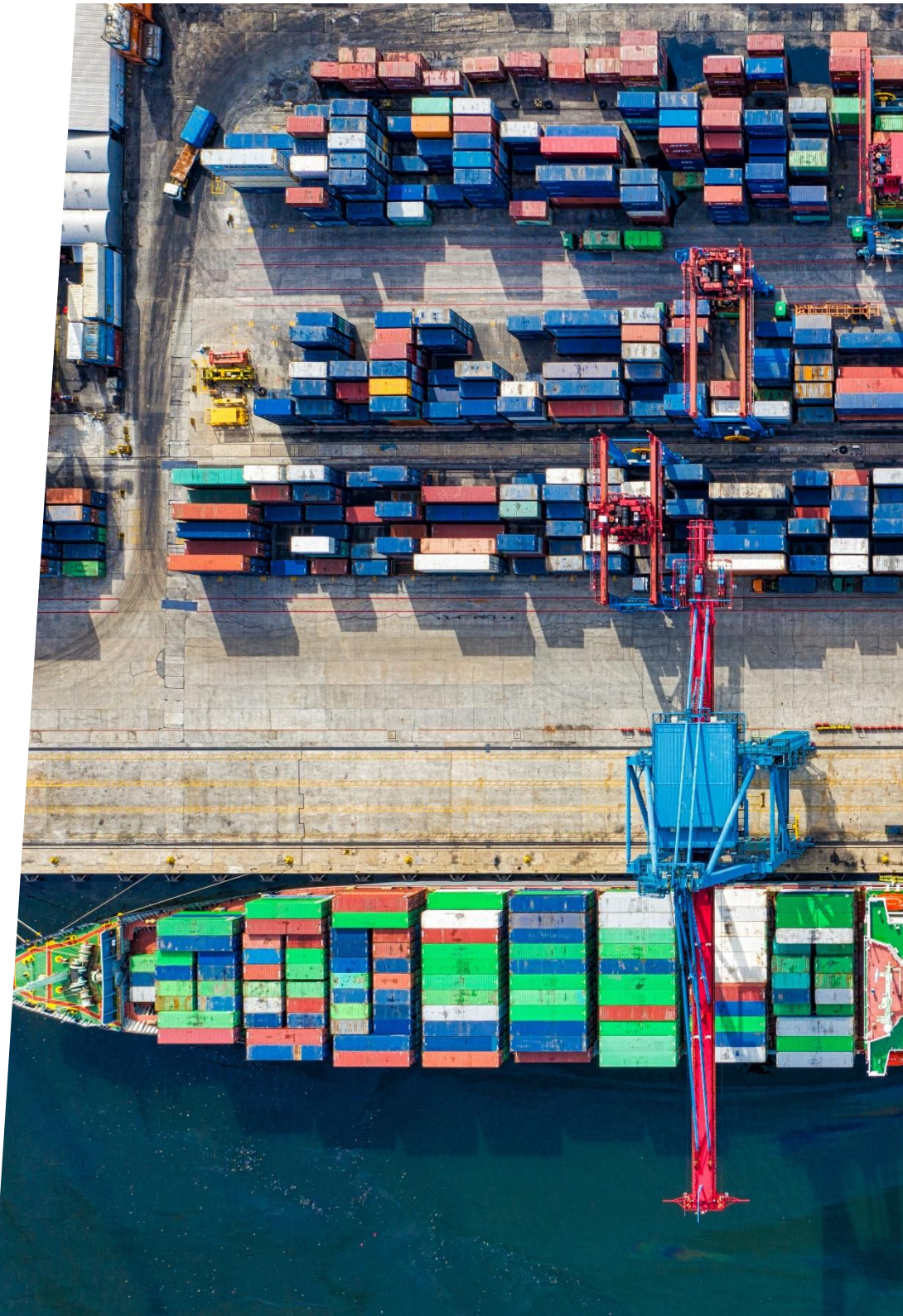
## Driving alignment through SCSC

The role of the SCSC is to drive the cross functional alignment and manage the cross functional flow of product through the supply chain. Its key responsibilities include:

- ◆ Reporting and managing the performance of the supply chain business process
- ◆ Providing the management teams with the right analysis and information to support the governance and decision- making process
- ◆ Sourcing decisions, network management, and supply chain risk management
- ◆ Managing the new product development and new product introduction process from the supply chain perspective
- ◆ Proposing or setting supply chain policies and standards (lot sizes, lot frequencies, movement frequencies, inventory levels, supply chain buffers, sourcing rules, etc.)
- ◆ Defining functional process excellence and functional standards
- ◆ Defining and managing supply chain improvement projects

The SCSC must develop and deploy a set of KPI's and analysis tools that specifically measure and analyse the cross-functional flow of information and product through the business. It also needs to measure and report on the overall supply chain performance. The usual key outcome measures are:

- ◆ Customer service levels
- ◆ Margin growth
- ◆ Customer profitability
- ◆ Product profitability
- ◆ Working capital and cash flow
- ◆ Return on assets



## Achieving SCSC excellence through Supply chain Analytics

To fulfil these responsibilities, supply chain managers need to tap into the power of big data analytics. In addition to their functional S.M.A.R.T (Specific, Measurable, Attainable, Realistic, and Timely) KPI scorecards, managers need a flexible diagnostic tool that allows them to model, analyse, and visualise the end-to-end supply chain process. They need the ability to drill down to analyse and find root causes for poor performance and recommend corrective actions. This is where supply chain analytics comes to the fore; it helps managers perform the following:

- ◆ Sourcing decisions and network management
- ◆ Management of new product development and new product introduction
- ◆ Supply chain risk management
- ◆ Supply chain policy setting, including inventory policies
- ◆ Third party sourcing rule setting
- ◆ Process excellence assessments
- ◆ Definition and management of supply chain improvement projects

Since the data required is cross-functional in nature, the analytics approach must consider cross functional impacts, analyse trade-offs and set a direction of holistic business improvement. Examples of trade-offs that should be considered at every business level are shown in figure 2.

The SCSC should recommend trade-off policy settings that will optimise the overall business performance. It is not enough to only aim for the lowest cost, it is the lowest cost given the rules of the game.

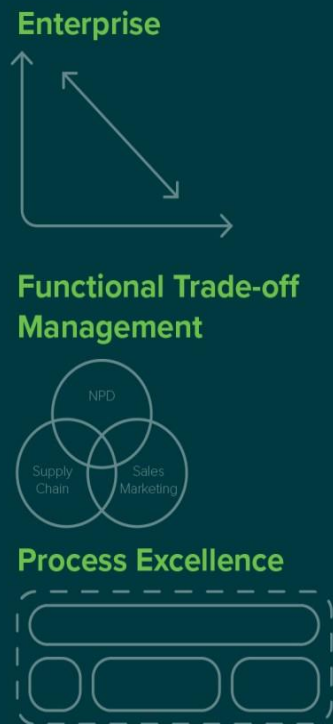
Each function will continue to measure itself against ‘the numbers’ concerning the following metrics:

- ◆ Cost management
- ◆ Headcount management
- ◆ Adherence to plans and schedules
- ◆ Compliance to quality
- ◆ Functional improvement projects

But, with the SCSC on board, all functions need to deliver their numbers whilst complying with the new rules of the game, such as:

- ◆ Compliance to supply chain policies and standards
- ◆ Compliance to functional process excellence and functional standards and policies

FIGURE 2. THE ROLE OF SCSC IN SETTING AND RECOMMENDING TRADE-OFF POLICIES TO ENSURE CROSS-FUNCTIONAL ALIGNMENT



## The Need for a New Breed of Supply chain Professional

To ensure compliance to the rules, strong governance is required. This calls for good leadership and management combined with the right information and decision support systems. Leaders, managers, change agents, and analysts throughout the organisation also need to actively take part.

From an employment perspective, typically Supply chain has not been the sexiest of sectors. Instead of innovation and transformation, discussion in the Board room has been centred on visions of large cavernous warehouses, issues around inventory control, and huge cost pressures to serve. Consequently, there is a lack of leaders that have grown through a supply chain function in senior executive positions.

The landscape is however, changing dramatically. Complex analytical modelling, automation and increases in the sophistication of distribution networks is delivering a new breed of supply chain professionals. The industry increasingly needs supply chain visionaries in Board rooms to drive the core benefits of supply chain excellence and manifest the rewards this can bring to the business.

Within omni-channel retail for example, logistics teams are presenting new strategic direction to the core business functions by analysing customer data, studying trends and presenting these findings forward, logistics teams can shape the behaviour of trading teams, define IT investment and influence marketing policy. Meanwhile, within the construction industry, supply chain expertise is utilised by the commercial functions, bid teams and programme management boards.

However, in order to table such thinking, the function needs to improve its long-term planning and use of emotional intelligence in communicating strategic vision cross-functionally and externally.





## What is the Way Forward?

So where does that leave traditional supply chain operators who have been drilled on LEAN operating models and a focus on cost to serve? Clearly, we must recognise the need to bring new blood into the function- people that are prepared to challenge the status quo and think holistically.

Currently in the UK, there are only 19 out of the 130 universities that provide specific Supply chain degrees. To attract millennials to the supply chain profession, the academic world and the work place need to reinvigorate their offerings, as millennials often have a very different mind-set and cultural approach to work. Business leaders and managers alike will need to adapt their style of leadership to attract and retain the future innovators.

Organisationally, many companies are establishing SCSC or centres of excellence to overcome this challenge. Supply chain analytics tools alongside the right culture and people fit are the key enablers of these service centres. With faster and more accurate cross-functional insights, product flow analysis, and policy setting, analytics will help supply chain professionals to drive innovation and have a stronger voice in the Board. SCSC and the Board can then begin to properly manage the matrix that will move them to the next level of business performance.

Holmes Noble is one of the most respected Executive Search, Interim Management and Consultancy firms in the UK. We are driven by a united way of working and an inclusive, team orientated culture. Holmes Noble are the UK Partner of INAC Global Executive Search which has 25 member firms in more than 40 countries.

Talk to Concentra and see how SupplyVue, its game-changing supply chain Analytics product, is transforming the way blue chip organisations manage their supply chain, improving performance, reducing inventory levels and gaining competitive advantage, every day.

Holmes Noble always appreciate feedback and comments on our papers. We welcome an opportunity to discuss your leadership challenges and developments within the sector.