

Supply Chain Managers - who needs them?



Insights from a European survey
on the Supply Chain Manager



INSEAD



The research team

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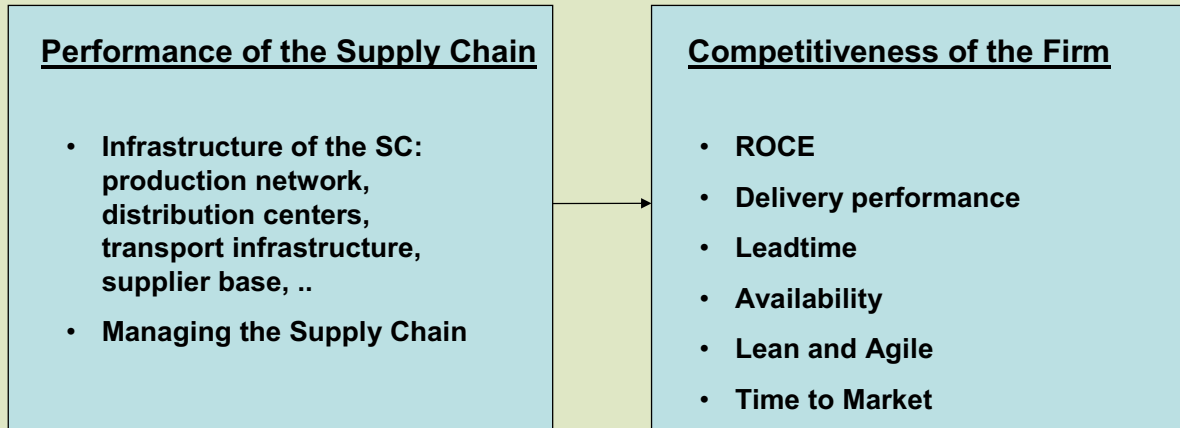
Steven Serneels
Pieter Tillon



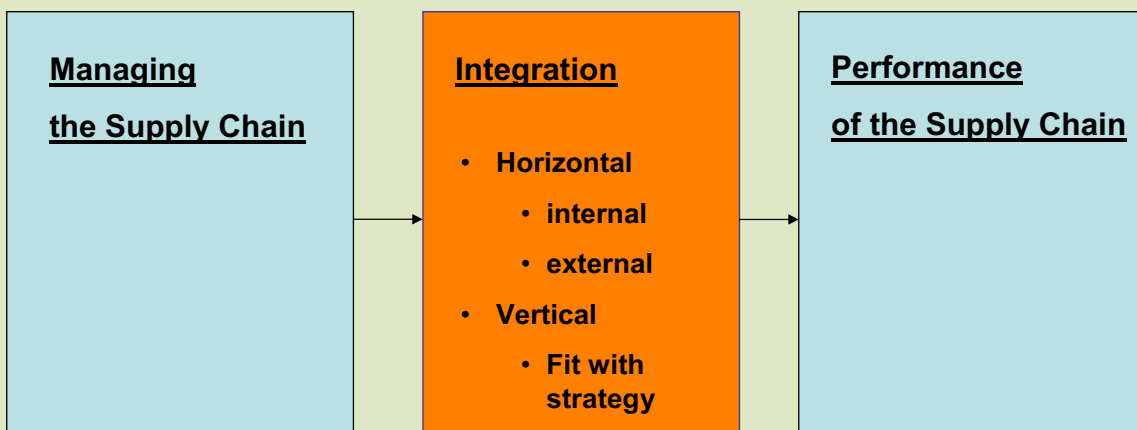
Research project of the
Goodman Chair
of Logistics Management

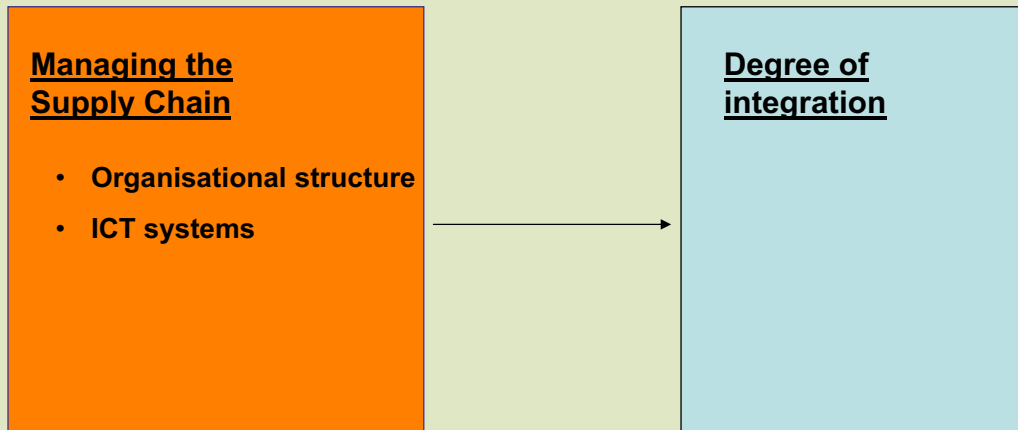


The competitiveness of a firm is determined by the performance of its supply chain



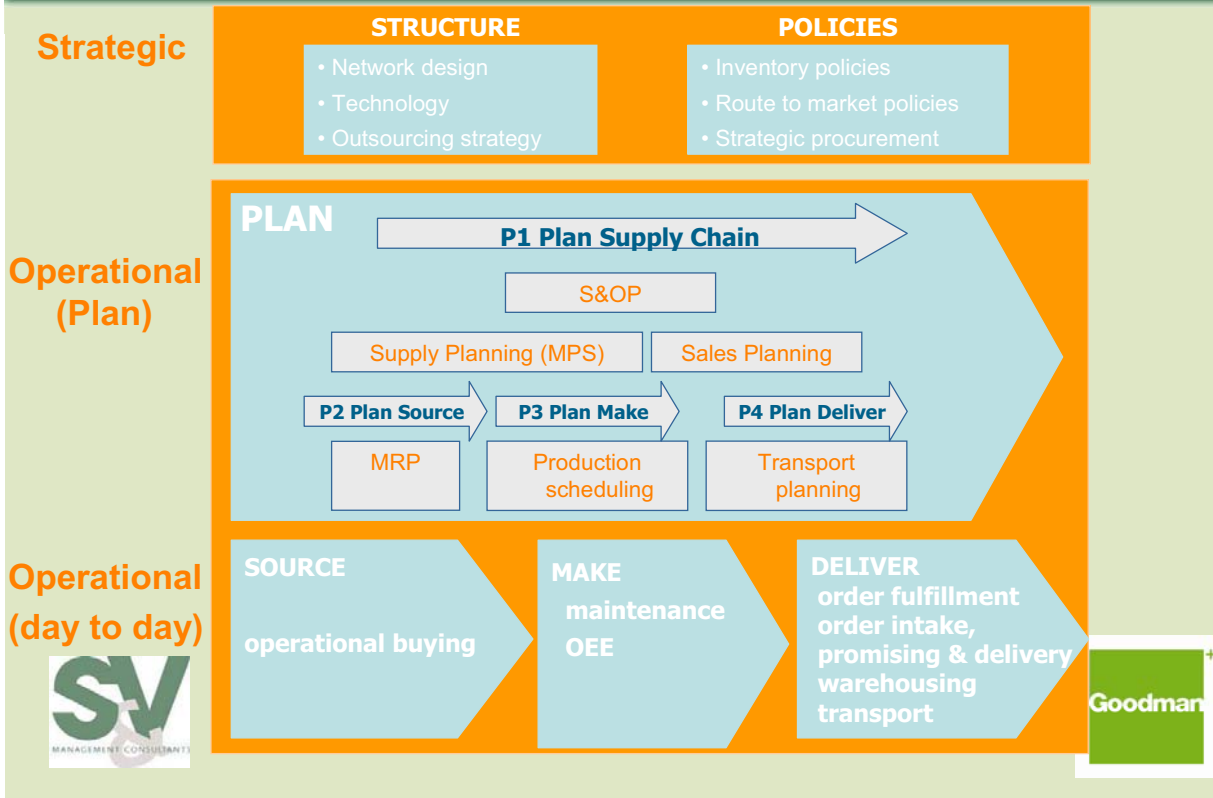
a *well-run* supply chain is an *integrated* supply chain





- **Allocation of Tasks: Who does what?**
- **Integration of Tasks:**
 - Who supervises what?
 - Who reports to whom?
 - Which integration mechanisms?
 - » Rules, procedures, plans, SLA's,...
 - » Hierarchical mechanisms
 - » Lateral mechanisms:
 - Informal,
 - Taskforces, standing committees
 - Integrator functions,
 - Trust





- A fight for Territory ?
- A cry for Attention ?
- A searching for higher Prestige?
- A Power struggle ?

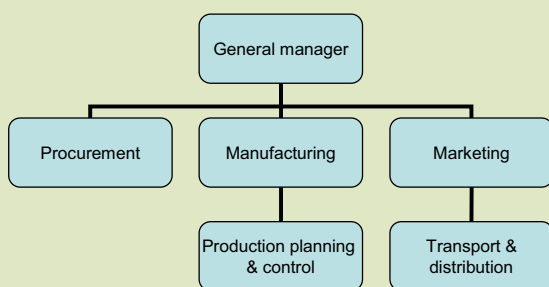
OR

- The Outcome of Rational Decision making ?

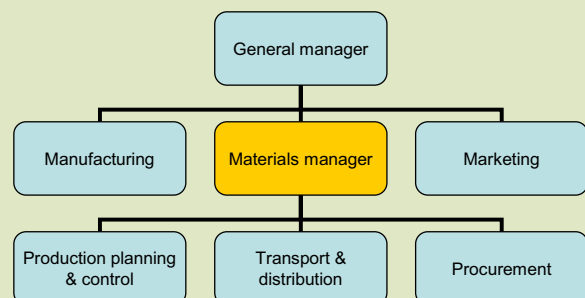
Rational Decision Making What can we learn from the literature ?

Harvard Study on Materials Management
Focused on Materials Management,
i.e. the internal Supply Chain

Some results



Segmented: 10%

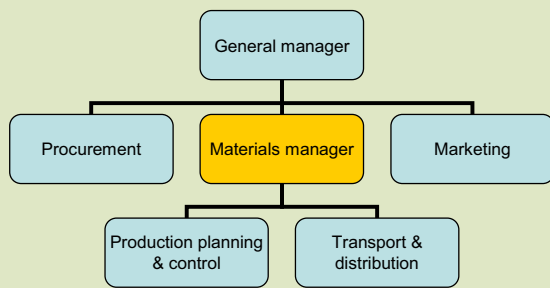


Fully integrated: 40%

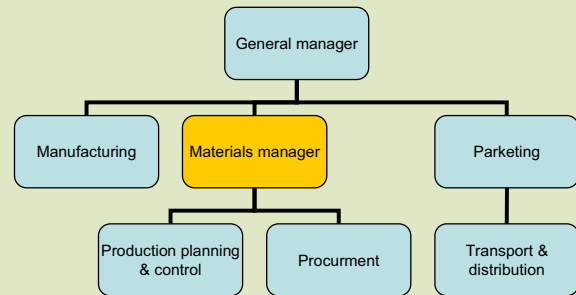


Source: "Organizing for Materials Management",
Miller, Gilmour & Van Dierdonck, IJOPM, vol 2, nr 1, 1981

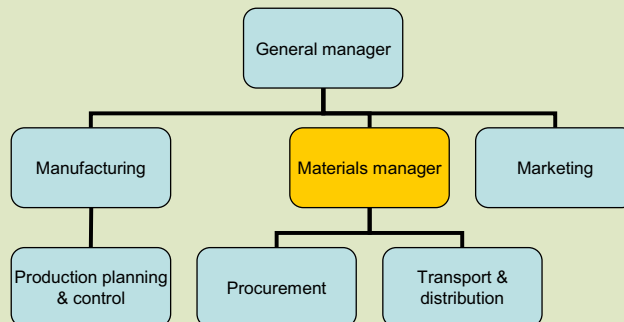




Distribution oriented: 11%



Supply oriented: 15%



Manufacturing oriented: 24%



Materials Function	Reports to: (%)			
	General Manager or President	Manufacturing Manager	Materials Manager	Other*
Purchasing	23.4	26.6	19.7	30.3
Production planning	13.3	31.9	20.7	34.1
Production control**	9.7	29.1	19.4	41.8
Traffic	13.2	11.8	20.6	54.4
Distribution***	17.2	19.2	11.1	52.5



Source: "Organizing for Materials Management",
Miller, Gilmour & Van Dierdonck, IJOPM, vol 2, nr 1, 1981



Materials manager reports to:	%
General manager	22
Manufacturing manager	43
Controller or finance manager	4
Other	31
	100

Functions reporting to the materials manager*:	%
Purchasing	69
Production planning	77
Production control	53
Distribution	39
Traffic	55
Systems	29



Source: "Organizing for Materials Management",
Miller, Gilmour & Van Dierdonck, IJOPM, vol 2, nr 1, 1981

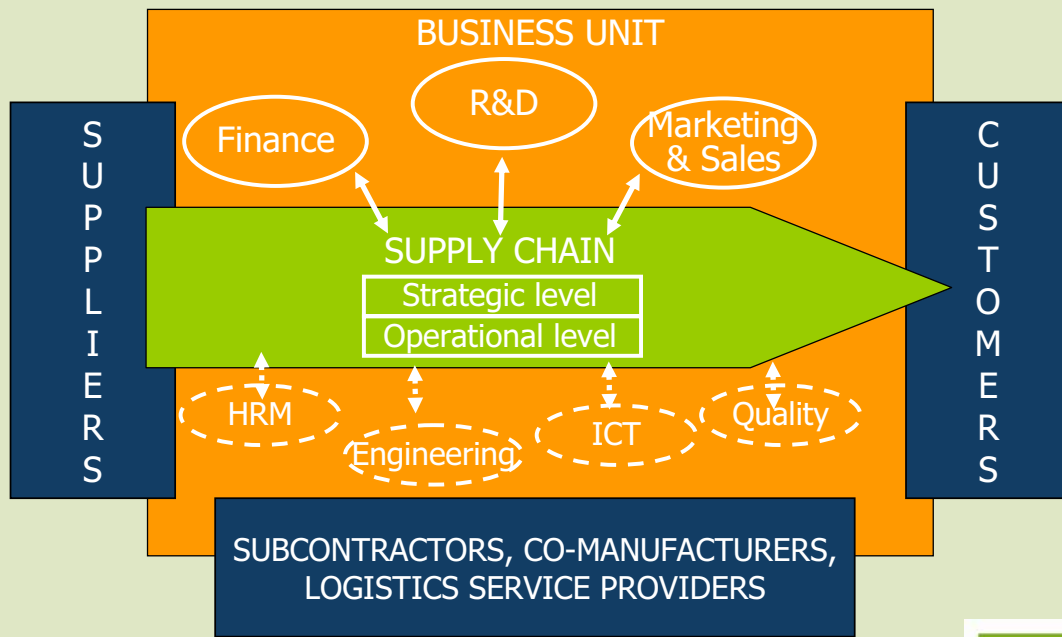


- **What has happened since ?**
 - The scope of the Supply Chain has broadened:
 - » Internally and Externally
 - The strategic Role of SC Management has increased
 - ICT developments
 - Emergence of Logistical Providers



Time for a new research study...





- Across borders of BU
- Functional scope within BU: main functions
- - - Functional scope within BU: support functions
- Strategic & Operational level within Supply Chain

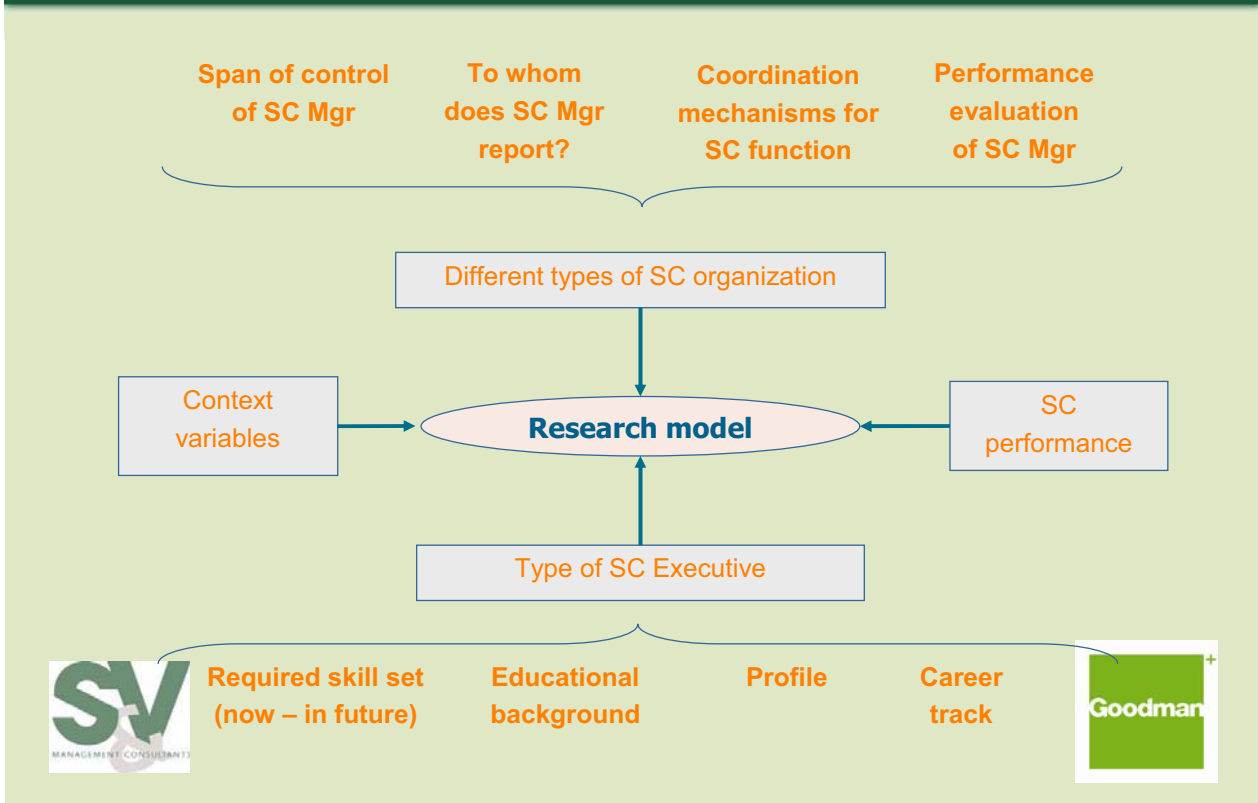


Supply Chain Managers - who needs them?



Research Project 2007-2008

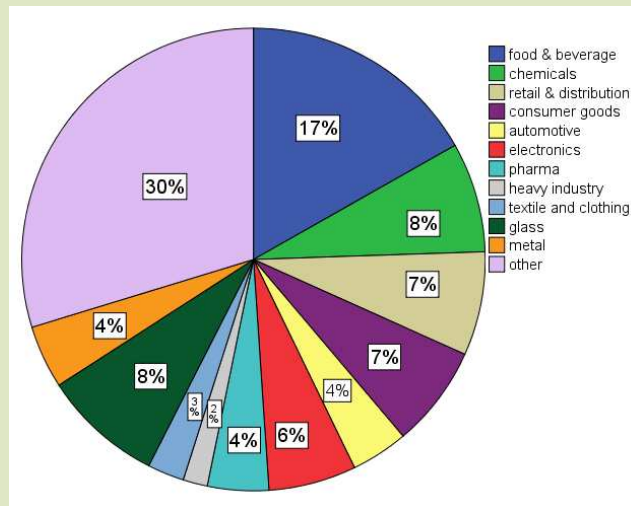




- **Step 1: In-depth survey**
 - Focused on 3 industries
 - » Pharmaceuticals
 - » Chemicals
 - » Food & beverages
 - 52 out of about 100 SC executives co-operated

- **Step 2: Large-scale survey**

- 743 respondents
- From multiple industries



Supply chain managers



Vice President (x2)
Vice president supply chain (x3)

Director logistics
Logistics director
Director logistics business systems

Director procurement & logistics
Director Purchasing
Director Supply Chain (x2)
Supply Chain director (x8)
Director Supply Chain Management
Executive director supply chain & manufacturing
Executive director supply chain management

Operations & Sourcing Director
Operations Director
Director operations

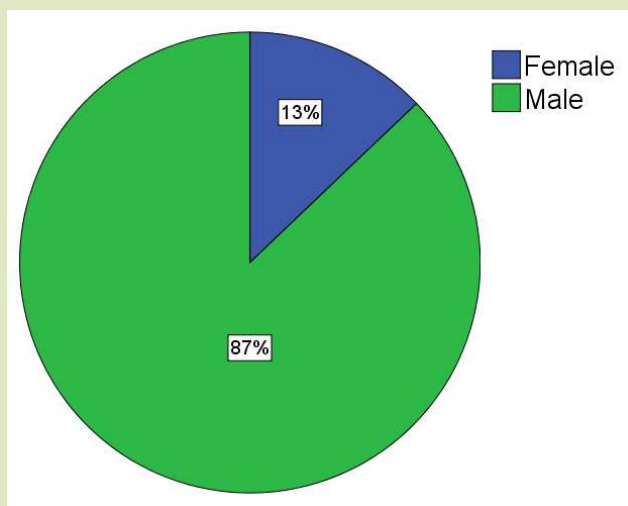
Head of commercial management: SCM
Head of supply
Head of supply chain
Logistics manager
Manager Logistics

Supply Chain manager (x11)

Customer Service & Forecast manager
Distribution contracts manager
Logistics network leader
Manager manufacturing improvement
Strategic Planning Leader
Supply Chain Competence Leader
Supply chain coordinator
Supply planning manager

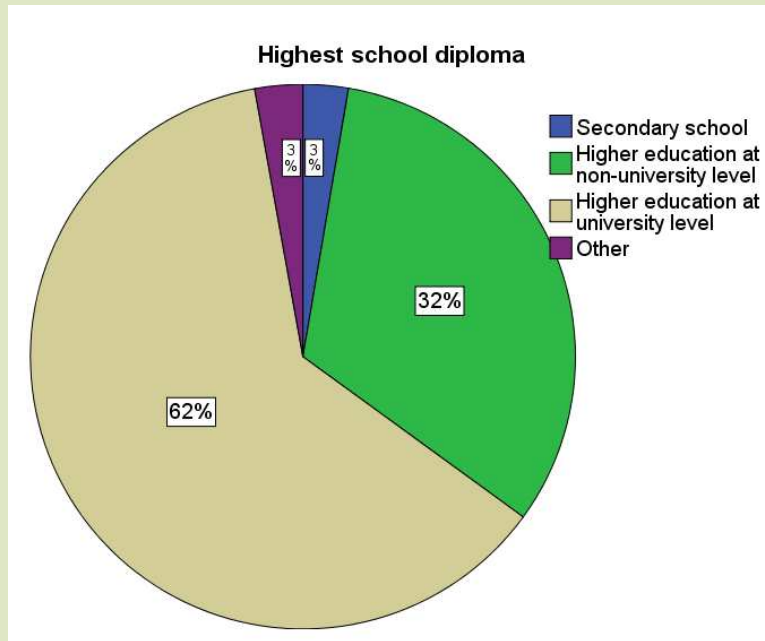


$n = 52$

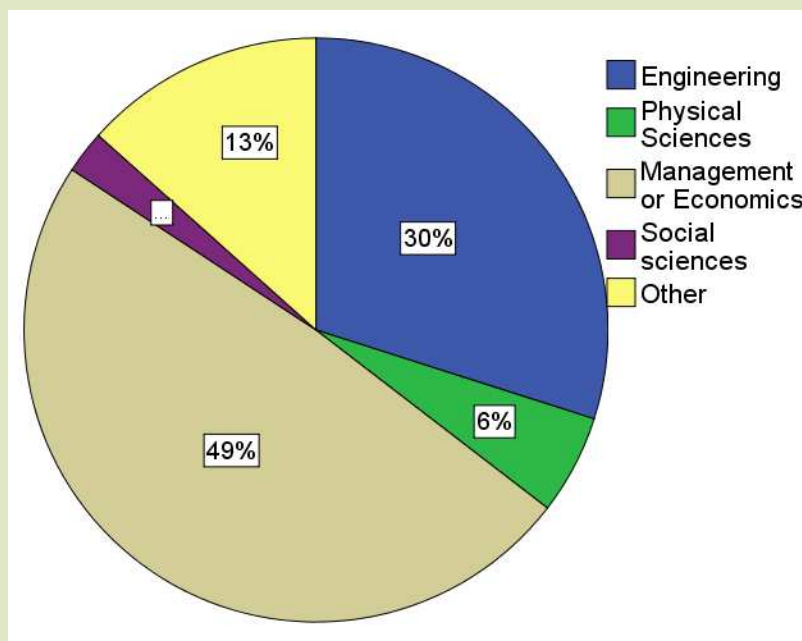


$n = 743$



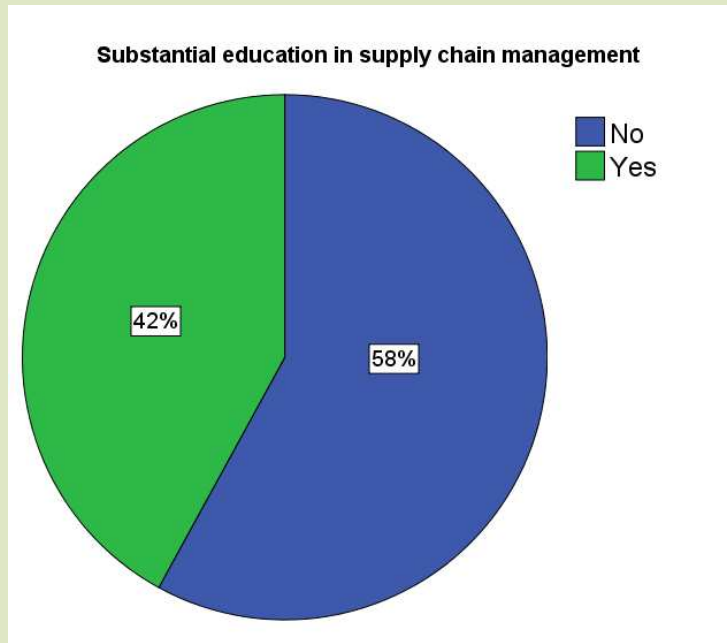


n = 743



n = 743





n = 743

% of SC executives		years with current employer		total
		5 years or less	6 years or more	
years in SC function	5 years or less	17%	12%	28%
	6 years or more	30%	41%	72%
total		47%	53%	100%

Moved into SC job from within the company

hired from outside the company



n = 743

% of SC executives		years with current employer		total
years in SC function		5 years or less	6 years or more	
5 years or less		17%	12%	28%
6 years or more		30%	41%	72%
	total	47%	53%	100%

The TOP SC manager is highly experienced

% of SC TOP executives		years with current employer		total
years in SC function		5 years or less	6 years or more	
5 years or less		12%	10%	22%
6 years or more		30%	48%	78%
	total	42%	58%	100%

Also TOP SC managers are hired on the job market

n = 350 of 743



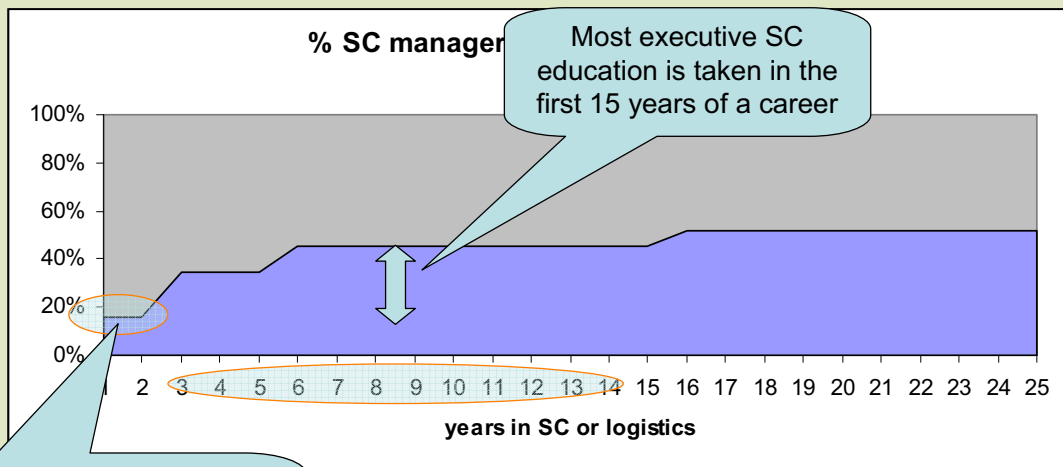
% of SC executives with SC education		years with current employer	
years in SC function		5 years or less	6 years or more
5 years or less		32%	20%
6 years or more		56%	43%

experts hired from outside the company



n = 743

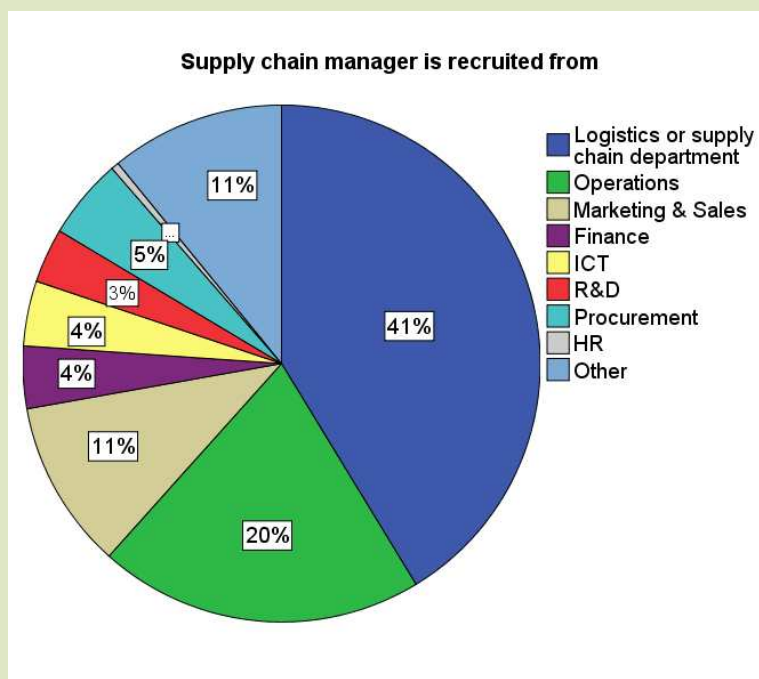




16% of junior SC managers come with an education in SCM



n = 743



n = 743



Missionary

Convincing, educating and training people in the importance of supply chain management

Consultant

Working on assigned projects related to supply chain management

Managing executive

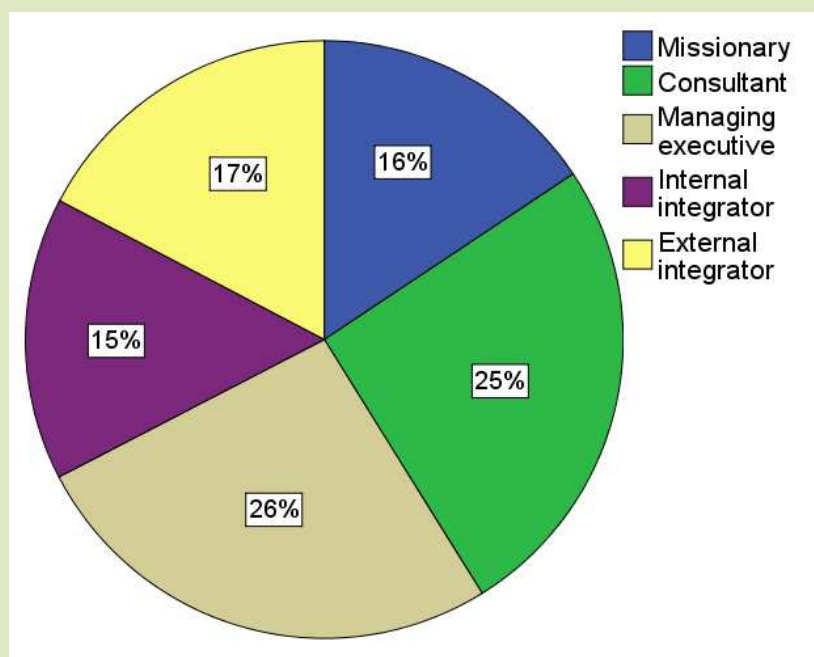
Supervising and deploying the day-to-day activities of the supply chain department

Internal integrator

Responsibilities covering issues not only related to the supply chain (such as chair the S&OP meeting, being involved in product development etc)

External integrator

Responsibilities covering issues and relationships with suppliers and/or customers



n = 743



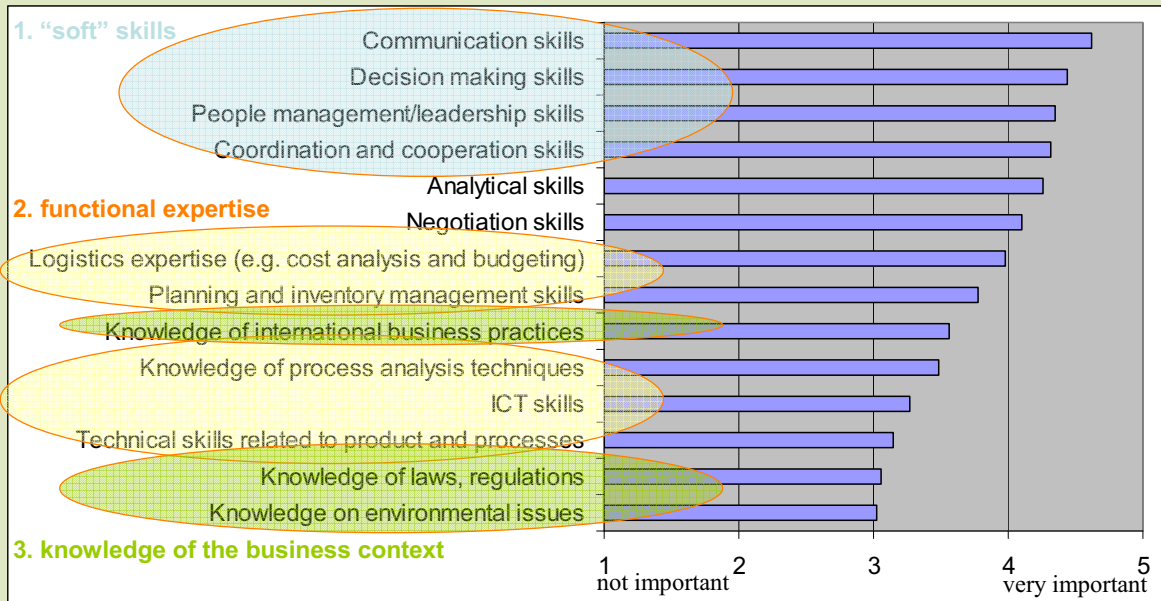
- **74 % of the Top SC managers**
 - report directly to the CEO or to the general manager of the business unit
- **70 % of the Top SC managers**
 - are a member of the Executive committee
- **41 % of the Top SC managers**
 - are a member of the Board

The SC function has reached the strategic level
in many companies

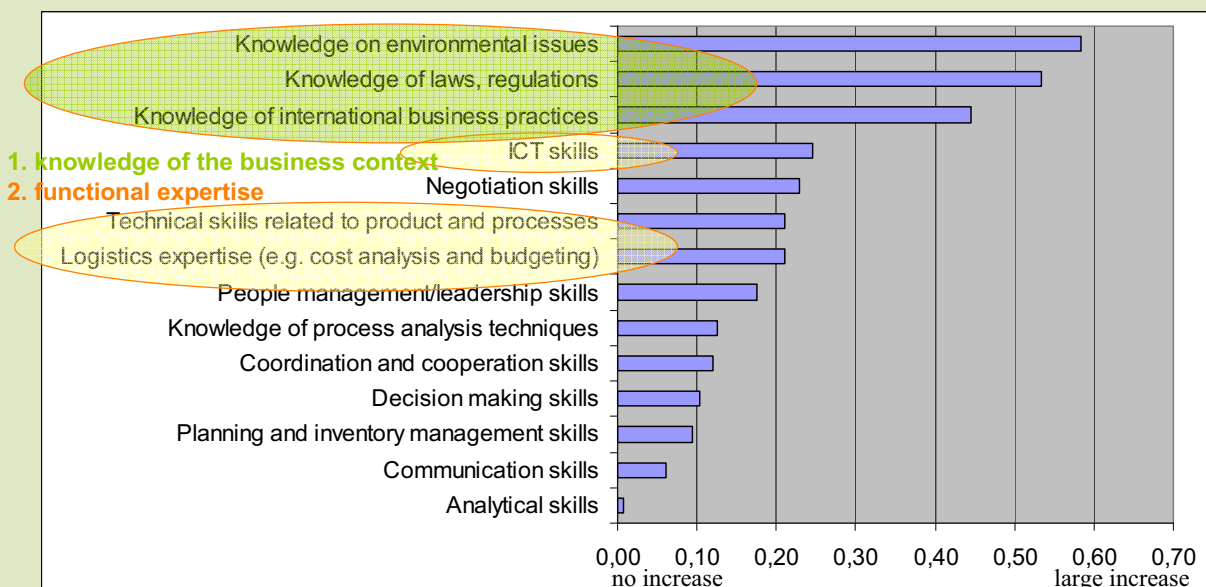


- **The TYPICAL supply chain manager**
 - Is male
 - Has a degree of higher education
 - » In management, economy or engineering
 - Has been in operations or logistics for quite a few years
 - Took his supply chain education on the job
 - Has a diverse and balanced time allocation





n = 743



n = 743

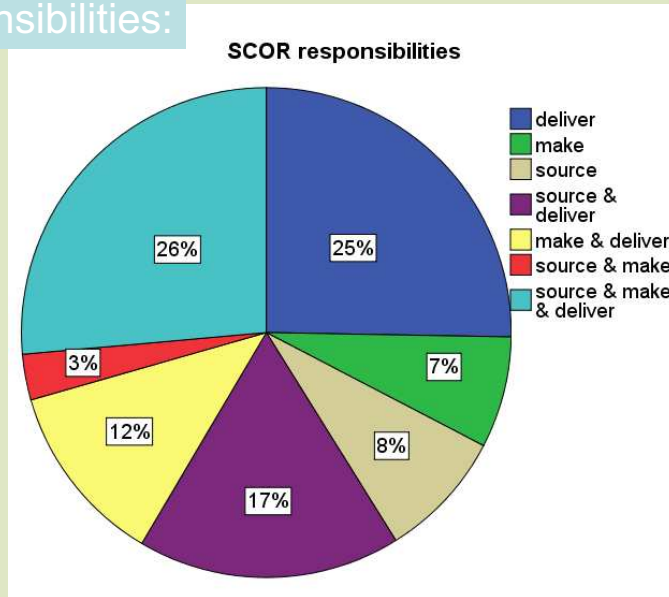


- **Skills of the supply chain manager**
 - Soft skills are important, both today and in the future
 - In a globalizing world, knowledge of the business context becomes increasingly important



Plan responsibility: 85% of the top SC managers

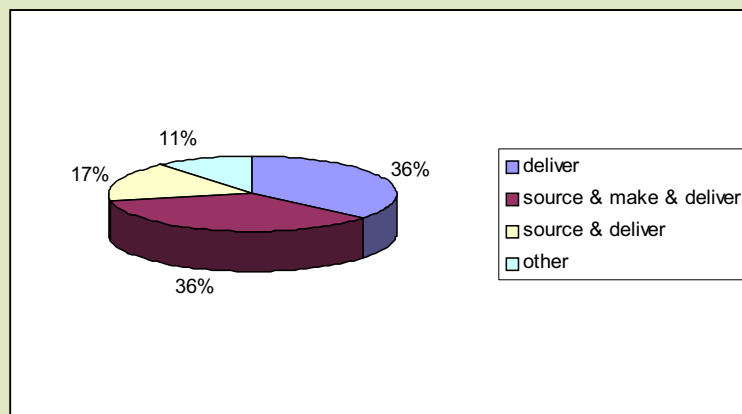
Functional responsibilities:



n = 743



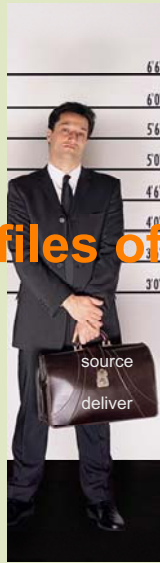
Area of responsibility of the SC executive
in pharmaceuticals, chemicals, and food & beverage



n = 52



3 dominant profiles of the SC manager



Junior in the company and/or supply chain function



profile: deliver	years with current employer		total
	0 to 5 years	6 years or more	
years in SC function	0 to 5 years	5	7
	6 years or more	8	13
	total	13	20

Senior in the company and supply chain function



profile: source & deliver	years with current employer		total
	0 to 5 years	6 years or more	
years in SC function	0 to 5 years	1	1
	6 years or more	3	5
	total	4	6

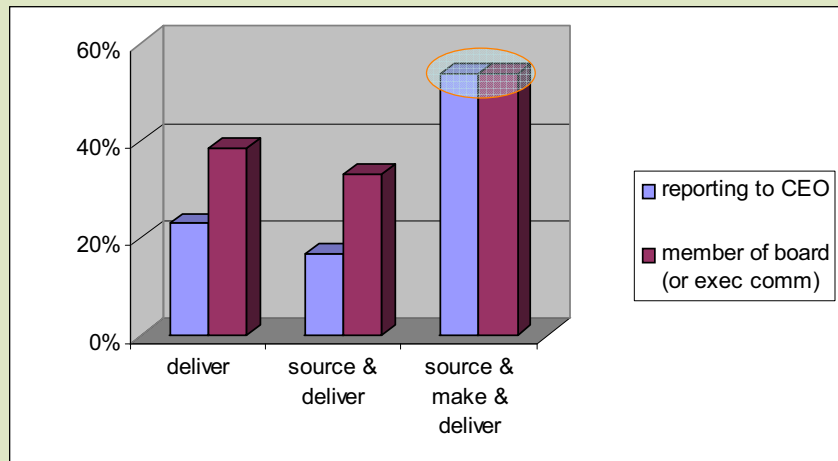
profile: source & make & deliver	years with current employer		total
	0 to 5 years	6 years or more	
years in SC function	0 to 5 years	1	1
	6 years or more	10	12
	total	11	13

n = 52



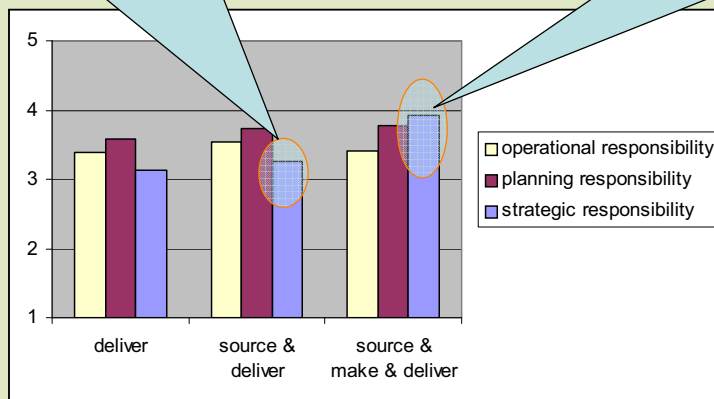


n = 52



Higher responsibility in
- Strategic raw material sourcing

Higher responsibility in
- Manufacturing network design
- Technology decisions
- What to make where
- Strategic raw material sourcing



n = 52



	missionary	consultant	managing executive	internal integrator	external integrator
deliver	13	23	31	24	10
source&deliver	17	24	31	13	15
source&make&deliver	11	17	42	16	14



n = 52



3 dominant profiles of the SC manager



managing executive
internal integrator
consultant

deliver

junior
occasionally reporting to CEO
occasionally member of the board



managing executive
consultant

source
deliver

occasionally reporting to CEO
occasionally member of the board
+ strategic buying responsibility



managing executive

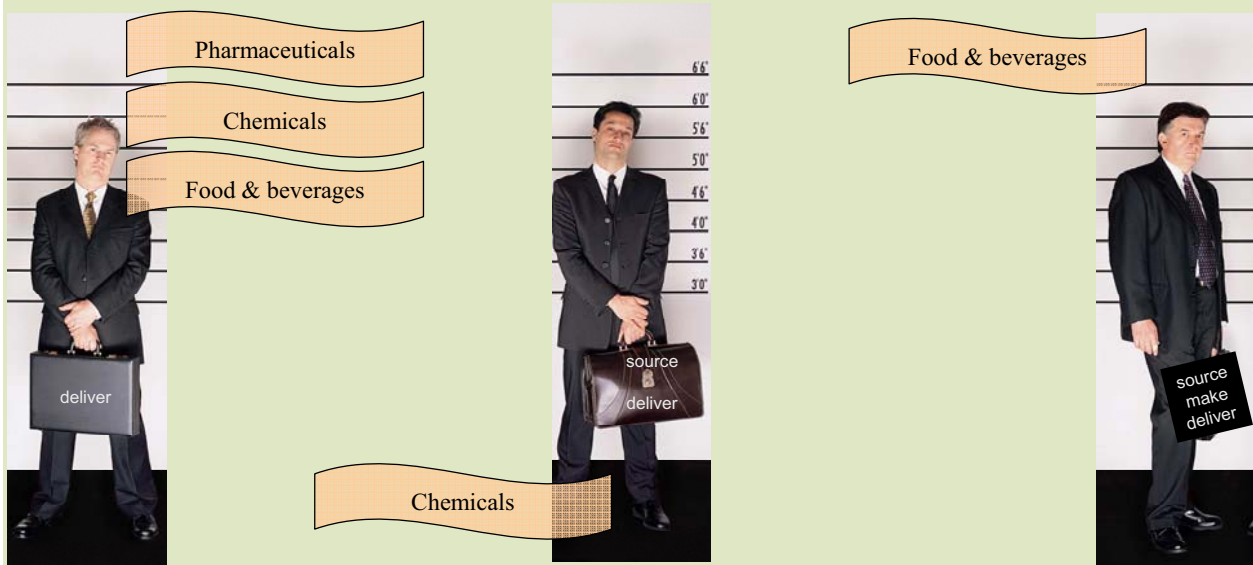
source
make
deliver

senior
often reporting to the CEO
often member of the board
+ strategic buying & manufacturing responsibility

TOP executives only	pharmaceuticals	chemicals	food & beverage
deliver	57%	30%	32%
source & deliver	14%	50%	0%
source & make & deliver	14%	10%	58%
other	14%	10%	11%
Total	100%	100%	100%



n = 52



The scope of the function depends on the industry



pharma-
ceuticals

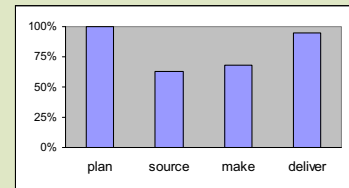
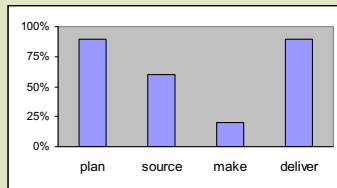
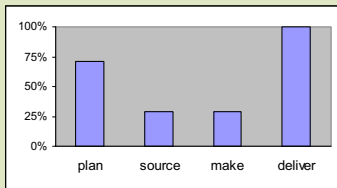
chemicals

food &
beverage

PLAN
& DELIVER
•2,3 functions per executive

PLAN &
SOURCE & DELIVER
•2,6 functions per executive

PLAN &
SOURCE & MAKE & DELIVER
•3,3 functions per executive



n = 52



pharma-
ceuticals

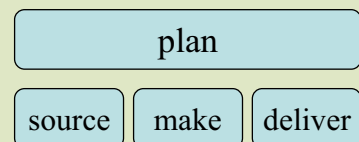
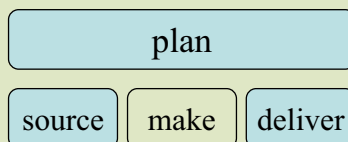
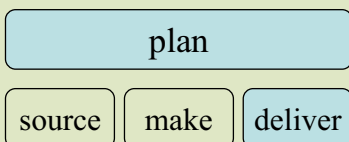
chemicals

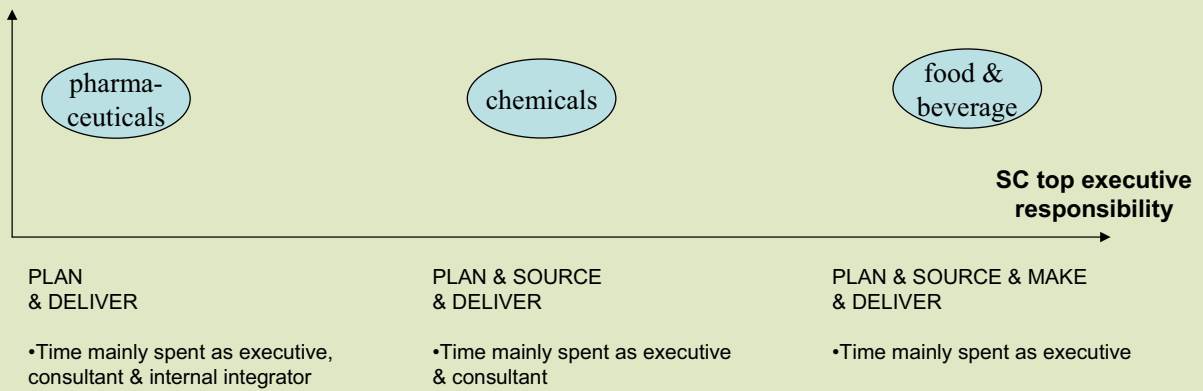
food &
beverage

PLAN
& DELIVER

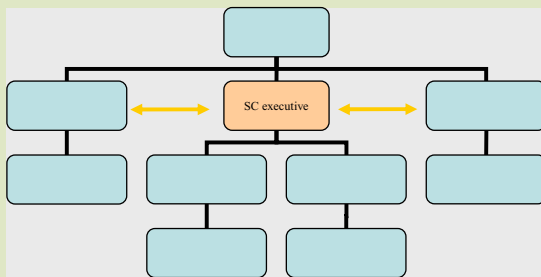
PLAN &
SOURCE & DELIVER

PLAN &
SOURCE & MAKE & DELIVER

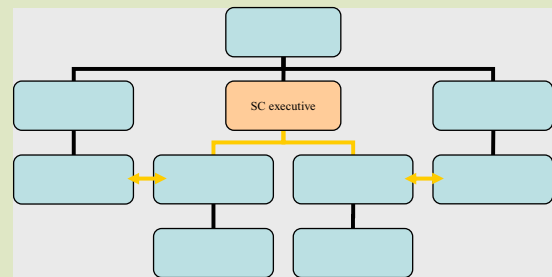




Lateral integration



Hierarchical integration



Internationalization of the SC structure

GLOBAL

- European/Global sourcing
- Global manufacturing
- European/Global sales

pharmaceuticals

EUROPEAN

- European/Global sourcing
- European/Global manufacturing
- European sales

chemicals

NATIONAL/EUROPEAN

- National/European sourcing
- National/European manufacturing
- National/European sales

food & beverage

Strategic importance of the SC

LOW

- 33% internally neutral
- 178 days of inventory
- 0% top SC executives reporting to CEO
- 29% top SC executives member of the board

pharmaceuticals

MEDIUM

- 7% internally neutral
- 96 days of inventory
- 30% top SC executives reporting to CEO
- 40% top SC executives member of the board

chemicals

HIGH

- 8% internally neutral
- 37 days of inventory
- 47% top SC executives reporting to CEO
- 47% top SC executives member of the board

food & beverage



SC structure	Strategic importance of the SC	
GLOBAL	LOW	pharmaceuticals
EUROPEAN	MEDIUM	chemicals
NATIONAL/ EUROPEAN	HIGH	food & beverage

SC top executive responsibility

PLAN
DELIVER

PLAN
SOURCE
DELIVER

PLAN
SOURCE
MAKE
DELIVER



- **The supply chain manager, who needs them ?**
 - The approach depends on the characteristics of the supply chain:
 - » Its structure
 - » Its importance in the strategy of the organisation
 - The approach differs in terms of
 - » the organisation structure
 - » the scope of the SC manager's function
 - » the time allocation of the SC manager



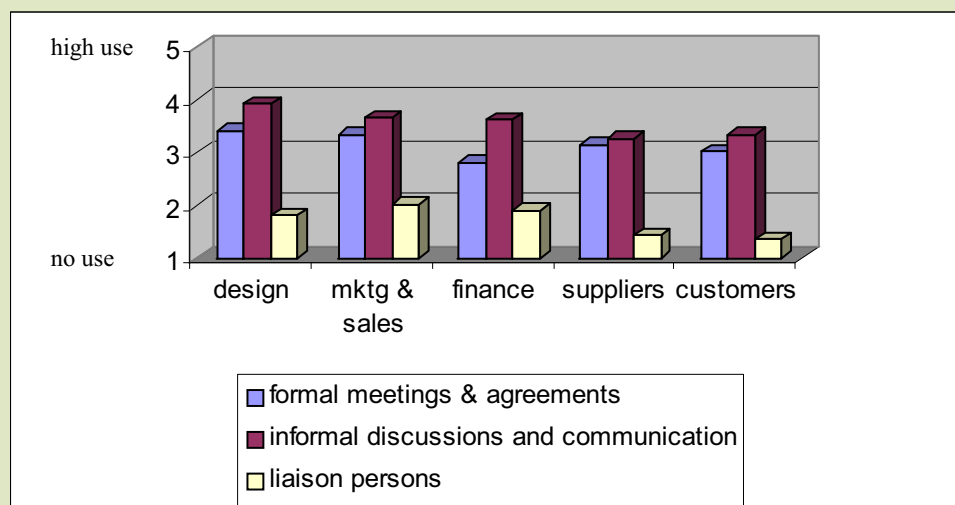
Coordination with partners in the chain?



- **Formal meetings and agreements**
 - Service level agreements (SLA):
Rules, policies, standards, manuals
 - Formal meetings
 - Task forces, to accomplish a specific task
and then disband
 - Permanent teams,
standing committees that meet regularly

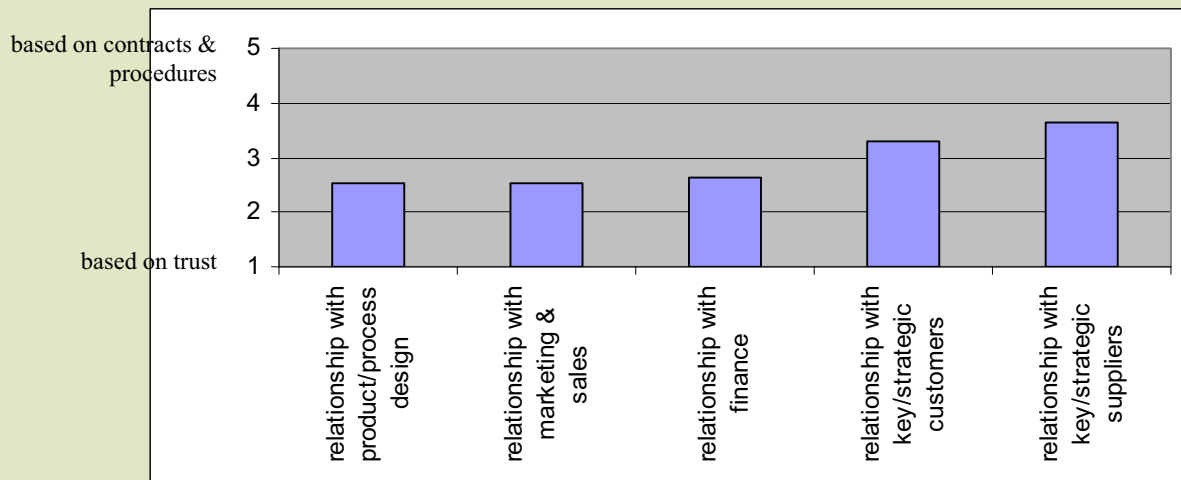
- **Informal discussions and communication**

- **Liaison people**
 - Co-location of both departments
 - Job rotation between both departments
 - Coordinator roles spending time in both departments
 - Managers transferred temporarily
from or to the other department
 - Integrator roles with responsibilities in both departments



$n = 52$





$n = 52$



- **A well-run supply chain is an integrated supply chain ?**
 - Focus of coordination still more internal than external
 - » This is especially true for liaison roles
 - External coordination with supply chain partners
 - » Less based on trust, more based on contracts
- **There is still some work to do !**



Supply Chain Managers - Who needs them?



Supply chain management
has become a mature
profession

No "one fits all"

Still largely internally
oriented



For more information, feel free to contact us



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Ranked

