

In Touch with the Board

Network Disruption: Rethinking the Role of the Chief Supply Chain Officer

The most innovative companies today realize that in a time of rapid change, digital disruption and globalization, the rules have shifted in acquiring the right talent. Few positions have undergone as thorough a transformation as that of chief supply chain officer (CSCO), sometimes also referred to as chief operating officer (COO). For global companies in particular, the scope of the CSCO's role reflects the seismic reconfiguration in business today.

The CSCO's responsibilities have evolved over many years, but the last decade especially has seen significant transformation. Traditionally focused on the tactical operations of moving products between two points, today's CSCOs must contend with a huge level of complexity and risk in supply chain operations. This requires innovative thinking, and companies risk failure if they cannot adapt to this new mindset.

The concept of supply chain has changed so fundamentally that the term, in fact, may be outdated. Supply chain management commonly is visualized as a chain of goods running from point A to point B. This no longer captures the breadth and depth of today's supply chains, which function more like an intricate web of integrated, global relationships. These relationships supersede political and geographic boundaries, and they also cross over the traditional barriers within companies themselves.

This latest environment challenges companies to re-evaluate their criteria for selecting the most seasoned individuals. The attributes that make a CSCO successful today look very different from those traits considered desirable in the past.



Stages of Change

Supply chain management has undergone roughly four stages of change in the last 50 years¹. The dialogue analyzing a transforming supply chain started in the '60s and '70s, when the first view and discussion centered around the movement of products. A lot of that was more from the standpoint of manufacturing through to customer and end consumer.

In the '80s, supply chain management looked further at the logistics of the inbound flow, from producing or sourcing raw materials through to integrating manufacturing and production with the outbound flow to the consumer. In the '90s, the emergence of e-commerce transfigured supply chains to a demand-driven world order. Customers and consumers were empowered as never before, forcing supply chain managers to adopt an end-to-end philosophy, from suppliers to businesses to end users directly.

With the new millennium, supply chain management truly has been globalized, with organizations operating in a network. Technology has bridged gaps between producers and purchasers. It also has smoothed geographical divides, as supply chains transcend national boundaries.

End-to-end supply chain management: "Farm gate to consumer plate"

End-to-end supply chain management is important for industries that particularly are susceptible to fast-rising spikes and dives in consumer demand. An example of an end-to-end philosophy is illustrated by the "farm gate to consumer plate" concept. The process of moving fresh foods from the farm directly to consumers requires navigating a web of agribusiness relationships, including farmers, growers, investors, and everyone and everything in between. CSCOs also must be aware of ethical and health concerns about managing food products, as well as the myriad safety regulations that have to be followed. Driving all this are the twin pressures of technology and globalization.

¹ McKee, R. and Ross, D., "From Lean Manufacturing to Lean Supply Chain: A Foundation for Change," Lawson Software whitepaper, 2009.

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From Tactician to Orchestra Leader

For decades, CSCOs have been perceived as hands-on tactical operators focused on optimizing the movement of products. CSCOs were accustomed to heading out into the field, rolling up their sleeves and fixing problems. They offered skills of hard bargaining and negotiating to get the job done. In terms of corporate hierarchy, CSCOs often have been relegated to a logistics position within manufacturing and not part of the inner core of C-suite decision making.

The role of modern-day CSCOs has been elevated to a high level, which reflects its critical importance to the success of an organization. Today's CSCOs are strategic relationship builders who recognize the vast interconnectivity across global supply chains. To be a winner, CSCOs must possess a different skill set, embodying some of the following traits:

- **Mindset of a chief executive officer (CEO).** CSCOs truly must be a leader and have a solid understanding of an organization's strengths and weaknesses. They should report directly to the CEO. It's no accident that some of the most capable CSCOs and COOs have become the CEO of the company. Think of Tim Cook's rise to CEO at Apple after he streamlined supply chain operations while serving as Senior Vice President of Worldwide Operations². Other examples include McLaren's Mike Flewitt and Qualcomm's Steve Mollenkopf³.
- **Master Collaborator.** CSCOs build bridges with colleagues, vendors, organizations and even competitors if it makes business sense (see "Competitive Collaboration"). CSCOs see their company as part of a network in which they can leverage skills and capabilities of business partners. Supply chain officers are ready and able to form alliances, and they possess superior people skills to influence others.
- **Flexible and Adaptable.** To survive and thrive in this new environment, CSCOs must be open minded and nimble. They understand that change is constant and rapid, and they reject a rigid structure. CSCOs have a solid understanding of regulatory hurdles based on geography and product and can navigate appropriately.
- **Great Communicator.** CSCOs need to be comfortable speaking with people at all levels. This includes talking shop with loading dock operators and plant personnel while simultaneously articulating the strategy of the company to corporate investors, boards of directors and other stakeholders. CSCOs function much as an orchestra leader who can motivate and move teams to deliver.
- **Analytical Guru.** Businesses today are saturated with reams of information, much of it in real time; for example, data from points-of-sale, online searches and ordering activities. Companies are equipped as never before to gain profound insights in customer behavior. CSCOs must be able to quickly interpret vast amounts of data and make strategic decisions to keep the business competitive. They aren't required to be the information technology experts of the company, but they must demonstrate a solid understanding of the scope and scale of data from multiple, diverse channels and act intelligently on these data.

Competitive Collaboration

A poet named John Donne remarked in the 1600s that "no man is an island." This expression continues to be appropriate because corporate entities cannot afford to operate in isolation. Today, they function as part of a huge global network. Successful CSCOs think of their company as part of a network, and they know when and how to collaborate and partner with competitors to—ironically—gain a competitive edge.

Organizations are moving away from traditional business models of competing with other companies at every level. Sometimes it simply makes business sense to collaborate horizontally with a competitor, especially if both parties can leverage each other's skills. Collaboration can optimize an organization's goals within a desired network and market.

One area where competitive collaboration has occurred is with airlines. Australia's national carrier Qantas, for example, has partnered with the Dubai-based airline Emirates and will enable a significant increase in the number of destinations accessible to customers of both carriers. The Virgin Australia union with Air New Zealand (VANZ alliance) is another example. The automotive industry also has witnessed competitors joining forces. Toyota and BMW have partnered to produce a mid-sized sports car. The cooperative will cut down on development costs for both companies. Other alliances in the industry include General Motors and Peugeot Citroën, as well as Daimler AG and Renault SA.

² Thomas White international paper, April 2011; <http://www.thomaswhite.com/global-perspectives/timothy-cook-coo-and-acting-ceo-apple-inc/>.

³ R. Aucock, "McLaren Automotive COO to CEO: What Does It Mean?" July 6, 2013; <http://www.richardaucock.com/mclaren-automotive-coo-to-ceo-what-does-it-mean/>.

In Touch with the Board

Finding the Right Leadership Talent

Just as supply chains have changed radically, so, too, have assumptions about the desired qualifications and background for a company's CSCO. Historically, CSCOs come from the logistics or procurement areas. Today, given the fast-moving and ever-changing phenomenon of supply chains, the standard career path for CSCOs is much more elusive. Companies are wise to consider prospective talent from nontraditional backgrounds.

Individuals with knowledge in consumer goods may have an edge compared with those who have spent their career in another industry, as companies in this sector are faster to recognize the need for end-to-end supply chains. Retail, for instance, is long accustomed to fostering strong direct-to-consumer channels (see "The Retail Advantage"). The best talent comes from a corporate culture in which traditional hierarchies have been discounted in favor of more horizontal and collaborative reporting lines.

Leaders who have dealt with multiple countries and cultures are better positioned to be successful. Such individuals have demonstrated a higher level of skills, having worked with various languages, cultures and backgrounds.

Given the global nature of markets today, companies should be encouraged to consider candidates who have worked in both developed and developing markets. These leaders have been exposed to different types of risk and disruptions to supply chains and have been forced to adapt accordingly. This experience provides the know-how to succeed in a volatile and evolving environment.

Finally, CSCOs must possess an analytical understanding of the value and impact of information. Keeping pace with rapid changes is essential in almost every profession but most certainly in supply chain management. The state of global business has transformed radically in short order, thanks to technology and globalization. Successful CSCOs—and, indeed, successful companies—embrace change with flexibility and collaboration.

The Retail Advantage

The change in the way supply chains work is analogous to the digital disruption. New thinking is reshaping the way companies view themselves and how they are organized. One sector that has a leg up on the networked requirements for supply chain success is retail.

Long accustomed to fast-moving environments, the retail industry must go beyond just-in-time manufacturing and anticipate consumer trends and desires. The industry attracts talent with a different level of thinking. Often top leaders bring energy and speed that are unmatched by counterparts in other sectors. In a traditional corporate hierarchy, departments commonly function as independent silos. To be successful, retailers have learned that notable efficiencies come from breaking down the walls among silos and working more collaboratively.

The Case of Zara

The Spanish clothing and accessories retailer Zara is an example of an entity in which an integrated supply chain encompasses the overall business strategy. The company delivers the latest styles to consumers swiftly through a centralized supply chain operating out of its headquarters in Spain, known as "the Cube."⁴ Buying, planning, designing and marketing are centralized, and store managers worldwide are immediately posted about which fashion items are selling and which are not. This "outside-in" approach facilitates an in-depth understanding of consumer purchasing behavior and enables a nimble response. Designers can make adjustments quickly according to demand. It's a supply chain strategy based on constant and sudden changes.

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