The importance of SCM

Executives surveyed for an Accenture, INSEAD, Stanford University research project

How important is SCM to your business?

- Very Important: 45%
- Critical: 44%
- Moderately Important: 10%
- Not Important: 1%

Has the importance of SCM increased?

- Increased Significantly: 9%
- Increased Somewhat: 38%
- Not Increased: 9%
- Decreased: 2%
- Increased Significantly: 51%
A Bit of History: 1930-1950

- Bank Robber “Slick Willie” Sutton
- When asked why he robbed banks, Sutton simply replied
- "Because that's where the money is."
Where the Money Is

- Supply-chain generally accounts for between 60% and 90% of all company costs

- A 2% improvement in process efficiency for supply-chain processes has 3000% - 5000% the impact of a 2% improvement in efficiency for… IT, HR, Finance…Sales…

- Any surprise most Process Methodologies or techniques had their origin primarily in Supply-Chain Management?
  - Six-Sigma Lean BPR ERP ISO MRP-II TQM…

### Fortune-10 Company Supply-Chain Cost % Total Costs

<table>
<thead>
<tr>
<th>Company</th>
<th>Cost % Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>GM</td>
<td>94%</td>
</tr>
<tr>
<td>Ford</td>
<td>93%</td>
</tr>
<tr>
<td>Conoco</td>
<td>90%</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>90%</td>
</tr>
<tr>
<td>Chevron</td>
<td>88%</td>
</tr>
<tr>
<td>IBM</td>
<td>77%</td>
</tr>
<tr>
<td>Exxon</td>
<td>75%</td>
</tr>
<tr>
<td>GE</td>
<td>63%</td>
</tr>
<tr>
<td>Citi¹</td>
<td>0%</td>
</tr>
<tr>
<td>AIG¹</td>
<td>0%</td>
</tr>
</tbody>
</table>

1 Exclusive of Financial Services companies
2 Source: Hoovers 2006 Financial Data, Supply-Chain Council 2006 SCM Benchmark data on SCM cost for discrete & process industries
600 Minutes Supply Chain Studie

- Utvecklingsprojekt och intresseområden för beslutsfattare inom logistik
- Kvalitativ studie med 137 beslutsfattare
- Kvantitativ studie över Internet med 76 beslutsfattare
Respondenternas befattning

(n=76)

Logistikchef/-direktör
Supply Chain Manager/-director
Transportchef/Distributionschef
Platschef/Fabrikschef/Produktionschef
Utvecklingschef/Affärsutvecklingschef
VD/Vice VD
**Investeringar inom IT**

**Kommande investeringar inom IT**

- **Förbättra befintliga ERP-system**
- **Logistiksystem**
- **RFID**
- **EDI (Electronic Data Interchange)**
- **Ökad visibilitet gentemot leverantörer och kunder**
- **Planeringssystem**
- **Lagersystem**
- **Systemintegration**

(N=40)
Investeringar inom IT

Kommande investeringar inom IT

(N=40)

- Prognossystem
- E-handelssystem
- Spårbarhetssystem
- Transportplaneringssystem
- Implementera ett nytt ERP-system
- MPS-system
- Mobila kommunikationslösningar
Investeringer - affärsstödjande tjänster

Kommande investeringar inom affärs- och verksamhetsutveckling

(N=40)
Huvudteman

Bedömning av forumets huvudteman

(N=76)
Ett akademiskt område kan definieras av:

- Definitioner
- Modeller
- Terminologi
- Standarder
- (mätsystem)

Eller av:

- Brist på definitioner
- Olika modeller
- Oklar terminologi
- Brist på standarder
- Inga mätsystem
SCM Definitions

• Stock and Boyer (2009) reviewed 173 definitions

• “Without the adoption of a uniform definition accepted by researchers, confusion will continue to hinder the study and further development of SCM; and research will extend in various directions, rather than build upon itself” (Stock and Boyer, 2009, p.691)
SCM Definitions

• “For practitioners, the absence of a comprehensive SCM definition makes it more difficult for supply chain executives to claim authority and responsibility for the “right” combination of functions and processes. It also makes it more difficult to benchmark against other companies and industries on supply chain metrics, job responsibilities, and other human resource issues, because of the differences that exist from one company to the next.” (Stock and Boyer, 2009, p.691)
En bild av en supply chain
1998 CLM DEFINITION OF LOGISTICS

….is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point-of-origin to the point-of-consumption in order to meet customers' requirements.

[Council of Logistics Management, 1998]
Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all Logistics Management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies.

[Council of Supply Chain Management Professionals 2006]
CSCMP 2012 – SCM Boundaries and Relationships

Supply chain management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology.
SUPPLY CHAIN MANAGEMENT

...is the integration of key business processes from end user through original suppliers, that provides products, services, and information that add value for customers and other stakeholders.

[The International Center for Competitive Excellence, 1994]
[The Global Supply Chain Forum, 1998]
Pilot Study – 10 companies

- Supply Chain Integration: 2
- Supply Chain Information Sharing: 1.8
- Supply Chain Visibility: 1.5
- Supply Chain Collaboration: 1.8
Strategic

Tactical

Operational

Data Information Knowledge

Informationsöverföring
Conclusions SCM Integration

What to integrate?

- Number of aspects (technologies, processes, performance measures…)
- No clear guidelines for practitioners regarding what to integrate in the different stages of the integration process

How to integrate?

- Several recommendations (inter-firm collaboration, SC design, information sharing…)
- Different opinions regarding in what sequence to conduct internal and external integration
- Chronologically structured approach is missing

Who to integrate with?

- Strategic and systematic managing only between T1-F-C1
- Dyadic supplier-buyer relationships
  - only coordination of order processing, operational scheduling

Why to integrate?

- Number of benefits both on general level and more specific level presented
- Lack of concrete empirically proved evidence confirming the proposed benefits
### Hinder och drivkrafter

<table>
<thead>
<tr>
<th>Category</th>
<th>Sub-categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminology</td>
<td>Definitions, frameworks, standards</td>
</tr>
<tr>
<td>Organizational</td>
<td>Structure, process orientation, measurement and reward systems</td>
</tr>
<tr>
<td>Relationships</td>
<td>Trust, mutual understanding, power and control, privacy and security</td>
</tr>
<tr>
<td>Technology</td>
<td>Information systems, complexity, standards</td>
</tr>
<tr>
<td>General</td>
<td>Eco-System,laws,trends, globalization, business models</td>
</tr>
</tbody>
</table>
SCM Frameworks

- GSCF (Lambert)
- SCOR (scc)
- CSCMP
- Mentzer
- Others (e.g. cfpr, sustainability)
Types of Inter-company Business Process Links

Supply Chain Management Vision

The key to achieving an integrated flow of product and information throughout the supply chain is to create a focused customer interface, a focused supplier interface, and an integrated, process-oriented, supply chain which is driven by the customer.

**Underlying Process Vision**

Customer Relationship Management

Fulfillment

Customer Service Management

Demand Management

Supplier Relationship Management Process

Manufacturing Flow Management

Source: 3M
Supply Chain Management

Integrating and Managing Processes Across the Supply Chain

Information Flow

Tier 1 Supplier

Tier 2 Supplier

Purchasing

Logistics

Marketing

Production

R&D

Finance

Customer

Consumer/End-user

PRODUCT FLOW

CUSTOMER RELATIONSHIP MANAGEMENT

CUSTOMER SERVICE MANAGEMENT

DEMAND MANAGEMENT

ORDERFULFILLMENT

MANUFACTURING FLOW MANAGEMENT

SUPPLIER RELATIONSHIP MANAGEMENT

PRODUCT DEVELOPMENT AND COMMERCIALIZATION

RETURNS MANAGEMENT

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT

Typical Functional Silos

Business Processes

Customer Relationship Management
Customer Service Management
Demand Management
Order Fulfillment
Manufacturing Flow Management
Supplier Relationship Management
Product Development and Commercialization
Returns Management

Information Architecture, Data Base Strategy, Information Visibility

Note: Process sponsorship and ownership must be established to drive the attainment of the supply chain vision and eliminate the functional barriers that artificially separate the process flows.

The SCOR® model – an industry open standard

- SCOR is a supply chain process reference model containing over 200 process elements, 550 metrics, and 500 best practices including risk and environmental management
- Organized around the five primary management processes of Plan, Source, Make, Deliver and Return
- Any interested organization can participate in its continual development
Supply-Chain Operations Reference-model (SCOR) 10 – Level 1 and Level 2 Processes

Plan
P1 Plan Supply Chain
   P2 Plan Source
   P3 Plan Make
   P4 Plan Deliver
   P5 Plan Returns

Source
S1 Source Stocked Products
S2 Source MTO Products
S3 Source ETO Products

Make
M1 Make-to-Stock
M2 Make-to-Order
M3 Engineer-to-Order

Deliver
D1 Deliver Stocked Products
D2 Deliver MTO Products
D3 Deliver ETO Products
D4 Deliver Retail Products

Suppliers

Customers

Enable

Return
Source

Return
Deliver
SCM Frameworks (Mentzer)
SCM Sustainability (Carter and Rogers 2008)

Good?

Strategy
- Sustainability as a part of an integrated strategy

Organizational culture
- Deeply ingrained
- Organizational citizenship
- Values and ethics

Environmental performance

Social performance

Economic performance

Sustainability
- Best

Better
- Risk management
  - Contingency planning
  - Supply disruptions
  - Outbound supply chains

Better
- Transparency
  - Stakeholder engagement
  - Supplier operations