

SupplyChainDigest™

The Executive View – by Gene Tyndall



I am pleased to contribute a monthly column on “The Executive View,” for SCDigest. Our purpose in this column is to communicate what senior-level executives think and say about their company’s supply chains—both supporting and criticisms. Our hope is that these articles will help SCDigest subscribers gain improved knowledge about senior executive goals, needs, and opportunities. We encourage your feedback each month.

Why C-Level Execs Often Defer Supply Chain Discussions

By Gene Tyndall

In our many conversations with C-level executives in all industries around the world—and this behavior is backed up by surveys by the leading consulting firms—we are finding increasingly that they resist and/or defer discussions about their company’s supply chains. They often believe that the topic is too complex, too technical, or too tactical for them to be engaged in.

Except for the senior executives who truly believe that superior supply chains can provide their primary competitive advantage - executives at companies like Dell, P&G, Wal-Mart, and others that lead their industries in this way - most senior people defer to their logistics, operations, procurement, or other functional leaders, for conversations, agendas, and actions. The net result of this at many companies is that SCM is not on executive agendas, and as a result, access to capital, resources, and investments is limited, or in the best case, overly challenging to acquire.

Many SCM professionals rightly ask: Why is this the case? Why don’t our executive leaders get it? It seems so clear. We can reduce more costs, improve customer service, improve our operational processes, etc. All we need is executive commitment and sponsorship, and some additional resources.

Unfortunately, it is rarely so clear to others. Finance managers may question the value of operations excellence. Sales and marketing managers may question the rationale for reducing inventories. Human resource managers may challenge the need for more specialists. Other operations managers (manufacturing, for example) may place a higher priority on product quality. In other words, these companies are saying, “We are not really a “supply-chain company.” If other company managers don’t “get it,” it is not likely that we can expect that the C-levels will.

For years, we have promoted logistics managers as the “integrators”. We integrate the functions of buy, make, move, and sell that are concerned with the movement and storage of goods. We can even plan how to better match demand and supply.

Today, it would seem the time is right for managers to step up - step up to supply chain management from logistics; step up to be communicators of value from measurers of costs; and,

yes, step up to new ways of describing what we do and why it matters to the business as a whole, and to our trading partners.

For C-levels, that means to simplify logistics and SCM. Minimize the complexity and technical nature of our processes and objectives, such as optimization. Most importantly, learn to communicate in business terms. Whether we are discussing people, processes, or technology, we should always know our audience, and connect in ways that communicate, not just show and tell.

One excellent way we know to communicate is to speak in terms that C-levels use. First, talk about how SCM aligns with and enables the company's business strategy. Strategy is primarily about products, markets, and beating the competition. Excellence in SCM can enable, facilitate, and deliver superior strategic results.

Second, talk about value in business terms. How does the company measure shareholder value? Financial performance? Competitive advantage? How can effective SCM impact these metrics?

Third, learn to construct a value proposition for initiatives, projects, investments, or resources that resonates with C-levels. For example, what if we achieved improvements of 1-5% in terms of cost reduction or profitable growth? What would this translate to in terms of business value? Moreover, what if we helped reduce inventories 5%; or increase turns from 7 to 8. What would this mean to the business? And so on.

These modifications in how we talk, speak, and communicate do not require massive changes or significant learning. Rather, they require managers to learn more about the business, and their role in advancing the goals and vision.

We will develop these ideas further in subsequent columns. We will provide some tips in understanding, measuring, and communicating value. We will also accommodate your feedback and comments.

Gene Tyndall is currently founding partner with Supply Chain Executive Advisors, LLC, a global partnership firm providing advice and counsel to senior-level executives interested in improving their companies' supply chains. Previously, he was exclusive vice president and leader of The Ryder Global Supply Chain Solutions Businesses, and a leader of the global SCM consulting practice of Ernst & Young. He is a globally recognized expert in SCM and a leader in its definition and evolution.