

[Back to List](#)

Organizational Bottlenecks to the Benefits of Supply Chain Management

Call them silos, stove pipes or departmental barriers, natural forces create them and detrimental forces seem to maintain them. And true supply chain management cannot be realized until they are eradicated

By **Robert Martichenko**

Why do so many departmental barriers continue to exist given the benefits afforded by best practices in supply chain management? More importantly, what can we do as practitioners in this field?

The key drivers of departmental barriers are:

1. Processes and Knowing the Customer
2. Systems Thinking and Measurement
3. Teamwork, Imperfection and Defensive Behavior

Processes and Knowing the Customer

Departmental dysfunction can be witnessed within two key groups of any organization. These two types of processes can be called Core and Enabling processes.

Core processes are the processes that directly generate revenue for the firm. They are on the front line; they communicate and interact with the customer daily. In the case of manufacturing companies, sales typically manage the core processes and in the case of service industries (3PLs), the core processes are managed by sales and front-line operations. You know you are part of a core process when your direct customer is your firm's external customer.

Enabling processes are the processes that support the core processes. They are the functional areas where the immediate customer is the "internal customer"; finance, human resources, and procurement, all represent enabling processes where their customer is busy satisfying the ultimate customer.

Herein lays the problem: Not all groups are in front of the real customer. For enabling processes, if there is no common understanding of the ultimate customer, it is simply too easy to create false perceptions of what is truly important to a company's customers. Consequently, it could be argued that enabling process department heads can result in ineffective decisions that adversely effect a firm's potential and have no bearing on the ultimate customer.

In contrast, the core process people are continuously in front of the customer. These employees can become "shell shocked" by fiercely driven customers who continuously demand price reductions and increased service. At worst, these employees can suffer from the "Stockholm Syndrome" where the captured slowly become the kidnapers. When this happens, the core process employees become so focused on the customer that they can overlook essential internal business realities.

How can we strike a healthy balance between customer requirements and internal requirements? One approach, which successful companies use, is to ensure that senior managers and aspiring leaders have worked in the different departments throughout their career. There is absolutely nothing more sobering for a sales person then to work inside and gain an appreciation for operations. It is of equal value to have a CFO sit in front of an irate customer who is reading you the Riot Act.

Bridging the gap between core and enabling processes will lead to a common appreciation of internal business challenges and customer needs. When this happens, we will be successful in aligning core and enabling processes in a systematic way. A systematic approach or "systems thinking" is required to further break down functional silos.

Systems Thinking and Measurement

Similar to all living things, organizations are impacted by natural laws. Among some of these natural laws are growth, variation, change, balance and cause and effect. The law of "cause and effect" is of interest to the supply chain professional. It essence, cause and effect describe three critical points:

1. An action today will create one or more effect in the future (sound Newtonian?)
2. The future effect caused by an action today will generally be felt and managed by someone other than the person creating the initial action.

3. The future effect caused by an action today could be felt tomorrow or years from now, depending on the significance of the action.

Looking at these three key points more closely, we are saying that quality decisions (actions) should not be made without considering their short and long-term impact (effects). Decision making in a vacuum is nothing more than a sign of entrenched functional barriers belying the fact that our organizations work as a system where each decision will necessarily impact in the future, and across functional divides. We need to pro-actively manage the systems effect of decisions, and we need to ensure measurement systems describe the global impact of decisions we've made.

The quintessential example of organization systems thinking is, in fact, a supply chain dynamic. The continuously discussed, but rarely managed concept of Total Cost has its roots in systems thinking. For example, ill conceived purchasing decisions today result in increased warehousing costs six months from now and inventory obsolescence two years from the original purchase. Sadly though, the root cause will go unseen and unmanaged today because the ultimate effects take two years to germinate.

Effective measurement systems are crucial to manage cause and effect. Measurement systems need to represent transactional measurements and also global-corporate measurements. Transactional measurements include on-time performance, fill rate and other measurements driven by single events. Corporate measurements include more global metrics such as total cost, quality, time elements and revenue. Corporate measurements are not derived by single events, but rather are the aggregate (or result-effect) of multiple transactional events. Consequently, all managers need to be responsible for transactional measurements. More importantly, they need to be accountable for corporate measurements. The challenge that many organizations face is to truly understand how each department contributes to overall corporate success.

Companies need to design and implement measurements and processes that have a systems approach. Teamwork is part of this solution.

Team Work, Imperfection and Defensive Behavior

Teamwork describes a high functioning group trying to reach a common goal. Teamwork will also help us in bridging core processes with our enabling processes. This is intuitive, as each functional area recognizes the weaknesses in the other functional areas of the company. Yet, communicating these weaknesses and solving problems in a team environment is often a difficult task.

No human being is perfect. As professionals with imperfections that we all have strive to overcome, it's important that we remain open minded to constructive feedback from colleagues in our companies who recognize these weaknesses. It sounds logical, but effective execution of cross-functional feedback often remains as a challenge.

Co-workers see our areas for improvement because they are often at arms length. This is the quintessential fresh set of eyes perspective that underlies a winning formula for most consulting companies. However, we are often not open or receptive to the feedback from our imperfect co-workers. We may say to ourselves, "how dare you recommend improvements in my department when your department is in shambles!" However, their observations of our weaknesses often have no relationship with how well they manage their own areas. A colleague may even be completely incompetent in his or her own work, but their observations about our work may be 100 percent accurate.

Getting over this destructive cycle requires a mutual understanding that we are not perfect, that others see the imperfections in our work and that critical feedback is a constructive means to reach the company's objectives.

Breaking Down the Walls

Successful companies will complement this increase of corporate self-confidence with a total systems approach to measurement and effectively bridge core and enabling processes. With all of this accomplished, teamwork will thrive, costs will be reduced, revenues will grow, and customers will be in awe.