



# THE RISE OF THE CHIEF SUPPLY CHAIN OFFICER

Evolving into designer, manager and stewards

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**As outsourcing has increased and companies co-ordinate with customers and suppliers, the importance of operations management has progressed rapidly.** CEOs, in an expanding list of industries, are including supply chain management on their strategic agendas and turning to their supply chain as a way to differentiate themselves from their competitors. This progression has been accompanied by a transformation of the role of the Senior Operations Officer into that of the Chief Supply Chain Officer (CSCO).

In today's business world, operations management is the backbone of many companies and efficient supply chain management, that is aligned with business strategy, is necessary to remain competitive and profitable. The effective integration of both internal and external operations is a key competitiveness driver in every company, and designing, refining and implementing new processes are key supply chain activities.

The challenge for the operations function is to produce high-quality goods and services on time, and at minimum cost, while responding to shifting market demands. This requires understanding and management of the whole supply chain from beginning to end, both in the manufacturing and service sectors which face similar challenges in supply chain optimization.

## Changing role of the CSCO

The role of today's CSCO has been influenced by a number of historical initiatives. In the words of a retired pharmaceutical CEO, the focus of the operations officer in the past was to deliver the product when needed, with the required quality, at a reasonable cost. The supply chain often played a back-seat role to the more publicly noticed sides of the business such as marketing, sales and finance.

Today's CSCO has evolved beyond this into designer, manager and steward of the entire supply chain and is in charge of managing the set of processes that enable a firm to supply products and services.

In order for CSCOs to deliver a winning (high-quality and profitable) supply chain, they must harness business imperatives such as leadership, talent and learning. And to succeed, they need to be able to answer the following questions:

- What should be outsourced and what insourced?

- What functions should be centralized or decentralized and where should centralized operations be located?
- What benefits can be reaped from integrating with customers and suppliers?
- What risks are associated with higher or lower levels of integration?
- What tools can increase the level of integration between the company and its supply chain partners?

### Lean and agile key

In order for the company to remain competitive, the CSCO needs to ensure that the supply chain is a key differentiating factor. This includes putting constant effort into designing and managing a lean and agile supply chain that supports the company's overall strategy.

Leanness means developing a value stream that eliminates all waste, including time, and ensures a smooth and predictable output. Agility, on the other hand, means using market knowledge and the virtual company to exploit profitable opportunities in a volatile marketplace while ensuring that flexibility is built into the system.

While lean supply chains are suitable for functional products and services, agile supply is better suited to more innovative products and services. CSCOs competing with lean supply chains must focus on quality, lead times and service levels as market qualifiers, and focus on cost as market winners. Agile supply chains, on the other hand, must focus on quality, cost and lead time as market qualifiers, and service levels as market winners. The bottom line is that any supply chain must be adaptable and flexible, and leanness and agility are nothing without the integration of suppliers.

Competition is no longer company versus company, but supply chain versus supply chain. Any CSCO needs to bear in mind constantly that each member of the supply chain has an effect on the performance of the others, the overall supply chain and the ultimate end-customer. Partners in the supply chain must be able to work both independently and together, and optimization of performance must occur at both the company and individual levels.

## What does the future hold?

Change in business has become inherent and it is up to business leaders to manage and master their changing environment and keep both their skills and their company at the leading edge.

Operations tends to be the function under the most pressure to adapt, but it is also the most difficult to change because of the major investment involved. Today, efforts to improve demand and supply chain management remain widespread, with each new phase contributing to the quest for an optimal balance between value and cost as companies strive to remain competitive.

It goes without saying that the CSCO plays a key role in this adjustment and modernization process. The successful CSCO will be the one that is constantly searching for and forecasting future trends, seeking to improve the flexibility of the company supply chain.

This Tomorrow's Challenges article is drawn from "Leading in the Top Team: The CXO Challenge", edited by IMD Professor Preston Bottger, published by Cambridge University Press. It is based on the chapter "The Chief Supply Chain Officer – Designing and managing lean and agile supply chains" by Carlos Cordon and Kim S. Untofth.

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