

Chapter 5

Mastering Change Management for Successful Supply Chain Transformation

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ABSTRACT

Supply chain transformation is necessary for the survival and growth of an organization; the more effective the transformation, the more likely the company is to thrive. In response to the dramatic changes in the business landscape over the last few years, many companies are launching business transformation programs to drive sweeping changes in their supply chain processes. These transformations are required to match the ever-growing customer demand and drive competition in the market. The supply chain transformation can be evident in exploring new sourcing networks, establishing collaborative forecasting processes, optimizing networks and inventories, reducing supply chain complexities, improving margins, etc. In today's world, it is no longer an option whether or not to opt for supply chain business transformations. Instead, it is a strategic mandate in order to stay relevant in the industry. This chapter provides the analysis of the most common transformation failures and suggests a practical framework leveraging some of the best practices in change management.

INTRODUCTION

In today's complex and ever-changing business world, firms of all types are rethinking every aspect of their supply chain performance. Firms are exploring new enablers to optimize and manage their supply chains; beginning with demand plan-

ning and order management reviewing the entire supply chain up to procurement and transportation.

So what is the scope of supply chain management? The Council of Supply Chain Management Professionals (CSCMP) defines it as follows: "Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and

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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. It also drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology.”

The supply chain of a firm often manages 60 – 70% of the total cost, controls 100% of the inventory, and plays an integral part in customer satisfaction and revenue generation. Therefore, the supply chain impacts virtually every financial metric included in the company’s income statement and balance sheet. Therefore it becomes apparent why companies want to unlock the value of their supply chains.

In all kinds of industries from the relatively slow-moving ones such as Utilities and Cement to the rapidly changing businesses of the High-Tech and Retail industries, effective supply chain processes have become critical in achieving competitive advantage by enabling lean and agile supply chains. Sabri and Shaikh (2010) mentioned that the remainder of this decade will witness what is called “a tightly integrated business environment” in which supply chain interactions will involve tightly integrated databases and applications. Processes will be significantly re-designed and streamlined to eliminate redundancies and non-value added activities.

Companies can no longer view supply chain as a back office and a transactional focused function. It is becoming extremely prevalent in that companies are not simply looking to drive cost out of their businesses, but also striving to be more agile in securing a supply chain that can quickly adapt to a rapidly changing market.

Taking the initiative to implement supply chain business transformation and continuous improvement is no longer an option; it is a strategic mandate in order to stay relevant in the industry. Evidently,

it is crucial to act rapidly and launch transformation activities. However, the industry’s reality is that 70% of all transformation initiatives (programs) fail. The first author has witnessed several firms struggle with implementing the transformation improvement programs and achieving the promised value or “Return on Investment” (ROI).

Typically failure does not happen overnight, but an expert in the field can foresee when it is coming. Some indicators that exhibit the transformation program is not successfully progressing are evident in a few occasions: a confused program sponsor struggling to find out what has gone wrong, the transformation team losing focus and enthusiasm, team members drawn away to different tasks that are wrongfully considered more urgent, a serious halt in the continued development of the project, and dropping off executives’ radars.

The low success rates of other transformation programs and the frightening statistics make firms (who are about to take the transformation journey) reconsider moving forward. These firms typically have doubts and questions about the best practice in integrating new Internet technologies into supply chain operations. At times they even postpone their efforts until an expert is able to address their concerns. Firms seek how to:

- Master change management and ensure users’ adoption,
- Address the need for new skills to support processes that span across suppliers and partners,
- Ensure continuous upper management support,
- Identify comprehensive metrics and ensure continuous monitoring,
- Identify the criteria to select the software providing partner if a new technology is needed.

Based on relevant research and the authors’ professional experience, the main cause for the low success rates of business transformation

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