

# **VIB Congress – 21<sup>st</sup> Day of Procurement and Logistics**

**Driving Successful Strategic Change  
– The Key Leadership and  
Change Management Requirements**

**Professor Alan Waller OBE**

**Antwerp, Belgium 24 April 2018**

# Professor Alan Waller OBE

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- **Vice President, SC Innovation, EFESO Consulting**
- **Visiting Professor, Cranfield School of Management**
- **Past International President, CILT**
- **Global Research Committee, APICS SCC**
- **Steering Group ALICE**
- **Chairman, ELUPEG Europe**
- **Ambassador, Transaid**



# Agenda

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- Business Pressures
- The Role of Supply Chain
- Integrating Supply Chain with Business Strategy
- Cranfield/EFESO 2017 Survey - Objectives
- Leadership and Behaviours - 2017 Research Hypothesis
- Cross Functional involvement – Moving to Shared Leadership?
- Key Ingredients for Success – Leadership and Behaviours
- A Case Study in Indonesia
- The Way Ahead

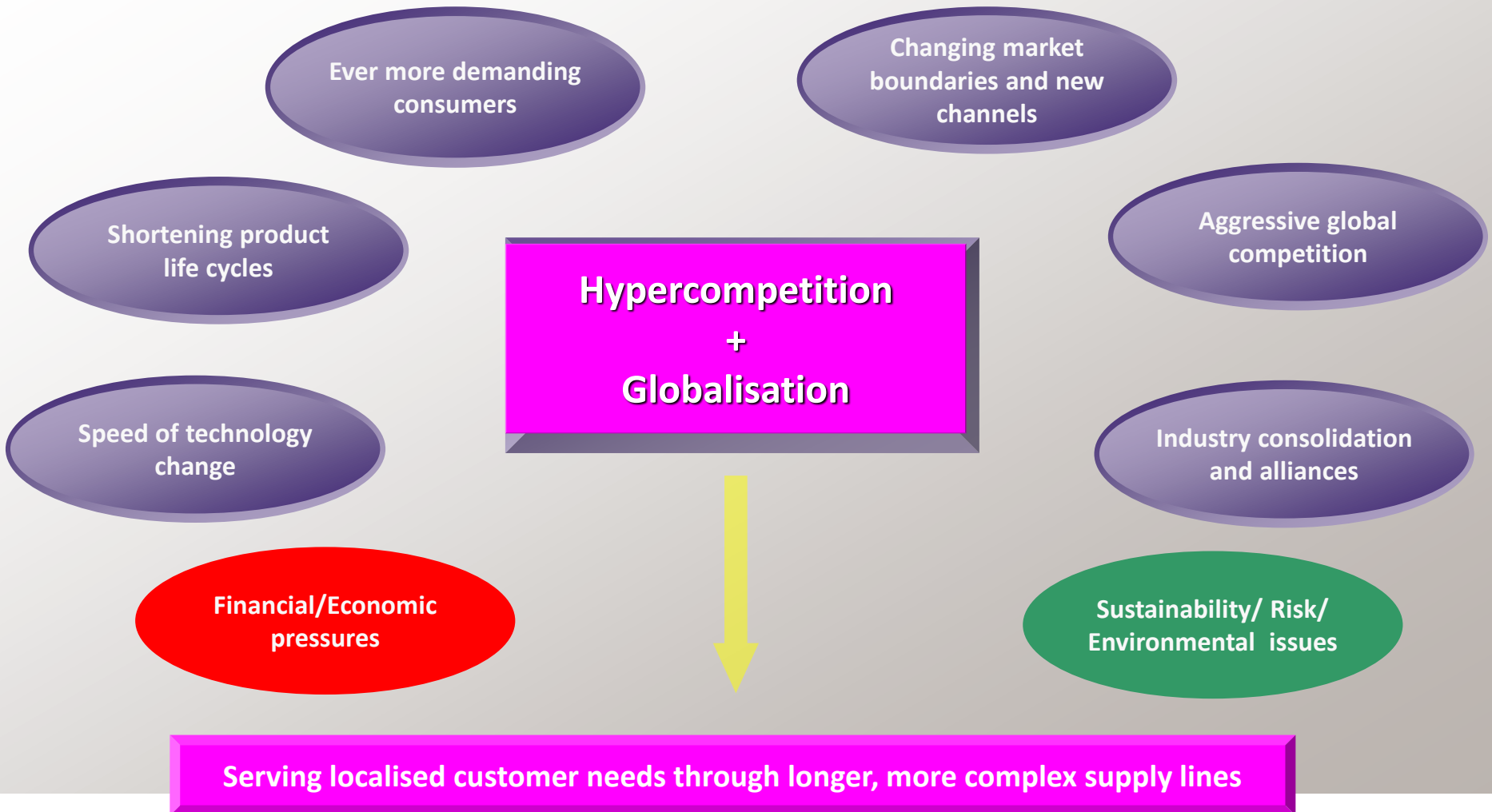
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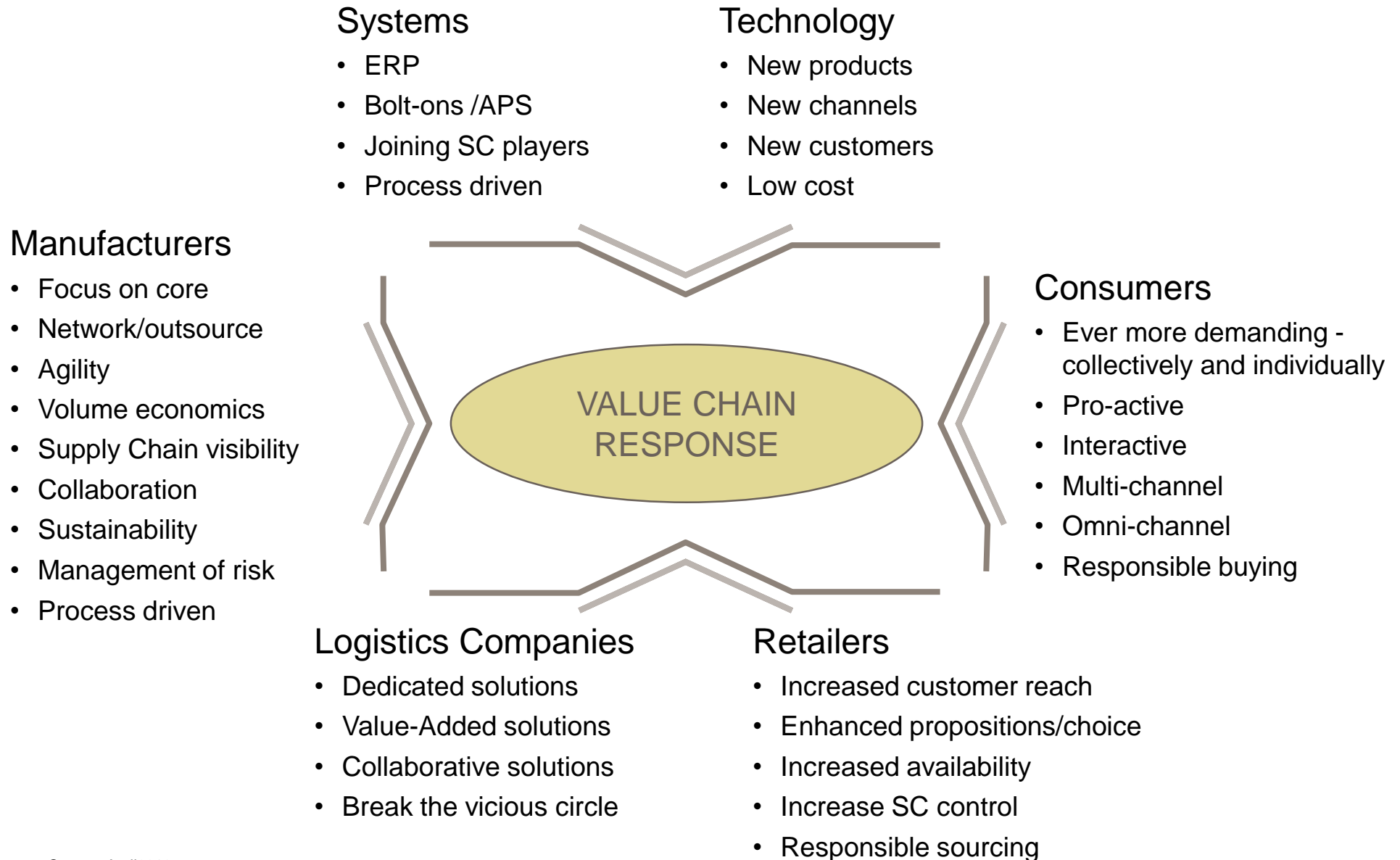
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# Supply Chain Management in a Global World

## Competitive Pressures in the Supply Chain



# The Emerging Value Chain- The Global Picture



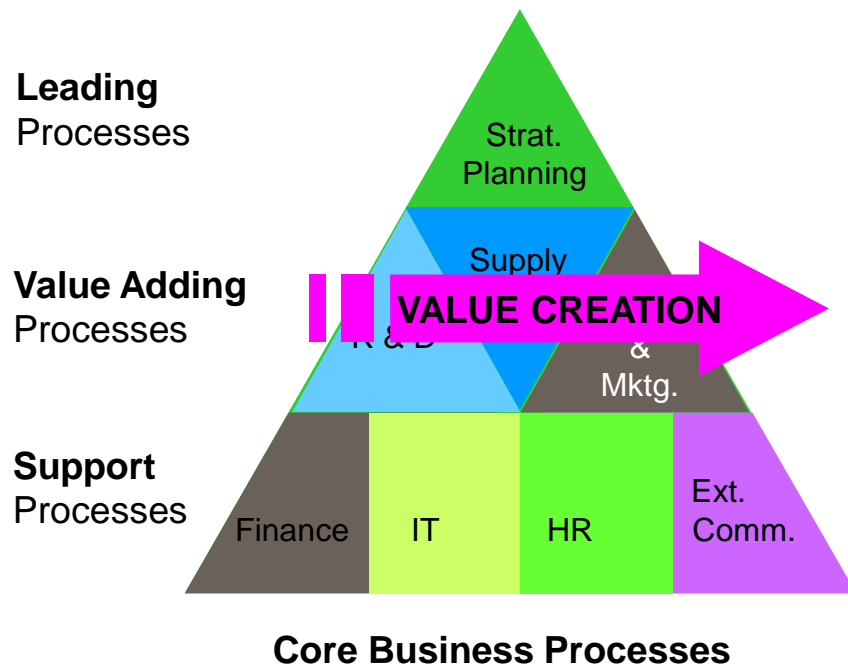
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# Supply Chain of the Future: Supply Chain Management in the Boardroom

Supply Chain Management coordinates the internal and external networked resources to drive VALUE through the business



- The Supply Chain strategy will complement and enable the overall business strategy for top line growth
- Excellence in Supply Chain execution will deliver the bottom line results
- The Supply Chain leader of the future will have to:
  - Understand interfacing functions
  - Make increasingly strategic decisions
  - Move from "value delivery" to "value creation"
  - Manage opportunities and risk in the extended enterprise
  - Merit board level recognition

**SUPPLY CHAIN AS A FUNCTION- AND AS A PROCESS!**

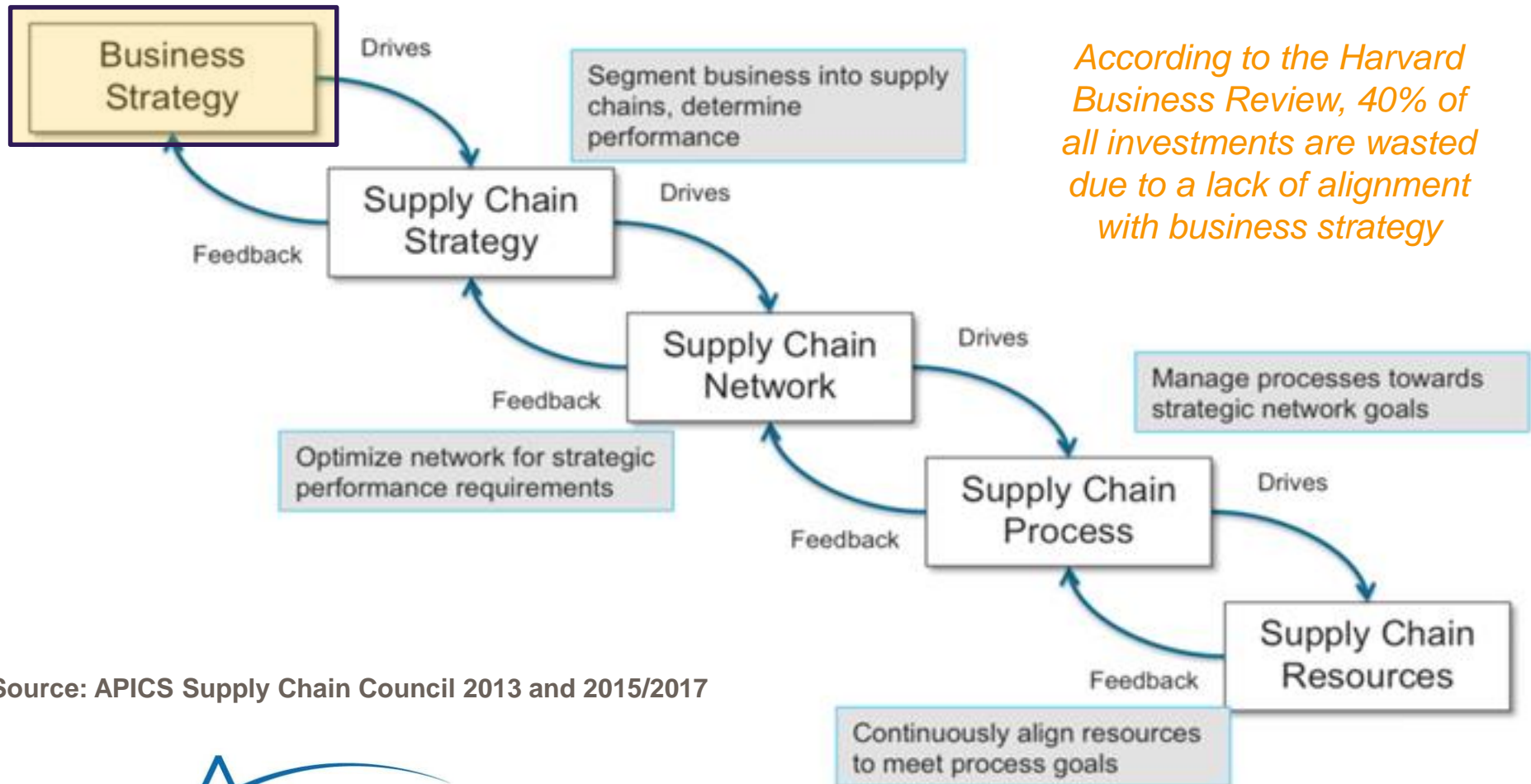


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# M4SC (Management for Supply Chain) Approach: Value Chains - so much more than trucks and sheds...



Source: APICS Supply Chain Council 2013 and 2015/2017

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# Survey Objectives

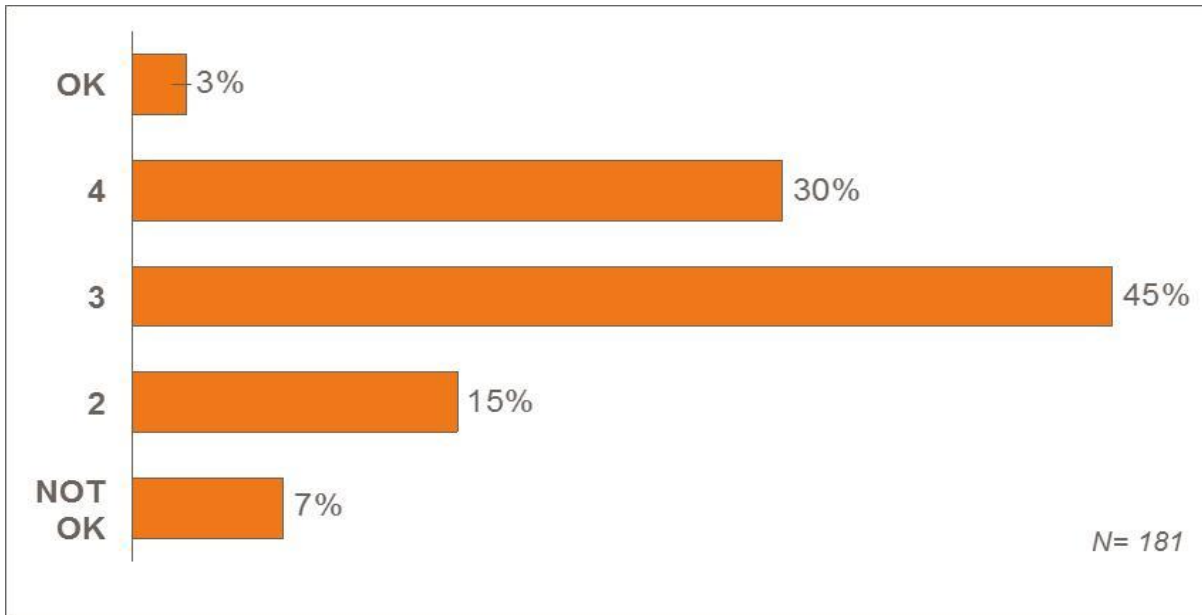
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**Previous EFESO sponsored joint research with Cranfield University highlighted the chasm that exists between vision and successful implementation of supply chain strategies, with success rates averaging 50%. This ground-breaking 2009/2012 research identified the key barriers to success, and also the key 'get rights' that drive successful change. The most challenging 'get rights' related to leadership and change management.**

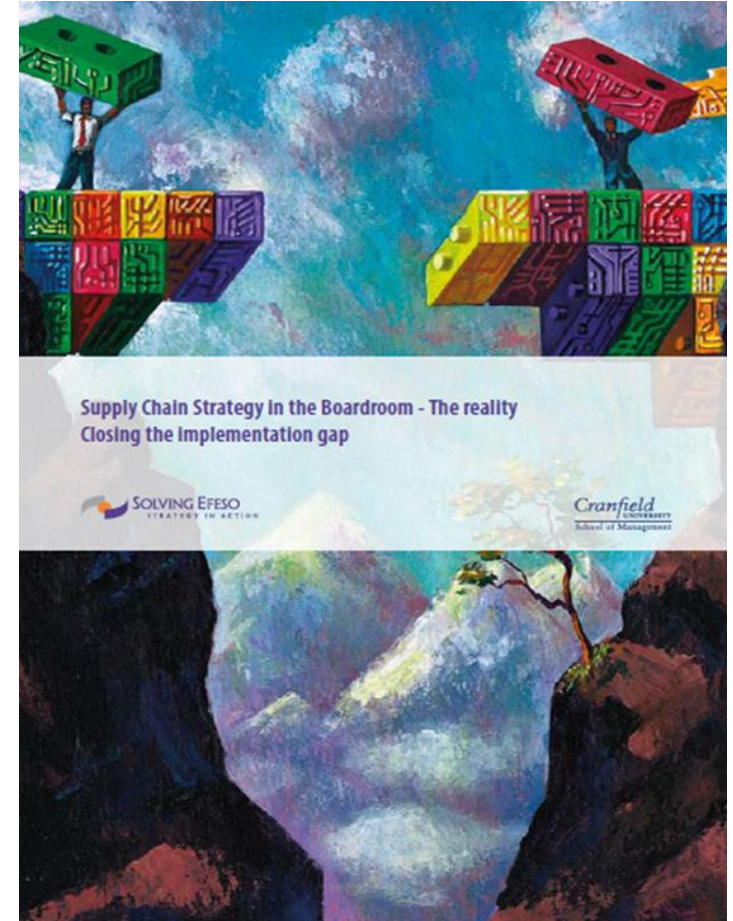
**Some five years on, this new 2017 research seeks to update the major findings of the previous research, and to examine leadership and change management issues in greater depth. It will seek to identify the leadership and behaviours needed to better steer and secure the successful change required in the strategic leverage of supply chain concepts.**

# Key findings from earlier research published 2012

## SUCCESS OF SUPPLY CHAIN STRATEGY EXECUTION (% of cases)



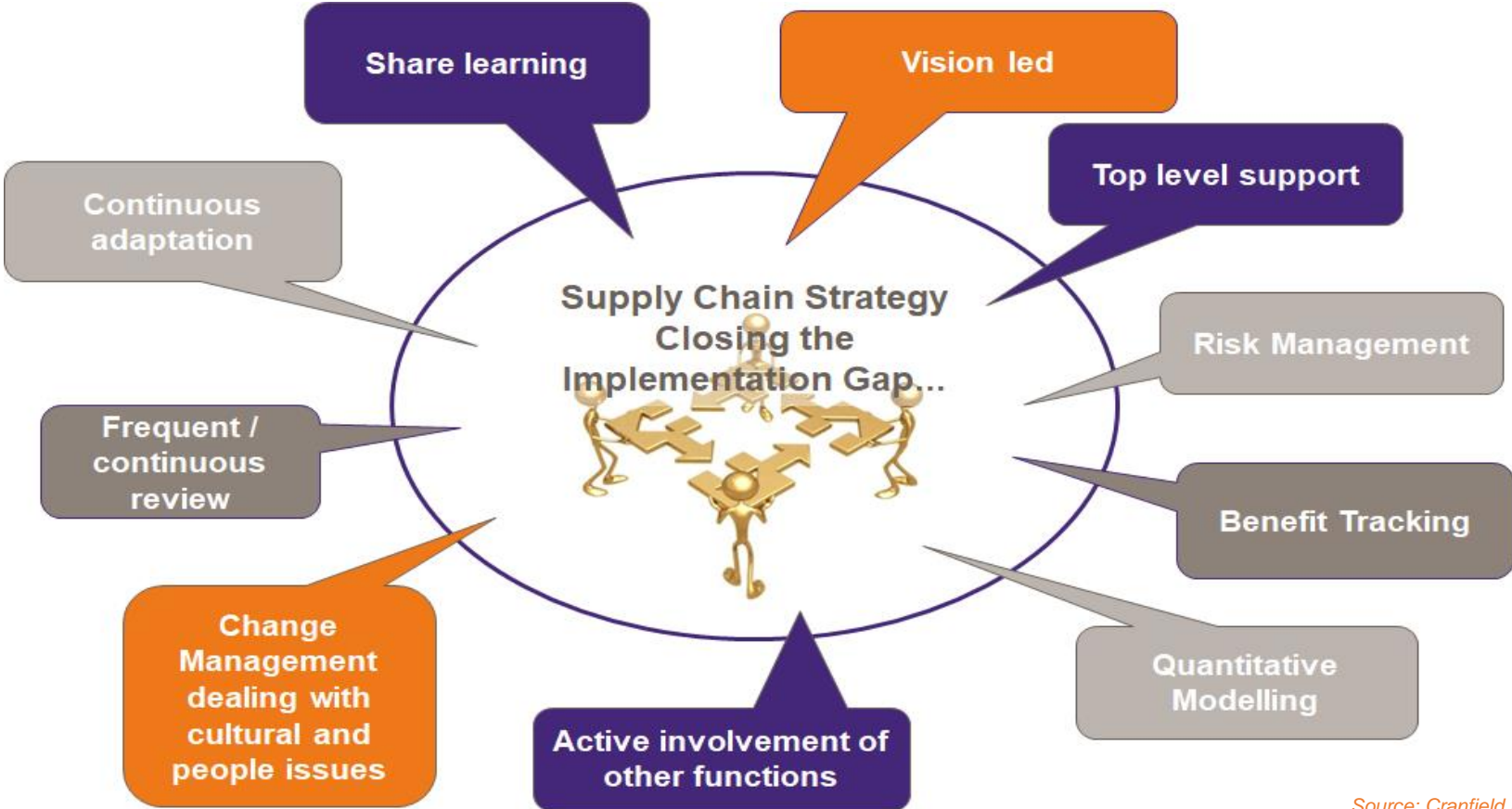
Our earlier research highlighted the chasm that existed between vision and successful implementation with success rates averaging 50%



Source: Cranfield EFESO research Closing the implementation gap (2010-2012)

# Key findings from earlier research published 2012

Earlier research identified key “get rights” enabling success...



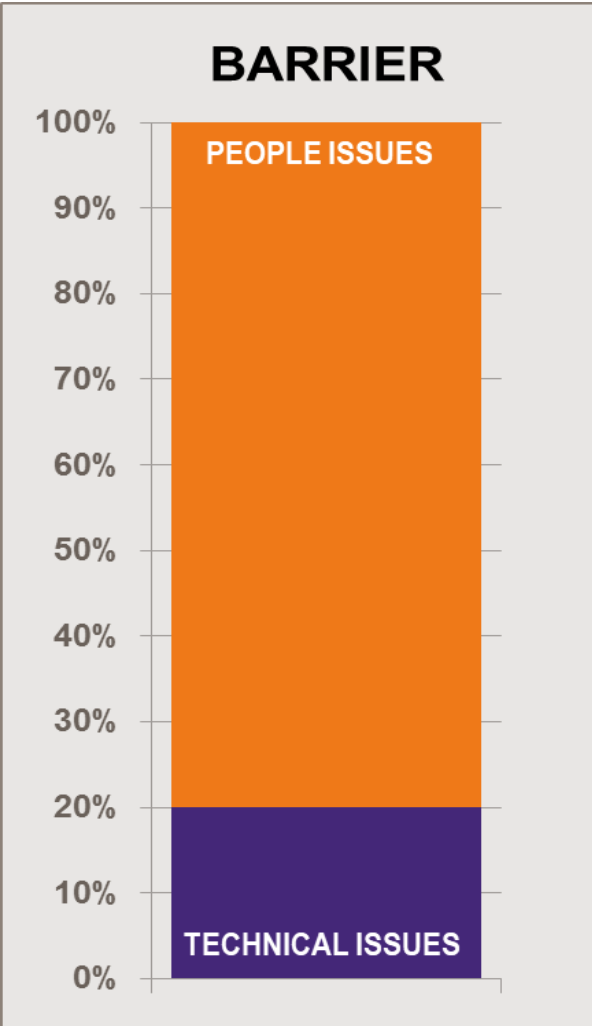
Source: Cranfield EFESO research Closing the implementation gap (2010-2012)



# Key findings from earlier research published 2012

- **Most challenging barriers to success found to be around leadership and dealing with the human dynamics...**

- Company Culture
- Lack of Senior Management Leadership
- Lack of CEO support
- Management skills inadequate
- Lack of clear goals
- Lack of urgency
- Lack of resources
- Fear of change
- Too many conflicting priorities
- Over ambitious timeline



Source: Cranfield EFESO research Closing the implementation gap (2010-2012)

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# Leadership & Behaviours for Next Generation Supply Chains

Latest research examines the leadership and change issues in greater depth...

**KEY**  
▣ Leadership Behavior  
▣ Leadership Values



Source: Cranfield EFESO research 2017

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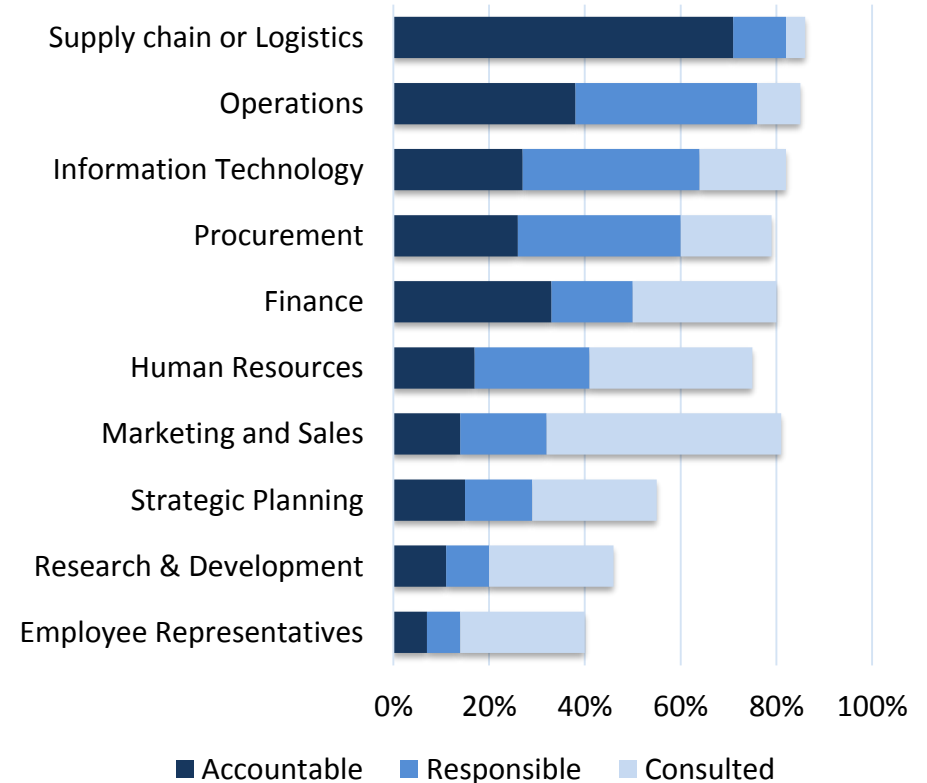
# Functional involvement in Supply Chain SI process - 2012 vs. 2017 Results

More cross-functional involvement than before, particularly in IT and HR?

2012 Results



2017 Results



Source: Cranfield EFESO research 2017

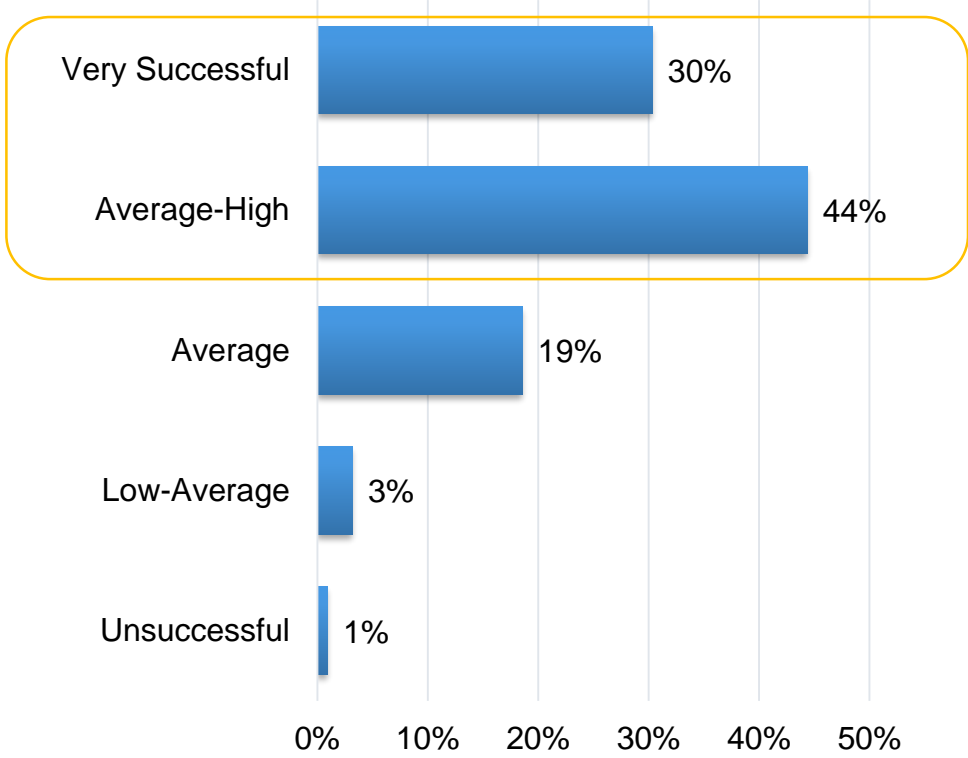
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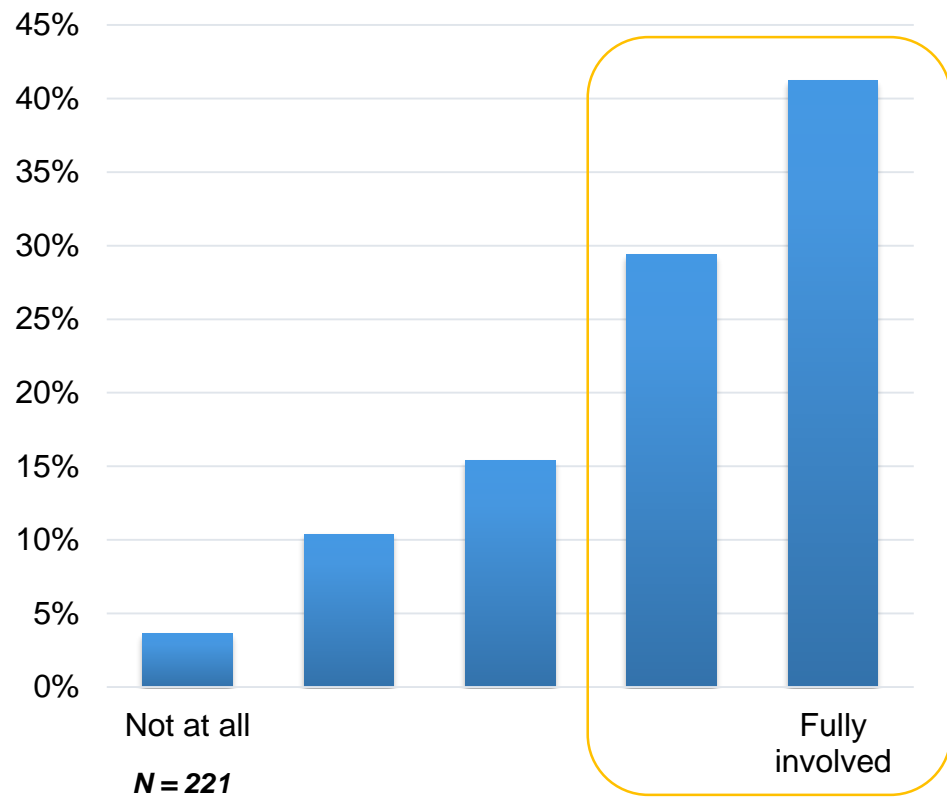
# Emerging findings from 2017 research

- Evidence that businesses are getting better at managing strategic change in the supply chain with high levels of board involvement...

**LEVEL OF SUCCESS**



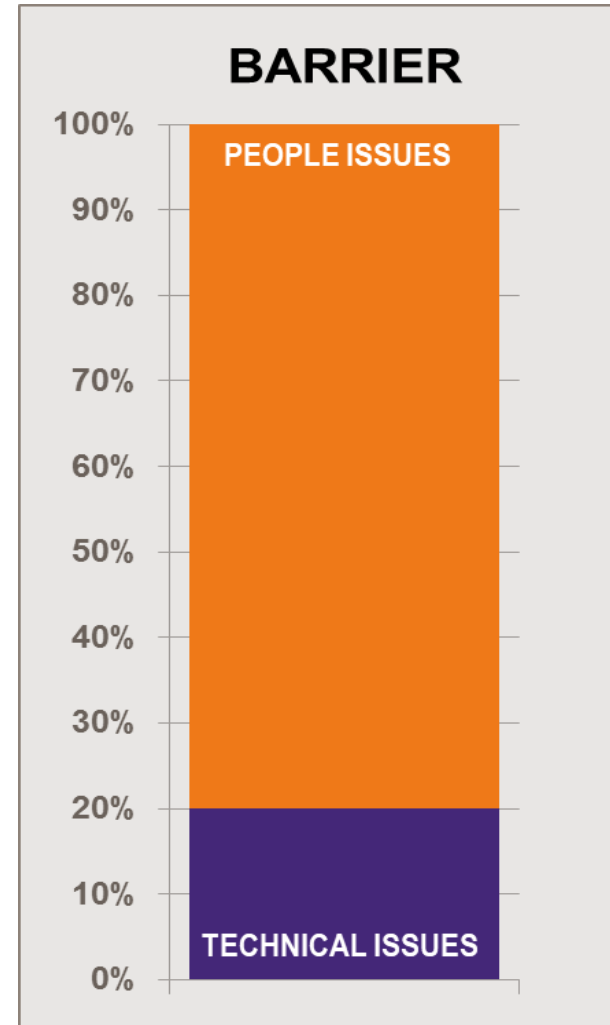
**LEVEL OF BOARD INVOLVEMENT**



# Emerging findings from 2017 research

- **Barriers continue to be about the leadership and people issues...**

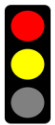
1. Lack of resources
2. Change overload
3. Too many conflicting priorities
4. Over ambitious time lines
5. Lack of IT Systems
6. Perceived risks of the change
7. Fear of change
8. Difficult to align strategies through the SC
9. Re-skilling and training
10. Gaps in capabilities and competencies between supply chain partners




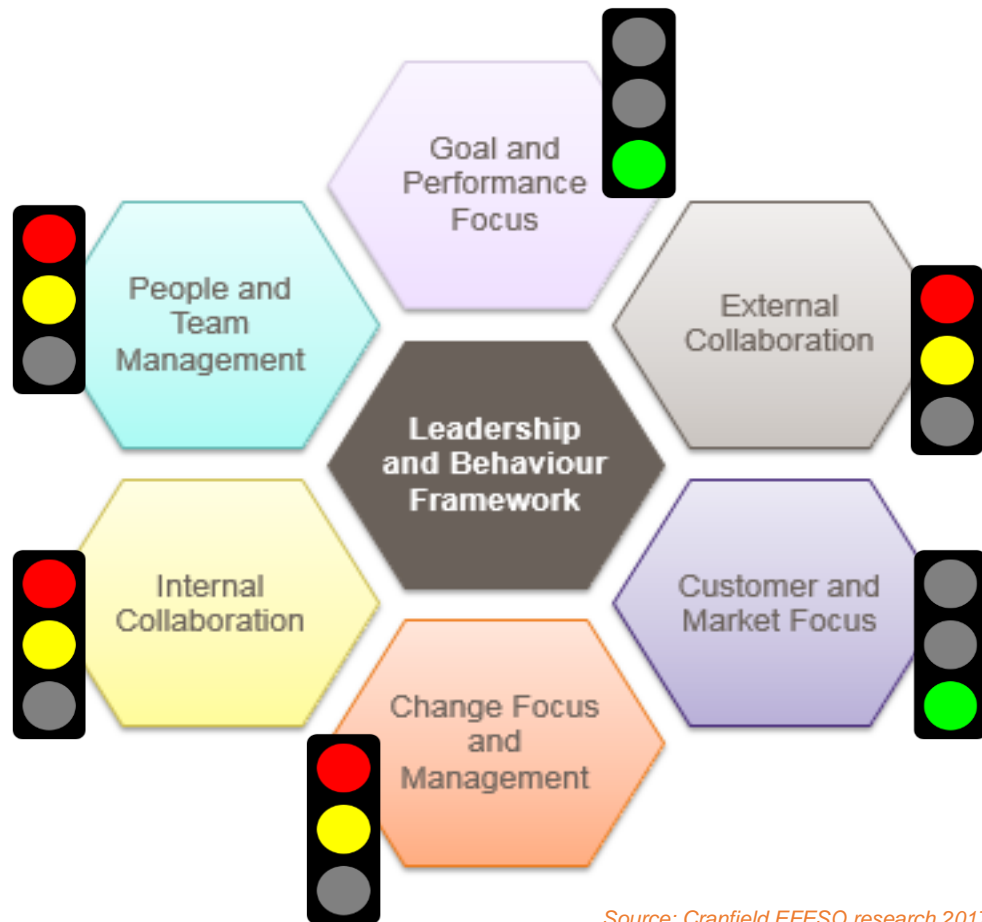
Source: Cranfield EFESO research 2017

# Emerging findings from 2017 research

- Our Leadership and Behaviour framework has been tested through the research and we find that all elements of the model have a strong positive correlation with success...

-  Scope for improvement greatest in:
- Change focus and management
  - Collaboration - internal and external
  - People and team development

-  Important and seemingly done OK:
- Goal and performance focus
  - Customer and market focus



Source: Cranfield EFESO research 2017

# Emerging findings from 2017 research

• Of the six main elements in the Leadership and Behaviour framework, four elements show the strongest correlation with success...

- The least-strong elements are Internal-External Collaboration
- Why could this be?
  - Collaboration is yet to have an impact
  - Collaboration has not been effective
  - The perception of what the term “Collaboration” means and effect is unclear
- Through the 1 to 1 interviews we intend to probe more into the elements, application in practice and correlations to success

**MAIN ELEMENTS vs SUCCESS**

	Correlation to Success
Change Focus and Management	62.64%
Goal and Performance Focus	58.06%
Customer and Market Focus	54.28%
People and Team Management	52.62%
Internal Collaboration	36.21%
External Collaboration	29.10%

Source: Cranfield EFESO research 2017

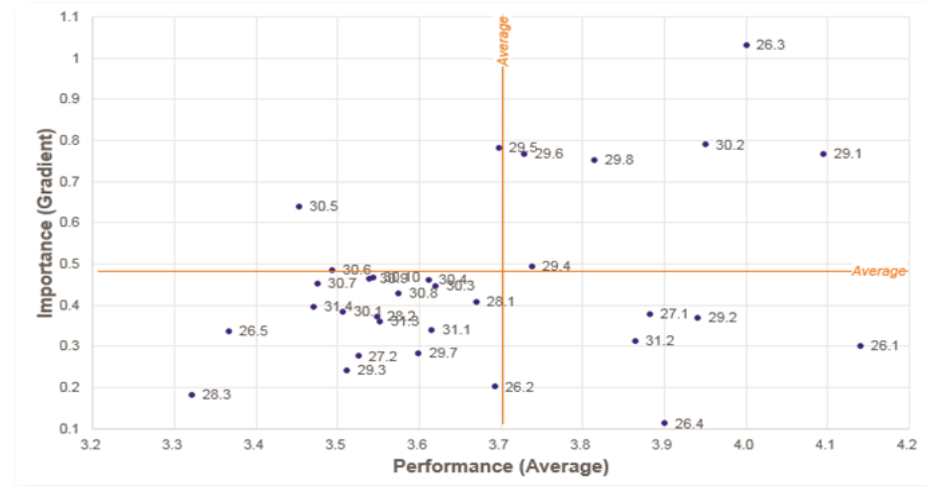


## Emerging findings from 2017 research

- We have identified 6 elements with clear and significant room for improvement. If companies do all of these well they stand the highest chance of success with their strategic initiative...

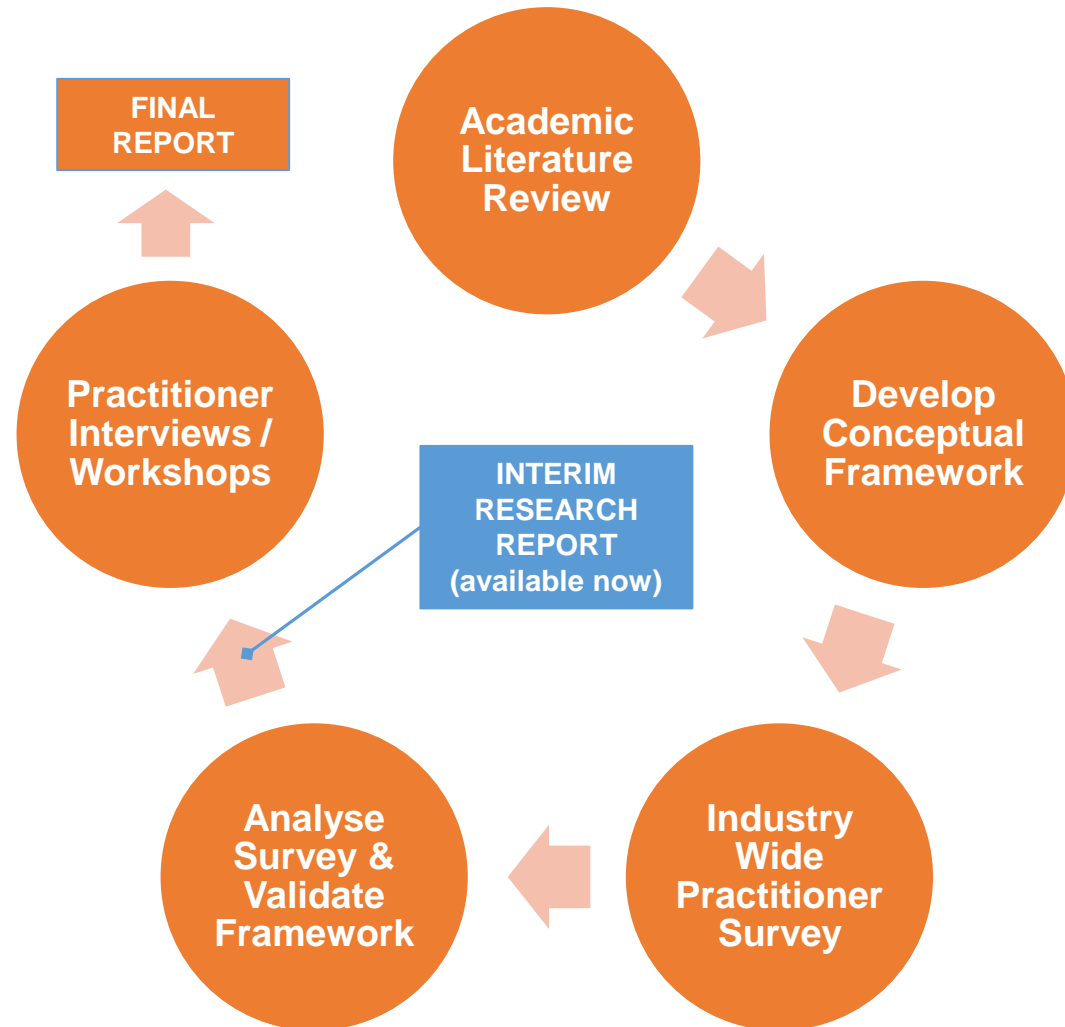
1. Alignment with business strategy – vision led
2. Global and holistic thinking – end-to-end value chain, ecosystem
3. Realisation and acceptance of personal contribution towards change goals
4. Generating short term wins – piloting, proof of concept, delivering benefits, building credibility
5. Customer-centricity and actual service – ‘don’t drop the ball on service’ during change
6. Continuously adapt the SC strategic initiative to changing circumstances

### IMPORTANCE vs PERFORMANCE



Source: Cranfield EFESO research 2017

# A rigorous academic & practitioner led approach to the Research...



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# The Market Opportunity - Indonesia



- 1,811,569 sq km land
- 251,160,124 inhabitants
- GDP / Capita (ppp): \$5,000 (2012 est.)

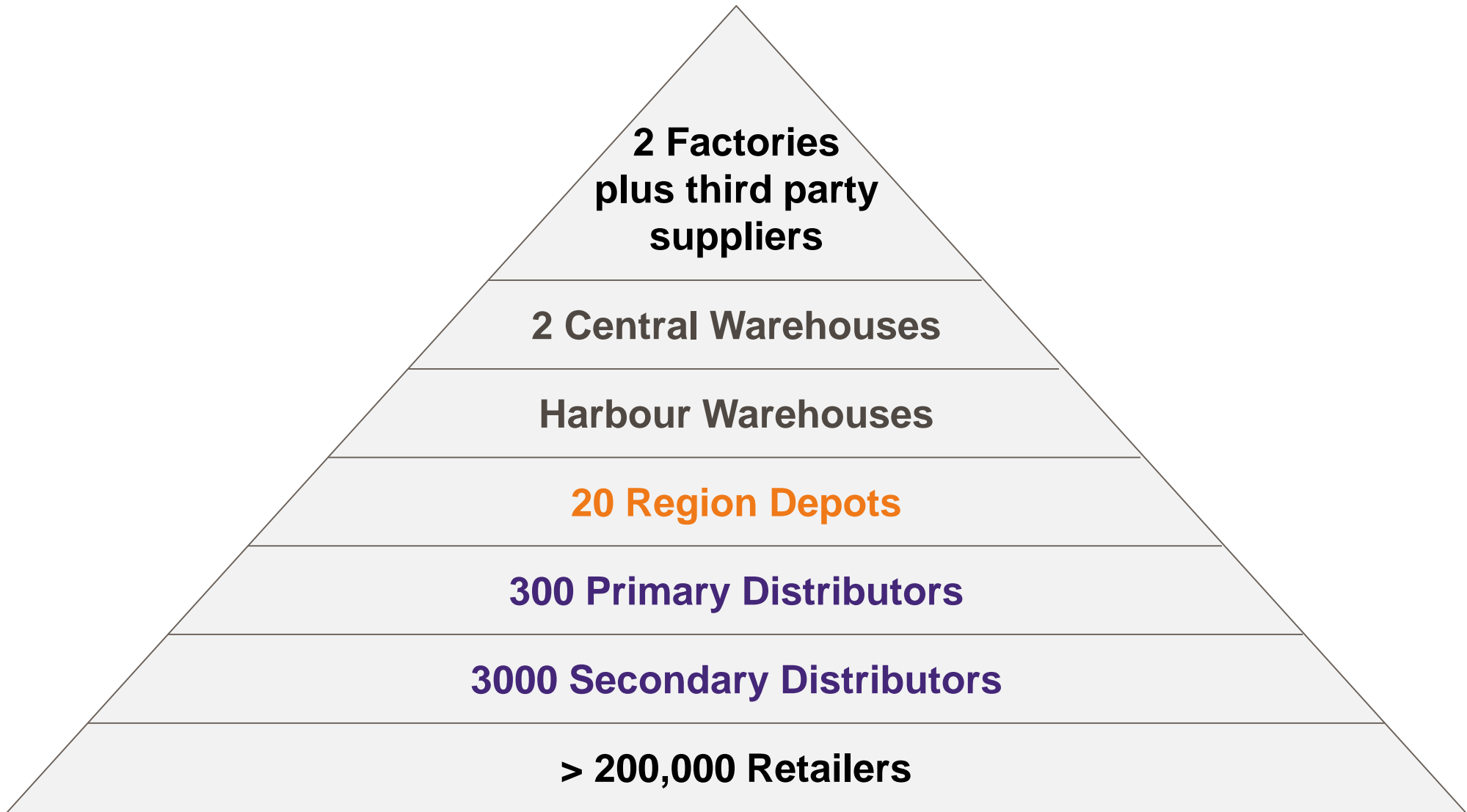


- SEA is a massive and growing market place
- Urban GDP per capita in Indonesia is 10 times the average
- Within 'Urban', analysis showed over 5 million 'New Consumers' ('A' Socio-Economic class), growing at over 30% per annum
- The 'Traditional Market' (necessity purchases of small quantities), is served by a diverse and highly fragmented retail structure supported by an inefficient complex trade channel
- The 'New Consumer' market (regular purchases of bulk quantity), is served by a developing self-service trade that demands a new level of supply performance
- Failure to support the 'New Consumer' is a lost opportunity and will lead to a decrease in market share

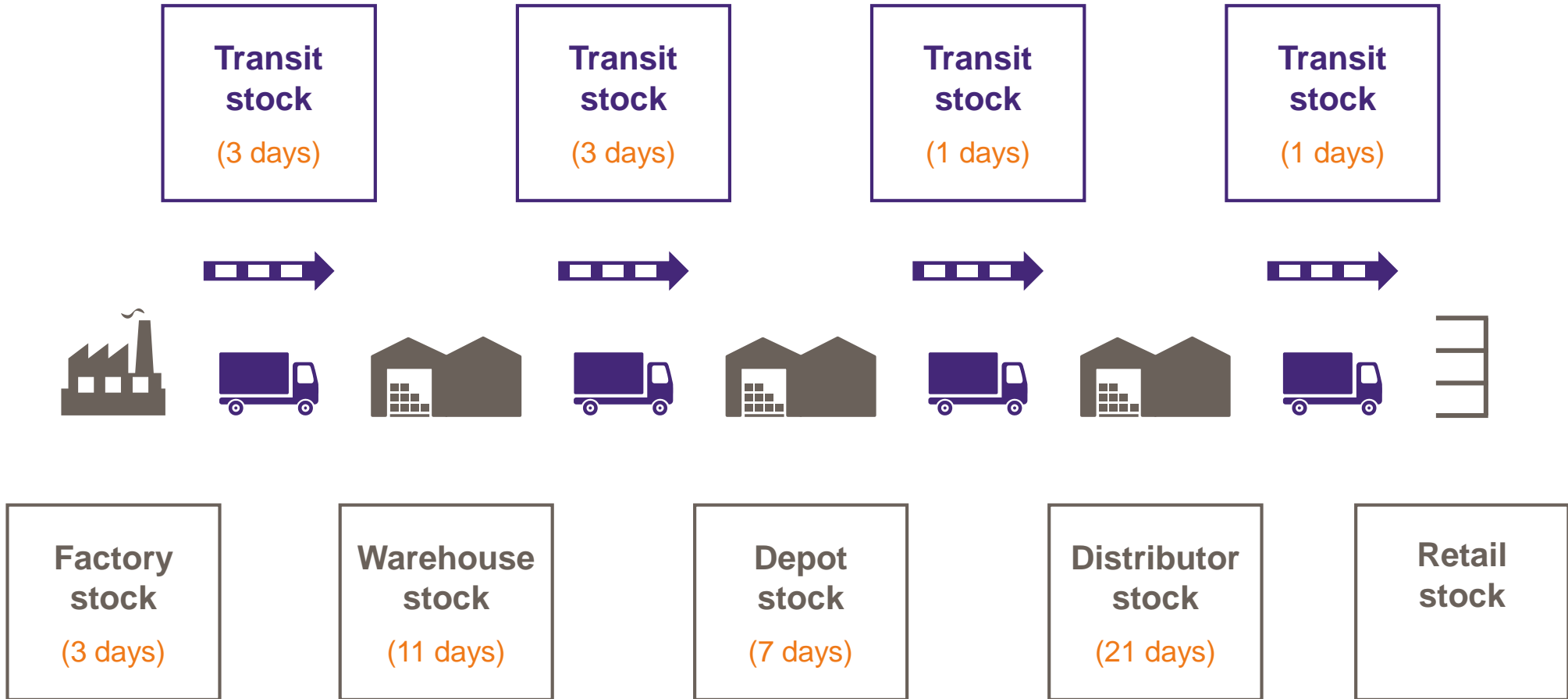
# Indonesia - Major Multinational FMCG Manufacturer

## Traditional Trade Channels

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# Indonesia - Major Multinational FMCG Manufacture - over 7 weeks of finished goods inventory



# Indonesia - Major Multinational FMCG Manufacturer - evolution of Trade Channels

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- Retail Outlets
  - Traditional Shop/Toko
  - Self-Service Outlet
  - Small Family Chain
- Regional/National/International Chains
  - Wholesale Supply
  - Dedicated Distributor
  - Non-dedicated/Full-line Wholesaler
  - Cash 'n' Carry
- Over 50% will still be through the traditional route

**The New Retailers will drive overall Market Growth of 30% pa**

# Indonesia - Major Multinational FMCG Manufacturer - Servicing the Trade Channels

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## Traditional Trade operations

- Full Loads of allocated stock collected by Distributors
- Small vans sell weekly to Traditional Retailers/Tokos
- Traditional Products typically in small single-use packs



## Self-Service Trade needs and wants

- Large Volume deliveries to individual stores/(RDCs)
- Frequent daily delivery
- Central ordering
- Specified lead-times / demanding service levels
- New products / Large pack sizes / case picking

**The Self-Service Trade will not thrive with existing Trade Channels**



# Indonesia - Major Multinational FMCG Manufacturer Innovation and The Strategic Vision

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- An Integrated Supply Chain to meet all customer needs at lowest total cost
- Development of a new trade channel to meet the rapidly developing self-service market
- Maintain and improve the traditional route to market
- Introduce Flexible Manufacturing Processes to create an agile supply chain response
- Develop Existing Key Suppliers Through Partnerships
- Develop Partnerships with the New Retailers
- Develop LSP Partnerships
- Introduce new systems to support the SC Vision

**A Vision to benefit all Supply Chain Players and grow market share**

# Indonesia - Major Multinational FMCG Manufacturer

## Business Benefits

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- Protect and Grow Market Share
- Align the business to address the new market requirements
- Provide reliable service to the self-service sector through a shorter less complex and more responsive supply chain
- Improve but not disrupt the traditional trade channel
- Improve supply & manufacturing to benefit both trade channels
- Reduce inventory
- Reduce costs
- Improved overall customer service

**A Supply Chain Vision creating value, growth, and competitive edge in a rapidly changing environment and market place**

# Indonesia - Major Multinational FMCG Manufacturer

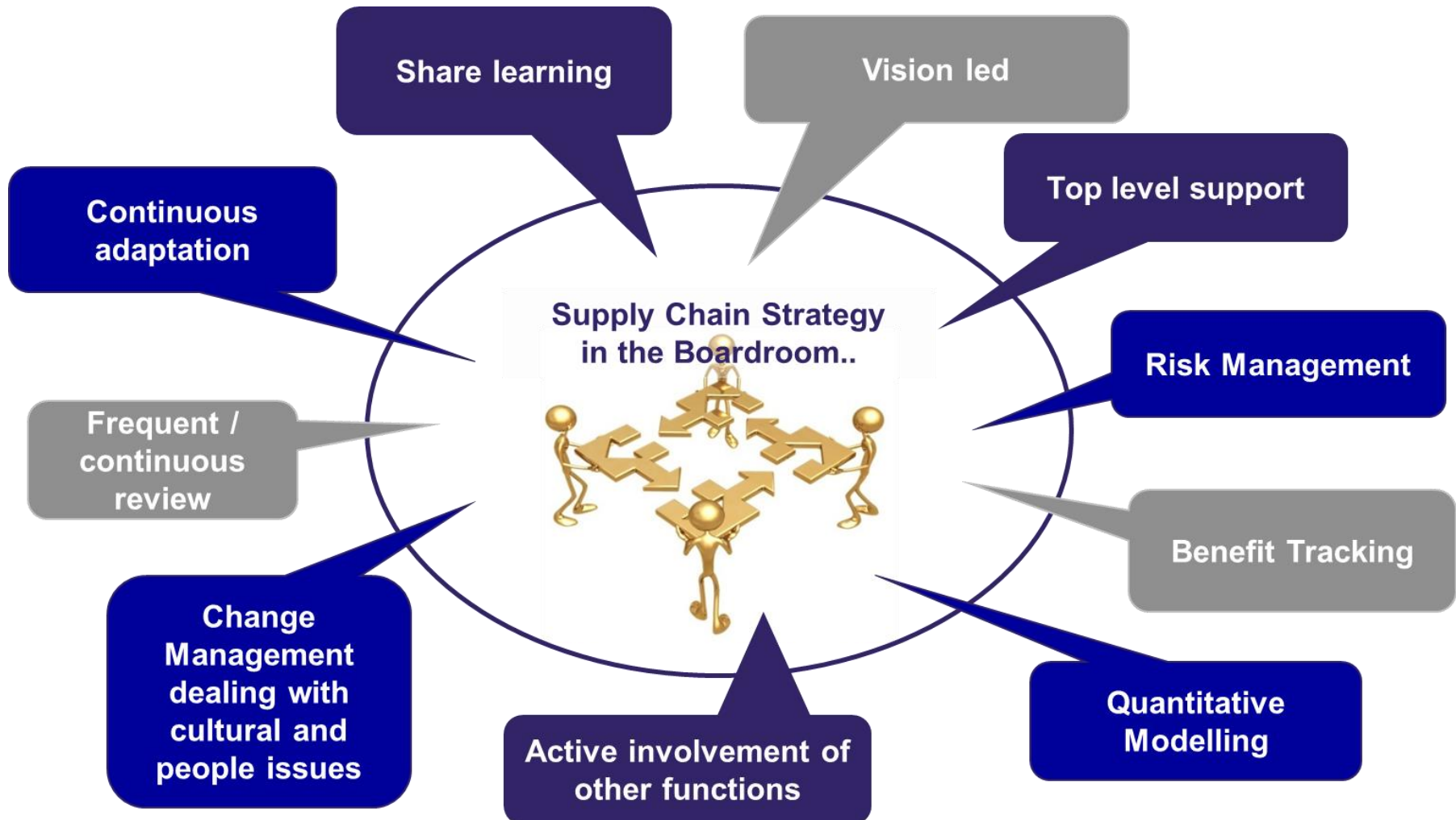
## Key elements driving successful implementation

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- Communicate and get buy-in to the Vision
- Commit the CEO and set up a Supply Chain Executive in the Board Room
- Establish the overall project on the Board Agenda as a key priority
- Appoint an Internal Champion – the very best the business has
- Define, schedule and prioritise the change projects (41 projects)
- Appoint internal project leaders and cross-functional project teams
- Set up a communication plan and communication programme
- Set up Supply Chain Master Classes (Locally and in the UK)
- Work with suppliers/outsourcing partners and customers
- Audit changes in the business culture and performance:
  - Assess: Innocence/Awareness/Understanding/Action/Results
  - All Board members, internal management and external partners
- Integrate the change programme with systems implementation programme



# The key “get rights” for Supply Chain Strategies and Initiatives, also essential for the Indonesian case



Source: Cranfield EFESO research 2017

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# Supply Chain Strategy in the Boardroom Survey 2009-2017

## Cranfield School of Management / Efeso - Key Survey Results

### **Is the senior supply chain person on the Board?**

**Over 50% of companies have the Supply Chain Leader on the Executive Board of their Business Unit**

### **What is Supply Chain functionally responsibility for?**

**For manufacturers, around 40% of supply chain leaders are responsible for Source, Make and Deliver**

*Source: Cranfield EFESO research 2017*

# What it all means for Supply Chain Leaders of the future ?

## Past Profile

- ✓ Technical, analytical background
- ✓ Single discipline, functional focus
- ✓ Works within function, not outside
- ✓ Fact based - not trained to challenge commercial plans
- ✓ Limited involvement in business and commercial strategies
- ✓ More focused on mastering the planning IT system than on cross functional communication
- ✓ Linear career

## Future Profile

- ✓ Strong communicator – gravitas within Leadership team
- ✓ Multi disciplinary – able to understand corporate & customer service strategy
- ✓ Collaborative - works as a team player, does “external sensing”
- ✓ Vision led – but practical and pragmatic
- ✓ Fact based - but able to deal with “ambiguity and ambition”
- ✓ Critical ability to ensure the Board apply effective leadership and performance behavior approaches in driving change
- ✓ T-SHAPED LEADERS - ZIG-ZAG career



**Supply Chain MUST talk the language of the CEO/CFO!!**

# Conclusions

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- **The practice of good supply chain varies hugely across different businesses**
- **There is a clear link between supply chain excellence and business success**
- **There are identifiable businesses where rapid implementation of a new supply chain strategy has positively impacted business performance, and also where failure in implementation has significantly damaged the business.**
- **Experience of undertaking over 55 Supply Chain Strategic projects in all sectors and geographies has identified wide-spread implementation difficulties.**
- **The 2009/2017 research has quantified the impact of these difficulties, and has identified and prioritised the key barriers to success, together with identifying key ‘get-rights’ that provide a positive link to success**
- **Businesses need to move to proactively putting in place all of the building blocks that will guarantee success**
- **The most challenging areas relate to leadership and change management**
- **Leadership and People skills must develop to meet the challenge at all levels**



**THE TECHNOLOGY IS AVAILABLE - THE LEADERSHIP AND PEOPLE SKILLS ARE NOT**



# Closing comments: 5 Key Messages for the CEO

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- How well is Supply Chain represented in the Leadership team, and how does this reflect the correct scope of responsibility?
- How well is Supply Chain supporting the Corporate and Customer service strategies? Ensure SC is not solely a cost issue
- Ensure cross-functional participation in the development of the SC strategy – it helps success
- Accept that SC strategy implementation is not straightforward – so build risk management into the process
- Two main barriers to successful implementation of SC strategy are internal issues – Culture and Leadership



**INTERIM RESEARCH REPORT**

SECURING THE SUCCESS OF STRATEGIC SUPPLY CHAIN INITIATIVES TODAY AND TOMORROW

Leadership and Behaviours For Next-Generation Supply Chains

## Available by request now

**EFESO CRANFIELD LEADERSHIP FRAMEWORK © 2018**

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### Preface

**SETTING THE SCENE** Change shakes the world. New business models and disruptive technologies, which define a markedly different “normal”, for instance, a workforce—Generation X, Y, or Z—which has very different views of what constitutes leadership, and acceptable working practices. A competitive paradigm that forces business leaders to deliver results today, while simultaneously building a future-proof business for tomorrow. And a value-creation orientation which demands a supply chain that can do and deliver far more than simply low-cost logistics.

But as businesses respond to these changes, it cannot be denied that their track record is poor. Simply put, the new disruptions—the Amazons, the Uber’s, the Airbnbs, the eBay’s of the world—don’t just dominate, they define an agenda with which traditional businesses struggle to engage.

The result: a significant proportion of strategic supply chain initiatives fail to deliver. According to a survey-based research paper, *Supply Chain Strategy in the Boardroom: The Reality*, published by EFESO Consulting in association with Cranfield School of Management in 2012, just 2% of supply chain strategies are implemented smoothly, on time and on budget, with two-thirds being either abandoned or suffering significant implementation difficulties.

What could businesses do to improve their chances of success when leading transformational strategic supply chain initiatives? The research suggested that there were a number of leadership behaviours and implementation characteristics that businesses should aim to “get right” to achieve success—leadership behaviours and implementation characteristics such as better change management, better risk management, cross-functional involvement, a focus on ensuring that initiatives were “vision led”, high levels of boardroom sponsorship and involvement.

Comprising the first practitioner-led, academically grounded study of how almost 240 real-life boards had approached the adoption, planning, and implementation of supply chain strategy, the 2012 survey

**FIGURE 1: BARRIERS TO SUCCESS**

Why was the failure rate so high? Surprisingly, the challenges weren’t what might be surmised as “technical” issues. Instead, the finger of suspicion pointed to people issues as the major hurdles to be overcome, highlighting difficulties such as poor leadership, inadequate management skills, fear of change, an absence of clear goals, conflicting priorities, a lack of urgency, and company culture.

Put another way, technical issues constituted just 20% of the identified barriers to success. Issues with leadership and human dynamics, on the other hand, made up the other 80% (see Figure 1).

marked a major milestone in understanding the factors underpinning the successful execution of supply chain strategy.

**DRILLING DEEPER**

Five years on from this 2012 publication, EFESO and Cranfield School of Management agreed to once again collaborate to update this important research, probing in more depth the links between the human dynamics, leadership, and managerial characteristics surrounding the implementation of strategic supply chain initiatives, and the success of those initiatives’ subsequent implementations.

*“People issues are the major hurdles to be overcome...”*

Learn from experience: reflect on the successes and failures of previous initiatives

Benchmark your organisation and its' initiatives (past, present and future), using the six key success factors identified in the research as a checklist.

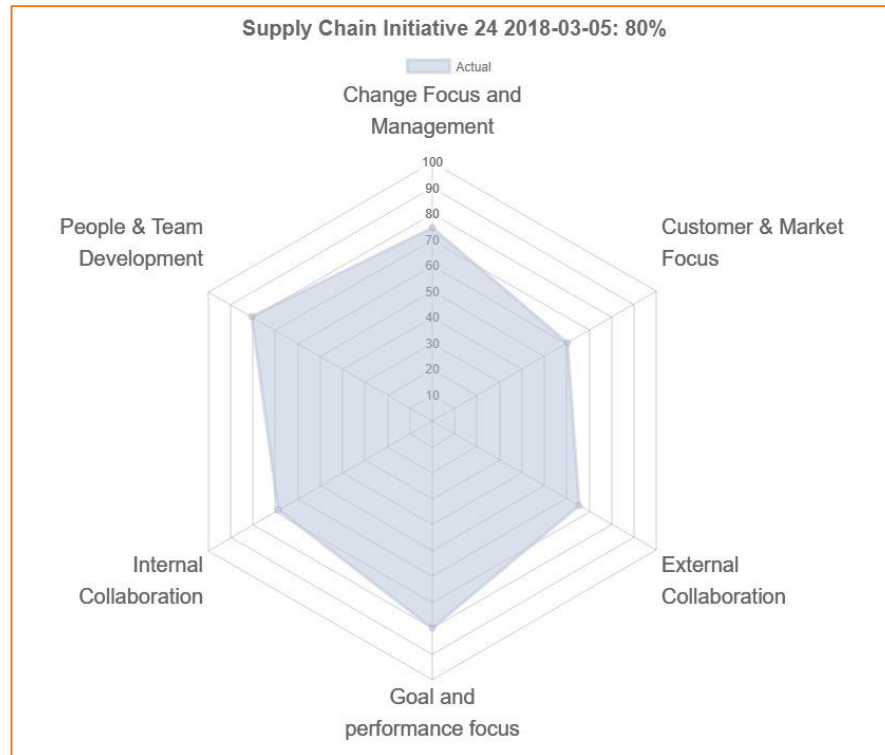
How is your business addressing the major barriers to success highlighted? E.g. change overload, unrealistic timescales, lack of resources..

Speak to the senior leadership across the business, look to obtain a cross-functional view of the key success factors and measures to overcome the potential barriers to success

Participate in interviews and workshops to probe these findings, discuss the implications, and develop practical solutions for your business.

# Workshop participants self-assessed the change performance of their strategic SC initiatives using the framework...

## Example: radar chart output for two different initiatives by different companies...



# Questions and Discussion for Workshops

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- 1. How do we secure the total commitment of the Board and the CEO?**
- 2. How do we ensure the full commitment of all internal functions at all levels?**
- 3. What do we actually mean by External Collaboration?**
- 4. How do we ensure an over-riding focus on Customer and Market needs?**
- 5. How do we move to Shared Leadership approaches - and retain accountability?**
- 6. How do we manage the business - and change the business - at the same time?**
- 7. What are the Key Barriers to Success and how do we overcome them?**
- 8. How do Businesses embrace the key 'get-rights' to ensure the successful implementation of Strategic Change?**

# More Information?

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**We have undertaken this additional research during 2016/17 to establish precisely what characterises High Performance Organisations and High Performance Supply Chains, together with identifying the leadership qualities and the performance behaviours that need to be put in place to ensure business success.**

- The Research Report as an interim White Paper is available from March 2018
- Workshops to discuss the findings and understand the implications for businesses will be run across Europe and in other Regions of the World according to demand

For further information please contact:-

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**NEW BOOK: Integrating Supply Chain with Business Strategy - Kogan Page  
Practical Case Studies of Supply Chain Strategic Change – Submissions  
Welcomed!!**