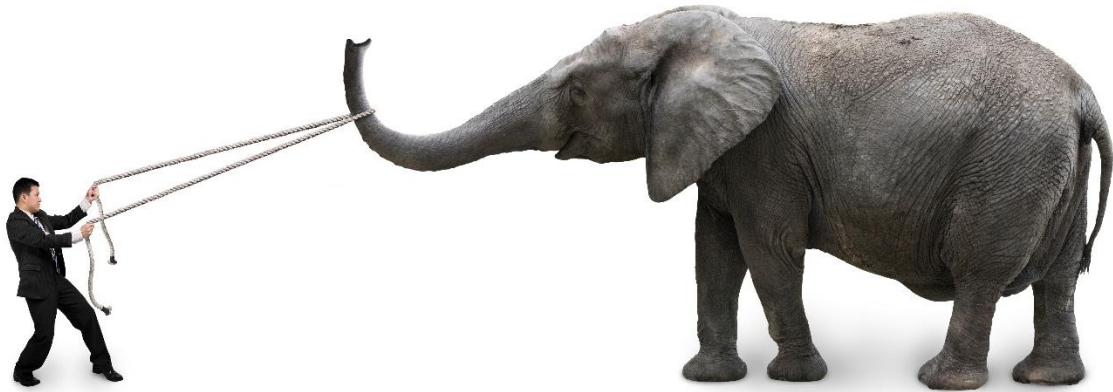


ORGANISATION DESIGN OF CONTEMPORARY SUPPLY CHAINS - THE ELEPHANT IN THE ROOM



Aligning with the customer, rather than with each other

Organisation design is the elephant in the room in today's supply chains; but few companies want to seriously address this issue head on. They think, wrongly, that the status quo can continue and is safer than making radical change.

We have become wedded to conventional organisation designs which feature vertical functions and clear reporting lines. It's more convenient and easier to manage that way. But times have changed. Today's customers are not the same as those of yesteryear. They are empowered by social media, and they are becoming increasingly demanding. They are looking for responsiveness and understanding from their suppliers.

Conventional functional designs can no longer respond quickly enough or appropriately to customers of this ilk. Why? Because we are still managing our organisations in a vertical, hierarchical way, when customers are buying our products and services horizontally, in a cross-functional way. Which means that we start out at least 90 degrees out of phase with our customers, with very little chance of ever aligning with their expectations! But there is a way forward if there is the courage and leadership to do so.

To become truly customer-centric (rather than just talk about it), we must configure our organisation to genuinely reflect the expectations of customers in our target market. And the only way to do this is to find out what those underlying expectations are through primary research and analysing the available demand data. We call this 'outside-in' thinking.

In a customer-focused supply chain organisation, we must still retain our functional specialisms such as procurement, manufacturing, logistics, sales and marketing. But in addition, we need to have a cluster or group tightly focused on the outcomes and solutions needed by the main customer segments in the market.

A customer-focused cluster would consist of staff seconded from each of the relevant functions into a multi-disciplinary team that mirrors the key behavioural/buying segments found in the external target market, usually 4 or 5 in number. The most common buying segments found across all product categories and geographies are: Collaborative; Transactional; Project; Dynamic; and Innovative Solutions.

Each supply chain team can be engineered to reflect a particular bias, the same bias as their matching customer segment in the external market. For example, the bias in the Collaborative SC team is one of relationships; in the Lean team it is cost, efficiency and reliability; in the Campaign (Project) team it is on-time, on-budget; in the Agile team it is absolute speed of response; and in the Fully Flexible team it is delivering creative solutions at speed to overcome unexpected events and disruptions.

Both structures operate simultaneously and in synch. This is not the conventional matrix organisation because both the vertical and horizontal structures each have their respective roles and direct reporting lines. The personnel in the supply chain teams are all seconded from functions and remain in their new role for at least two years, before returning to their previous roles. The four or five teams driving the horizontal flows of product across the organisation report to a Chief Customer Supply Chain Officer (CCSCO), a new role – reflecting the customer as the ultimate recipient and judge of the SC operation. And given the significance that supply chain plays in most organisations reliant on physical flows, this position should report directly to the Chief Executive (CEO).

Some companies have already begun to experiment with this type of customer-focused configuration, with very positive results. It's not that hard, and it doesn't require any additional headcount. Both the vertical and horizontal configurations can be serviced by an underlying Shared Service organisation consisting of IT, HR, and Finance functions.

All that is required to make this vital change is insightful leadership and the willpower to get it done in the face of internal resistance! But the Covid-19 crisis has surely opened the gate for such new directions, especially those that improve alignment with an increasingly demanding customer base.

John Gattorna & Deborah Ellis, Co-authors of *Transforming Supply Chains*,
FT Publishing, Harlow, 2020
21 October 2020

¹ For a thorough review of all the possible organisation designs tried so far in the supply chain domain, refer Ch. 6 in John Gattorna, *Dynamic Supply Chains*, 3rd edn., FT Publishing, Harlow, 2015, pps. 163-192.

¹ For more details on the characteristics of each segment, refer to Figure 3.7 in John Gattorna & Deborah Ellis, *Transforming Supply Chains*, FT Publishing, Harlow, 2020, p.35.