

Three Techniques to Improve Organizational Alignment

*How Supply Chain Practices Can Improve Organizational
Alignment and Improve Corporate Performance*

7/8/2013

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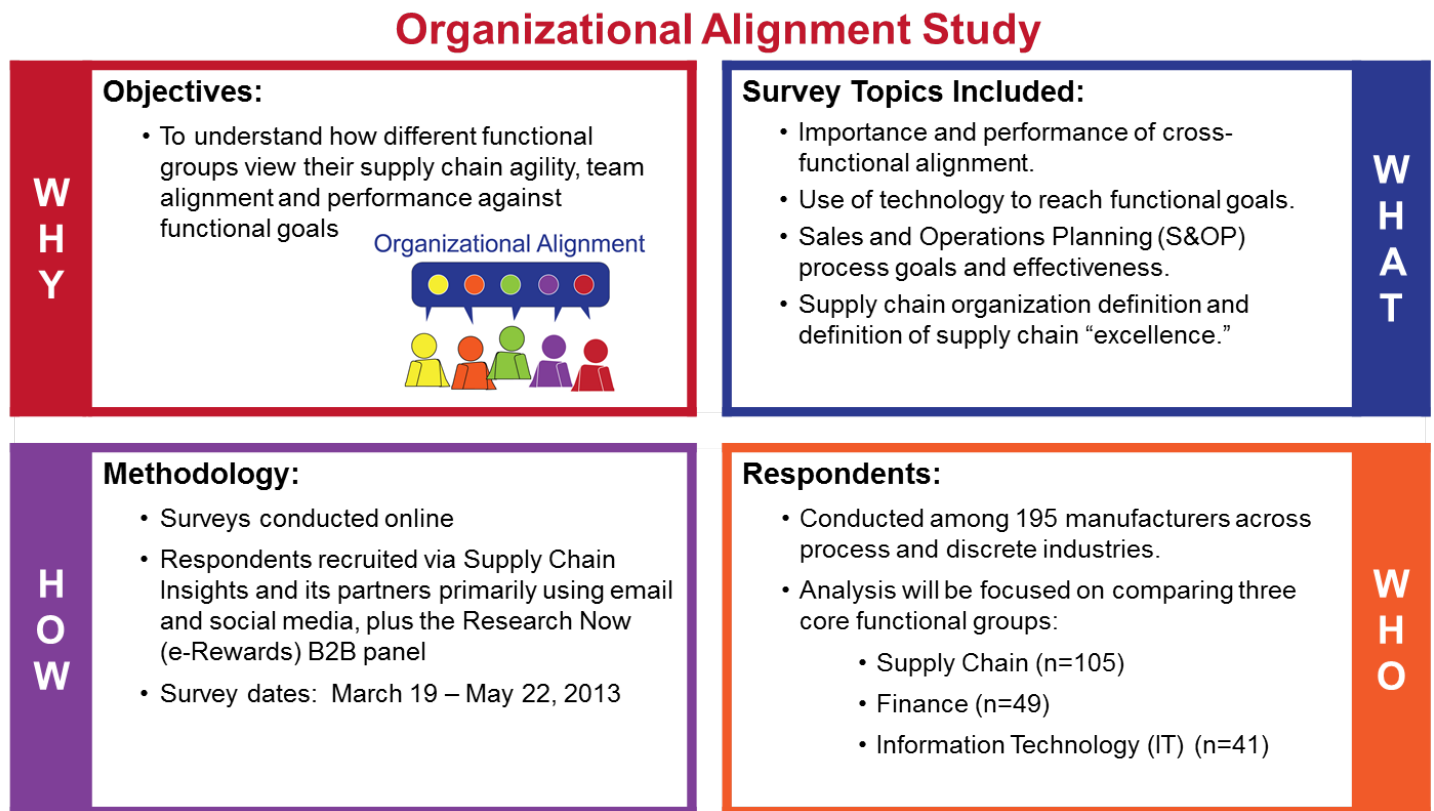
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Research

When teams are aligned, insight to action is quicker, and greater results ensue. However, organizational alignment is easier said than done. Functions have matured in silos. The goal of this report is to help companies change and improve alignment to build end-to-end value chains. The recommendations in this report are based on survey data conducted online among manufacturing companies during March-May, 2013. The overview of the study is shared in figure 1. For more detailed respondent demographics, reference the additional charts in the Appendix.

Figure 1. Overview of the Organizational Alignment Study



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Disclosure

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Executive Overview

"Alignment is the essence of management."

Fred Smith, FEDEX

When organizations are aligned, things happen quicker. It takes less effort. People know what to do, and there is a greater bias for action. As a result, the organization can achieve higher levels of results and better withstand the pressures of demand and supply volatility.

Line of business leaders lack alignment. While many consultants claim that business results happen through better IT and business alignment, in this study, we find that the gaps in functional alignment within the business functions of sales, marketing, finance, and supply chain are far greater than the gaps between IT and line of business.

As shown in figure 2, within the organization, demand and supply volatility reigns. It is growing worse. This pain is felt across the line of business functions. To weather the storm, functions attempt to align, but doing this is easier said than done. It requires work and leadership.

Figure 2. Business Pain by Organizational Function

Top 3 Elements of Supply Chain Pain for Respondent				
	Top 3	Supply Chain	Finance	IT
Demand and supply volatility		50%	43%	32%
Ability to use data (access to data, dirty data, etc.)		48%	24%	24%
Organizational alignment		43%	29%	29%
Clarity of supply chain strategy		31%	18%	24%
Talent issues (shortage, skills, training, etc.)		30%	41%	29%
Management of value network (suppliers, clients, customers, etc.)		30%	37%	39%
Increasing speed of business		22%	16%	22%
Increasing regulations		17%	29%	27%
Software usability		17%	22%	29%

Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain (n=105), Finance (n=49), IT (n=41)

Q5. When it comes to supply chain management, which of the following are the top 3 elements of business pain for you personally? Please select no more than three.

○ Higher than other group (Supply Chain vs. Finance vs. IT) at 90% or higher level of confidence

This misalignment is not equal by business function. Of the three groups in this survey—supply chain, finance and information technology (IT)—the supply chain organization feels the alignment issue to a greater degree than the other two business functions. As shown in figure 2, it is one of their top three business pains.

So, what can an organizational leader do to improve alignment? In this study, we find that when companies do three things, and focus on doing them well, they can substantially improve organizational alignment:

- **Have a Clear Definition of Supply Chain Strategy.** While many companies state that they want to be “agile,” it requires definition. Companies need to design a supply chain with this goal in mind. When the organization has a carefully crafted definition of agility, it is able to improve organizational alignment. The definition of “shorter cycles” is not sufficient.
- **Sales and Operations Planning.** Organizations with a mature S&OP process are more aligned. In this study, 61% of supply chain respondents report having an S&OP process, but 48% of that group rate their process as effective. For a more detailed analysis of S&OP, please refer to our report [Sales and Operations Planning: Current State of the Union](#).
- **Supply Chain Center of Excellence.** Organizations with a supply chain center of excellence are more aligned. The greatest impacts are between marketing and finance, as well as operations and Corporate Social Responsibility.

The study shows that there is significant opportunity for organizations to improve on all three of these critical factors. The good news for supply chain leaders is that this study provides three clear actions that can deliver improved alignment.

Alignment

Teams struggle for alignment cross-functionally. In the face of market volatility, they lack the right technologies to drive win/win decisions. This research project tested the level of organizational alignment in the current state and evaluated ten elements that could potentially improve organizational alignment. Three of the ten had a significant impact. Here we share insights on these to help leaders build a more resilient organization.

Current State

The study asked each team to rate their perception of alignment of other teams in the organization. The summary results from the study are shared in figure 3. The greatest gaps, as perceived by all three teams, are the alignment of sales and operations teams, and the effective working relationships between sales and marketing. There are consistent themes between the alignment of front office (sales and marketing operations) and back office (manufacturing, supply chain and procurement) teams.

Figure 3. Perceptions of Alignment by Three Groups: Supply Chain, Finance and IT

Gap in Performance vs. Importance of Cross-Functional Alignment (Rated 6-7 on 7-Point Scale)				
	Top 3	Supply Chain	Finance	IT
Sales and Operations		-58%	-41%	-32%
Sales and Marketing		-45%	-37%	-27%
Finance and Operations		-37%	-39%	-17%
Sales and Finance		-33%	-35%	-27%
Manufacturing and Procurement		-32%	-37%	-32%
Marketing and Finance		-31%	-31%	-15%
Operations and IT		-30%	-35%	-10%
Finance and IT		-22%	-29%	-12%
Sales and IT		-21%	-22%	-12%
Marketing and IT		-19%	-31%	-5%
CSR and Operations		-13%	-8%	-7%
AVERAGE GAP:		-31%	-31%	-18%

Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

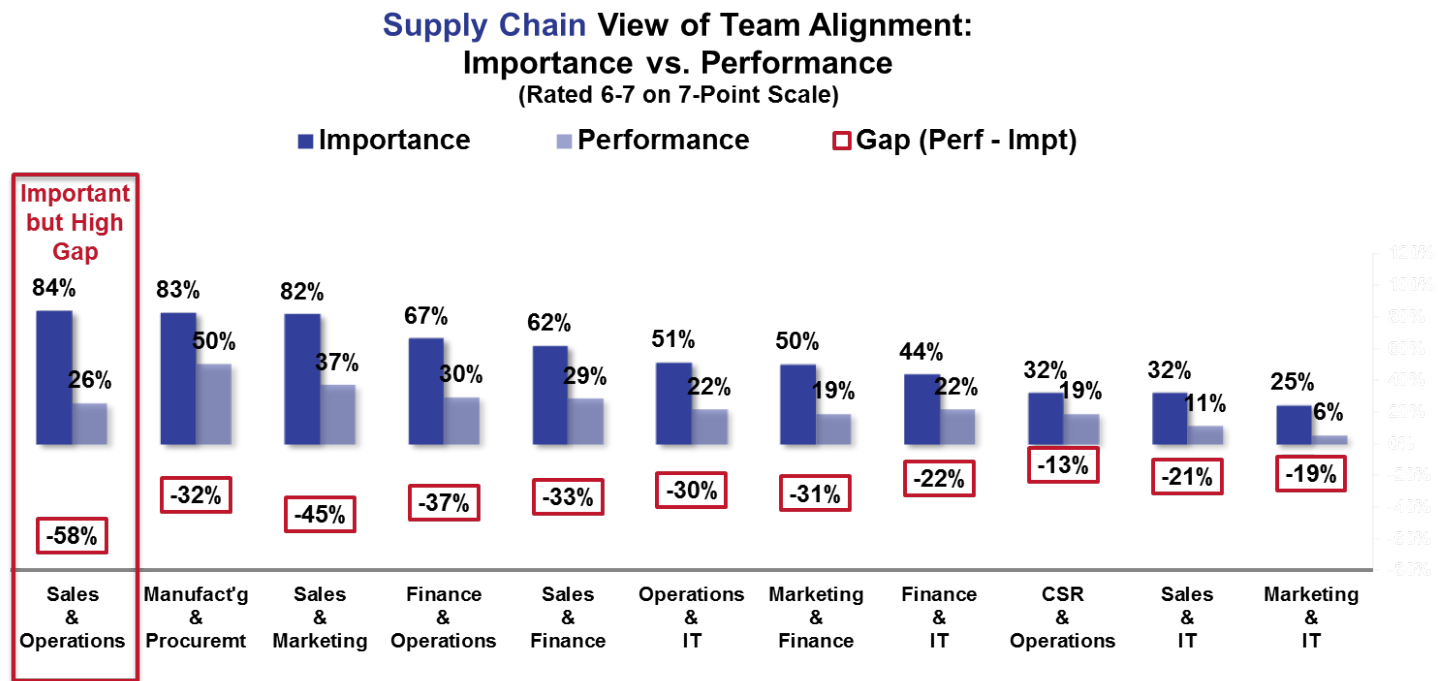
Base: Manufacturers – Supply Chain (n=105), Finance (n=49), IT (n=41)

Q22. In your opinion, how important is it for each of the following pairs of teams to be aligned within your company? SCALE: 1=Not at all important, 7=Extremely important

Q23. How aligned do you believe that these same pairs of teams actually are with your company? SCALE: 1=Not at all aligned, 7=Extremely aligned

As perceived by those in the supply chain organization, the greatest gap in alignment is between the operations and sales functions. It is typically both important to the organization and performing poorly against business requirements. In qualitative interviews with companies, we find three contributing factors: incentives and aligned metrics, lack of process agreement, and gaps in technologies.

Figure 4. Organizational Alignment Importance vs. Performance (Supply Chain View)



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain (n=105)

Q22. In your opinion, how important is it for each of the following pairs of teams to be aligned within your company? SCALE: 1=Not at all important, 7=Extremely important

Q23. How aligned do you believe that these same pairs of teams actually are with your company? SCALE: 1=Not at all aligned, 7=Extremely aligned

Three Techniques Improve Organizational Alignment

The term “supply chain” has unfortunately become politically charged within an organization. When it means a “supply chain function” versus an end-to-end process, the organization loses an opportunity to gain business advantage through greater organizational alignment. This is both within the enterprise and in the extended value network. In this research, we find that a focus on three elements can improve alignment.

Have a Clear Definition of Supply Chain Strategy:

Clearly Define the Term “Agility”

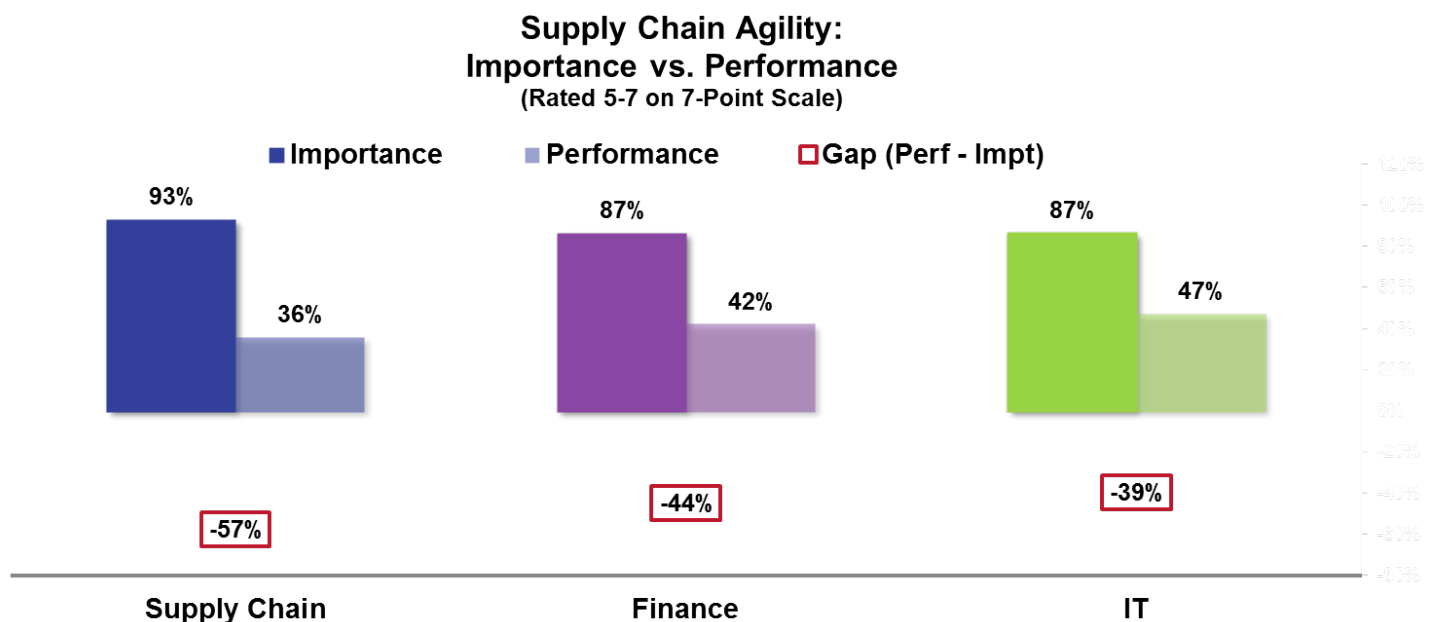
The terms agility, responsiveness, flexibility, and efficiency are bandied about. They lack definition. Leaders say them in rapid succession assuming that they make sense. However, they do not. When these terms are “ambiguous,” lacking definition for action, there is an opportunity cost to the organization to better align. An organization cannot be responsive (short cycles), agile (same cost, quality and customer service given demand

and supply volatility) and efficient (lowest cost per case) simultaneously. Instead, the response needs to be built with the goal in mind.

Leadership matters. There are not industry-standard definitions of these terms. There are many nuances. Left undefined, people move on their own beliefs which are often quite different. As a result, it is imperative that leaders force a definition.

As shown in figure 5, the current gap in reported supply chain agility is high across the organization, but the greatest gap is in the supply chain team.

Figure 5. Gap in Agility Importance versus Performance by Organizational Function



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers who know how company defines agility – Supply Chain (n=103), Finance (n=45), IT (n=38)

Q7. How important is it to your company for its supply chain to be "agile" in 2013? Please base your answer on however your company defines agility. SCALE:

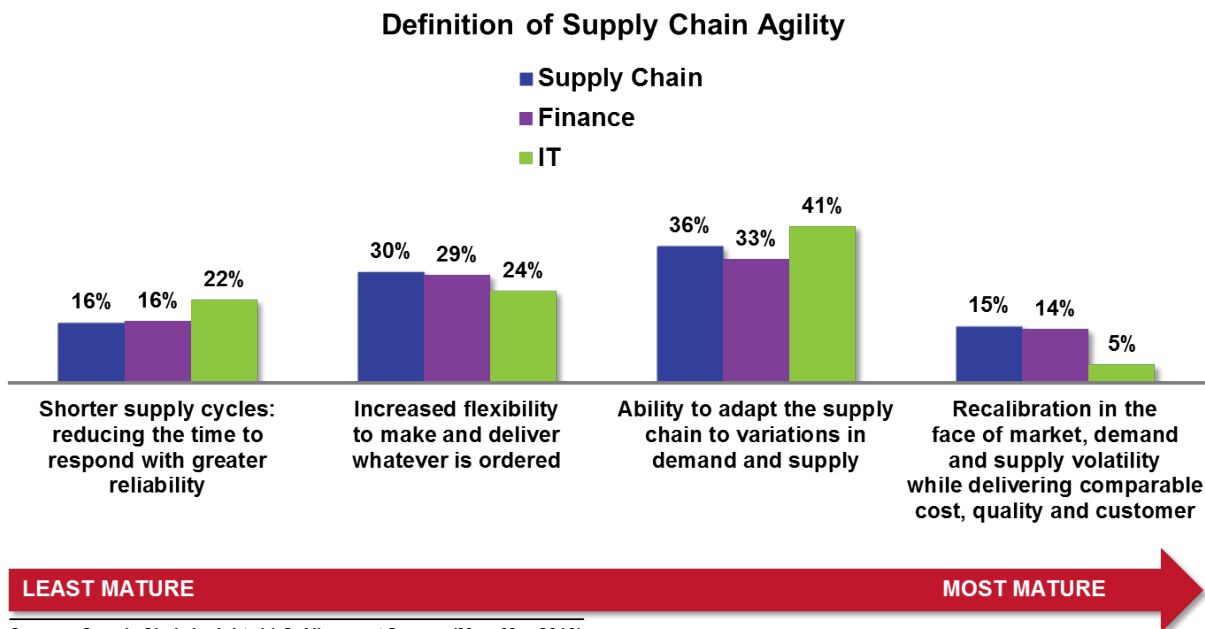
1=Not at all important, 7=Extremely important

Q8. How would you rate the current agility of your company's supply chain? Again, please base your answer on however your company defines agility. SCALE:

1=Not at all agile, 7=Extremely agile

While the gap is high, we find few organizations have a clear view of what agility means. Instead, we find a range of definitions like those outlined in figure 6. Approximately one-fifth of respondents define agility as having short cycles and around one-quarter view the requirement to deliver whatever is ordered. However, there is a gap. Neither of these definitions builds capabilities to withstand demand supply volatility and as shown in figure 2, this is the greatest threat to today's organization. Instead, the goal needs to focus on the building of a supply chain that has the process capabilities to withstand demand and supply volatility. The options are many; but in this study, we have found that the three processes that aided in the improvement of agility were advancements in forecasting, Lean processes and Sales and Operations Planning.

Figure 6. Definition of Supply Chain Agility by Organizational Function

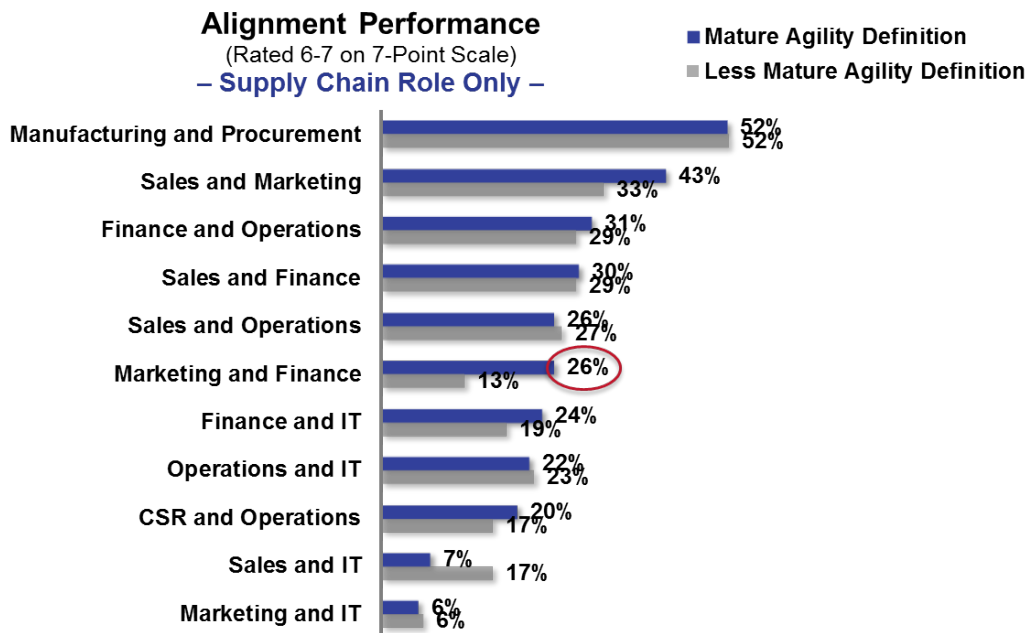


Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain (n=105), Finance (n=49), IT (n=41)

Q6. How does your company define what it means for the supply chain to be "agile"? Please select the one that fits best.

Figure 7. Improved Organizational Alignment with a Mature Definition of Agility (Supply Chain Team)



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain: Has Mature Agility Definition ("Recalibration in the face of market, demand and supply volatility while delivering comparable cost, quality and customer service" or "Ability to adapt the supply chain to variations in demand and supply") (n=54), Less Mature Agility Definition ("Shorter supply cycles: reducing the time to respond with greater reliability" or "Increased flexibility to make and deliver whatever is ordered") (n=48)

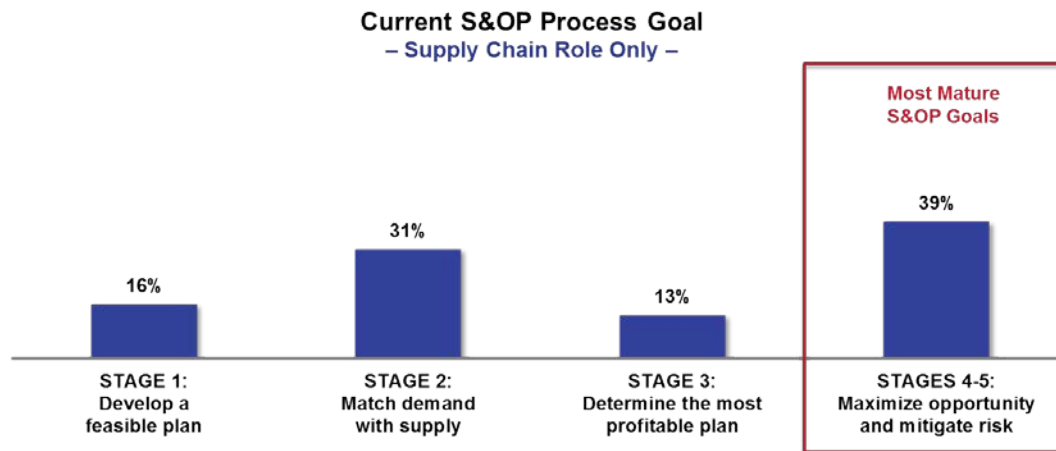
Q23. How aligned do you believe that these same pairs of teams actually are with your company? SCALE: 1=Not at all aligned, 7=Extremely aligned; ○ Higher than other group (Agility Definition) at 90% or higher level of confidence

Note in figures 6 and 7, that when a more mature definition of the term agility is reported as the goal, there is substantial improvement in alignment between marketing and finance. It matters.

Sales and Operations Planning

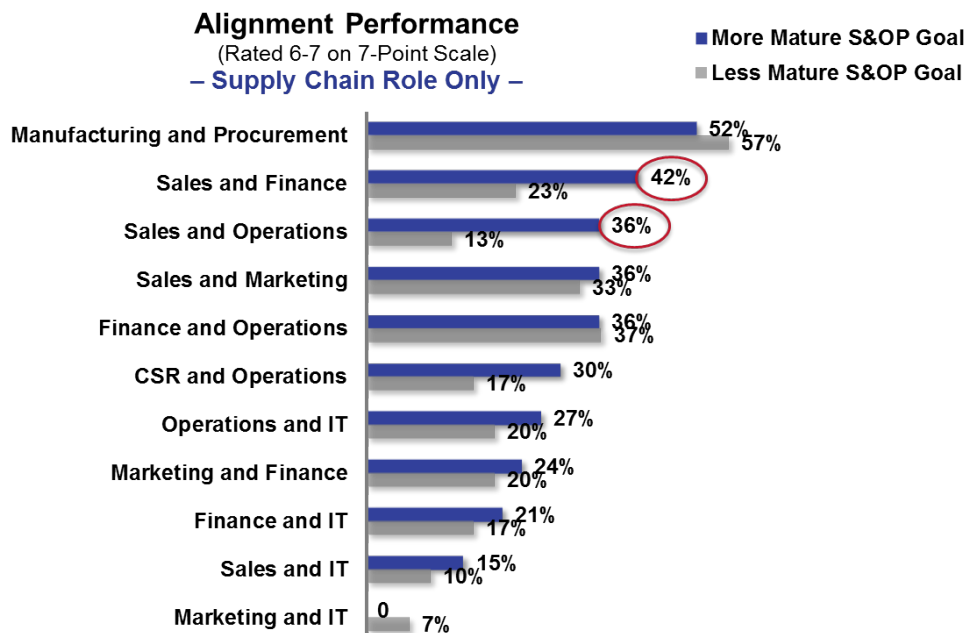
Over 60% of supply chain respondents report having an S&OP process. Supply chain respondents with a mature S&OP process rate their sales and finance organizations as more aligned. Additionally, with this maturity, the supply chain team perceives an increase in sales and operations alignment. The S&OP maturity model is defined in figure 8.

Figure 8. S&OP Maturity Based on Goal (Supply Chain Team)



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)
Base: Manufacturers with S&OP process – Supply Chain (n=64)
Q11. Which one of the following best defines the goal of your current S&OP process?

Figure 9: Impact of S&OP on Perceived Agility by the Supply Chain Team



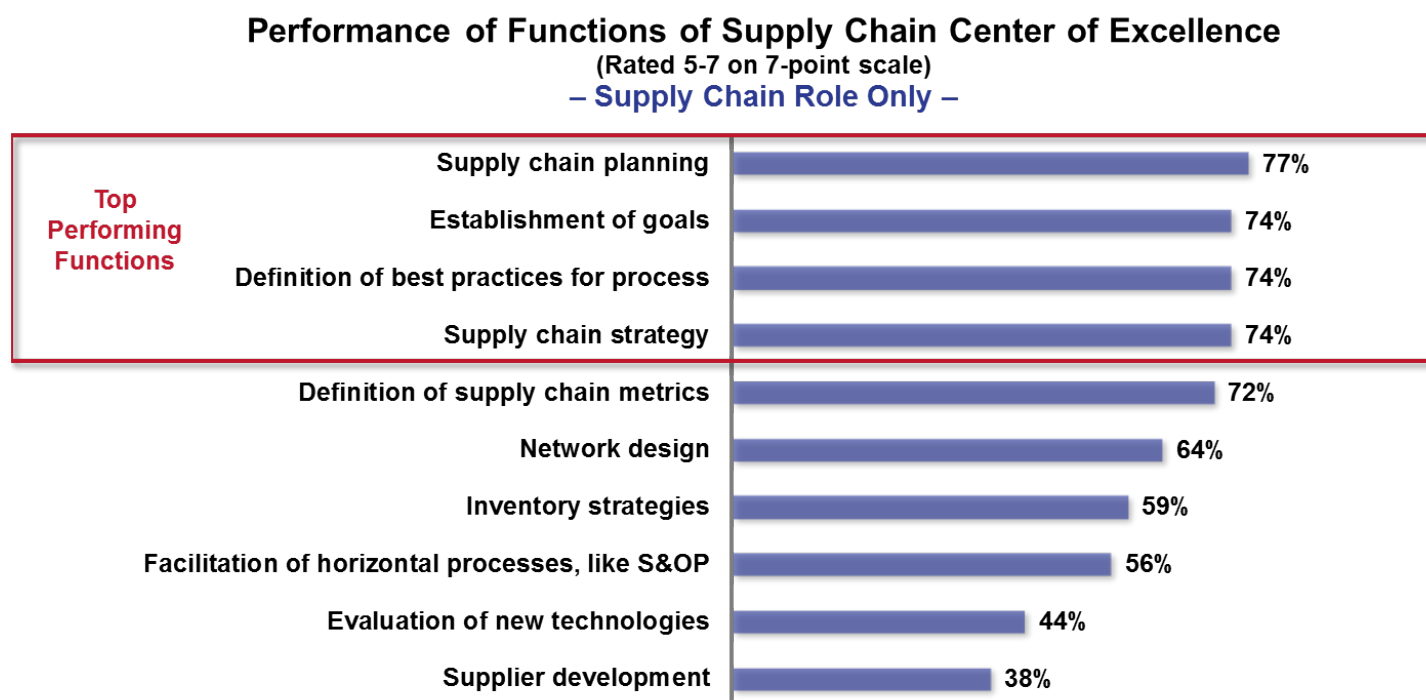
Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)
Base: Manufacturers – Supply Chain: More Mature S&OP Goal (“Maximize opportunity and mitigate risk” or “Determine the most profitable plan”) (n=33), Less Mature S&OP Goal (“Match demand with supply” or “Develop a feasible plan”) (n=30)
Q23. How aligned do you believe that these same pairs of teams actually are with your company? SCALE: 1=Not at all aligned, 7=Extremely aligned
○ Higher than other group (S&OP Goal Maturity) at 90% or higher level of confidence

The survey supports that a mature S&OP process improves both agility and alignment. Figure 9 shows the perceived gap of functions by the supply chain team with and without a mature S&OP process.

Supply Chain Center of Excellence

In this study, 37% of supply chain respondents have a supply chain center of excellence. However, success is not guaranteed. Only 56% of these respondents rate themselves as successful in managing their supply chain centers of excellence. The functions of the supply chain center of excellence are listed in figure 10. The key element between success and failure of the supply chain center of excellence is clarity of supply chain strategy and the leadership on success factors.

Figure 10. Definitions of the Center of Excellence among the Supply Chain Team



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

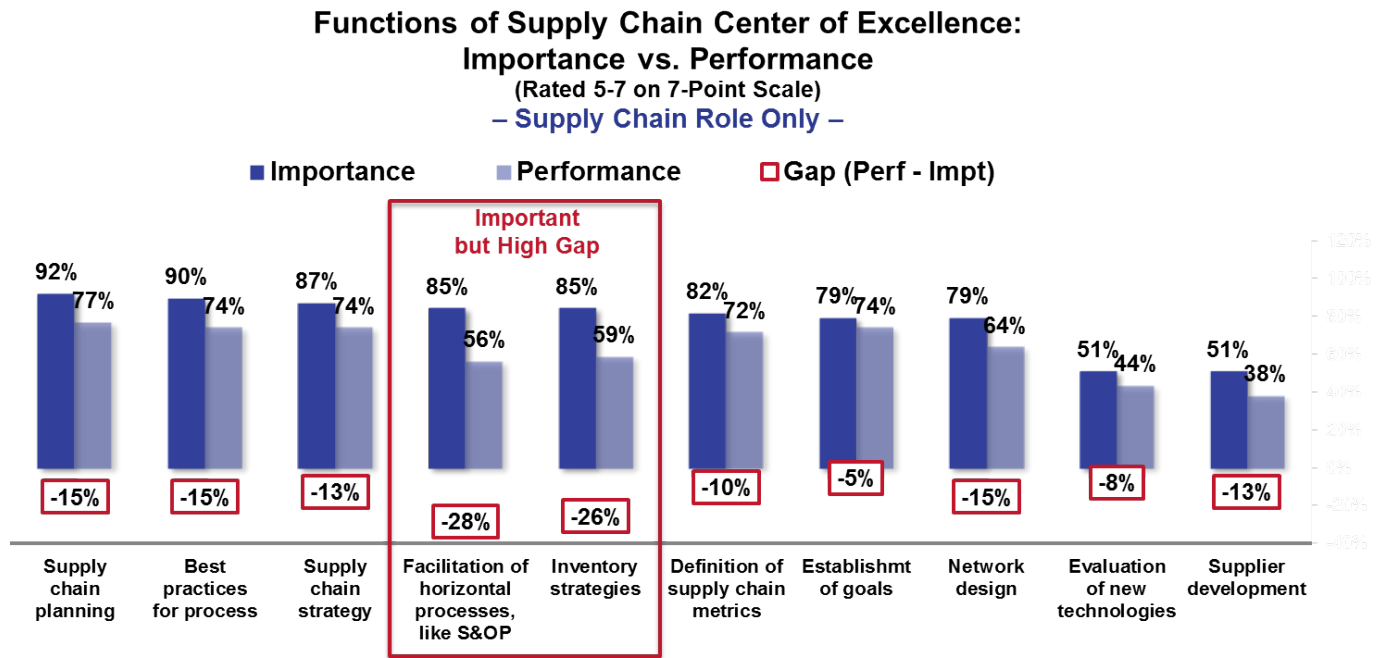
Base: Manufacturers with supply chain center of excellence – Supply Chain (n=39)

Q32. For these same functions of the supply chain center of excellence, how would you rate your company's performance? SCALE: 1=Poor, 7=Excellent

The odds of success with a supply chain center of excellence are 2:1. The self-reported scorecard is shown in figure 11. The largest gaps in performance are the leading of cross-functional processes like S&OP and inventory management. To manage these end-to-end processes, alignment, visibility, and leadership matter.

The impact of having a supply chain center of excellence on alignment, as perceived by the supply chain team, is shown in figure 12.

Figure 11. Self-rated Evaluation of the Functions of the Supply Chain Center of Excellence (Supply Chain Team)



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

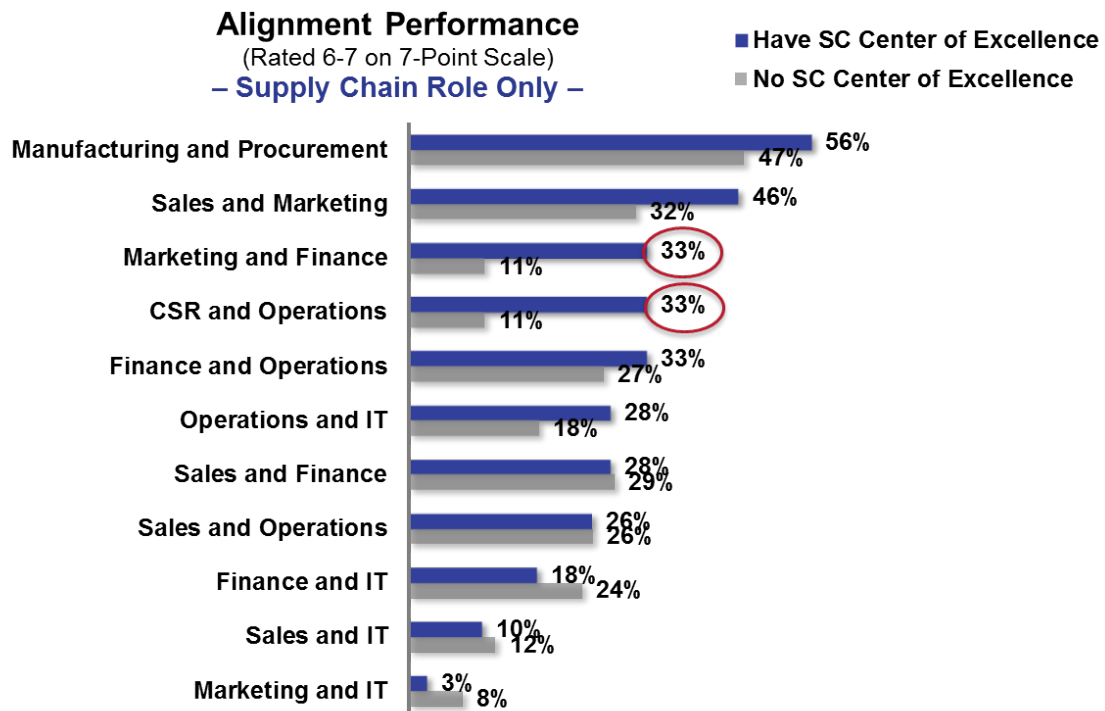
Base: Manufacturers with supply chain center of excellence – Supply Chain (n=39)

Q31: For each of the following possible functions of your company's supply chain center of excellence, how important is it to your overall company?

SCALE: 1=Not at all important, 7=Extremely important

Q32: For these same functions of the supply chain center of excellence, how would you rate your company's performance? SCALE: 1=Poor, 7=Excellent

Figure 12. Improvements in Alignment Reported by the Supply Chain Team with a Center of Excellence



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain: Have Supply Chain Center of Excellence (n=39), No Supply Chain Center of Excellence (n=66)

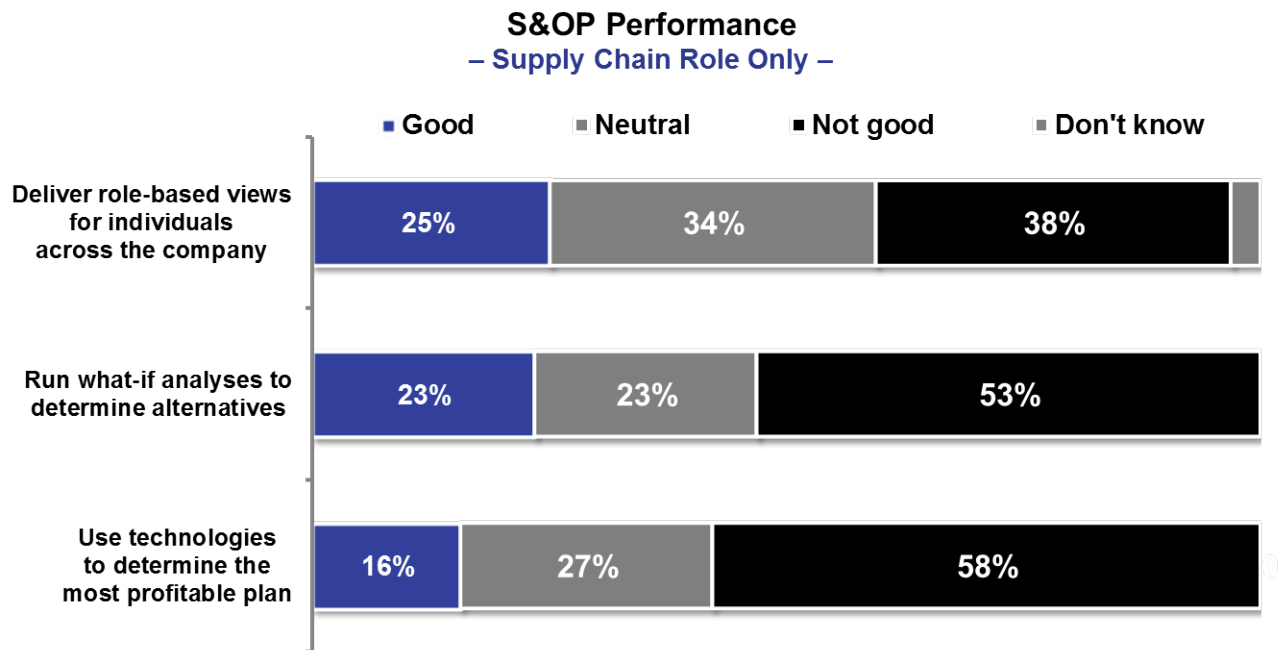
Q23: How aligned do you believe that these same pairs of teams actually are with your company? SCALE: 1=Not at all aligned, 7=Extremely aligned; ○ Higher than other group (Supply Chain Center of Excellence) at 90% or higher level of confidence

Recommendations

Each function within the organization perceives organizational alignment very differently. The gaps cannot be generalized, but they can be closed. It does not happen overnight. It is a journey not a sprint. Improved alignment will only happen through focused leadership over a period of three to five years. The largest gaps are executive leadership understanding to guide the process, and the lack of technology to model organizational capabilities and drive alignment. To move forward, leaders need to focus on:

- **Defining End-to-end Processes.** Progress is faster when there is a vision for the end-to-end process and metrics are clearly aligned cross-functionally. Corporate performance accelerates when it is clear that the management of these complex systems trading off growth, profitability, cycles and complexity requires the organization as a whole to manage a finite set of trade-offs. To understand these trade-offs and the impact, companies need modeling capabilities. This cannot be effectively modeled in a spreadsheet. The ability to model trade-offs reduces finger-pointing. For most companies, as shown in figure 13, there is a serious gap between current technology deployments.

Figure 13. Technology Gaps in S&OP Performance (Supply Chain Team)



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers with S&OP process – Supply Chain (n=64)

Q13. How would you rate your company on its ability to do each of the following? SCALE: 1=Poor, 7=Excellent

- **Designing to Absorb Demand and Supply Volatility.** Value networks need to be designed to absorb demand and supply volatility. Technology matters. The use of what-if analysis, role-based visualization, and the use of discrete event simulation help companies to understand the potential impact of demand and supply volatility and allows them to plan for critical events. Let's use an

analogy. Airline pilots train in simulators to better respond to critical events. When an event happens, even if it is not the event that they trained for in the simulator, the presence of training and simulation helps the pilot to react better. The outcome is safer. They better know the limitations of the aircraft. The building of an agile organization is similar. If individuals within functions know the limitations of the organization, along with the excesses and capabilities, the functions within the supply chain can better align to improve results and weather issues.

- **Building with the Goal in Mind.** One of the largest gaps is leadership. To help solve the problem, focus on the building of horizontal processes, ensure metrics alignment and clarity of strategy/vision. Push to understand the potential of the system. Test to understand the impact of trade-offs.
- **Changing the Mindset.** Remove bias and latency from data. Attempt to move data cross-functionally with as little latency and bias as possible. Measure improvement through processes like Forecast Value-add Analysis and drive continuous improvement programs to reduce bias. When bias exists, model the range of outcomes, understanding the limitations and opportunities. Tight integration of data does not drive better alignment; instead, it is about the understanding of the probability of events and the impact of an event on a potential outcome. Drive the understanding of cause and effect in cross-functional processes, supply chain plan reviews and the evaluation of new product launches.

Conclusion

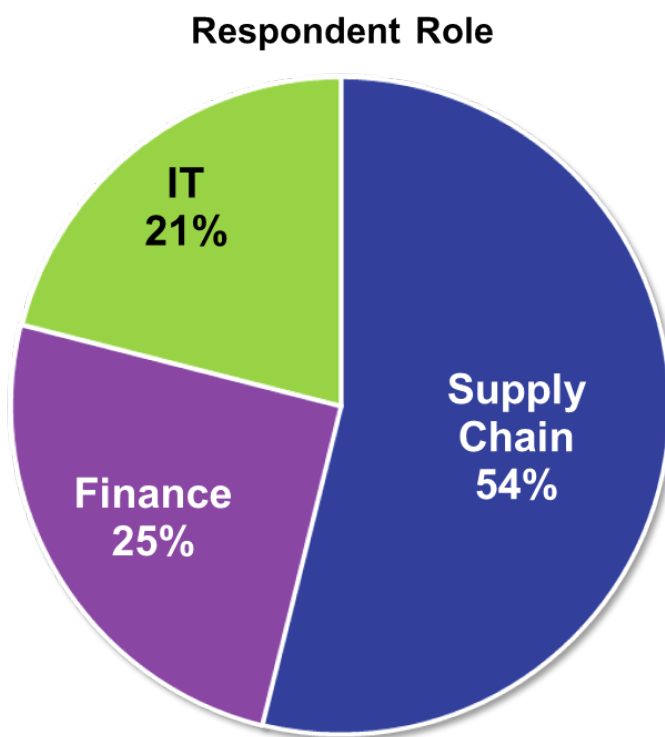
Organizational alignment matters. There are three techniques that can be adopted by organizations today to improve alignment and combat supply and demand volatility. All three of these important processes are maturing, but each improves alignment between functions.

Appendix

In this section, we share the demographic information of survey respondents. The respondents answered the survey questions of their own free will. There was no exchange of currency. The only offer made to stimulate a response was to share the survey results in the form of Open Content research at the end of the study.

The names of those that completed the surveys are held in confidence, but the demographics are shared to help the readers of this report gain perspective on the respondents. The demographics supporting these figures are found below in figures A-I.

Figure A. Respondent by Reporting Relationship within the Organization



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Total ((n=195)

Q3. Which of the following best describes your current role, even if the terminology isn't exactly right?

Figure B. Respondent by Industry Group

Industry by Function				
	Top 3	Supply Chain	Finance	IT
DISCRETE (NET)		37%	73%	59%
Industrial Manufacturing		15%	31%	29%
High-tech and Electronics		10%	12%	10%
Automotive and Heavy Equipment		4%	14%	10%
Aerospace and Defense		1%	4%	10%
Medical Device		5%	10%	-
Fashion Apparel		2%	2%	-
Commodity Apparel and Footwear		1%	-	-
PROCESS (NET)		59%	27%	39%
Consumer Packaged Goods		22%	10%	17%
Food and Beverage		16%	2%	7%
Pharmaceuticals/Bio Technology		4%	6%	7%
Chemical - Specialty		5%	6%	5%
Chemical - Industrial		6%	2%	2%
Oil and Gas		7%	-	-
Other		4%	-	2%

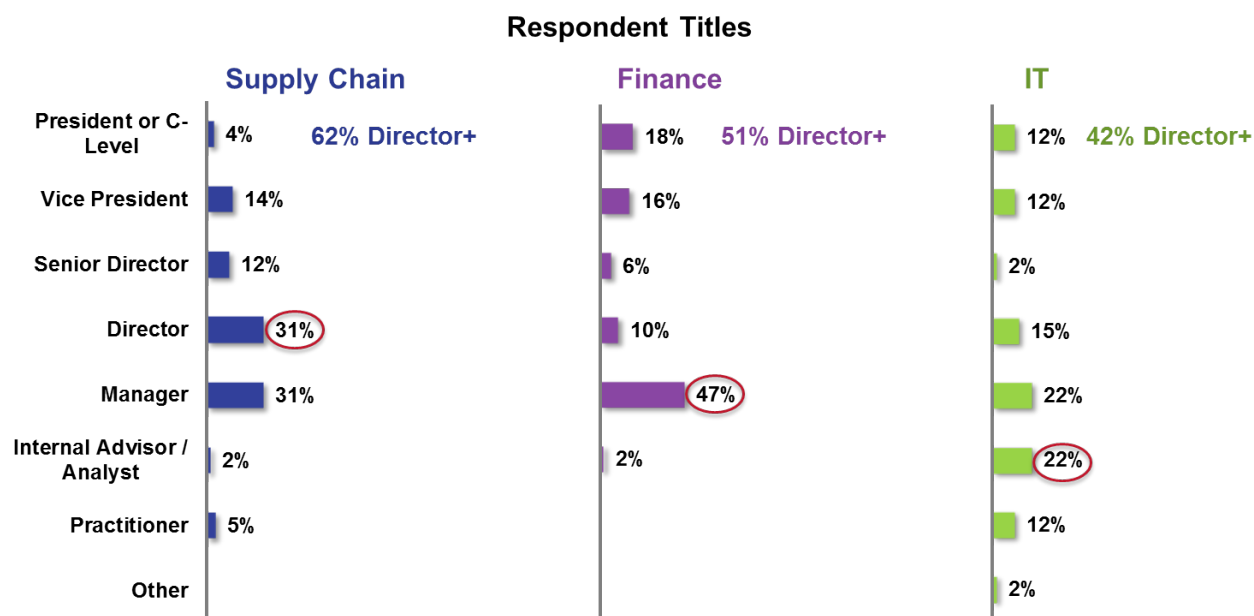
Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain (n=105), Finance (n=49), IT (n=41)

Q67. Which industry grouping best defines your company? Please select the one that best applies – even if the terminology isn't exactly right.

○ Higher than other group (Supply Chain vs. Finance vs. IT) at 90% or higher level of confidence

Figure C. Respondent Role/Title within the Organization



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – Supply Chain (n=105), Finance (n=49), IT (n=41)

Q2. Which of the following best describes your current level or title? Please pick the one that fits best.

○ Higher than other group (Supply Chain vs. Finance vs. IT) at 90% or higher level of confidence

Figure D. Company Size

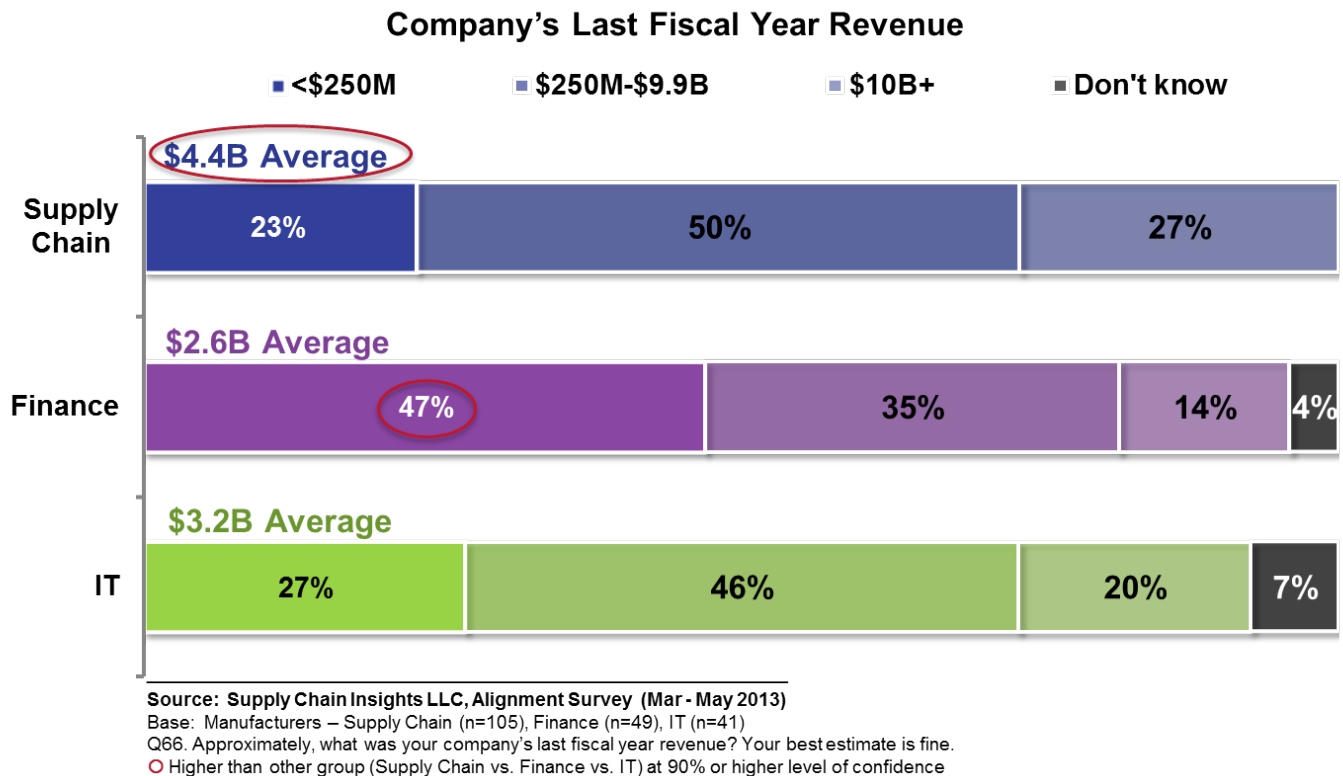


Figure E. Organizational Alignment Reported by Finance Role

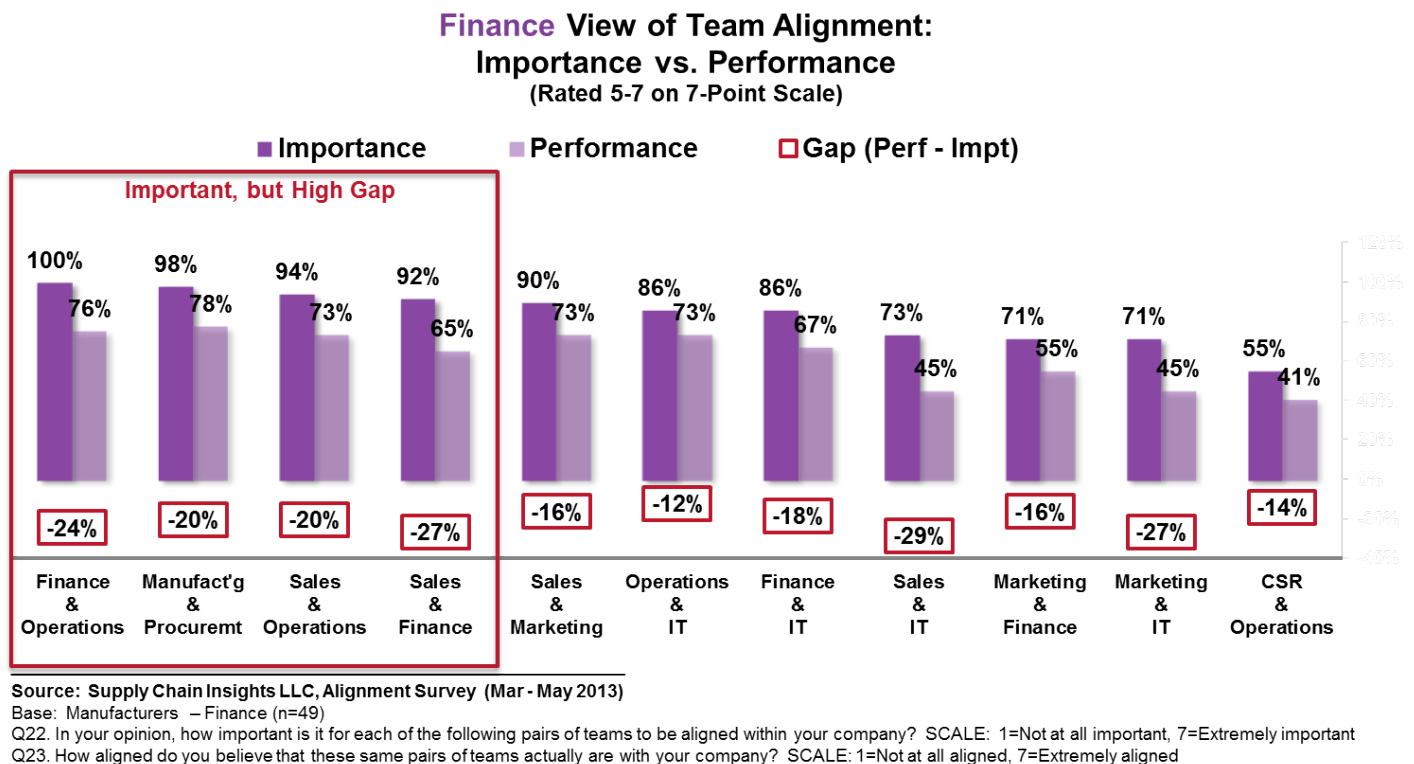
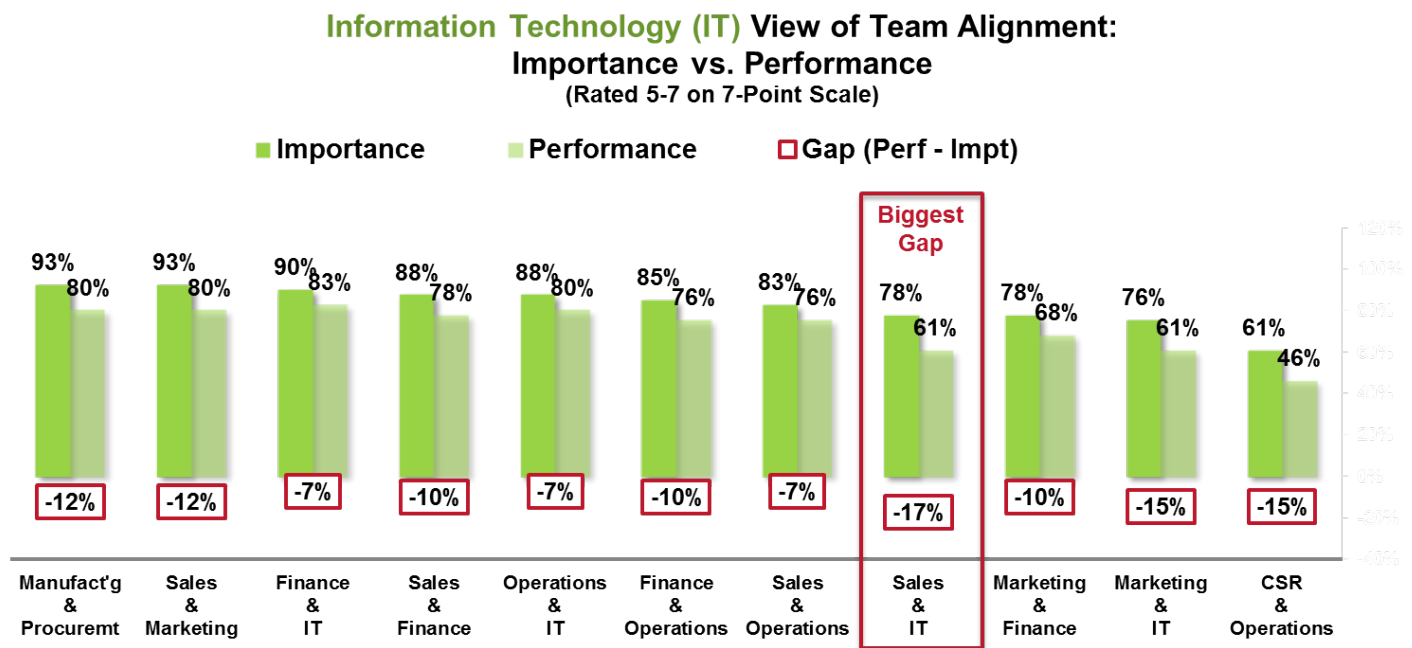


Figure F. Organizational Alignment Reported by Information Technology Role



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers – IT (n=41)

Q22. In your opinion, how important is it for each of the following pairs of teams to be aligned within your company? SCALE: 1=Not at all important, 7=Extremely important

Q23. How aligned do you believe that these same pairs of teams actually are with your company? SCALE: 1=Not at all aligned, 7=Extremely aligned

Figure G. Definition of the Supply Chain Organization (Supply Chain Team)

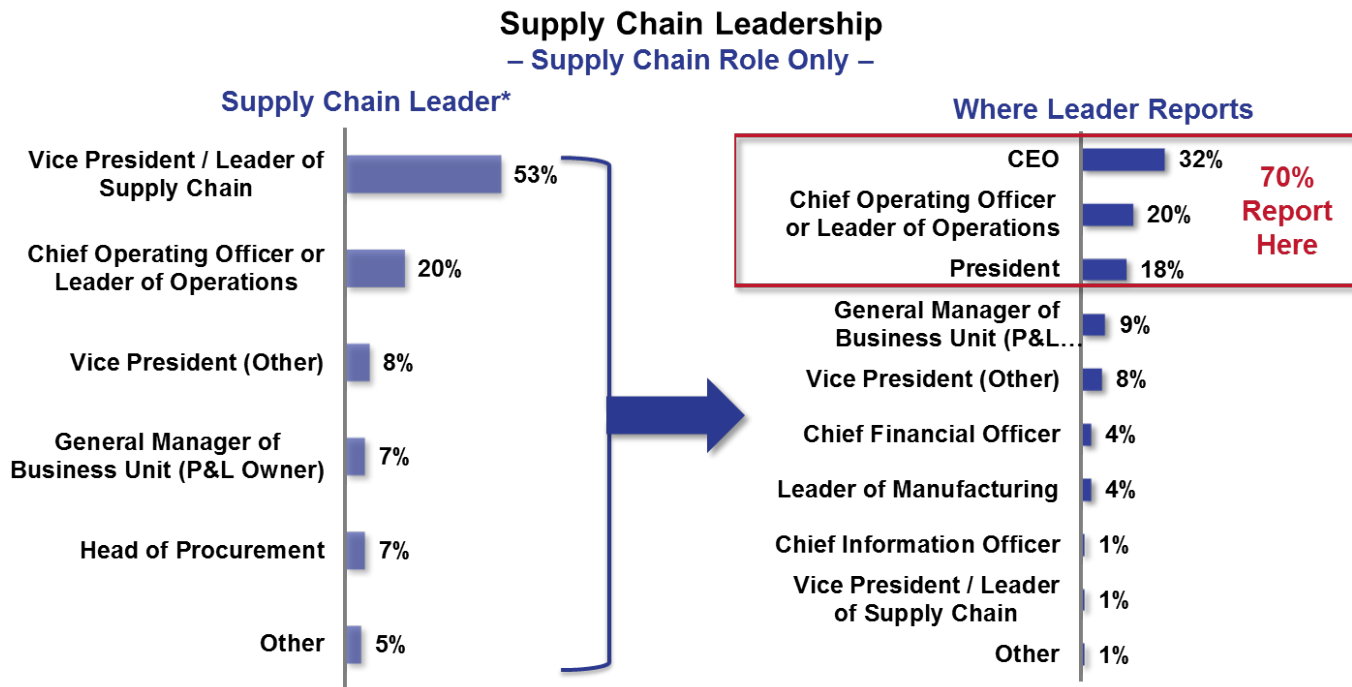


Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers with supply chain organization – Supply Chain (n=74)

Q27. Companies define their supply chain organizations in different ways. Please tell us how you define your company's supply chain by selecting which function(s) report through the supply chain organization. Please select all that apply.

Figure H. Supply Chain Reporting Relationships



Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers with supply chain organization – Supply Chain (n=74)

*Most senior supply chain executive

Q28. What is the title of the most senior supply chain executive in your company? Q29. To whom does the person above report?

Figure I. Techniques to Improve Supply Chain Agility

Top 3 Techniques to Improve Supply Chain Agility				
	Top 3	Supply Chain	Finance	IT
Improved demand forecasting	Most Common	56%	58%	58%
Lean manufacturing		41%	58%	53%
Better visibility of market events due to improved S&OP decision making		46%	22%	21%
Ability to speed up the new product launch process to be more responsive to customers		30%	31%	29%
Manufacturing products closer to market		24%	29%	21%
Vendor managed inventory (VMI)		20%	29%	16%
Change in transportation modes		18%	11%	16%
Supplier managed inventory (SMI)		10%	16%	32%
Inventory postponement		13%	11%	16%
Use of channel data to sense demand (decrease demand latency)		17%	9%	8%

Source: Supply Chain Insights LLC, Alignment Survey (Mar - May 2013)

Base: Manufacturers who know how company defines agility – Supply Chain (n=103), Finance (n=45), IT (n=38)

Q10. What are the top 3 techniques your company currently uses to improve supply chain agility?

○ Higher than other group (Supply Chain vs. Finance vs. IT) at 90% or higher level of confidence

Other Related Reports

[Sales and Operations Planning: State of the Union](#)

[How S&OP Drives Agility](#)

About Supply Chain Insights LLC

Founded in February, 2012 by Lora Cecere, [Supply Chain Insights LLC](#) is focused on delivering **independent, actionable and objective advice for supply chain leaders**. If you need to know which practices and technologies make the biggest difference to corporate performance, turn to us. We are a company dedicated to this research. We help you understand supply chain trends, evolving technologies and which metrics matter.

About Lora Cecere



Lora Cecere (twitter ID [@lcecere](#)) is the Founder of [Supply Chain Insights LLC](#) and the author of popular enterprise software blog [Supply Chain Shaman](#) currently read by 5,000 supply chain professionals. Her book, ***Bricks Matter***, (co-authored with Charlie Chase) published on December 26, 2012; and her second book, *Metrics That Matter*, will publish in 2014.

With over nine years as a research analyst with **AMR Research, Altimeter Group, and Gartner Group** and now as a Founder of Supply Chain Insights, Lora understands supply chain. She has worked with over 600 companies on their supply chain strategy and speaks at over 50 conferences a year on the evolution of supply chain processes and technologies. Her research is designed for the early adopter seeking first mover advantage.