

## NEWSLETTER



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**Questions?** Comments? Ideas for future articles? Contact us!

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### DIRECTORS' COLUMN:

## The Roles of Supply Chain Management and Marketing – The Debate Continues

*The relationship of Supply Chain Management (SCM) and Marketing is increasingly complex, with many elements and considerations that go beyond the limited space of this column. But due to the importance of the topic and our readers' expressed interest, we'd like to briefly weigh in on the debate.*

Since the emergence of Supply Chain Management (SCM) in the early 1980's, the discipline and practice of both SCM and Marketing have evolved to the point that today they overlap in a number of key areas. SCM is no longer narrowly focused on the movement of products offered in the marketplace. Today, SCM has an expanded role of integrating supply-and-demand management within and across companies, including coordination and collaboration with channel partners and customers, sourcing, procurement, conversion, and logistics.

As SCM has continued to evolve, it now includes many activities common to the discipline and practice of Marketing and Marketing Management, and as such, the previous lines of demarcation between these two disciplines have indeed become quite blurred. To illustrate, let's compare the American Marketing Association (AMA) definition of Marketing to the Council of Supply Chain Management Professionals (CSCMP) definition of SCM:

- **AMA** - Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
- **CSCMP** - Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and 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.

Moreover, we know that Marketing and SCM succeed (as does the entire organization) when all departments work together to achieve goals important to organizational success — for example, when Engineering designs the right products, when Finance furnishes the required funds, when Purchasing buys high-quality materials, when Production makes high-quality products, when Logistics delivers them on time, and when Accounting measures the profitability of different customers, products,

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and geographical regions. Thus, both SCM and Marketing must collaborate and work closely together to support and be an integral part of the vision, mission, and strategic planning that is developed and implemented at all levels of the organization.

We suspect that this continuing debate as to the roles of SCM and Marketing will not end here, as both Marketing and SCM further evolve to provide organizations with value in this highly dynamic, global marketplace. The controversy should provide academics and practitioners alike with much to think about, debate, analyze, write about, and practice for years to come.

Please let us know your thoughts on this topic. We'd like to hear from you.

—Joel, Mike, and Larry

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## The New Economy Demands a Dramatic New Approach to Business and Supply Chain Management



By Nigel Johnson

Team Founder, Reclipse Group  
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With all the uncertainty in today's global business environment, the only thing certain about the future is that companies and their employees will have to make dramatic changes to survive.

New holistic approaches will be necessary, led by business leaders prepared to shape the future, not just follow it. Business changes will be fueled by technological advances and by people willing to step up to the challenge of re-engineering the past to succeed in the future. Companies that alter their strategies to facilitate these new technologies, and that embrace and foster a culture of adaptation and innovation, will endure and grow.

Fueling this business transformation is a supply chain model that succeeds by focusing clearly on customer satisfaction. In the new environment, the success of every component in the supply chain is based on delivering predictable and high quality service to the end customer. Success requires companies to adopt a new model, known as the Integrated Business Chain, based on an expanded, holistic view of the entire organization.

The New York Times recently reported on the strategy shifts being planned, or already implemented, by major

retail chains. Hit hard by the recession, retailers are quickly reinventing their business strategies. They are carrying less inventory, offering fewer brands, and shortening lead time on seasonal transitions for items like apparel. Some stores are giving customers the option of in-store on-line shopping. Sears and JCPenney are installing self-service computers in stores so customers can buy out-of-stock items. (Sears has already done this for their Lands End line.) Luxury stores like Saks and Coach plan to offer lower-price merchandise. The business chains for these retailers need to change quickly to support the shorter on-line requirements.

Successful companies know that to maintain and build customer loyalty, their optimized business chain must provide not only the lowest true end-to-end landed cost and the highest quality merchandise and service, but also demonstrate a strong financial structure going forward. Customers will not be willing to sacrifice quality for lower price. Even more importantly, customers want to buy from a company they believe will survive the economic downturn and provide exceptional customer service and support. Soon, armed with a smart phone, the consumer will be able to scan the bar code of any product and have instant access to company and product history, including peer comments and competitive pricing.

Every participant in the business chain plays an important part in delivering the end product or service to the customer while maintaining the business's financial viability. Within a company, each department needs to support the others, all with the same goal in mind, to deliver the best customer experience possible. This holistic business chain approach is customer-centric and supplier-sensitive. It relies on people to participate fully — and there lies the biggest challenge.

How does an organization create a culture where employees participate fully? How do you get each employee to understand how his or her role fits in with the rest of the organization and how the organization fits into the larger business chain? It requires a shift in thinking as well as an ability to adapt quickly and efficiently to changes in the marketplace.

### The Learning Organization

According to Peter Senge, in his book *The Fifth Discipline*, what is needed is a "Learning Organization where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together."

A learning organization requires companies to create new organizational structures designed around the end-to-end flow of business processes with supporting technology, from product engineering to production, from sales and marketing to customer service. Management cannot afford to spend time cajoling employees to make a change.

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Performance must be evaluated on the employee's capacity to embrace new ways of thinking. Personal success and career advancement are increasingly tied to business success.

Only a motivated, knowledgeable workforce, flexible in its capabilities and excited about changing the future, can successfully meet the demands of a new world economy. Rysa Pitner, principal of Do It Happy, LLC, comments that "quality organizations will clarify and simplify their vision, articulate attainable goals and unleash the right talent to get things done." The right talent is one of the keys to success, as these are the people who will engineer necessary and ongoing change.

Strong relationships throughout the whole business chain, empowering all participants with quick and efficient access to key business information, is essential. Bringing a competitive product to market while ensuring the economic validity of each participant in the chain requires collective problem solving. Equally important is the use of the new social media tools (blogs, LinkedIn, Twitter, et al) and joint marketing campaigns, implemented first along the supply chain and then the broader business chain. Sharing ideas and knowledge via social media tools will help drive and engage organizations and individuals in the change process. Companies not accustomed to sharing proprietary information with external partners will have to embrace this process or risk falling behind.

In the development of new operating systems and software, information-sharing and open-source tools speed the process and reduce the cost of the end product and often enhance the quality. A prime example is Apple, which, to launch the iPhone and maximize its usefulness, provided the platform and opened up the development of applications to the entire community. Dan Tapscott, author of *Wikinomics*, puts it this way: "Winning in a world of co-creation and combinatorial innovation is about building a loyal base of innovators that make your ecosystem stronger, more dynamic, and more expedient than the ecosystems of rivals in creating new value for customers."

To thrive in the new economy, recruit new generations of employees with the talent to generate new ideas and processes using new technologies. Share information with other entities in the supply chain to support key decisions. Focus on the end-to-end business chain. Managing change to support a flexible and adaptive culture is not a

new concept, but now it requires a faster pace than ever before. It's not an easy challenge but one that is absolutely necessary to succeed and prosper.

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## The Role of Corporate Culture in Supply Chain Collaboration

By **Bill Keough**

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In the Fall 2008 CVCR Newsletter, we examined the building blocks of supply chain collaboration (see Figure A, next page). That article discussed the criticality of integrated IT systems in such collaborative efforts and outlined various approaches for sharing

near-real-time supply chain data with your suppliers and customers. This article explores a far less tangible, but arguably more important, component of effective supply chain collaboration: your corporate culture.

### How would you describe your corporate culture?

Corporate culture, in large part, dictates how your employees behave when interacting with members of your supply chain. Does your firm generate most of the significant technical advances in your industry? Is it a privilege for suppliers to sell to your company? Do the brightest people in the industry work at your firm? Many firms, especially the larger ones, have a set of collective beliefs about themselves that often produce results diametrically opposed to those the firm is seeking.

If you want to understand your company's corporate culture, the first place to look is probably *not* your mission statement. In fact, very often the best way to understand it is to ask outsiders to describe it. Here's an eye-opening example. A large defense contractor was providing a set of integrated services to the Navy. The point-person for the contractor described its culture as "going the extra mile to be sure the customer is satisfied and our troops are prepared." His counterpart at the Navy had a different opinion, saying, "You are one of the most arrogant and bureaucratic companies I have ever worked with." How could two individuals have such different views of the same business transaction?

Now, we all know that the customer is always right; the Navy's observation is probably a tip-off that the contractor won't be doing business with the Navy again. Surely, if the

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**Mark your calendar: November 3-4**  
**CVCR Fall 2009 Symposium:**

**Ensuring That Your Supply Chain Provides a Competitive Advantage**

More information on page 6 and at  
[www.lehigh.edu/cvcr/symposium](http://www.lehigh.edu/cvcr/symposium)

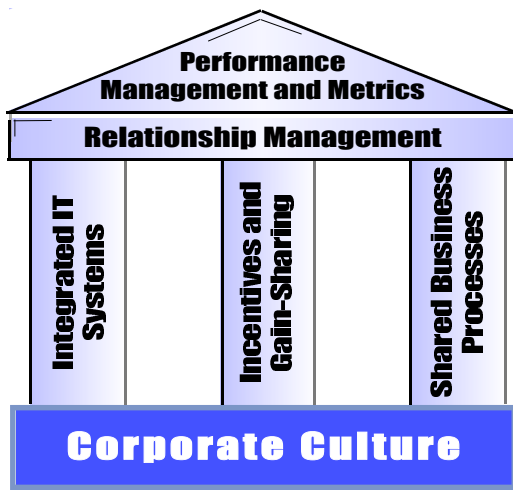


Figure A: The building blocks of supply-chain collaboration

defense contractor's CEO were made aware of the Navy's comment, he would do something to resolve the problem. But how often are such customer scoldings passed on to the CEO? Management can't interact with every customer on a personal basis. The company's employees are its emissaries to the outside world. And it is the way your company's culture is established and communicated that drives the real-world behavior of your employees.

At one time, I provided internet strategy consulting to a division of a large energy company and a small manufacturer of custom-designed jewelry. To better understand each company, its operating environment, etc., I would usually begin by interviewing junior executives and work up to the CEO. When asked to describe the firm's mission and culture, the energy company's junior execs gave such diverse answers that you would have thought they all worked for different companies. The CEO's description was different again from those of his management team. At the jewelry company, on the other hand, everybody I interviewed said almost same thing. They chose different words, but they described the company's culture as if they all understood it the same way.

It's hardly a novel idea that cultivating and communicating the corporate culture in a large company is more challenging than in a small company and requires different strategies. But in most companies I have observed, little to no effort is expended on this exercise. Companies can produce uniform products anywhere in the world (think fast food chains), but these same firms make little effort to ensure that the desired corporate culture is built into the day-to-day activities of its employees.

### Can you change your corporate culture?

Many executives would say no, you can't change the culture. And truly, a company's culture is notoriously difficult to change. But it can be done.

In January 2006, the Wall Street Journal published an article describing Ford's efforts to reinvent itself. Ford had assembled its most out-of-the-box thinkers into a team, and that team had established a war room. And in that war

room was a banner with the maxim "Culture Eats Strategy For Breakfast."

It would seem that the Ford team had identified perhaps the most significant barrier to their success. In 2009 the jury is still out as to whether Ford has been able to turn around its culture, but a leading indicator is that Ford was the only one of the top American car companies that didn't need a government bailout.

If you examine all the elements required to reap the gigantic rewards of efficient supply chain collaboration, culture is one of the most difficult to address. But there are firms that offer good examples of success. When Boeing decided to embrace lean production techniques, it required a complete overhaul of the way the firm conducted its business. Inventories would be significantly reduced. Aircraft would be built on a moving line. All inputs, production and otherwise, would be ordered differently. The company changed the way it did business. It changed its collective mindset to embrace lean production principles, even though it required new job descriptions for almost every employee.

There are a lot of great articles out there on Boeing's transformation. But in my mind, the most critical component of this cultural shift was relentless and dogged evangelizing, from the CEO on down, until every employee understood the cultural and strategic changes and could articulate the resulting benefits. After a while, the moment arrives when if you haven't assimilated the new culture, you're not part of the team.

### So what should I do now?

If you want to strengthen your supply-chain collaboration, first drive out the inefficiencies in your supplier interactions. Involve all the senior managers and as many other employees as possible. Then,

1. Document your corporate culture. Sometimes by collecting feedback from employees, customers and suppliers, you can learn amazing things about your company and discover new opportunities.
2. Fine-tune your corporate culture based on feedback and input from everyone involved.
3. Be sure everyone is strongly on-board. Design a long-term communication plan. Get managers out on the floor with employees to reiterate your message.
4. Decide how you will measure progress against your goals and what benefits real achievements deliver.
5. Let your employees know how their efforts are making the firm more competitive and profitable, and let them share in the benefits from new efficiencies.

Eventually, others in your supply chain will realize that you are working toward a more open collaborative culture — and that everyone will reap the rewards.

## Reviewing the CVCR Spring 2009 Symposium

### Participants Discuss Creating Supply Chain Value in Challenging Times: Lessons from Industry Leaders

On May 20 and 21, 2009, Lehigh University's Center for Value Chain Research held its annual Spring Symposium. The meeting was attended by more than 170 supply chain professionals from 80 different companies, including Lehigh faculty and students. The event featured formal presentations from industry leaders illustrating how their companies or industries are creating value within their supply chain or for their supply chain partners. Each session included intense audience participation delving more deeply into each issue.

PowerPoint presentations and notes from the 3PL panel and breakout sessions can be found on the CVCR website [www.lehigh.edu/cvcr/symposium](http://www.lehigh.edu/cvcr/symposium). The following is a brief overview of each presentation.

#### **Colgate-Palmolive: Future Supply Chain 2016 at Colgate**

Adopting from the Global Commerce Initiative/Capgemini publication, *Future Supply Chain 2016*, this speaker shared valuable insights from industry leaders as to how future supply chains need to evolve and build on a foundation of collaboration. Expanding on these findings, the speaker provided insights, from one of the world's most recognized consumer goods companies, on building a demand-driven, globally-integrated supply chain in these volatile economic times.

#### **Air Products: Supply Chain Response to Rapid Reductions in Demand**

When demand volume crashes down and future volumes are difficult to predict, effective rapid supply chain responses are necessary to minimize financial fallout. A high baseline of efficient communications and common knowledge of IT systems are prerequisite to such responses. In Air Products' merchant industrial gases business, such responses are connected and coordinated worldwide. This presenter shared key elements of the supply chain that enables such response.

#### **Dresser-Rand: Turning Risk into Advantage**

Troubling times bring into focus complex issues and challenges that require an organization's resolve and discipline. Over the past three years, Dresser-Rand's Supply Chain Management team focused its strategy around people, process, and technology—not just price—in order to position itself to deliver competitive advantage in any sce-

nario. This transformation is based on a balanced strategy with key drivers such as lean supplier relationships, supplier risk, total cost consciousness, measurement, technology, and employee excellence.

#### **Crayola: Supply Chain as a Competitive Advantage in the Consumer Products Industry**

This presenter shared insights into how leadership at Crayola has focused on making its supply chain a strategic competitive advantage. Operating in the consumer products sector brings high expectations from all business stakeholders. Customer performance metrics require consistent profit margins and inventory turns, an environmental sustainability message, and unique product offerings. Consumers expect to be delighted by innovative products that have consistent quality and product safety performance at a fair price. Shareholders demand sustainable, profitable growth, tightly managed assets, and ever-improving cash flows. Succeeding in this environment, amid volatile commodity and currency shifts and evolving product safety regulations, brings many challenges to supply chain leadership.

#### **Panel: How 3PLs Are Creating Value for Their Customers**

This panel of leading global 3PLs shared their expert opinions regarding overcoming economic challenges to optimize supply chain performance in today's global economy. They explained what they are doing to ensure that their customers receive the highest quality service and real-world solutions that they can use in their operations. The audience learned how 3PLs are helping their customers turn challenges into successes.

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### Our recent Symposiums prompted these comments from attendees:

*"I have to complement you on a well-run and very successful symposium. I prefer such an experience to the much larger conferences by a factor of three."*

— Michael Zimmerman, Atlas Supply Chain

*"I thought the program was very well organized, and speakers were overall very good."*

— Rich Murray, Corning Incorporated

*"The Fall Symposium was EXCELLENT, and I look forward to attending future events."*

— William Hill, Henry Schein, Inc.

*"Really enjoyed the experience. Brought solid key points back to our company to share."*

— Helen E. Moll, Fres-co System USA, Inc.

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# Center for Value Chain Research

## NEWS AND UPCOMING EVENTS

### Kudos

AMR Research, a global business and technology research firm, listed Lehigh University as one of 19 programs that are best preparing students to manage supply chain organizations with an increasingly global reach. Lehigh was lauded for its academic and research innovation in AMR's new national survey of the nation's premier supply chain programs. Lehigh was one of only two private universities to have been included in the survey. It was also the smallest of the 19 participating institutions, all of which have routinely been recognized by industry as educational leaders in the supply chain arena.

Joel Sutherland will receive the Council of Supply Chain Management Professionals (CSCMP) 2009 Distinguished Service Award (DSA). Sutherland will be honored during



the Keynote Session on September 21, 2009, at CSCMP's Annual Global Conference in Chicago, Illinois. The DSA goes each year to an individual who has made significant contributions to the art and science of supply chain and logistics management. The award is the highest honor that can be bestowed upon an individual for achievement in these two professions. For more information visit: [www.cscmp.org](http://www.cscmp.org)

### Events

**On September 15, 2009**, Joel Sutherland will be presenting at The World Is Open for Business event at Lehigh University. For more information visit: [www.lehigh.edu/sbdc](http://www.lehigh.edu/sbdc)

**On December 2, 2009**, Joel Sutherland will be presenting at the SpeedChain International Logistic Conference in Prague, Czech Republic. Information at [www.reliant.cz](http://www.reliant.cz)

*The Center for Value Chain Research continues to improve its website to provide more content and value. Check it out at [www.lehigh.edu/cvcr](http://www.lehigh.edu/cvcr), and log on again for additional improvements throughout the year.*

## ANNUAL CVCR FALL SYMPOSIUM

### Ensuring That Your Supply Chain Provides a Competitive Advantage

**NOVEMBER 3-4, 2009**

at Hotel Bethlehem,  
near the Lehigh campus in Bethlehem, PA

We are currently in the process of lining up excellent supply chain speakers from well-known U.S. companies. There will also be thought-provoking breakout sessions, led by Lehigh faculty, that are sure to provide attendees with a wealth of ideas. As in past events, we expect nearly 200 attendees representing 80 or more companies.

The symposium will begin on the evening of November 3 with a networking and student recruiting dinner — always a very popular event for anyone wanting to mix with other industry professionals or meet some of Lehigh's brightest students.

The Symposium is co-sponsored by the Council of Supply Chain Management Professionals (CSCMP). For more information visit:

[www.lehigh.edu/cvcr/symposium](http://www.lehigh.edu/cvcr/symposium)

## Questions? Comments? Feedback?

If you have questions about the Center for Value Chain Research, would like to discuss the content of this newsletter, or have ideas for future articles, please contact Joel Sutherland at [joel.sutherland@lehigh.edu](mailto:joel.sutherland@lehigh.edu) or at 610-758-6428.

We look forward to hearing from you!