Programme Managing the Supply Chain Portfolio

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Abstract:

Effective and efficient management of the Supply Chain Portfolio is widely regarded as the key to optimal organisational performance. How to achieve this has remained a complex challenge to executives. This article proposes programme managing the project driven and non-project driven components of the Supply Chain Portfolio as a sustainable solution to the problem.

Introduction

Stock and Lambert (2001) describe Supply Chain management as a highly interactive, complex systems approach that requires simultaneous consideration of many trade-offs. Supply Chain management integrates key business processes from suppliers to end users and provides products, services and information that add value for customers and other stakeholders. According to Steyn (2003, 2009) the Supply Chain Portfolio consists of seven key cross-functional business processes:

2. Customer service management (CSM).
3. Order fulfilment.

The abovementioned cross-functional business processes focus on serving external customers. Moreover, in addition to managing service delivery aspects the Customer Service Management business process also attends to product returns from dissatisfied customers.

4. Product development and commercialisation.
5. Procurement.
6. Demand management and capacity planning.
7. Operations (manufacturing) flow management.

These four cross-functional business processes focus on serving internal customers; hence they play a major role in supporting the three cross-functional business processes that serve external customers.

Stock and Lambert (2001) identify the structural dimensions of the Supply Chain Portfolio as the participating members, the cross-functional processes of the Supply Chain, and the different types of process links across the Supply Chain. They identify executive support, leadership excellence, commitment to change, and empowerment as key requirements for successful Supply Chain management, and regard information as a key enabler of Supply Chain Portfolio integration. However, they do
not propose an integrative model to achieve the abovementioned. They assert that, due to the dynamic nature of modern organisations, leadership and management should regularly monitor and evaluate the performance of the Supply Chain. They regard it as imperative that performance goals are met, and failing so, that Supply Chain alternatives are evaluated and change implemented.

According to Steyn (2009) the latter is virtually impossible in bureaucratic organisations and the challenge is for organisations to transform to learning organisation paradigms and structures. Professor DA Garvin (1993) from Harvard Business School provides the following definition of a learning organisation: “A learning organisation is an organisation skilled at creating, acquiring and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights”. He asserts that to stay competitive in the new economy, organisations must strive to move away from bureaucratic practices towards becoming learning organisations that are far more agile and flexible. This requires that organisations restructure themselves accordingly.

Steyn (2001, 2009) proposes that organisations shape their cross-functional portfolios into various programme structures, some processes serving internal customers and others external customers. In addition to the project related programme structures of the Strategic Transformation Portfolio, Continuous Improvement Portfolio, Capital Expenditure Portfolio, and Virtual Network of Partners Portfolio (Semolic, 2009), they should also shape the Supply Chain Portfolio’s cross-functional processes into a programme structure, or structures depending on the business model adopted.

As shown in Figure 1 the Supply Chain Portfolio is an integral part of the cross-functional programme structures of learning organisations. The programme configurations are not mutually exclusive. They support each other in an integrated way and the strategic picture is linked to the operational activities (Partington, 2000) (Thiry and Murray-Webster, 2000). The major organisational benefits of strategic importance delivered by the individual programme configurations vary from effectiveness, efficiency, and both effectiveness and efficiency. Moreover, benefits of strategic importance of the process deliverables are measured by utilising appropriate key performance indicators (KPIs) that are linked to critical success factors (CSFs) in a balanced scorecard. This is generally followed by a system of appraisal and review performed by the executive leadership to determine whether organisational benefits of strategic importance accrue to a satisfactory degree. According to Steyn (2009) the portfolios, including the Supply Chain Portfolio, are arranged into different programme structures each with its own portfolio manager and support staff as illustrated in figure 2.
Figure 1: Balance scorecard - programme management (BS-PM) learning organisation value chain schematic proposed by Steyn (2001, 2003, and 2009).

Figure 2: Programme structures for the portfolio groupings.
Non-Project Driven-, Project Driven-, and Hybrid Structures.

Programme structures for non-project driven organisations

The organisational value chain schematic in Figure 1 illustrates the Supply Chain Portfolio programme structures for project driven and non-project driven components of the organisation. The non-project driven component includes the three business processes, i.e., Customer Relationship Management (CRM), Customer Service Management (CSM), and Order Fulfilment that serve external customers. The remaining four business processes constituting the non-project driven component are Product Development and Commercialisation, Procurement, Demand Management and Capacity Planning, and Operations (manufacturing) Flow Management that serve internal customers and support the three cross-functional business processes that serve external customers.

Depending on its business model organisations can be structured as project driven, non-project driven, or hybrid. The latter means that the organisation has both a project driven as well as a non-project driven component in its Supply Chain. Non-project driven organisations generate income (revenue) by selling products and services to external customers. In non-project driven organisations the cross functional project management process serving external customers does not exist. Non-project driven organisations are not in the business of doing projects.

Figure 3: Non-project driven component of the Supply Chain Portfolio.
All seven cross functional business processes are present in the non-project driven component. Of the seven only Product Development and Commercialisation is a project-based business process. The programme management value chain architecture for the non-project driven component of the Supply Chain Portfolio is shown in Figures 3 and 4.

![Programme Management Value Chain Architecture](image)

**Figure 4:** The non-project driven component’s programme management structure.

**Programme Structures for Project Driven Organisation**

Project driven organisations are unique. To win orders they tender on RFPs (requests for proposals) received from the external customers. When successful in their bids they generate income (revenue) by doing the projects for those external customers. For effective and efficient customer service they create and utilise cross-functional project management processes that constitute the project driven component of the Supply Chain Portfolio. Order fulfilment and product development become part of the cross-functional project management process activities and are performed by the project team members during the project lifecycles.

The cross-functional project management processes that constitute the project driven component of the Supply Chain Portfolio are still supported by the five remaining cross-functional business processes of the non-project driven component of the Supply Chain Portfolio. These are CRM and CSM, Procurement, Operation (manufacturing) Flow Management, and Demand Management and Capacity Planning. This unique programme management value chain architecture for the project driven component of the Supply Chain Portfolio is shown in Figures 5, 6 and 7.
Figure 5: Project driven component of the Supply Chain Portfolio and the five supporting processes as discussed in the text.

Figure 6: The project driven component’s programme management structure illustrating the cross-functional project management processes of the Supply Chain Portfolio serving external customers.
Programme Structures for Hybrid Organisations

Hybrid organisations are plentiful and have both project driven and non-project driven components in its Supply Chain Portfolio as described above. Steyn (2009) asserts that to enhance value chain effectiveness and efficiency project driven, non-project driven, and hybrid organisations need to adopt Continuous Improvement-, Capital Expenditure-, and Virtual Network of Partners Portfolios as programme structures. Moreover, when the need arises they must establish a Strategic Transformation Portfolio programme structure to analyse, develop and implement emergent strategy.

The latter is required, firstly, when the organisation has to undergo radical transformation and change. Under these conditions the programme office is staffed from outside to overcome the constraining paradigm deficiencies in the organisation. It is common knowledge that a contaminated organisational culture cannot cleanse itself. Secondly, the programme structure for the Strategic Transformation Portfolio can also be established when innovative transformation and change of a minor degree is required. Under these conditions the programme office is staffed from internal resources. In both cases the programme office is a temporary structure (Steyn, 2009).

Conclusion

For optimal organisational performance it is imperative that the programme structures of the different portfolios operate in synergy, irrespective of the business model adopted by an organisation. Coordinating and integrating the activities of the
Supply Chain Portfolio with that of other cross-functional portfolios is a key factor for success. Sound structuring, leading and managing of the programme architecture in a learning paradigm are the important linkages alluded to, but not defined, by Stock and Lambert (2001). Structuring and programme managing the Supply Chain Portfolio in accordance with the principles proposed in this article is the sustainable solution.

Bibliography

About the Author

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Dr. Pieter Steyn is Founder and Principal of Cranefield College of Project and Programme Management, a South African Council on Higher Education / Dept of Education accredited and registered Private Higher Education Institution offering an Advanced Diploma, Postgraduate Diploma and Master's Degree in project and programme-based leadership and management. Professor Steyn holds an engineering degree (BSc Eng), MBA and Doctorate in business management and is a registered Professional Engineer. Dr. Steyn founded consulting engineering firm Steyn & Van Rensburg (SVR) in 1970. (Projects included First National Bank Head Office (Bank City), Standard Bank Head Office, Mandela Square (all in Johannesburg), Game City and The Wheel Shopping Centres (Durban)). He was appointed professor in the Department of Management, University of South Africa (1976), was Founder Chairperson (1977) of the Production Management Institute of South Africa, and helped pioneer Project Management as a university subject at the post-graduate level in 1979 at the University of South Africa.

Pieter was professor of Project and Operations Management at the TUKS Graduate School of Management, University of Pretoria from 1990 until retiring in 1998. Pieter was Chairperson of the Commission of Enquiry into the Swaziland Civil Service in 1993; Project Leader of the Strategic Management Team for the Gauteng Government's Welfare Department and Corporate Core, 1994 to 1996. He founded the Cranefield College of Project and Programme Management in 1998. Pieter is co-author of the “International Handbook of Production and Operations Management,” (Cassell, London, 1989, ed. Ray Wild) and author of many articles and papers on leadership and management.

Pieter is a founder Fellow of the Production Management Institute of South Africa, and a member of the Association of Business Leadership, Industrial Engineering Institute, Engineering Association of South Africa and Project Management South Africa (PMSA). He is founder and past President of the Association of Project Management, South Africa (APMSA) and South Africa's former representative on the Council of Delegates of the International Project Management Association (IPMA), 2000-2005. He is currently a member of IPMA's Research Management Board (since 2007). Pieter is also Director of the De Doornkraal Wine Estate in Riversdale, Western Cape. Prof Steyn can be contacted at cranefield2@cranefield.ac.za. For information about Cranefield College, visit www.cranefield.ac.za.