

Barilla SpA(A) Harvard Business Case Study: A short Reaction Paper on Supply Chain Implementation Challenges

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Discourse on problems that impede realization of supply chain initiatives together with the solutions and the strategies to confront such tribulations is the central point of the listed (at the end) readings. As companies often lack resources and competencies to gain sustainable competitive advantages³, it leads them to go beyond their boundaries and assess on how to utilize resources and competencies of the suppliers and the customers to create greater value³. This can be achieved by aligning objectives, integrating resources, outsourcing non-core activities, building trust² and team like relationships³ to create the synergy required in gaining the competitive advantage over rival supply chains. Despite an enormous SCM rhetoric among researcher and practitioner, most of the companies failed to realize comprehensive success^{1, 2, 3, 4}.

On an abstract level the term SCM, although used extensively since last many years, has a wide disparity in its definition and perceptions^{1, 3} that is floating amongst different individuals. It mainly varies based upon their placement within a functional area or their channel position; radically changing its objective and the scope. Various definitions are identified in Fawcett *et. al.* (2002) ranging from calling it *internal cross-functional process integration*; to *backward to the first tier supplier only integration*; or to the *forward to the first tier customers only integration*; to the complete backward to forward integration; what is quoted as "*integration from the supplier's supplier to the customer's customer*"³. Data suggest that a number of organizations are happy with the internal integration effort, while few are at an early stage of inter-organizational collaboration due to various obstacles faced by the companies in such initiatives.

On an implementation level, several impediments are identified, preventing users to reap real benefits that are promised or stated in such initiatives. One of the major factors that prevent real and full implementation of the SCM strategy is that of the trust. In fact, it has been recognized by many as the biggest⁴ obstacle in such initiatives. Various studies have shown that small fishes of the chain feel dictated by the larger ones despite calling themselves partners. Other reasons vary from suppliers being part of the chains of the other direct competitors to the questionable practices such as misrepresenting or withholding of key information and conflicting objectives etc. The principles of shared rewards and risks are hardly put into practice, which is essential for the *trust factor* to infuse. The problem of trust is not only faced on the inter-organizational front, it is clearly an issue to be dealt within the confines of an organization. For example the Barilla case study, illustrates this problem where not only distributors rejected the JITD program (where Barilla's logistics would specify appropriate delivery quantities as compared to the distributors order placements) fearing relinquishing control and mistrusting that the rewards would go towards Barilla while risks will move towards the distributors; marked resistance within the organization was also visible as sales and marketing organizations opposed, fearing diminishing responsibilities. Key measures that counter the trust problem are building trust through meeting promises, open information

sharing, behavioral changes that manifest and build trust, building personal relationships and sharing of rewards and risks. In my personal experience, trust can be established in such environments by *listening first and then be listened* on a direct communication level. An earnest effort is required on everybody's part to listen and understand others point of view, giving full chance, or even putting oneself in other's shoes. In my experience, the mistrust caused by *not listening* leads to a situation where people differ when essentially they are having the same point.

Another key factor affecting the SCM initiatives is having different goals and objectives¹. In a situation where key partners have significantly different goals, the likelihood of agreeing on a common initiative is trim. Relationship management and establishing inter-organizational teams, with open dialogue and communication, in an environment of trust, are the possible course of action to reach common goals and objectives.

The problem of mistrust creates various other problems, such as the fear of relinquishing control. As most of the supply chain initiative demand joint efforts and close cooperation, managers feel¹ themselves at the mercy of other individuals or organizations and to be held accountable for issues that have distributed responsibilities.

Visibility^{1, 2 & 4} or timely communication^{1,2} of relevant information plays a key role in bringing a chain closer to success. Coordination and cooperation within an organization or in-between companies may be severely hindered by the available inadequate information system. It is a mean to bringing a host of benefits such as reducing cycle time (we know the impact of cycle time reduction on the Bullwhip effect). However, it is important to note that the technology itself is not the real enabler. The real change comes from the changes in the business processes and technology is merely there to support it.

People factor² is another aspect that is ignored a number of times. The approaches such as *business as usual* or *we've always done it this ways* are equally real threats. Such behavior keeps people in their comfort zones and the big transformation demanded by such initiatives always face resistance in this domain. It is also important not to get carried away with the potential of an SCM program and it is imperative not to forget about the inter-dependencies that exist within various efforts and processes of change.

Most of the tribulations mentioned above are visible in the Barilla case⁶ that instigated the likely elimination of the JITD proposal. As discussed earlier, resistance was on the offering, both on the front of the distributor as well as by various internal elements. The reason behind the issue was clearly that of the mistrust; the principle of shared reward and risk was not in place; while various behavioral barriers due to potential loss of control and resistance in traversing from the comfort zones to the new processes were evident. The answer to Barilla's afflictions lies in building relationship management skills. This can be achieved by creating inter/intra-organizational teams conducting open dialogues and removing the element of mistrust. Work is required to establish common goals along with carefully aligned (with the supply chains goals) performance measure. Sharing of key information, in both directions, are required to improve the environment of doubt. In any such exercise, patience and perseverance play a vital role. It should be remembered that there are no short cuts and major cultural and relational changes occur only over a period of time.

Readings:

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- [4]. Duris, R., "Seven deadly sins of SCM implementations", Fleet Equipment, Oct 2003, number 29, 10, pg. T6
- [5]. Fawcett, S. E., Magnan, G. M., Williams, A. J., "SUPPLY CHAIN, Trust is within", Supply chain management review, Ma 2004 number 8, 2, pg. 20
- [6]. Hammond, J. H., "Barilla SpA (A)", Harvard Business School, Jun 1994.
- [7]. Moberg, C. R., Christopher, R., Speh, T. W., "Evaluating the relationship between questionable business practices and the strength of supply chain relationship", Journal of business logistics, 2003, Volume 24 No.2, pp.1-19.