Local Responsive-ness

Global integration

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CORPORATE SUPPLY CHAIN MANAGEMENT ORGANIZATION AND GOVERNANCE

A GUIDEBOOK *with benchmarks of the actual status quo and best practices*

University of St.Gallen

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A GUIDEBOOK *with benchmarks of the actual status quo and best practices*

To all the companies eager to establish or to optimize
their corporate supply chain management

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1   EXECUTIVE SUMMARY

Within companies, supply chain management (SCM) focuses on aligning the activities of business functions involved in material, information and financial flows from material sourcing to product distribution along SCM processes. Generally, firms have implemented SCM processes on local levels.
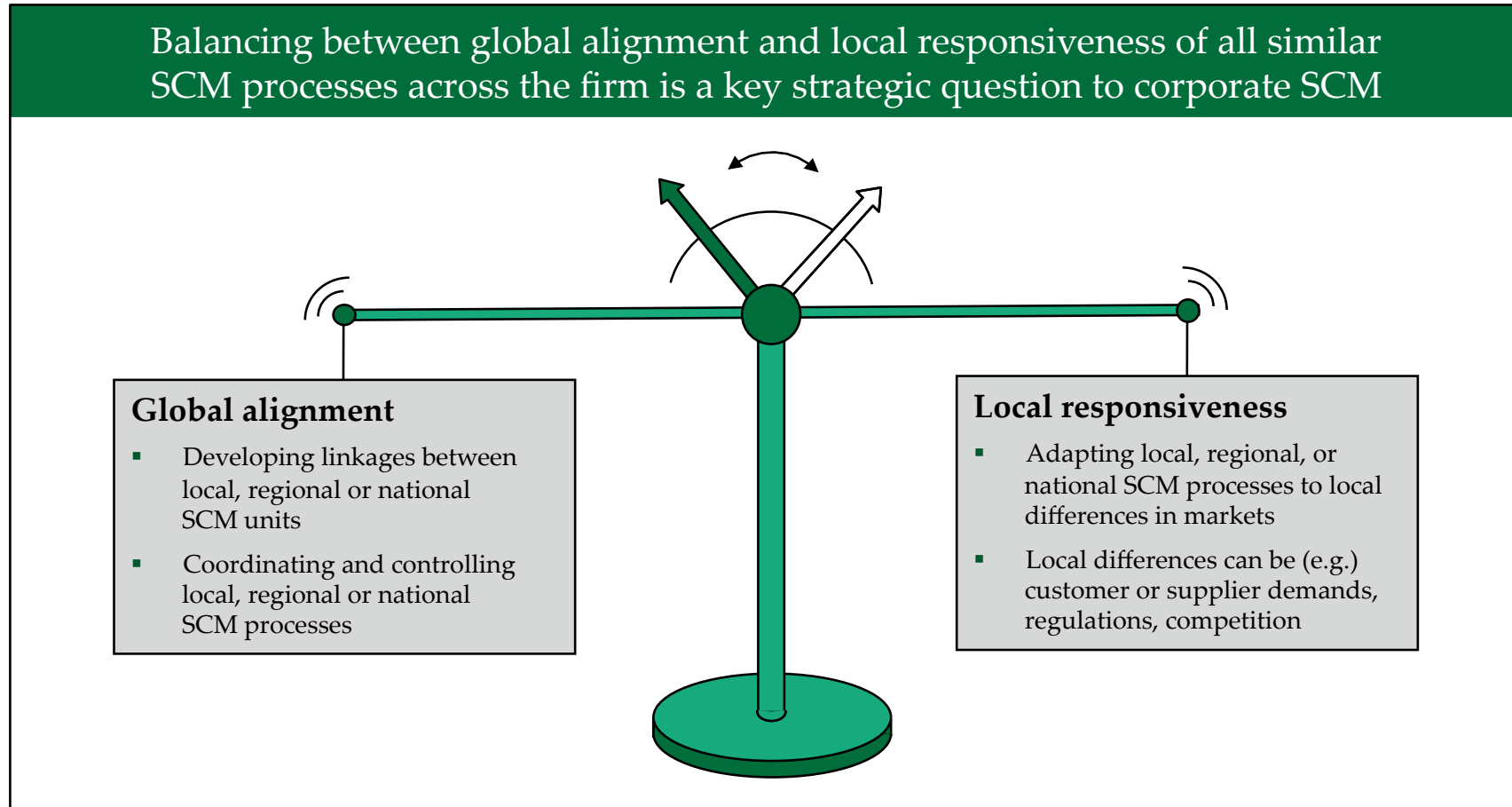
Corporate SCM aims at aligning all similar SCM processes on a corporate level that were previously run independently on a smaller scale on diverse local levels individually. Benefits are a fast implementation of global best practices and economies of scale through the streamlining of tasks. At the same time, external relationships with customers, suppliers and other stakeholders require local adaptation of SCM processes, which limits the scope of global alignment.[1]

Balancing between global alignment and local responsiveness is a key strategic question to corporate SCM (see Figure 1). This guidebook proposes a new governance approach to identify and implement the appropriate degree of alignment of local, regional or national SCM processes across the company for an appropriate corporate SCM organization. Based on our accompanied scientific survey, we also show benchmarks and best practices on how companies organize their corporate SCM to date.

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[1] Firms vary substantially in their organizational establishment of corporate SCM, occasionally being a central department, a set of norms and rules, a common mindset, joint corporate objectives, or a mix of all.

Figure 1: The balance between global alignment and local responsiveness of SCM processes across the company

Balancing between global alignment and local responsiveness of all similar SCM processes across the firm is a key strategic question to corporate SCM

Global alignment

- Developing linkages between local, regional or national SCM units

- Coordinating and controlling local, regional or national SCM processes

Local responsiveness

- Adapting local, regional, or national SCM processes to local differences in markets

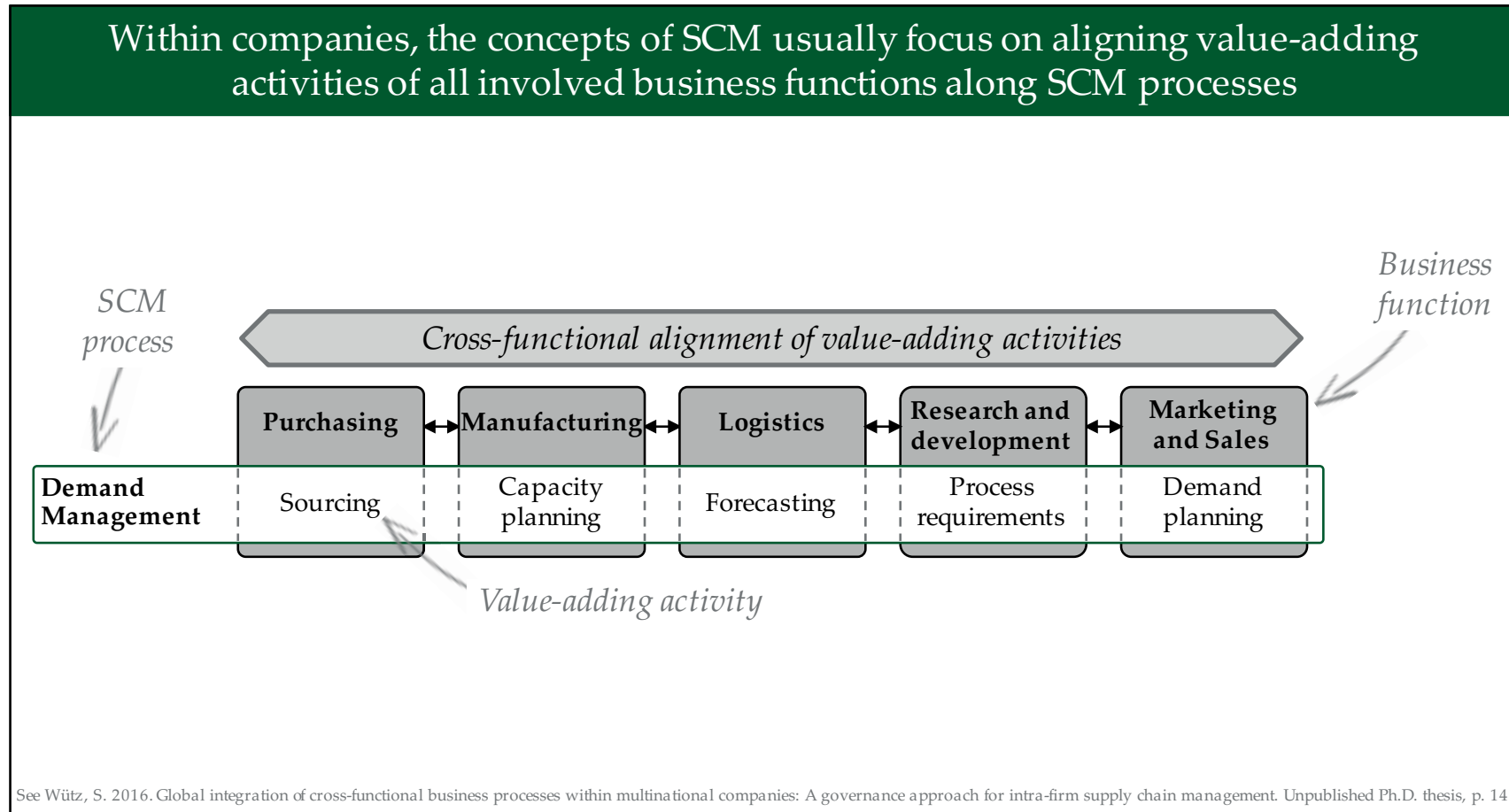- Local differences can be (e.g.) customer or supplier demands, regulations, competition

2 A TRADITIONAL PERSPECTIVE ON CORPORATE SUPPLY CHAIN MANAGEMENT

Within companies, the concepts of SCM usually focus on aligning value-adding activities of all involved business functions along SCM processes: from sourcing of material and services to distributing finished goods and services. Companies apply a portfolio of distinct SCM processes, each connecting and aligning various activities of different business functions towards joint objectives. For instance, sourcing activities of the purchasing function, capacity planning of the manufacturing function, forecasting of the logistics function, process requirements definition of the research and development function and demand planning of the marketing and sales function are all brought together and are coordinated by the demand management process (see Figure 2).

Usual foci are the effective bridging of interfaces between business functions along material, information and financial flows as well as the increase in efficiency of operative business practices in SCM. Cross-functional alignment allows overcoming silo-mentality, aligning vision, goals, and targets and increasing cooperation and information sharing between business functions. Also joint planning and interconnected operative execution reduces inefficiencies between involved business functions. This enables companies to maximize capacity utilization, optimize working capital and achieve higher levels of customer satisfaction.

Figure 2: The concept of SCM within companies

Within companies, the concepts of SCM usually focus on aligning value-adding activities of all involved business functions along SCM processes

SCM process

Business function

Cross-functional alignment of value-adding activities

Purchasing	Manufacturing	Logistics	Research and development	Marketing and Sales

Demand Management

Sourcing	Capacity planning	Forecasting	Process requirements	Demand planning

Value-adding activity

See Wütz, S. 2016. Global integration of cross-functional business processes within multinational companies: A governance approach for intra-firm supply chain management. Unpublished Ph.D. thesis, p. 14
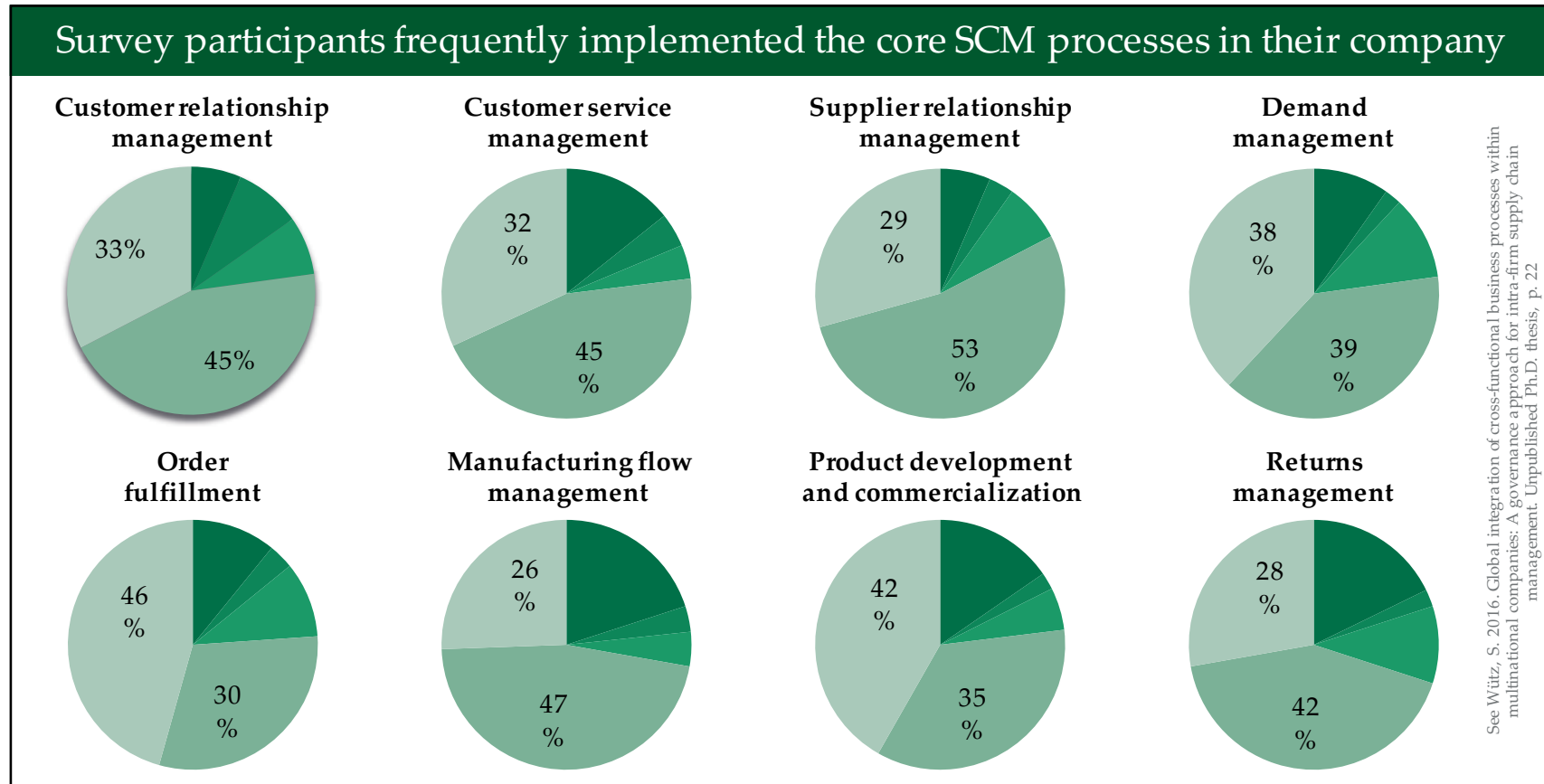
2.1   EIGHT CORE SUPPLY CHAIN MANAGEMENT PROCESSES

Companies have frequently implemented eight core SCM processes (see Figure 3).[2] First, customer relationship management provides the structure for how relationships with customers are developed and maintained. Second, customer service management provides the single source of customer information, such as product availability, shipping dates and order status. Third, supplier relationship management is the mirror image of customer relationship management. This process defines how a company interacts with its suppliers. Fourth, demand management proactively balances customers' requirements with the capabilities of the supply chain and executes the plan with minimal disruptions. Fifth, order fulfillment ensures the compliance of customer-need dates, achieves high order-fill rates, and integrates the firm's manufacturing, distribution, and transportation plans. Sixth, the manufacturing flow management process deals with making the products and establishing the manufacturing flexibility needed to serve the target markets. Seventhly, the product development and commercialization process integrates customers and suppliers into product development in order to reduce time to market. Eighthly, the returns management process organizes the returning, treatment and recovery of assets to a useful status or disposal of equipment destined for scrap and waste.

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[2] Alternative reference processes for SCM can be used analogously to the eight core SCM processes stated in this guidebook (e.g., the SCM processes of the Supply Chain Operations Reference (SCOR) model developed by the Supply-Chain Council).

Figure 3: The degree of implementation of the eight core SCM processes

Survey participants frequently implemented the core SCM processes in their company

Customer relationship management — 33%, 45%

Customer service management — 32%, 45%

Supplier relationship management — 29%, 53%

Demand management — 38%, 39%

Order fulfillment — 46%, 30%

Manufacturing flow management — 26%, 47%

Product development and commercialization — 42%, 35%

Returns management — 28%, 42%

■ Nothing planned ■ In planning phase ■ Planned, not yet implemented ■ Partially implemented ■ Fully implemented

See Wütz, S. 2016. Global integration of cross-functional business processes within multinational companies: A governance approach for intra-firm supply chain management. Unpublished Ph.D. thesis, p. 22

2.2 CROSS-FUNCTIONAL ALIGNMENT ALONG THE EIGHT CORE SUPPLY CHAIN MANAGEMENT PROCESSES

Business functions align their value-adding activities along SCM processes to increase efficiency and customer satisfaction. While SCM is just gaining in importance, to date the minority of companies is organized the way that all relevant business functions participate in SCM processes. The much larger part of observed companies indicated that they are not there yet.

Figure 4 shows the frequency of six often-established business functions participating in the eight core SCM processes of survey participants. For instance the purchasing and production functions are rarely involved in customer relationship management. But companies that integrate both functions along their customer relationship management process can align sourcing and production strategies with customer needs.
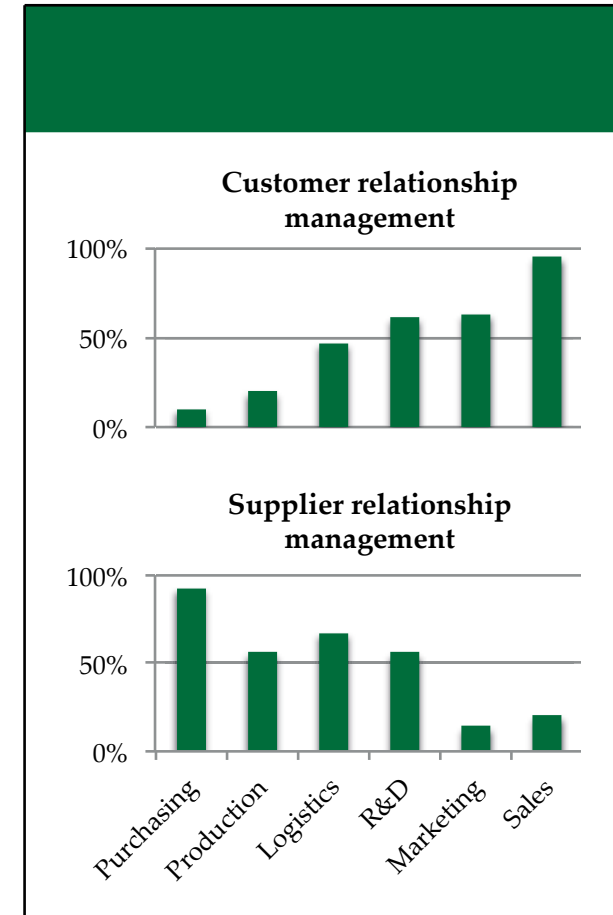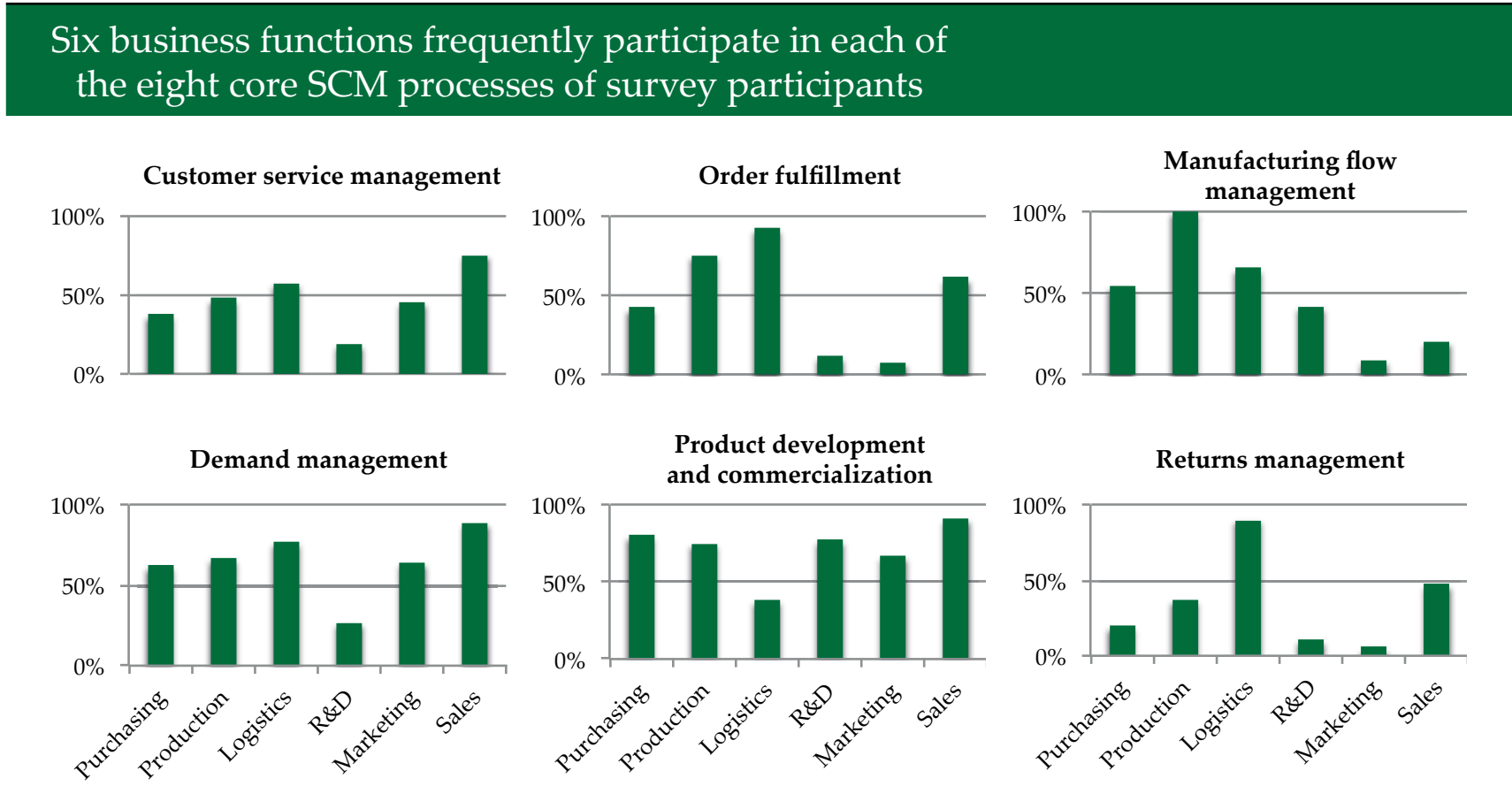
Figure 4: Frequency of selected business functions participating in the eight core SCM processes

Six business functions frequently participate in each of the eight core SCM processes of survey participants

Customer service management

Order fulfillment

Manufacturing flow management

Demand management

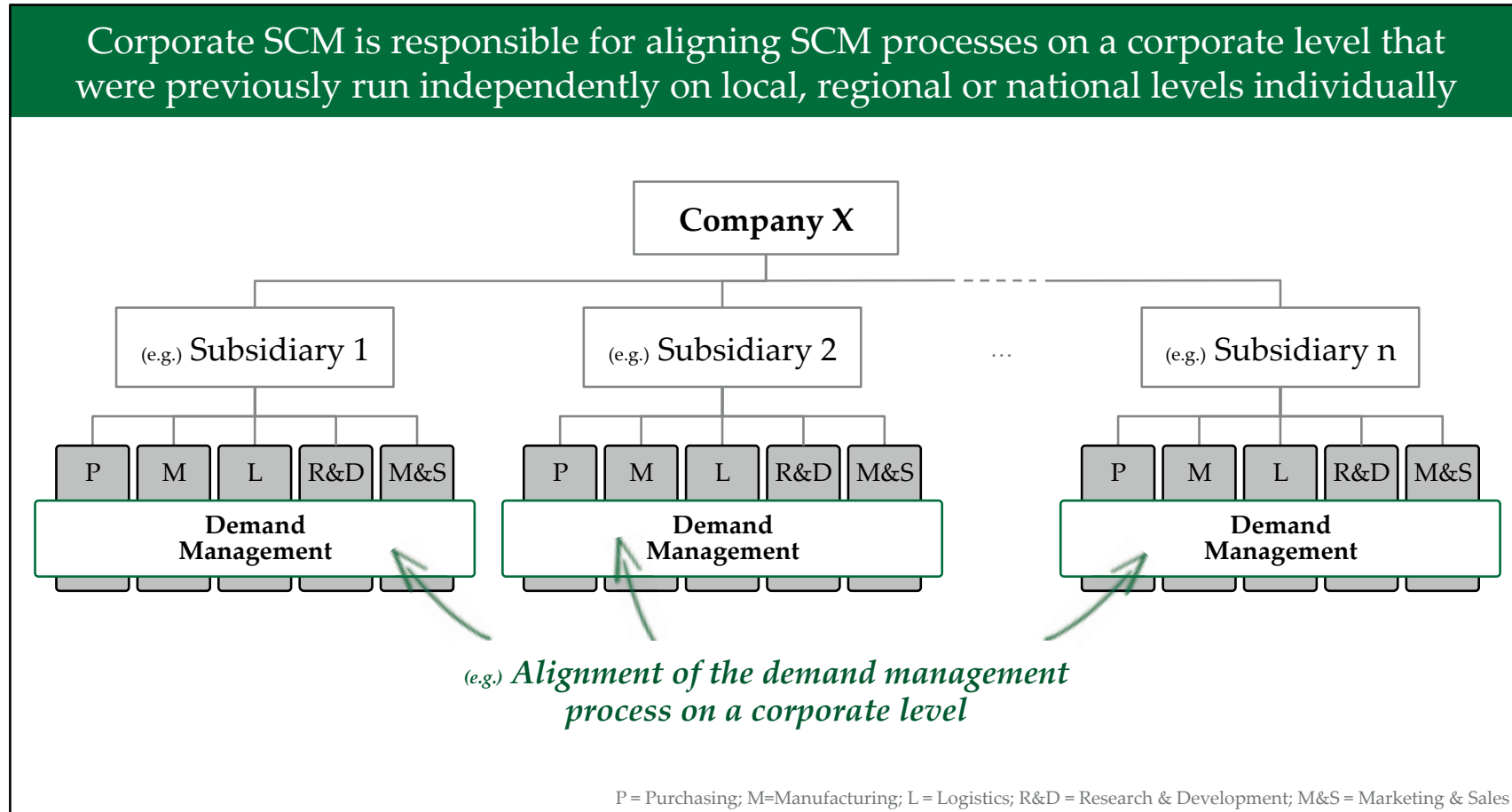Product development and commercialization

Returns management

3   A CORPORATE PERSPECTIVE ON SUPPLY CHAIN MANAGEMENT

Corporate SCM aims at aligning all similar SCM processes on a corporate level that were previously run independently on a smaller scale on local, regional or national levels individually. While for example companies implement a demand management process in several subsidiaries around the world, corporate SCM is now confronted with coordinating and controlling these similar SCM processes (see Figure 5).

Corporate SCM aims at increasing corporate level efficiency by coordinating and controlling the many SCM processes within a company. The level of alignment may vary considerably between companies or even between a company's divisions, business units, or product groups; ranging between the two extremes of global alignment and local responsiveness. Local, regional or national SCM processes may be tightly coordinated and controlled in certain companies (or in certain divisions, business units, or product groups of a company) to increase efficiency on a global scale, while in other companies (or in other divisions, business units, or product groups of the same company) the similar SCM processes are purposely held locally independent in order to better respond to specific local needs. Prominent methods for global alignment are the centralization of decision-making at headquarters; formalized ways in which activities are performed such as standard business processes; shared vision, values and behavioral norms; or international flow of information.

Figure 5: Corporate SCM is responsible for aligning SCM processes on a corporate level

Corporate SCM is responsible for aligning SCM processes on a corporate level that were previously run independently on local, regional or national levels individually

Company X

(e.g.) Subsidiary 1

(e.g.) Subsidiary 2

...

(e.g.) Subsidiary n

| P | M | L | R&D | M&S |

Demand Management

(e.g.) *Alignment of the demand management process on a corporate level*

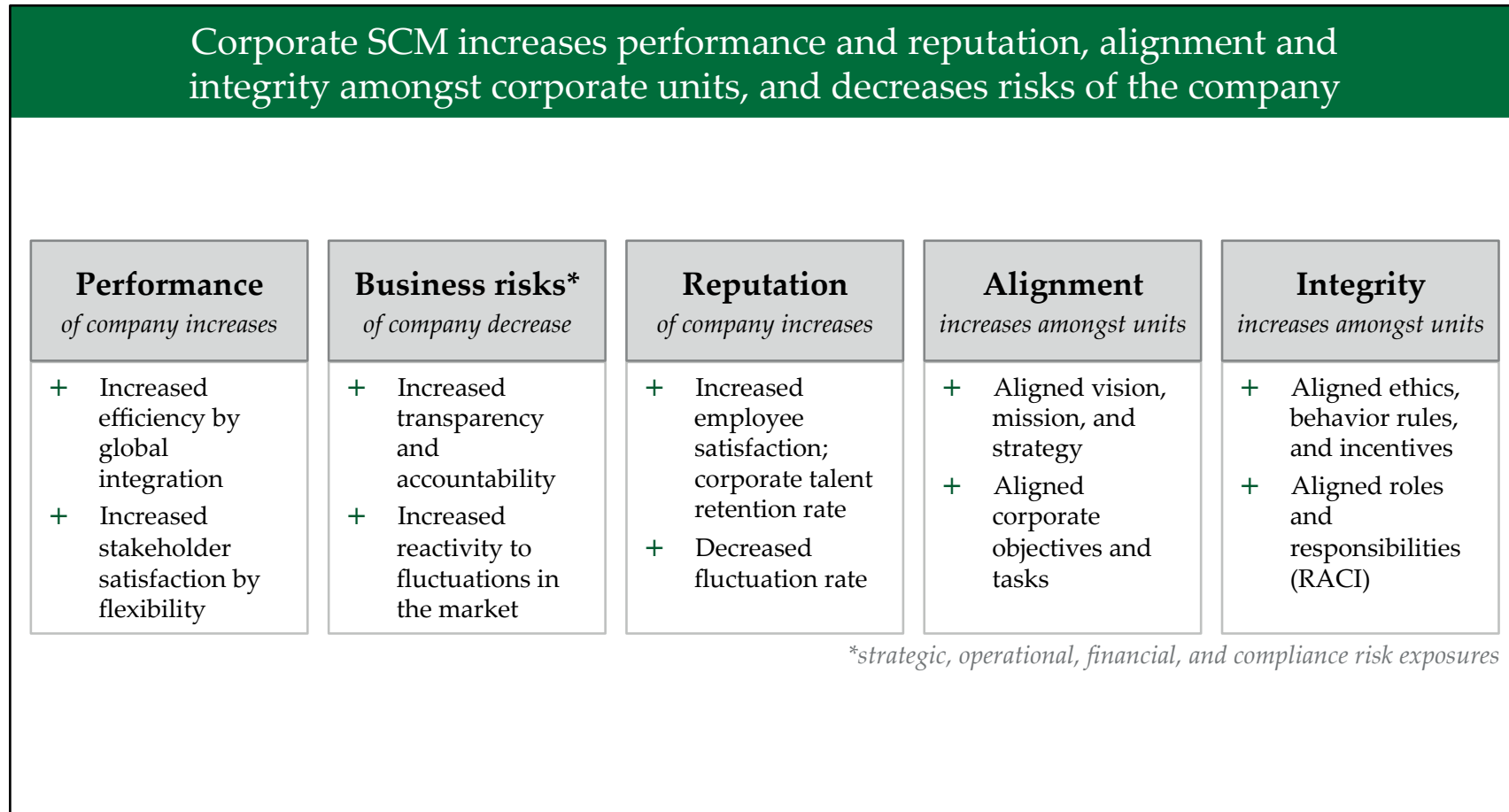P = Purchasing; M=Manufacturing; L = Logistics; R&D = Research & Development; M&S = Marketing & Sales

3.1 BENEFITS OF CORPORATE SUPPLY CHAIN MANAGEMENT

Companies that established a corporate SCM benefit for several reasons. We depict selected benefits in the following (see Figure 6).

- **Performance of the company increases:** Companies increase their efficiency through global alignment and their stakeholder satisfaction through local responsiveness of SCM processes.

- **Business risks of the company decrease:** Proper governance increases transparency and accountability as well as reactivity to fluctuations in the market, consequently decreasing strategic, operational, financial, and compliance risk exposures of companies.

- **Reputation of the company increases:** Corporate SCM aligns tasks and responsibilities across the company, increasing employee satisfaction and consequently the corporate talent retention rate while the fluctuation rate is decreasing. All of which increases the reputation of the company.

- **Alignment increases amongst units:** Companies coordinate and control SCM activities in accordance with corporate objectives, to manage interdependencies and to deter opportunism. This results in aligned vision, mission, and strategy among organizational units.

- **Integrity increases amongst units:** Companies align ethics, behavior rules, incentives, and roles and responsibilities, consequently increasing the integrity amongst corporate units.
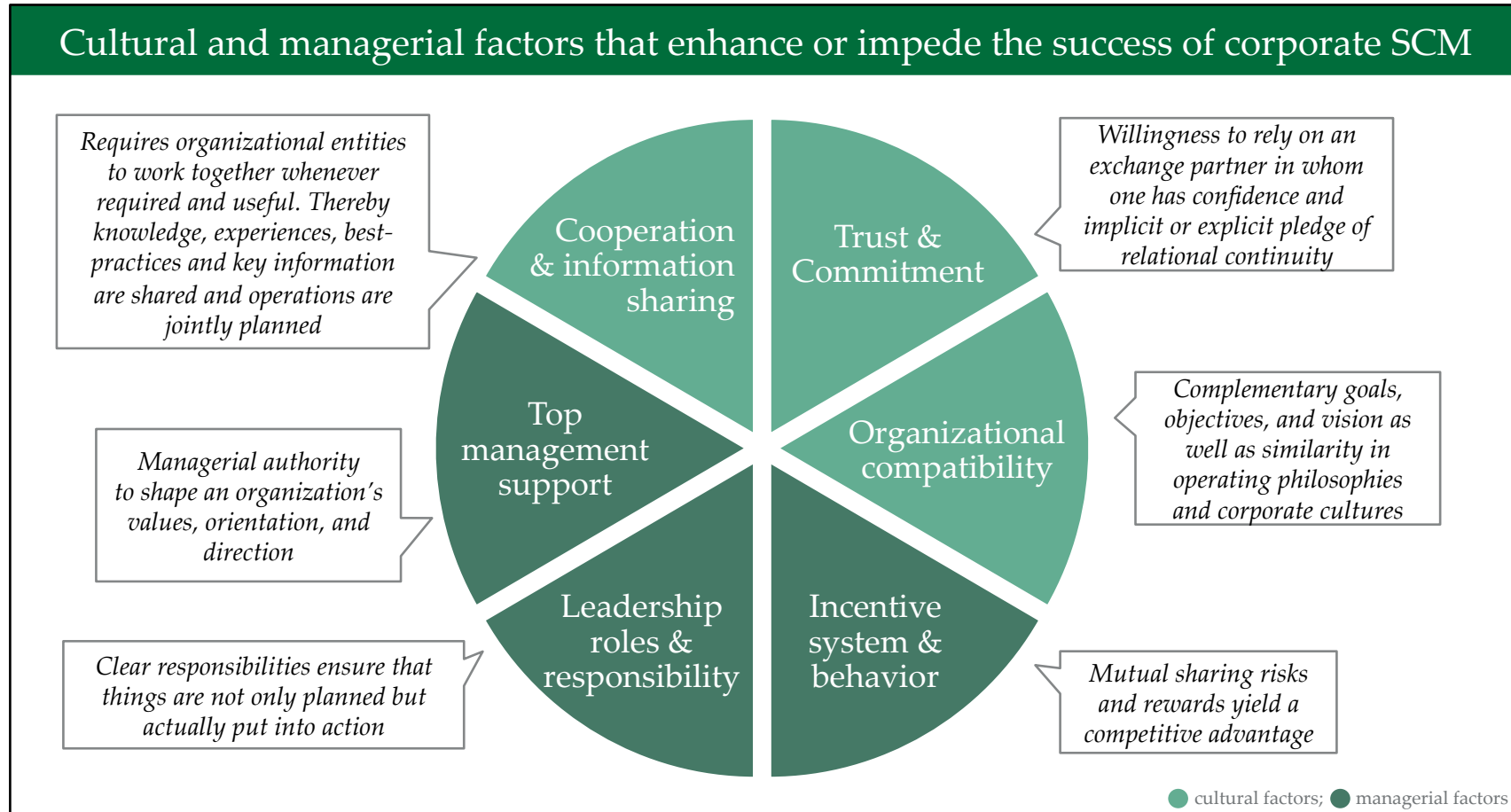
Figure 6: Benefits of corporate SCM

Corporate SCM increases performance and reputation, alignment and integrity amongst corporate units, and decreases risks of the company				
Performance *of company increases*	**Business risks*** *of company decrease*	**Reputation** *of company increases*	**Alignment** *increases amongst units*	**Integrity** *increases amongst units*
+ Increased efficiency by global integration + Increased stakeholder satisfaction by flexibility	+ Increased transparency and accountability + Increased reactivity to fluctuations in the market	+ Increased employee satisfaction; corporate talent retention rate + Decreased fluctuation rate	+ Aligned vision, mission, and strategy + Aligned corporate objectives and tasks	+ Aligned ethics, behavior rules, and incentives + Aligned roles and responsibilities (RACI)

*strategic, operational, financial, and compliance risk exposures

3.2   SUCCESSFUL CORPORATE SUPPLY CHAIN MANAGEMENT

When establishing a corporate SCM in their organization, managers should be aware of cultural and managerial factors that enhance or impede the success of their corporate SCM (see Figure 7).

Corporate SCM benefits from a business culture of cooperation and information sharing among local, regional, or national units. If knowledge, experiences, best-practices and key information are not shared between these units, corporate SCM usually faces major resistance. Also trust and commitment effect the success of corporate SCM. If local, regional, or national units are willing to rely on each other, corporate SCM has confidence and implicit or explicit pledge of relational continuity. Complementary goals, objectives, and vision as well as similarity in operating philosophies and corporate cultures among local, regional, or national units are also beneficial.

Commonly, corporate SCM has an advisory function, coordinating and controlling the SCM processes of local, regional, or national units. But while local, regional or national units often follow their own values, orientation, and directions, corporate SCM often fails to serve its purpose due to a lack of top management support, a uniform incentive system as well as clear roles and responsibilities. In these common cases, managerial authority, an appropriate incentive system and clearly defined leadership roles and responsibilities across the company increases mutual sharing risks and rewards and ensure that things are not only planned but actually put into action.

*Figure 7: Several enablers or barriers effect the success of corporate SCM*

Cultural and managerial factors that enhance or impede the success of corporate SCM

Cooperation & information sharing

Trust & Commitment

Top management support

Organizational compatibility

Leadership roles & responsibility

Incentive system & behavior

Requires organizational entities to work together whenever required and useful. Thereby knowledge, experiences, best-practices and key information are shared and operations are jointly planned

Willingness to rely on an exchange partner in whom one has confidence and implicit or explicit pledge of relational continuity

Managerial authority to shape an organization's values, orientation, and direction

Complementary goals, objectives, and vision as well as similarity in operating philosophies and corporate cultures

Clear responsibilities ensure that things are not only planned but actually put into action

Mutual sharing risks and rewards yield a competitive advantage

● cultural factors; ● managerial factors

4 THE BALANCE BETWEEN GLOBAL ALIGNMENT AND LOCAL RESPONSIVENESS

Defining the appropriate level of global alignment of SCM processes means finding a compromise between required local adaptation to external factors and global coordination in order to realize scale and arbitrage effects. SCM processes require local responsiveness, as they are exposed to various highly impactful external factors such as customers, competitors, suppliers, or regulators. Yet global alignment is concurrently an opposing requirement, as supply chains feed internal operations, supply to global customers or procure from the world's best sources.

If the level of alignment of SCM processes tilts toward global efficiency, local customer preferences getting out of sight, undermining efficiency and agility of local operations; differences in local economies, cultures, politics, infrastructures, or competition might be less taken care of. Yet, if it tilts toward local responsiveness, a company is likely to miss out on crucial economies of scale.

The appropriate level of alignment of SCM processes is contextually dependent (see Figure 8). While for certain conditions companies benefit from closely aligning SCM processes, other conditions punish the same level of global efficiency. Those relevant conditions concern internal and external characteristics of the company. Internal characteristics are based on the organizational structure of the company while external characteristics are explained by differences in the environment.

Figure 8: The appropriate level of SCM process alignment depends on a company's individual characteristics
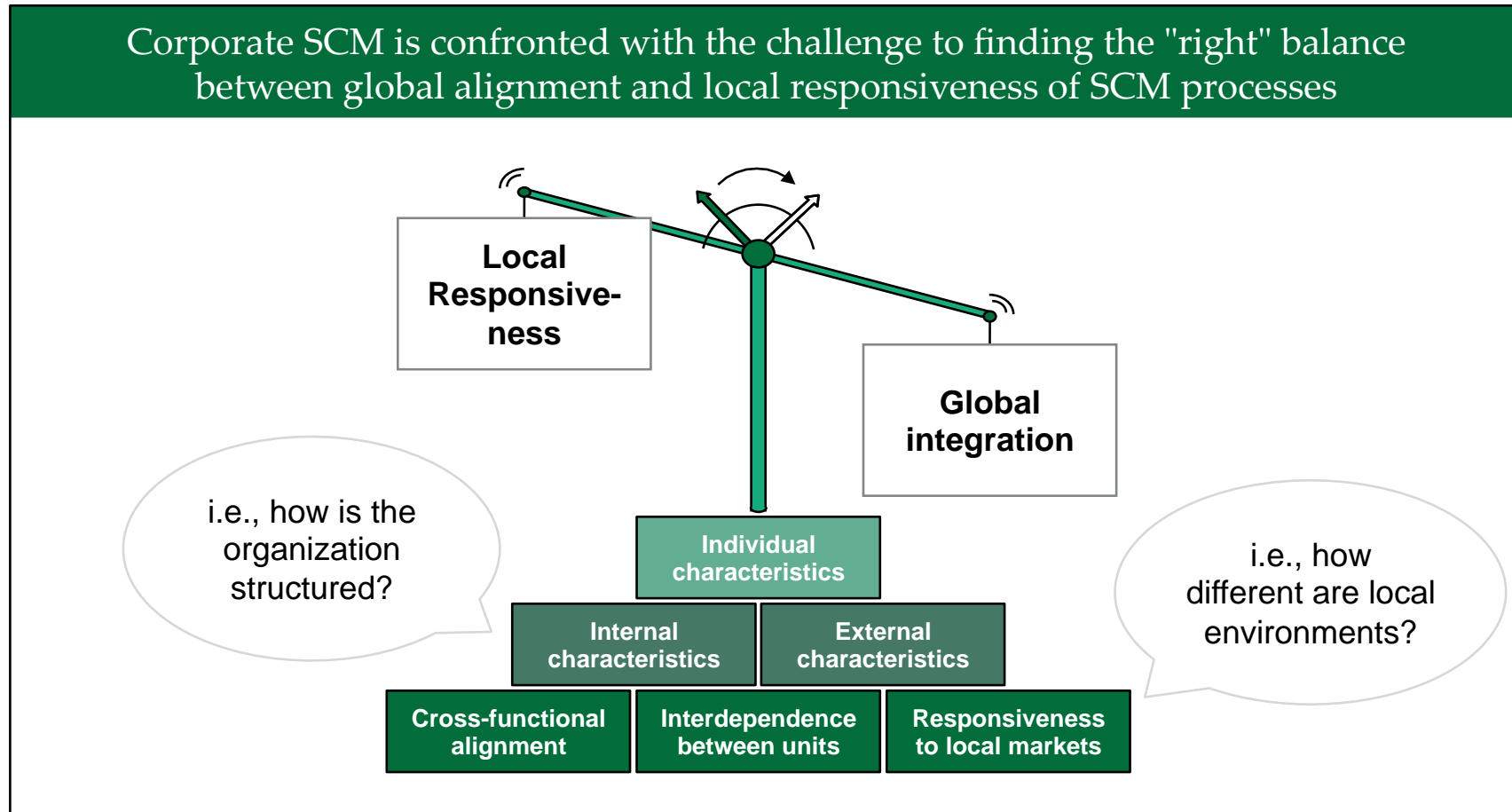
4.1 A VERIFIED FRAMEWORK TO GUIDE CORPORATE SUPPLY CHAIN MANAGEMENT

The level of global alignment of SCM processes has to fit with a company's individual organizational structure and environment. Based on these characteristics we set up a three-dimensional framework that can guide companies in identifying an appropriate organization of corporate SCM (see Figure 9).

- First, companies organize business functions across the supply chain, from sourcing of material and services to distributing finished goods and services. When cross-functional alignment is high, the company works as a unified whole and the capability of the organization to transfer, process, interpret and exploit information across business functions is seamless. A high level of alignment also means that business functions do not pursue their own agendas or engage in silo thinking.

- Second, companies organize their local, regional, or national units to be more or less globally interdependent to other units and headquarters. The level of interdependence between units of the company can range from units operating totally independently to units that are mainly dependent on headquarters or being part of an interdependent network with other units.

- Third, a company's individual environment can be described by differences in local customer preferences, supplier behavior, competition, or regulation. Operating in heterogeneous, instable markets requires more responsiveness, than in homogenous and stable markets.

Figure 9: A context framework for corporate SCM
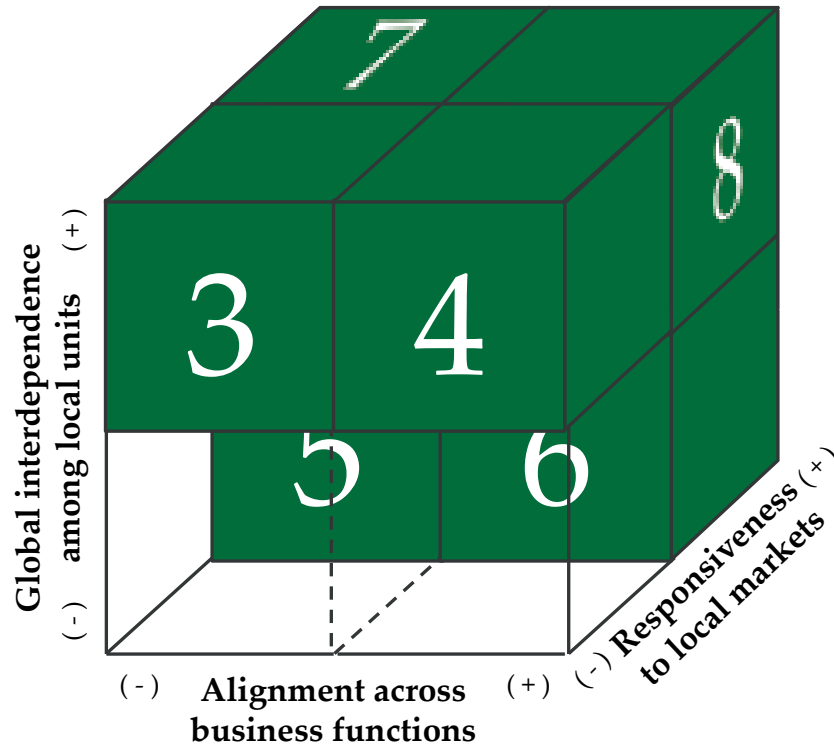
We verified the relevance of this context framework in a scientific survey with 134 production and trading companies mainly headquartered in Western Europe or North America. Based on their context, participants found themselves in one of six of the eight types within this context framework.[3] Overall, Type 1 and Type 2 are rather theoretic and do not describe any company that is participating in our benchmarking study (0%). In contrast, Type 4 (22%), Type 7 (19%), and Type 8 (44%) of the framework describe the context of most investigated companies. We describe all eight types and their relevance in the following.

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[3] Further information: The corporate context may vary considerably between a company's divisions, business units, or product groups. Thus a company can find itself in more than one type (e.g., for each division, business unit, or product group).
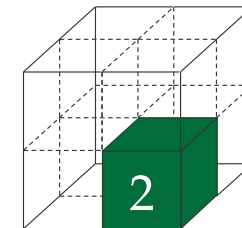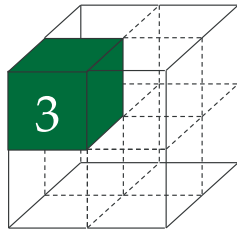
0% **of firms**
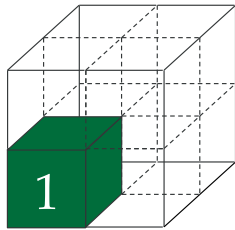
Type 1: Business functions are disconnected from other business functions along corporate supply chains and units of the company are independent from other units and headquarters, requesting independent optimization with little external complexity due to homogeneous and stable market characteristics.

Type 2: Business functions are aligned with other business functions along corporate supply chains to optimize capacity use, dealing with little external complexity due to homogeneous and stable market characteristics. Synergies from interdependence between units of the company are not realized.
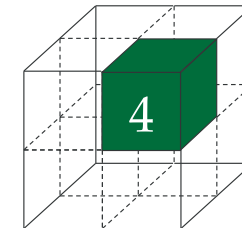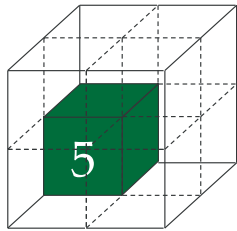
0% **of firms**

6% **of firms**

Type 3: Business functions act without collaboration with other business functions along corporate supply chains, but units of the company are interdependent with other units (e.g., aligned purchasing), thereby maximizing the use of scale effects within the company. Homogeneous and stable market characteristics require little adaption to established operating patterns in each business function.

Type 4: Business functions collaborate with other business functions along corporate supply chains and units of the company are interdependent with other units. Highly predictable market characteristics allow reducing safety stocks and buffer capacities. This corresponds to a comprehensive joint optimization of capacity use, following the concept of total cost of ownership.
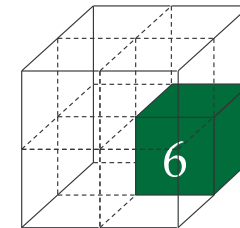
22% **of firms**
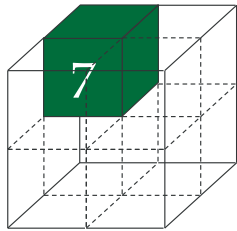
2% **of firms**

Type 5: Business functions are disconnected from other business functions along corporate supply chains and units of the company are independent from other units, requesting independent optimization. High complexity caused by heterogeneity of market characteristics requires excellent forecasting or high buffer stocks by every business function within each unit of the company.

Type 6: Business functions collaborate with other business functions along corporate supply chains to anticipate as early as possible future developments from the heterogeneous market characteristics. Synergies from interdependence of units of the company with other units are not realized. This corresponds to joint alignment of capacity provision on supply chain level, following the concept of total cost of ownership.

7% **of firms**

19% **of firms**

Type 7: Business functions act without collaboration with other business functions along corporate supply chains, but units of the company are interdependent, thereby maximizing the use of scale effects within the corporation. As business functions operate disconnected along corporate supply chains, focusing on independent optimizations in each business function, excellent forecasting or high buffer stocks are required to deal with high complexity caused by instability of market characteristics.

Type 8: Business functions collaborate with other business functions along corporate supply chains and units of the company are interdependent. This optimizes capacity use both within and across corporate supply chains. They can anticipate future developments from heterogeneous market characteristics quite early. This corresponds to a comprehensive joint alignment of capacity provision throughout the corporation, ideally following the concept of total cost of ownership.
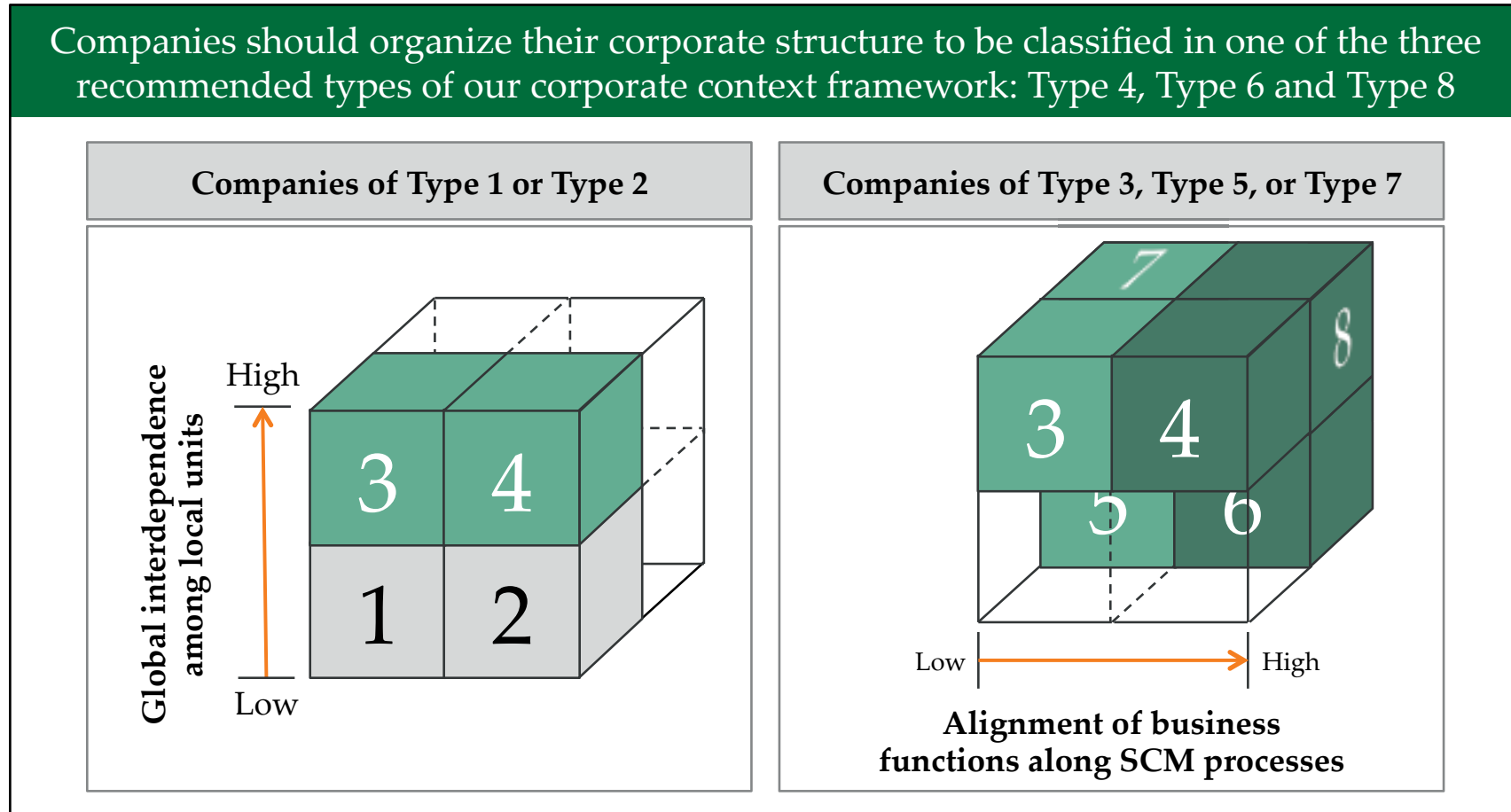
44% **of firms**
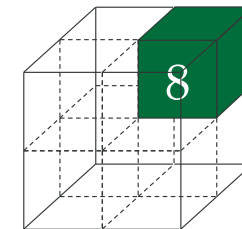
4.2 THE RECOMMENDED TYPES OF THE CORPORATE CONTEXT FRAMEWORK

Each type of the corporate context framework describes specific characteristics of companies' organizational structure and environment. While the other five types offer limited benefit, Type 4, Type 6 and Type 8 are recommended from a SCM perspective (see Figure 10).

- Companies of Type 3, Type 5, or Type 7 have a low degree of cross-functional alignment along SCM processes. But from a traditional perspective on SCM, companies benefit from aligning value-adding activities of all involved business functions along their SCM processes: from sourcing of material and services to distributing finished goods and services. Thus we suppose to increase cross-functional alignment to be reclassified into the recommended types of our corporate context framework: Type 4, Type 6 and Type 8.

- Companies of Type 1 or Type 2 have a low degree of global interdependence among local units. But the homogeneity in the local markets facilitates interdependence among the local units to increase efficiency on a global scale. Consequently both types are rather exceptional. This is supported by our comparison study that shows that no participating company is Type 1 or Type 2 of our corporate context framework. We suppose that companies of Type 1 or Type 2 increase global interdependence among local units to become Type 3, or Type 4 respectively.

Figure 10: The recommended types of our context framework for corporate SCM

Companies should organize their corporate structure to be classified in one of the three recommended types of our corporate context framework: Type 4, Type 6 and Type 8

Companies of Type 1 or Type 2

Companies of Type 3, Type 5, or Type 7

Global interdependence among local units — High / Low

Alignment of business functions along SCM processes — Low / High

5 THE APPROPRIATE LEVEL OF GLOBAL ALIGNMENT OF SCM PROCESSES

Our context framework helps companies in identifying the generally appropriate balance between global alignment and local responsiveness of their SCM processes (see Figure 11).

- Companies that are best described by Type 3 or Type 4 have established high interdependence among local units as they operate in homogenous markets. Within this context, companies ideally align tightly their local, regional, or national SCM processes on global level to benefit from a fast implementation of global best practices and economies of scale through streamlining of tasks.

- Companies of Type 7 or Type 8 also have established high interdependence among local units but operate in heterogeneous markets. In this representative case (i.e., 63% of all companies participating in our scientific research), companies ideally align moderately their local, regional, or national SCM processes on global level to increase efficiency on a global scale while still being able to respond to specific local needs.

- Companies that are grouped in Type 5 or Type 6 prefer a low interdependence among local units while equipping those units with a high autonomy to respond to local markets individually. Consequently companies that are best described by these types do not request for global alignment of SCM processes.

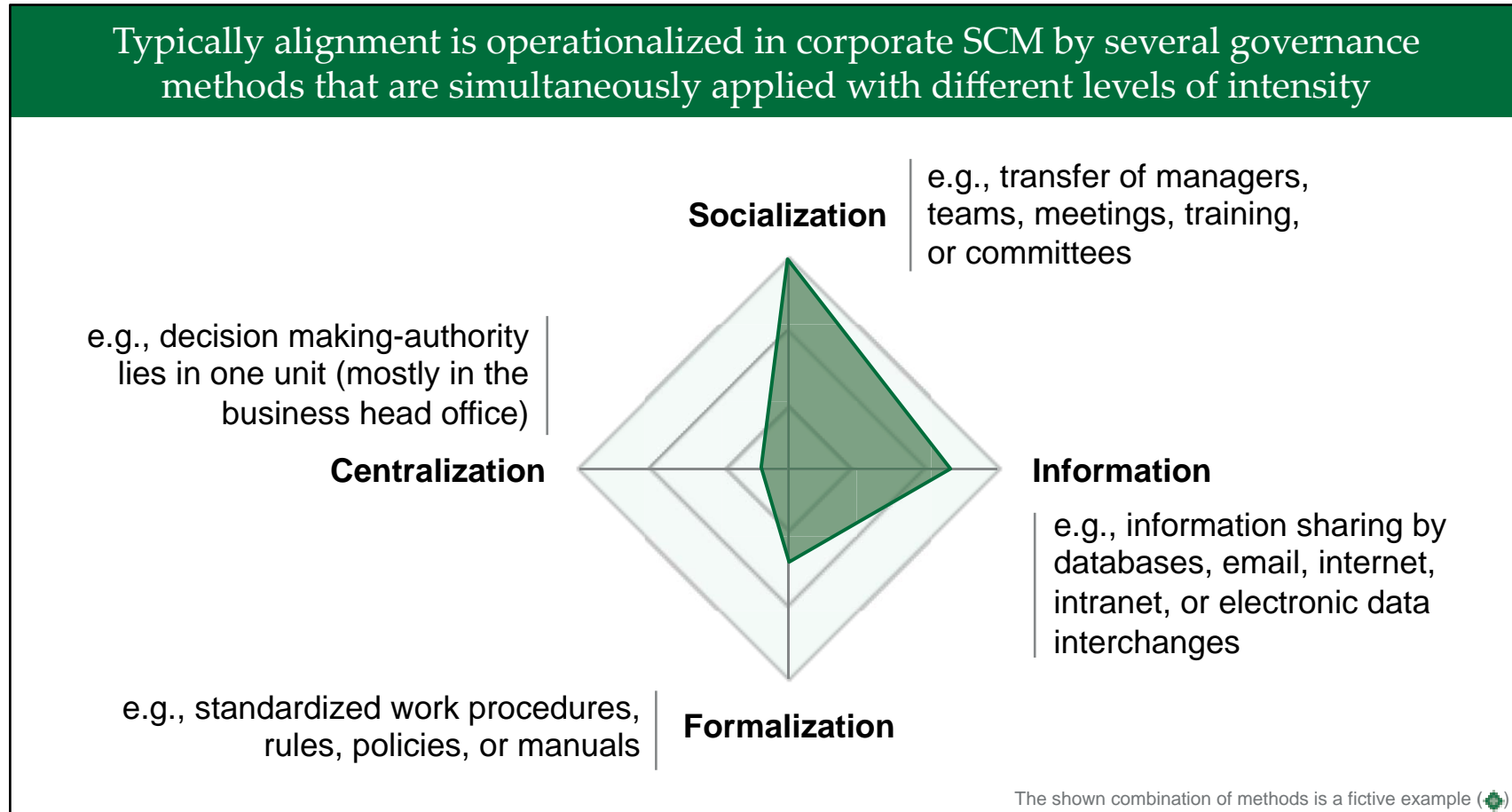*Figure 11: The appropriate level of global alignment of SCM processes*
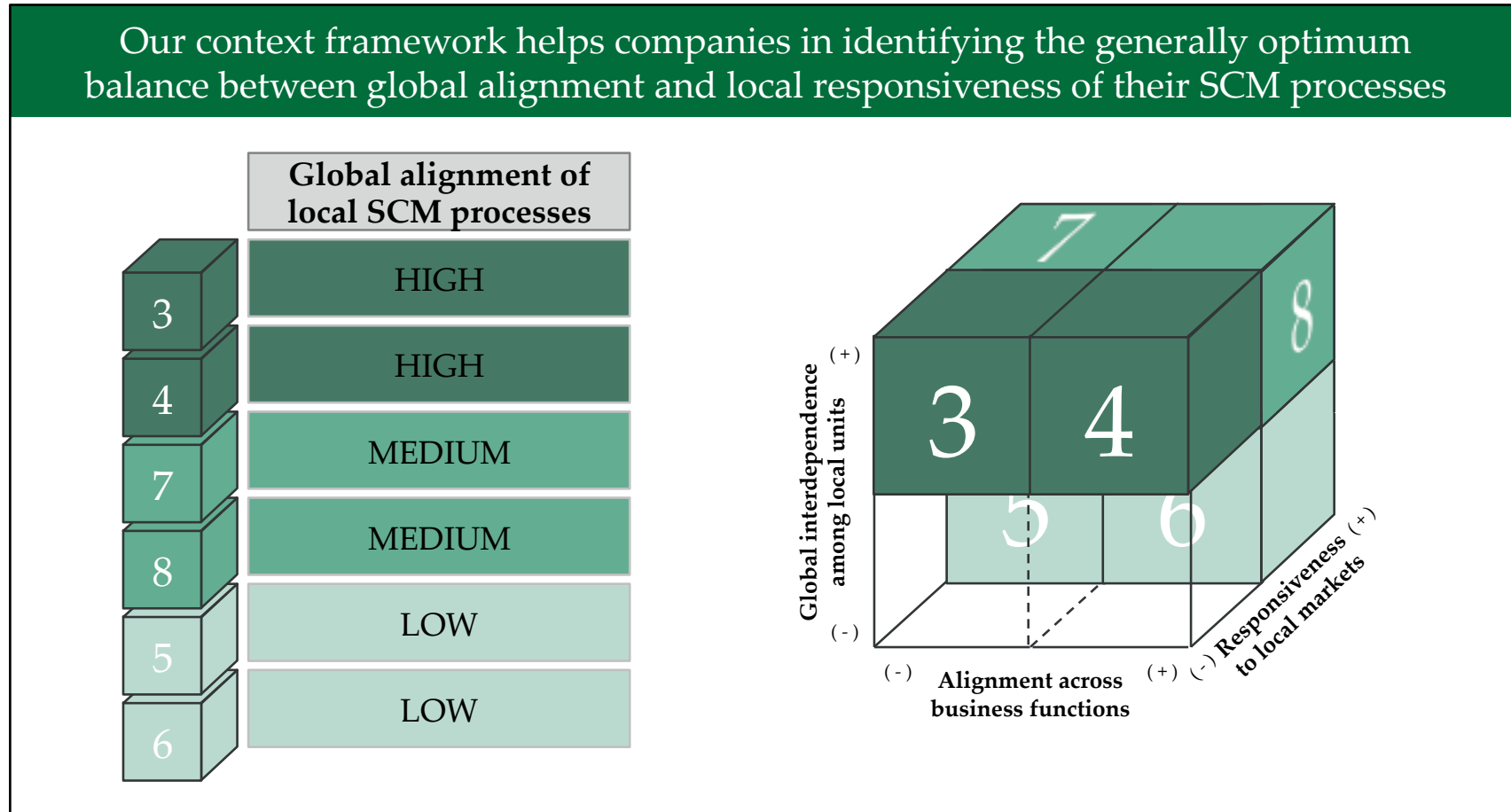
6 GOVERNANCE METHODS TO GLOBALLY ALIGN SCM PROCESSES

Any level of alignment in corporate SCM is operationalized by four distinct categories of governance methods: centralization, formalization, socialization, and information (see Figure 12). Usually, methods of all four categories are applied in combination with different levels of intensity.

- **Centralization** refers to bundling and concentrating decision-making in one corporate unit, often as part of corporate headquarters. Centralization allows efficient and homogenous decisions, but may forfeit effectiveness due to distance to the respective (local) challenges.

- **Formalization** refers to defining common rules and procedures to be followed by anyone taking a specific decision. Formalization tolerates decentral decision-making to decrease distance to the respective challenges, but enforces a standard way to ensure homogenous and efficient decisions.

- **Socialization** refers to sharing corporate goals, managerial values, knowledge and capabilities by all decision makers. Socialization decreases distance to the respective challenges, but builds on a shared mindset among decision makers to ensure homogenous and efficient decisions.

- **Information** refers to controlling decision-making based on data and information systems. This decreases distance to the respective challenges, but builds on continuous international flow of information among decision makers to ensure homogenous and efficient decisions.

Figure 12: Four categories of governance methods to operationalize global alignment of SCM processes

Typically alignment is operationalized in corporate SCM by several governance methods that are simultaneously applied with different levels of intensity

Socialization — e.g., transfer of managers, teams, meetings, training, or committees

e.g., decision making-authority lies in one unit (mostly in the business head office) — **Centralization**

Information — e.g., information sharing by databases, email, internet, intranet, or electronic data interchanges

e.g., standardized work procedures, rules, policies, or manuals — **Formalization**

The shown combination of methods is a fictive example

6.1 ADVANTAGES AND DISADVANTAGES OF GOVERNANCE METHODS

Each category of governance methods has specific advantages and disadvantages that need to be considered before being used to align SCM processes on corporate level (see Figure 13).

- **Centralization-based methods** enable expedite decision-making, simpler coordination and control of activities and their interdependencies. But centralization methods decrease, flexibility, new idea development, spontaneity, or encouragement of local units.

- **Formalization-based methods** enable clearly specified role expectations and structuring of activities, while decreasing conformity and constrain conflicts. But they decrease morale, creativity and satisfaction of employees as well as reduce flexibility to adapt to local markets.

- **Socialization-based methods** enable strong inter-personal relationships, increased knowledge base and organizational commitment. But socialization methods decrease control of employee's personal interactions, as large part of important communication is informal and less documented.

- **Information-based methods** enable direct attention to information that allow for quick response and the ability to withstand high rates of turnover. But information methods increase costs of developing and running data or information systems to monitor, evaluate, and correct behavior.

Figure 13: Advantages and disadvantages of the four categories of governance methods
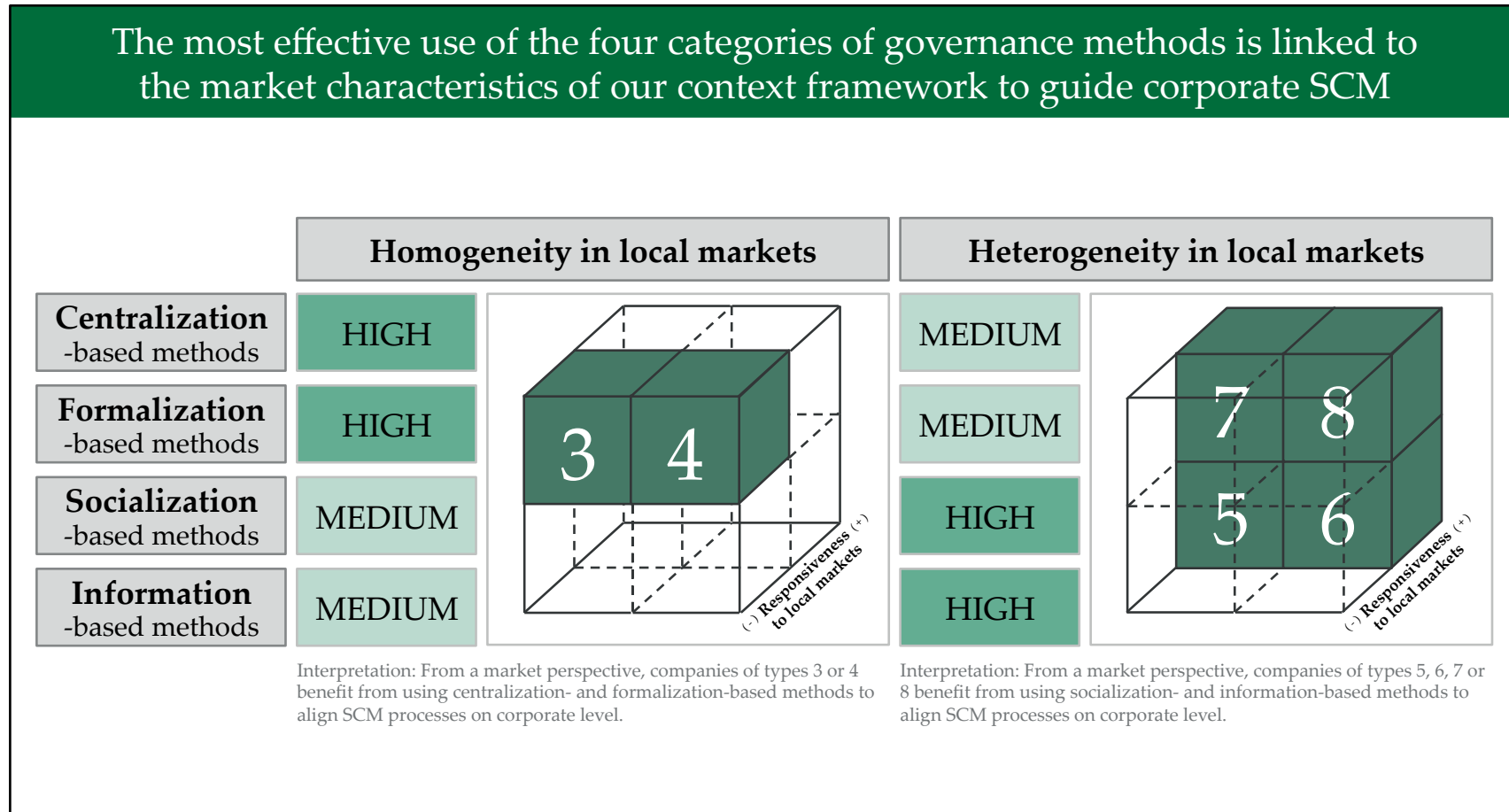
Each category of governance methods has specific advantages and disadvantages

Centralization

+ Enables expedite decision-making; simple coordination of activities and their interdependencies; easier control; a consistency of the corporate strategy for all corporate units within the company.

− Decreases spontaneity; flexibility; freedom of speech; variety; development and implementation of new ideas; encouragement of units decisions; understanding of decisions; improvement of knowledge performance.

Formalization

+ Enables clearly specified role expectations; less conformity and constrain conflicts; structuring of activities; a structure and control to problem solutions; reduction of role ambiguity; a shape and form of information processing; effective channeling of focus.

− Decreases flexibility to resolve conflict among partners; creativity; the range of actions to serve customers better; morale and satisfaction of employees.

Socialization

+ Enables strong inter-personal relationships; better work outcomes; organizational commitment; improvement of customer service quality; better role orientations; achieving a knowledge base; a strategy and mission for each role; lower anxiety; loyalty of employees.

− Decreases control of each employee's personal network and their interactions, as a large part of important communication is informal and less documented.

Information

+ Enables direct attention to information that allows for a quick response, the ability to withstand high rates of turnover, the reduction of the need for direct planning and management for a wide variety of contingencies.

− Increases costs of developing and running a information system to monitor, evaluate, and correct behavior, an unenthusiastic, compliant response, and can implicate an inhibited trust that creates atmosphere of resentment.

6.2 THE MOST EFFECTIVE USE OF THE GOVERNANCE METHODS

Governance methods are most effective when they fit with a company's individual characteristics. Generally, centralization and formalization methods are most effective if markets are homogenous, while companies in heterogeneous markets benefit from socialization and information (see Figure 14).

- **Centralization-based methods** are most effective when the environment is predictable, market demand is stable and customer orientation and cross-functional alignment are low. They are most helpful to integrate organizational units to achieve the benefits of global scale and scope effects.

- **Formalization-based methods** are most effective when tasks are short, repetitive and frequently performed, workforce is less professional and activities can be codified into a set of identifiable procedures, rules, and formulae. Stable markets and low customer orientation are also beneficial.

- **Socialization-based methods** are most effective when responsibilities and autonomy of organizational units are broad, information and knowledge are best conveyed face-to-face, values and behavioral norms are shared, and organizational units are motivated to cooperate.

- **Information-based methods** are most effective when there is a great need to provide information quickly, rules and policies outlining responsibilities and assignments exist and large volumes of information can be easily analyzed and interpreted without face-to-face communication.

Figure 14: The most effective use of the four categories of governance methods

The most effective use of the four categories of governance methods is linked to the market characteristics of our context framework to guide corporate SCM

	Homogeneity in local markets		Heterogeneity in local markets	
Centralization -based methods	HIGH		MEDIUM	
Formalization -based methods	HIGH		MEDIUM	
Socialization -based methods	MEDIUM		HIGH	
Information -based methods	MEDIUM		HIGH	

Interpretation: From a market perspective, companies of types 3 or 4 benefit from using centralization- and formalization-based methods to align SCM processes on corporate level.

Interpretation: From a market perspective, companies of types 5, 6, 7 or 8 benefit from using socialization- and information-based methods to align SCM processes on corporate level.

7 DEFAULT GOVERNANCE STRATEGIES IN CORPORATE SUPPLY CHAIN MANAGEMENT

The two main challenges of corporate SCM are to identify the appropriate level of global alignment of SCM processes and to define the governance methods used to operationalize this alignment. Our three-dimensional context framework helps corporate SCM in deriving an appropriate governance strategy for SCM processes on a global level. Depending on the context type the company is grouped into, the framework suggests a certain default strategy to globally govern SCM processes.

- Companies that are best described by Type 3 or Type 4 ideally align tightly their local, regional, or national SCM processes on global level. High levels of centralization and formalization are recommended to govern these types that operate in homogenous markets (see Figure 15).

- Otherwise, companies of Type 7 or Type 8 respond to heterogonous markets. In this setting high levels of socialization and information are recommended to moderately align local, regional, or national SCM processes on global level (see Figure 16).

- In contrast, companies of Type 5 or Type 6 give local units high autonomy to respond to markets individually, thereby not exploiting global alignment of local units. Consequently companies that are best described by these types do not request for global alignment of SCM processes and a default governance strategy is corporate SCM is not required (see Figure 17).

Figure 15: Default governance strategies to align SCM processes in Type 3 or Type 4
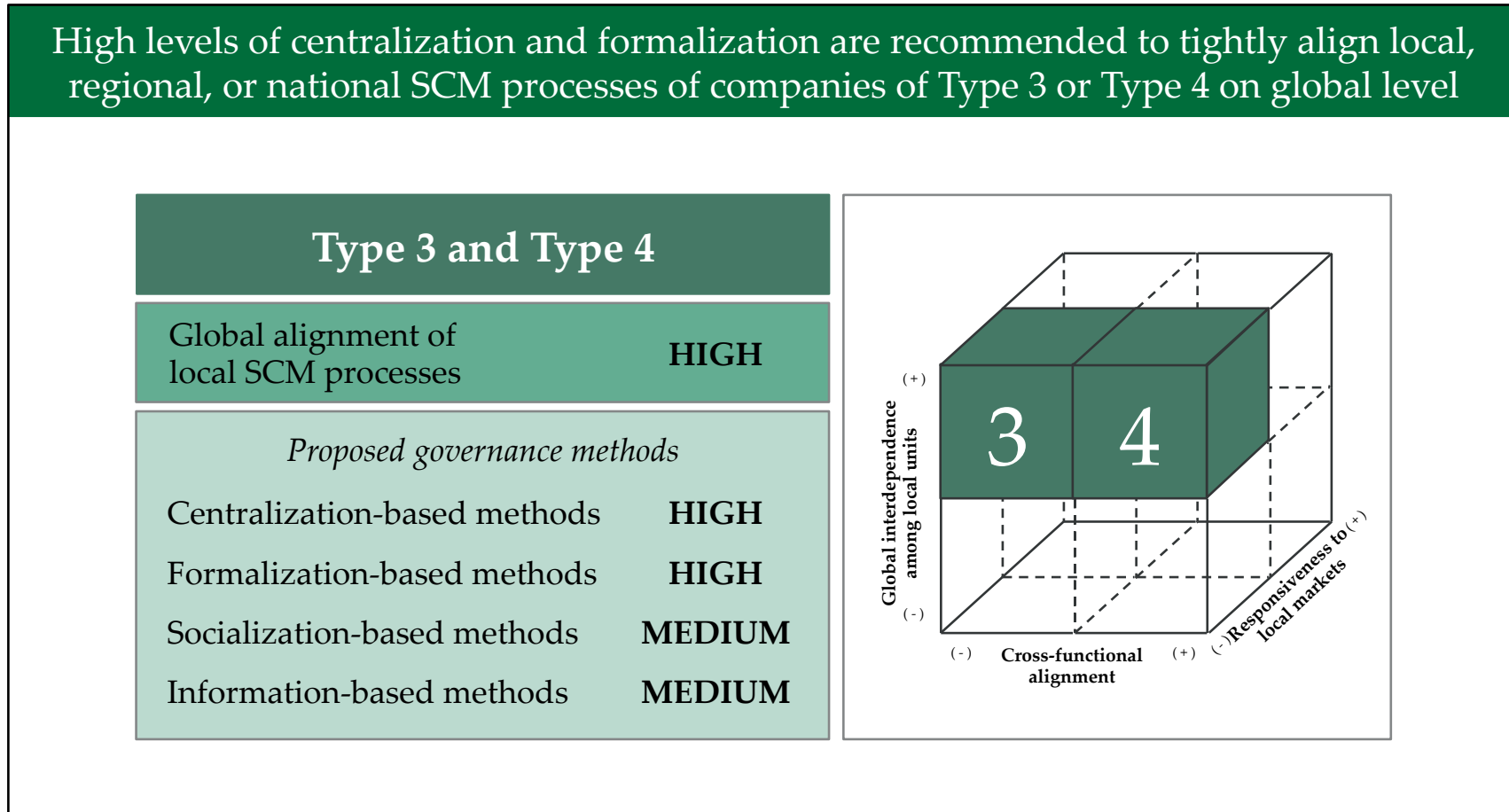
Figure 16: Default governance strategies to align SCM processes in Type 7 or Type 8

High levels of socialization and information are recommended to moderately align local, regional, or national SCM processes of companies of Type 7 or Type 8 on global level

Type 7 and Type 8	
Global alignment of local SCM processes	**MEDIUM**
Proposed governance methods	
Centralization-based methods	**MEDIUM**
Formalization-based methods	**MEDIUM**
Socialization-based methods	**HIGH**
Information-based methods	**HIGH**
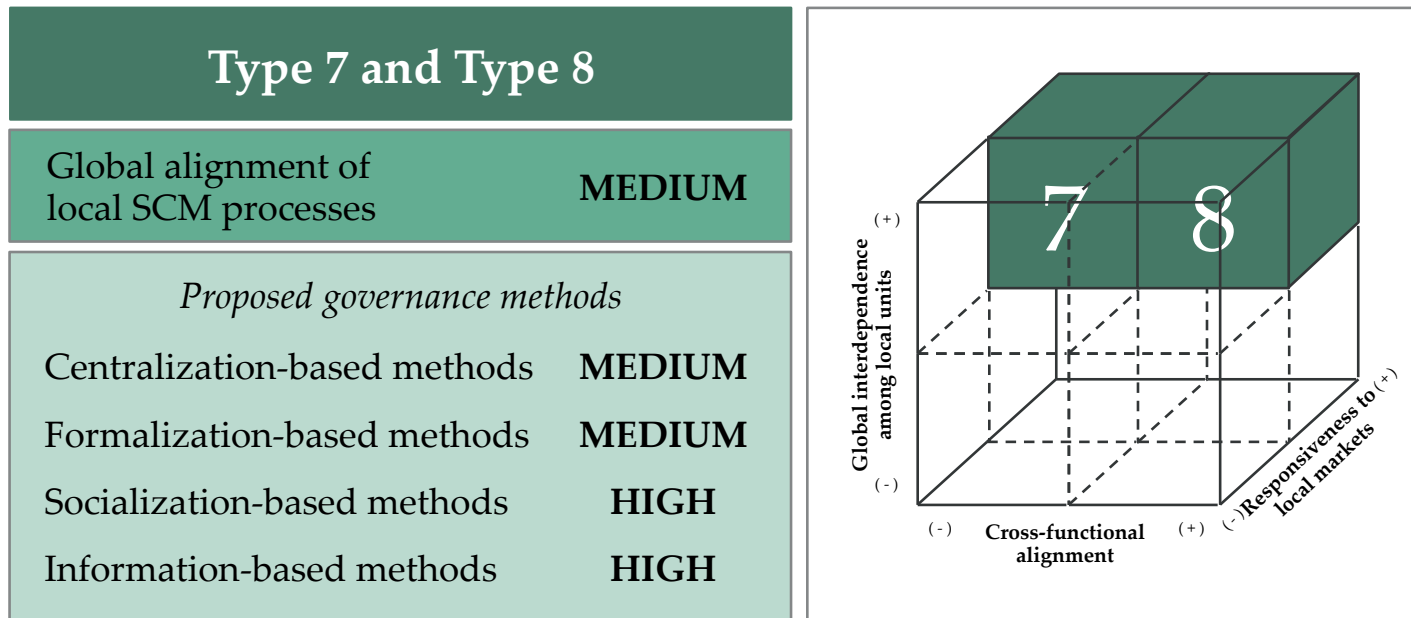
Figure 17: Default governance strategies to align SCM processes in Type 5 or Type 6

Companies of Type 5 or Type 6 do not exploit global alignment of local units; consequently these companies do no request for global alignment of SCM processes

Type 5 and Type 6

Global alignment of local SCM processes	**LOW**

Proposed governance methods

Centralization-based methods	**n/a**
Formalization-based methods	**n/a**
Socialization-based methods	**n/a**
Information-based methods	**n/a**

Global interdependence among local units (+) (-)

5 6

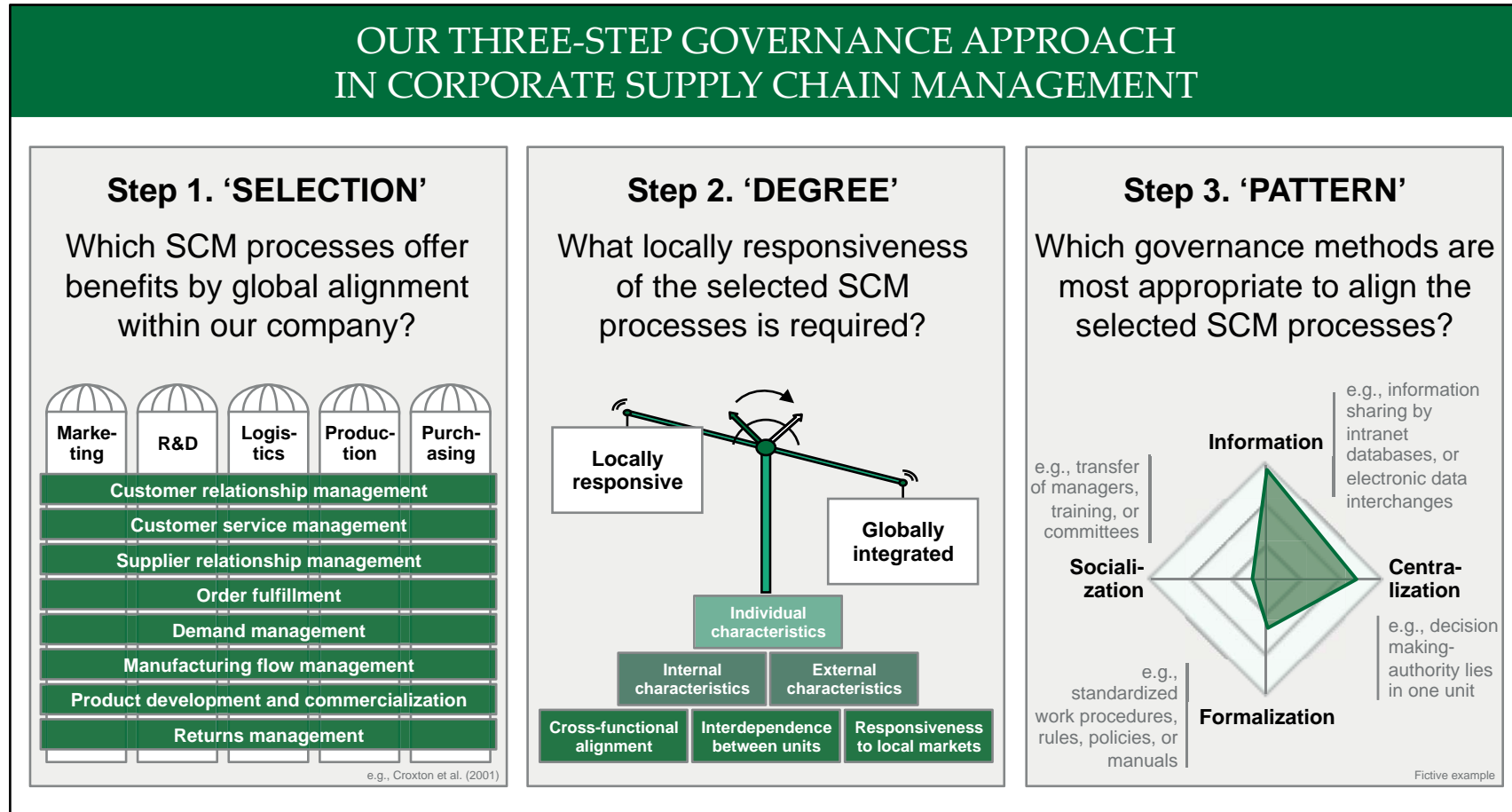Responsiveness to local markets (+) (-)

(-) Cross-functional alignment (+)

8   CONCLUSION: A THREE-STEP GOVERNANCE APPROACH

Corporate SCM increases corporate performance and reputation, while decreasing business risks. Also it increases alignment and integrity amongst local, regional, or national units. But companies should be aware of several cultural (e.g., willingness to cooperate) and managerial factors (e.g., top management support) that enhance or impede the sustainable success of their corporate SCM.

This guidebook supports companies eager to establish or to optimize their corporate SCM. Based on benchmarks and best practices, we propose a general three-step governance approach to identify and implement the appropriate degree of global alignment of regional, or national units SCM processes across the company for an appropriate corporate SCM (see Figure 18).

Firstly, a company can analyze which SCM processes are implemented on a corporate level among its diverse local, regional, or national units. Based on this initial status, the company can decide which SCM processes to coordinate and control by a corporate SCM. Based on our context framework for corporate SCM, the company can than identify the appropriate balance between global alignment and local responsiveness of the selected SCM processes. Lastly, the company can consider our default governance strategies to define the most effective combination of governance methods to implement an appropriate global coordination and control of SCM processes on corporate level.

Figure 18: Three-step governance approach in corporate SCM

**OUR THREE-STEP GOVERNANCE APPROACH
IN CORPORATE SUPPLY CHAIN MANAGEMENT**

Step 1. 'SELECTION'

Which SCM processes offer benefits by global alignment within our company?

Marke-ting | R&D | Logis-tics | Produc-tion | Purch-asing

Customer relationship management
Customer service management
Supplier relationship management
Order fulfillment
Demand management
Manufacturing flow management
Product development and commercialization
Returns management

e.g., Croxton et al. (2001)

Step 2. 'DEGREE'

What locally responsiveness of the selected SCM processes is required?

Locally responsive

Globally integrated

Individual characteristics

Internal characteristics | External characteristics

Cross-functional alignment | Interdependence between units | Responsiveness to local markets

Step 3. 'PATTERN'

Which governance methods are most appropriate to align the selected SCM processes?

e.g., information sharing by intranet databases, or electronic data interchanges

Information

e.g., transfer of managers, training, or committees

Sociali-zation

Centra-lization

e.g., decision making-authority lies in one unit

e.g., standardized work procedures, rules, policies, or manuals

Formalization

Fictive example

9   ACKNOWLEDGEMENT

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10   YOUR STATUS QUO

If you are interested in exploring in which corporate SCM organization type your company is classified and which governance methods you should use to align SCM processes on corporate level, please feel free to contact us at **wolfgang.stölzle@unisg.ch** or **0041 71 224 7280**. We will be also happy to assist you with any further questions, requests, or suggestions you might have.

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