bluegrace | white paper

CFOs & SUPPLY CHAIN SUCCESS:

Five steps to delivering supply chain success with CFO involvement

Cowritten by BlueGrace Logistics & CFO.University

CFOs & Supply Chain Success: Five Steps to Delivering Success with CFO Involvement

Introduction

Enabling Change In The Efficiency Era

We are living in a time of efficiency. We all want to optimize, to do more with less, to maximize return while minimizing effort.

It makes perfect sense – there is not an industry on earth that has escaped the effects of digital disruptions. For those encumbered by legacy operations and established processes, competing with these disruptions can be challenging. The nature of competition has fundamentally changed. So, established companies look for ways to respond and defend themselves.

At the heart of this drive is the need to have greater transparency, to be able to see all the moving parts. Ultimately, it is impossible to make changes without knowing what you have to change in the first place.

For any sort of organization, this can be challenging - every company is made up of different functions and departments, all with their own ways of working, their own unofficial workarounds. When you are a business involved in the production or sale of a tangible product, you have the added complexity of a supply chain to contend with.

The mistake many companies make is to consider their supply chain purely a logistics function. It is so much more than that - it is, in effect, your entire business. So, if you can have visibility of every part of that process, if you can understand what works and what doesn't, then you will be more confident in your ability to make impactful decisions. Who wouldn't want that?

> The mistake many companies make is to consider their supply chain purely a logistics function. It is, in effect, your entire business.

The question then becomes, who is best placed to action this change? It requires a skill set that draws on finance, data, and analytics, that is comfortable with reviewing the sort of information held within supply chains, identifying patterns and understanding what it means. A broad view of the entire business, its overall goals and strategy is also a necessity.

It is a complex mix; one which few within a business will have. That strategic overview, that experience with finance and data - all fingers point to the Chief Financial Officer. Indeed, organizations that can enable collaboration between CFOs and supply chain leaders are more likely to see tangible business benefits. One study said that 48% of respondents following that approach reported earnings before interest, taxes, depreciation, and amortization (EBITDA) growth increases of more than 5% in their company over the past year, compared with just 22% of those with a more traditional relationship.

From a personnel perspective, being more strategic will have a hugely beneficial impact on CFO careers. In some instances, leading to the top.

Yet it is not as straightforward as simply drafting in the CFO and telling them to make the supply chain more efficient. By taking on this role, CFOs are becoming change agents, but in doing so, they need to be open to change themselves.

It's something I've experienced first-hand. As CFO of a grain company, I was part of the transformative effects of closer relationships between finance and our supply chain. Historically, the latter had been very good at buying, moving, processing and delivering the finished grain product to the customer. It was less accomplished at understanding some of the subtle, but costly, financial implications of their actions.

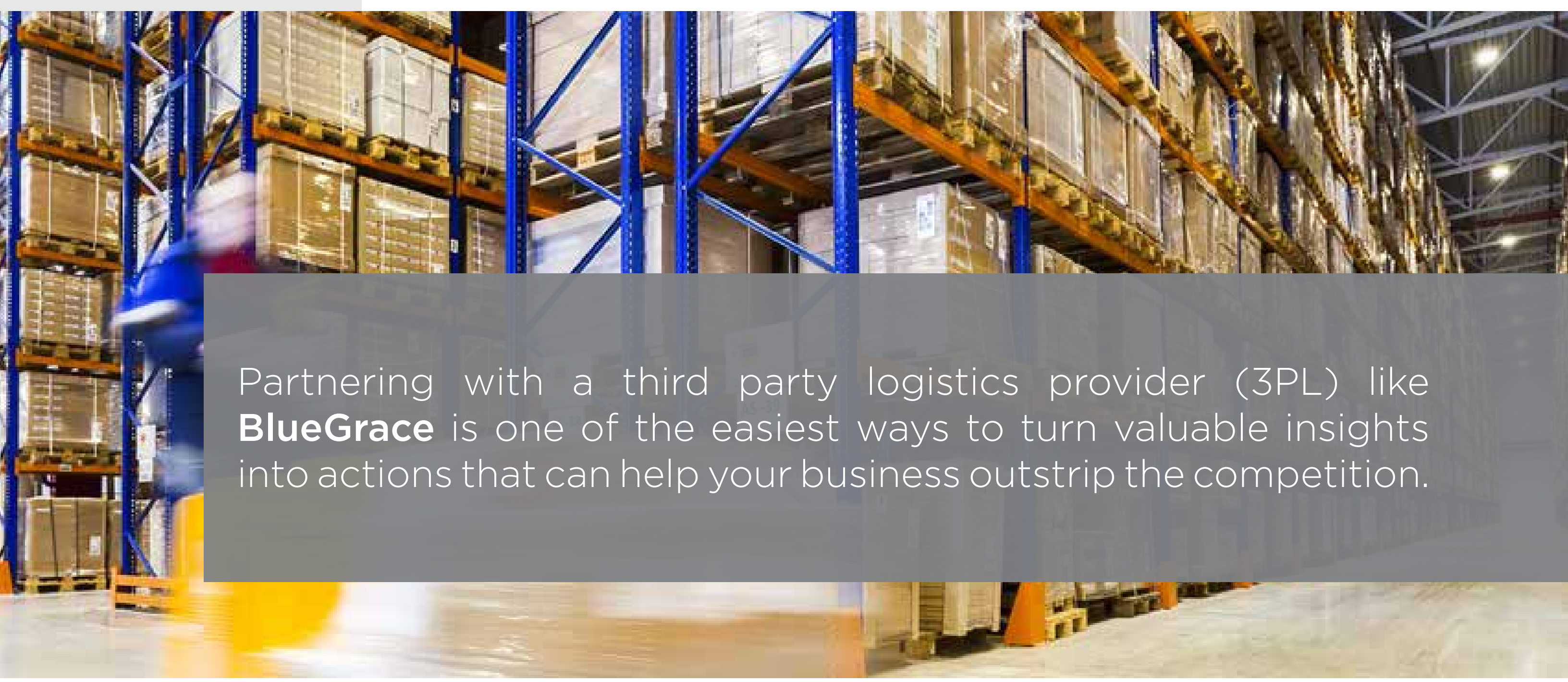
ORGANIZATIONS THAT CAN ENABLE COLLABORATION BETWEEN CFOS & SUPPLY CHAIN LEADERS ARE MORE LIKELY TO SEE TANGIBLE BUSINESS BENEFITS.

By working more closely together, not only were we able to identify opportunities to work more efficiently and maximize opportunities, but it improved the company's bottom line by millions of dollars.

This paper explores exactly what CFOs can bring to help supply chains operate effectively, and why they themselves need to change. It also considers how the context in which the CFO operates plays a significant role, and it details the steps to supply chain success.

At a time when we are all looking for new ways to optimize our operations, there is immense potential in bringing together CFOs and supply chains. Forward-thinking companies need their CFOs to have that strategic vision. Those that take this step will reap significant rewards.

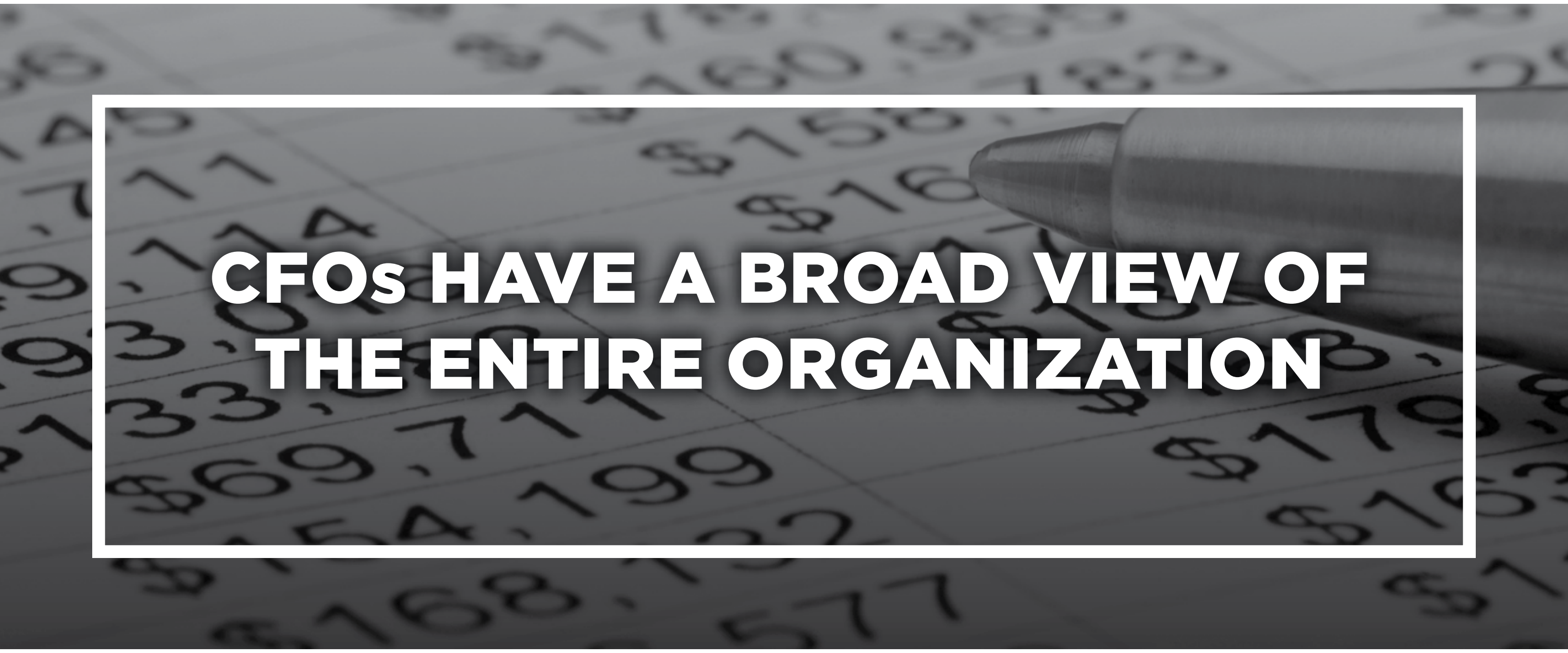
Intro by Steve Rosvold, CEO and Founder of CFO.University



Partnering with a third party logistics provider (3PL) like **BlueGrace** is one of the easiest ways to turn valuable insights into actions that can help your business outstrip the competition.

01

What The CFO Can Bring



CFOs HAVE A BROAD VIEW OF THE ENTIRE ORGANIZATION

What The CFO Can Bring To The Supply Chain

Supply chains are, by their very nature, complicated. Made up of suppliers, logistics partners, internal and external teams – trying to get a complete overview is challenging.

Yet it is vital that businesses have a clear view of everything that contributes to their operations. After all, they represent a significant cost. In 2009 McKinsey & Co estimated that supply chain costs (including warehousing and freight) accounted for anywhere between 2 and 10% of sales revenue, depending on the industry. More recently, benchmarking specialists APQC put the range at anywhere between 10 and 20%, again subject to the sector.

The executives running a supply chain function will be vastly experienced, with many years working in different parts – perhaps warehousing, maybe logistics. They know how things work, and what has not worked in the past.

The challenge is that the singular focus that makes supply chain executives so valuable can also mean they need support in seeing ways to change. This is where an external perspective can be key, bringing in a fresh set of eyes.

The traditional way of doing this would be to bring in management consultants with their experience of working with other organizations in other sectors. While this has merit, it is expensive, along with the time required to bring a consultant up to speed with the workings of the business.

Would it not be better to be able to inject the skills and outside perspective of consultants, but from another part of the business? In many instances, third parties will be looking at data, analyzing information and extracting insights. All skills that most businesses will have in their CFO.

In addition to these skills, deploying the CFO as an external consultant to the supply chain brings the additional benefit of established knowledge of the business, its culture, quirks, and goals. This helps speed up the beginnings of the process.

From a CFO perspective, one of the benefits is having the opportunity to broaden the understanding of finance in a new function within the business. By working alongside supply chain executives and their teams, CFOs can share their own challenges and goals, and help people see how their own role contributes to the bigger picture. This knowledge sharing can help influence decision-making – a warehouse manager may have a clearer comprehension of the financial implications of their choices, and can adjust them accordingly.

In many companies, the CFO is the figurehead for all back-office functions – along with finance and accounting, they may have legal, facilities, HR and IT in their remit. A unique position, it has the potential to bring them into contact with different professions and their processes. In turn, this experience can be played back into supply chain departments, and vice versa. This helps bind the supply chain deeper into the business.

> Deploying the CFO as an external consultant to the supply chain brings the benefit of established knowledge of the business. This helps speed up the beginnings of the process.

It is not simply about processes, either. A CFO with a broad view of the entire organization can identify the tools and products that meet both the requirements of the supply chain and the wider goals of the business itself. For instance, a procurement system that sources raw products may also be of value to a marketing team that procures third-party collateral to augment their own activities.

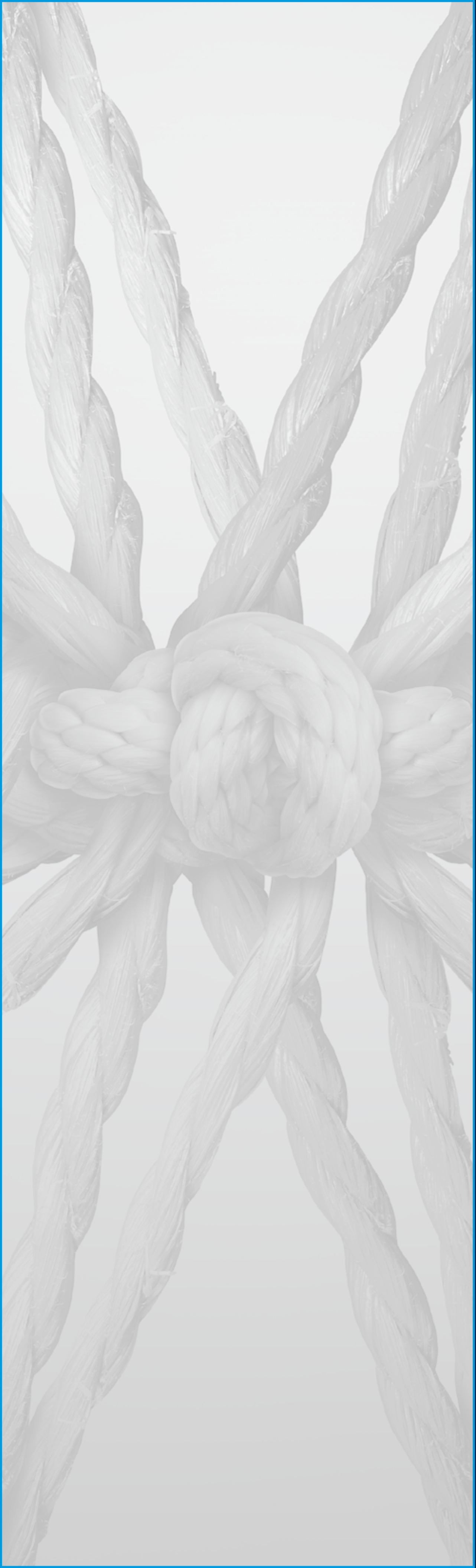
Finally, there is the value to supply chain executives themselves. By partnering with CFOs, they have access to a new way of thinking. They also have the potential for greater exposure within the organization, and to senior management, with the opportunity to position the supply chain as not just another part of the company.

One example of a CFO and supply chain Vice President working together comes from Myers Container. CFO Jamie Mitchell's team provides extensive data support to assist in analyzing the spend and vendors along the full spectrum of the supply chain. Together, both finance and supply chain identify the economic opportunities and risks, use data to support improvement ideas and execute on those ideas. This extends as far as having dedicated resources, in the shape of a data analyst in the finance team, spending a significant portion of their time helping support supply chain initiatives.

As Mitchell says, "despite being nearly 2500 miles apart, both parties have invested in growing the relationship and are committed to sharing the responsibility for creating a better supply chain at Myers Container." The results include improved pricing, growing margins, and increased cash flow in 2019 alone.

It is clear there are significant benefits to deploying CFOs in an external consultant-style role. However, it is important to realize that simply dropping a CFO into a supply chain is not going to deliver the right results.

For CFOs to effect change, they may find they need to change themselves.



02

Changing To Drive Change

Why The CFO Needs To Change In Order To Drive Change

When it comes to using a CFO to identify and drive change within a supply chain function, it is critical that businesses are cognizant of the need to balance art and science.

Science equals processes and technical skills. Art means personality. While it will be the science of a CFO that will be the reason to deploy them in a consultant role, it is the art that will make that a success. A good CFO needs to bring both the right set of skills and the ability to connect with people with different types of experience and perspective.

A CFO that comes in and directs sweeping changes may achieve short term goals such as immediate cost-cutting; it is less likely they will deliver long term, sustainable transformation. This is because such an approach tells people what to do; it does not necessarily explain why they are doing it, nor how it will impact the wider business. Despite their seniority, a successful CFO will recognize the need to act as an assistant, providing advice over direction, in ways that supply chain executives and their teams can understand and learn from. This means being able to speak the same language.

IT IS CRITICAL THAT BUSINESSES ARE COGNIZANT OF THE NEED TO BALANCE ART AND SCIENCE.

Having spent most of their careers dealing with numbers, this represents a significant shift. By being elevated to a C-Suite position, they will have displayed a wider understanding of different functions and how they operate – to be brought into a department as a consultant, however, is a much more granular experience, where the unique culture and jargon of different teams come to the fore. It is a mindset change that needs to be made in order to work effectively with supply chain executives.

It was only through a more collaborative approach that one business was able to not only improve efficiency but ended up creating a whole new unique selling point. The CFO explains that "casters for our products are developed by outside caster companies. In the past the quality, features, price, style and distinctiveness did not always meet our needs."

To improve consistency, the finance team worked with other departments to determine the cost of these non-conformances. "The solution we agreed upon was to work with a caster manufacturer to develop casters that were proprietary to us, so the features and style were unique within our industry. The supplier knows we have high standards and expectations, so they have learned to deliver a product that conforms to our needs."

What is most interesting is that while this may have started out as a way to improve consistency, the resulting savings on cost were relatively minor. However, as the CFO points out, "the better castors are excellent selling points that differentiate our product in the market."

Another transformation required is the move from external reporting to supply chain data. Many CFOs will have come up with the route of preparing financial results for external stakeholders, whether auditors, shareholders or the wider public. This is very much a reactive approach, which states what has happened in the past, based on the company's finances.

In the world of supply chains, the value of data diminishes the older it gets. A report containing three-month-old information may hold some passing interest, but it will not have the insight supply chain executives need to make decisions in real-time based on accurate predictions. For CFOs, this means speeding up how they capture, analyze and share data.

This can be a challenge - external reporting prizes accuracy above all else, hence the time-delay. Yet making predictions requires speed. This leaves CFOs facing a speed-accuracy tradeoff and having to decide which is to be sacrificed for the other. As with the balance of science and art, CFOs need to realize that the reason they have been brought in - their reputation for accuracy - may also be a barrier to being truly successful.

In such an instance, it is important they understand that ultimately, data is only valuable if the recipient can understand and use it effectively. Therefore, if the recipient, in this case, supply chain executives, needs information fast, then that is what CFOs should prioritize. This ties back to the need to speak the same language and understand the perspectives of others.

If CFOs are to be truly successful in their role as a driver of change within supply chains, they must be open to transforming the way they themselves work. A more collaborative approach, as noted above, can drive huge rewards for businesses; in order to make that work, they need to be open to working together.

One thing that can help, or hinder, is the culture of the company as a whole.

03

Team Support A CFO Needs

The Team Support A CFO Needs

It is vital that for a CFO to be an effective change agent for the supply chain, that they have the support of the wider business. This comes in the form of having a CEO that empowers their leadership team to be strategic – for many C-suite executives, taking the longer view can be challenging when they have to deal with their daily tasks.

Yet it is only by having this strategic perspective that CFOs have that can be deployed into the supply chain effectively. That is the whole point: to have an outside viewpoint to look above the granular detail of the day-to-day. To achieve this, they need to be able to communicate what they need to add value, working with their CEO to put in place the processes that allow them to balance their daily roles with more strategic work.

04

Building The CFO Change Agent

Building The CFO Change Agent

Building the CFO Change Agent: 5 Steps To Delivering Supply Chain Success

1

Be a partner, not a director: Any outsider, in any situation, that immediately starts to dictate actions is unlikely to enjoy long term success. CFOs need to win over supply chain executives and their teams – they need to understand that any changes could be construed as a direct challenge to the work the teams have been carrying out for many years. This is where a consultancy or partnership mindset is vital – by working with, advising and coaching, rather than directing, they will be much more effective in instigating sustainable, long-term change.

2

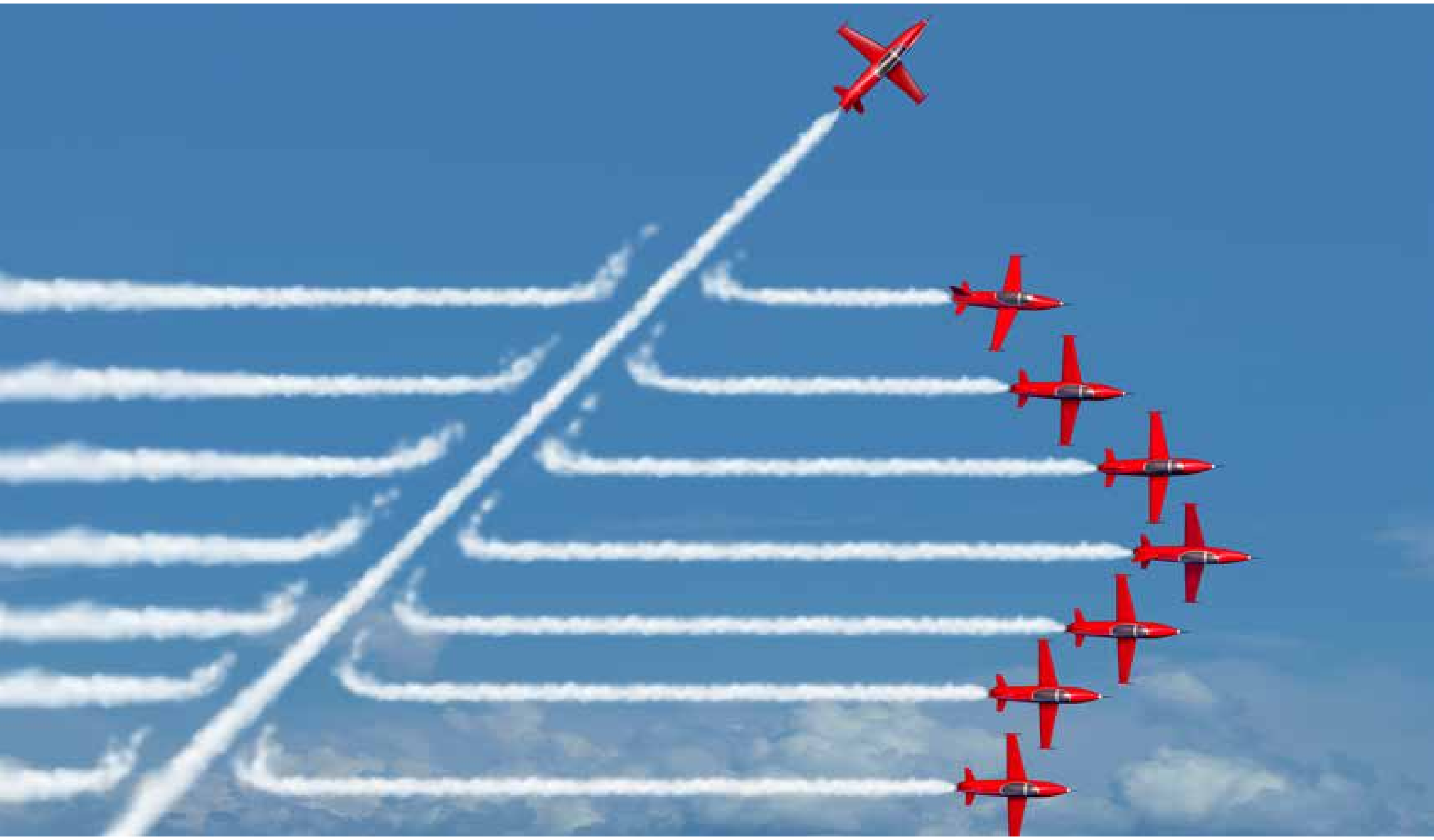
Learn to balance speed with accuracy: It may go against everything they have worked on to date, but CFOs need to consider what is more important in the supply chain setting – accurate data or fast data. This is where understanding the needs of the customer, in this case, the supply chain function, comes in – if they need information quickly, then that must be the priority. Therefore, changes need to facilitate that goal, whether it is with new processes or tools.

3

Predict what is needed: The CFO is being drafted in to provide a strategic perspective and a fresh pair of eyes. If they can marry that with an understanding of the needs of both the supply chain and the business, they can start to predict what will be required – preempting problems rather than reacting to them. One company manufacturing products for the medical sector was required to fix pricing for two or three years, but had no control over the cost of raw materials during that period. The CFO, by working with both supply chain and suppliers, was able to sign off on advanced bulk purchases, which secured supply, locked-in price and led to more favorable payment and storage terms. As well as collaboration between different departments, having the right data has been key to being able to effectively predict what is fundamental. “Our finance team is able to support making these decisions with data and models that provide the best path during our iteration process and follow up to keep us on track.”

4 **Identify the right tools for the job:** Cost is going to be a factor, but this needs to be married with the longer-term benefits of investment in new technology. Prior to working directly with the supply chain, it may be that the CFO has sought reassurance in numbers – the cost of the tool versus the predicted result. By working with supply chain executives, that decision can be better informed by factors other than a direct financial benefit.

5 **Be strategic:** the whole point of deploying the CFO into the supply chain is to harness a strategic view. This means having the support of their teams and the wider business; it also means being clear on what they need to avoid being sucked into the day-to-day. It is a challenge all CFOs face, even those that only focus on their own department. It is a role that companies are crying out for, even if they do not realize it themselves, and can be the next step to ascending to the top role – Best Buy's CFO also held the title Chief Strategic Transformation Officer and recently became CEO in a management shake-up.



Conclusion

CFOs hold a unique position within most organizations – they have a broad view of the entire business, and they can bring that to bear to identify new opportunities and efficiencies. It is vital they do – as markets are upended, businesses are having to reevaluate every aspect of their operations.

That means the supply chain too. The days of it being just about logistics are over – in forward-thinking businesses, the supply chain is the company. To achieve that requires a strategic overview – one that combines the ability to extract, analyze and draw insights from data enabled by the right tools, with the personality to effect long term, sustainable change. In other words, bring science and art together.

If they can bring this together, CFOs can have tremendous success as a true supply chain change agent.

Connect with us to find out how we can work with you to build an efficient and optimal supply chain.

ABOUT BLUEGRACE

Founded in 2009, BlueGrace Logistics is one of the largest third-party logistics (3PL) providers in the United States. With over 500 employees and working with over 10,000 customers to provide successful shipping solutions, the company has achieved explosive growth in its 10-year operating history. Backed by a $255 million investment by private equity firm Warburg Pincus, the company operates 12 locations nationwide, and its headquarters are in the sunny Tampa Bay area of Florida.

For more information, visit www.mybluegrace.com

bluegrace®

2846 S. Falkenburg Road
Riverview, Florida 33578

Phone: 800.MY.SHIPPING
Fax: 813.626.7447

Email:
contactus@mybluegrace.com

Web:
www.mybluegrace.com