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# Has Supply Chain Management Lost Its Relevance?

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**Renato Passaro, Antonio Thomas**  
(Editors)

# Supply Chain Management: Perspectives, Issues and Cases



**McGraw-Hill**

Renato Passaro, Antonio Thomas (Editors)

**Supply Chain Management: Perspectives, Issues and Cases**

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# Has Supply Chain Management Lost Its Relevance?

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The context of business has changed dramatically over the last 15 years. The definition of need satisfaction, the shift from “dot to web” competition and the embedding of the organisation into a wider political and societal environment has transformed SCM contributions and the meaning of work for employees. Interdependence must evolve from the do-it-alone approach and yet the ashes are not proving fertile ground. In many ways, traditional models of management have not kept up with the changes and are taken aback by the complexity that surrounds us. Complexity is however not a feature of our world, but one of our perception. The map is not the territory. This paper explores the underlying cognitive process that defines our understanding, highlights the shortfalls of thinking orientation and offers alternatives, exploring their relevance from a contextual, managerial and academic perspective.

## 1 Introduction

Peter Singer, an Australian philosopher, once remarked “I think there are different sorts of relevance in different contexts.”

Change is permanent and cannot be stopped, calling for incremental adaptation as part of the evolutionary process. However it comes at a moment when the cumulative effects demand a fundamental review of our understanding of reality and our vision of the future.

Today’s world is characterized by immense complexity and upheaval. A bewildering array of beliefs, sentiments and opinions shrouds the direction we should take and the manner in which to tackle the challenges we face. No sphere of life is left unaf-

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fect. Whether in our personal life, workplace, society or environment, we no longer seem capable of developing, contributing, building and respecting as one used to.

Navigating our way as individuals or managers is fraught with innumerable, interconnected, ever-changing and elusive parameters. Navigating without a Northern star, we seem lost in a storm, fire-fighting against the unwanted and unplanned side-effects of our own actions. If a map is neither relevant nor meaningful, does it mean the territory is lost?

## 2 The SCM Context Has Changed

Gary Hamel (2007) commented “whiplash change, fleeting advantages, technological disruptions, seditious competitors, fractured markets, omnipotent customers, rebellious shareholders - these XXI<sup>st</sup> century challenges are testing the design limits of organizations around the world and are exposing the limitations of a management model that has failed to keep pace with the times.”

The context of *Supply Chain Management* (since now SCM) has evolved dramatically over the last two decades. Understanding some of the contextual changes helps in defining the relevance and meaning of current practices. Whilst by no mean exhaustive, the following shifts explore the transformation from product-based market-led to indulgence-based market-manipulation marketing, the dynamics of sole versus pack-hunting competition and the consequences of embedding the organisation in its wider environment. These three shifts are significant since they reflect on the values and meaning of SCM contributions, the fundamental and practical behavioral prerequisites for a flexible market strategy and the philosophical underpinning for long-term survival.

### 2.1 Lack of Substance

At the heart of any marketing definition is the ‘marketing concept’, which ‘puts the customer at the beginning rather than the end of the production-consumption cycle’ (Baker, 1991). Whilst the process and benefits of merging marketing and SCM are well documented (Descheres, 2007), the invisible and more esoteric benefit of satisfying a real need was the capacity for organisational self-transcendence in order to achieve self-actualisation. It was through the fulfilment of others’ needs that organisations would flourish and be meaningful places to work in – indeed, human beings are social animals in need of life meaning and purpose. Whether executives, managers or employees, everybody want their workforce to make sense and value the formation of organic relationships with each other (Deal, Kennedy, 1983) - having a higher tangible purpose and making a difference in fulfilling our spiritual needs.

Unfortunately two factors have undermined this intrinsic connection. Firstly, with market saturation, efforts shifted from fulfilling targeted real demand to the pervasive creation of artificial needs. Secondly, the transfer of attention from real customers to remote shareholders further drained the workplace from any sense of gratification.

As Western societies enjoy an ever-increasing abundance of material goods, Kotler *et al.* (2002) commented on the consequences of market saturation:

“Customers are scarce, not products. Demand, not supply, is the problem. Overcapacity leads to hypercompetition, with too many goods chasing too few customers. And most goods and services lack differentiation. The result: dog-eat-dog pricing and mounting business failures.”

The resulting strategies to secure customers’ attention focussed on mass-customisation, instant gratification and unlimited choice. Faced with competitive pressure, the logic is often pushed to the extreme and always accompanied by an exponential increase in the complexity of SCM.

If this titillation of our basic material, rather than aesthetic, instincts was not sufficient, the definition of “market” got expanded to include segments of society that would normally have been protected, such as children, education, politics or even religion (Klein, 2000). Children, irrespective of their stage of development, are seen as prime movers and shakers, with the potential of life-long brand attachment. Education, more and more oriented toward fulfilling the demands of the workplace or specific industries, seems to lose touch with the wider dimensions of its purpose (Furedi, 2004). Neutrality is particularly compromised, for example, in medical schools where the industry itself trains the medical profession.

Selling health-ware replaces being health-aware. When marketing is applied to politics, the discourse is no longer about the greater issues of collective life or discussions about the challenges of ordered society. It focuses on power by simplifying, polarising, vilifying and endlessly repeating a message that will be disconnected from its basis as political mandate. National governance is reduced to spin and manufactured imagery (Scammel, 2002). Even religion has embraced marketing principles, as illustrated by the rise of mega-churches (Kuzma *et al.*, 2009). Reducing everything to market and consumption is equivalent to putting a price on everything and a value on nothing.

Additionally whilst marketing used to target people and product, one could - if wished - limit exposure to its message. Now it has become all pervasive (Klein, 2000), whether through entrapment (keep up!), total immersion (pervasive branding, product placement, sponsorship of popular culture) or dependence. People used to know how to care for themselves, now one reaches for a branded tablet or processed meal. Even in France, where culinary skills and appreciation are legendary, processed food is undermining one of the pillars of national identity.

The transfer of attention from real customers to remote shareholders is a further disconnection to any sense of meaning or purpose. Indeed if a customer is a fellow human being that can be interacted with at multidimensional levels, shareholders, even when represented directly or indirectly by the workforce itself, are typically remote from the business and impose sanction on very narrow criteria. The primary criterion is shareholder return, and the sanction is the potential disengagement so heavy in consequences for the workforce. It cannot be any real “reward” since the injection of capital is done once, when the share is issued. The majority of shareholders are not capital providers but speculating paper-holders. Instead of relating with another fel-

low human being, we are faced with the cold demand and threats of a gambler. (Monks, Minnow, 2002).

One could argue that the consumer is now the hunter, not the producer. But with the proliferation of material and engineered choice, comes the price of fickleness, impatience, volatility, of *blasé* nonchalance and ultimate disengagement, which results from neglecting our need for beauty, meaning and aesthetic. In response, product marketing shifted to “relation” marketing in a twisted attempt to create those sustainable, emotional and meaningful links for buyer and employees alike. But for the customer service staff, the relentless, unrealistic and often emotional demands of the market can be akin to dealing with the tantrums of a toddler: not rewarding, not meaningful and immensely stressful.

The move from product marketing to social marketing (Wilkie, Moore, 2003), and from targeted to all pervasive marketing, has elevated to a cult the importance of image over content and further deprived society from meaningful reference points. This also led to greater gaps for the employees between their personal values, what they believe in and what is required to secure an income. With the loss of gratification, when profit and power are sought at the detriment of sustainable polity, disengagement follows at organisational and societal levels (Balkan, 2005). Businesses also end up paying the price.

## 2.2 Dissonance

After the successive waves of rationalisation, the combination of downsized organisations with more complex demand from consumers and shareholders, gave rise to the concept of networked competition. A form of competition embracing collaboration between previously independent organisations, it can be akin to the lone wolf joining a pack. The self-centered and self-serving dot is now part of an intricate and synergetic web. Networked competition is still competition however, and it carries within itself the same aggressive values embedded in traditional management style. Indeed winning will be at the expense of others, clash and conflicts will be inevitable. The aim remains eliminating the opponent.

Collaboration is the shift from independence to interdependence. It is not however about harmony and indeed it should not be the most important measure of success (Mintzberg *et al.*, 1998). Rather, the ability to learn from each other’s differences becomes an opportunity to evolve. The expansion and combination of skills and outlooks synergise to creatively devise better solutions for the customer. Profit should be the result of a collective and well-coordinated effort rather than the end in itself. The relationship can be between equals or not, but unlike outsourcing, benefits should be collective and broader than the more simplistic cost-cutting model.

The shift in approach is not to be belittled. Learning takes time and a longer-term view must be adopted; conflicts are inevitable and should not be repressed since it is learning in action. Indeed conflict can be a form of adjustment rather than a win-lose battleground (Pascale, Athos, 1983). When learning is portrayed as a creative exchange rather than scape-goating, it redefines the usual command-and-control approach of management: often very concentrated, heavily felt or visible. It must give

way to the more subtle art of coordinating, influencing and delegating: partnership cannot be forced internally or externally. Moving from “dot to web” does not require the organisation to re-invent itself. Its strength lies in its ability to balance both competitive and collaborative approaches as per what the situation requires, just like an individual needs to display good judgement, i.e. a judgement that is sensitive to the different kinds of situations we face and that guides our actions accordingly (Goleman, 1997). Being stuck in only one mode is actually pathological.

For the individual, this requires maturity and grounding, embodied, according to St. Thomas of Aquinas, in the capacity for judgement, justice, courage and moderation. For the organisation, this requires firstly a dependable culture with a balanced workforce, secure emotionally and financially, secondly balanced interaction where knowledge can be shared and conflict dealt effectively, thirdly balanced management with “a cool head and a warm heart”, and lastly balanced strategy based on how to share risks and rewards.

Today’s short-term focus on shareholder returns often creates great anxiety for the workforce where the security of employment is no longer guaranteed by the profit generated. The insecurity turns into defensiveness with information withheld and rampant conflict ending in fire-fighting management. Champy, quoted in Jackson (2001), reflected on the impact of business re-engineering for the organisation:

“[The] language of violence is now acting against the corporate interest because employees are already in such a condition of fear. Deep deep fear. Managers too. This has to change if reengineering is to realize its full potential”.

The market is too complex to be taken on alone and requires change in thinking and in action. Yet organisational cultures, due to over-emphasis on financial ends, have undermined themselves in their ability to trust and encourage interdependence.

### **2.3 Wrong Map**

At a time when traditional value systems have been undermined and defensive behavioural patterns seem the norm, sustainability has become a hot topic. Sustainability, and more pointedly the role of SCM within it, is not about the material wellbeing of the West versus the destitution of third world countries or the impact on cities, environment or logistical and locational decisions.

It is not even about the validity of economic assumptions when dealing with suppliers or customers (New, 1997). It is all of those, combining into one neat problem economic, political, environmental, societal, philosophical, scientific and spiritual dimensions. Since sustainability is about complexity and balance, none of the dimensions can be dealt in isolation. However chaos and complexity are not characteristics of our new reality, it is not a feature of the world but of our perception and understanding (Gharajedaghi, 2006). Our cognitive map seems to be misrepresenting the territory.

Analytical thinking had been a successful form of reasoning since the Age of Enlightenment due to its ability to frame problems in a more defined and manageable

manner. By de-assembling a whole and dealing with the parts in their own right, it is reflecting the Newtonian thinking of seeing the world, nature, organisations and humans as machines. However, with fragmentation comes isolation.

As a result, we can no longer see the consequences of our actions and the connections with the larger world in which we are embedded (Senge, 2006). Michael Hammer, confiding to Spitzer (2007), describes analytical thinking pushed to the extreme in business:

“A company's measurement systems typically deliver a blizzard of nearly meaningless data that quantifies practically everything in sight, no matter how unimportant, that is devoid of any particular rhyme or reason; that is so voluminous as to be unusable; delivered so late as to be virtually useless; and that then languishes in print-outs and briefing books, without being put to any significant purpose...In short, measurement is a mess.”

Relevant for machines, analytical thinking aims at self-maintenance and seeks to control. Indeed change and disequilibrium can only destabilise or deteriorate the original constructed edifice. Conveniently machines being amoral, ethics is hence irrelevant.

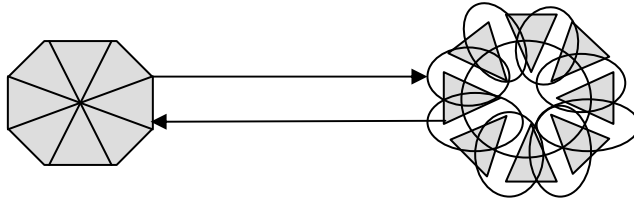
The first difference between an integrative and conventional thinker (Figure 1) is the ability to take a broader view of what is salient. More salient features make for messier problems but integral thinkers welcome mess as a sign that nothing has been censured and that the problem can be contemplated as a whole (Martin, 2007). By maintaining the integrity of the whole, context can be related to data, meaning to statistics, purpose to inventory, integration to task, coordination to function. It also merges reason with aesthetic making morality a fundamental concept.

“[...] You can break a pearl necklace down to one hundred and fifty pearls, a thread, and a fastener, but you have lost the idea of “necklace”, not to mention the neck of the lady it adorns and the impression she creates on others” (Hampden-Turner, Trompenaars, 1995).

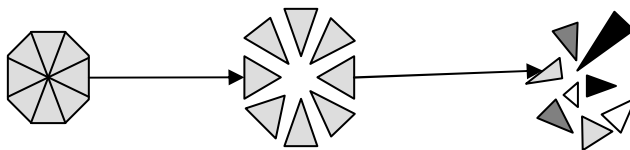
Passive becomes active, ends direct means: living emerges from being, achieving grows from action. Disequilibrium becomes a source of development and growth. The essential quality of the whole is not compatible with analysis. If one tries to understand “what is”, it is appropriate to dissect, when trying to understand “what is going on”, one must observe since dissection kills.

The whole cannot be simplified either: dividing an elephant in half does not produce two small elephants - living systems have integrity (Senge, 2006). When observing “what is going on”, except in extreme case, one must assume that the purpose of action is to seek survival and secure self-preservation.

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**Integrative Thinking**

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**Analytical Thinking**

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**Figure 1** Integrative vs. Analytical Thinking

It naturally follows that in the light of survival strategies, one must embrace the complexity of purpose/intentionality in a given context as it becomes the cornerstones of understanding behaviour. In effect, only complexity can decrease complexity (Ritzer, 2008). Sterman (2000) summarised the characteristics of complex systems as follows:

- dynamic complexity arises from interaction among agents over time.
- complexity lies in finding the best solution out of an astronomical number of possibilities. Complex systems are in disequilibrium and evolve action with irreversible consequences.
- past cannot be compared to today
- system reacts to your solution, e.g. as sales rise, competition cut prices and sales fall again. Yesterday's solution becomes today's problems, we are not puppet masters influencing a system out there - we are embedded in the system.

### 3 New Frontiers

So far, we have seen that the shifts in paradigms have changed the context of SCM and business, causing reference points and standard behaviour to be no longer rele-

vant. How could one form of thinking over another restore relevance? The physicist John Wheeler suggested that we see the world by the questions we ask. In order to decide which cognitive map to use, let's examine the organic rather than mechanistic nature of the organisation.

The current philosophy underpinning the market economy is the fundamental belief that man is rational and so are organisations. Another interpretation portrays organisations as collective human efforts encompassing economic, political, emotional and spiritual needs. Amalgamating formal and informal aspects, they are essentially based on cooperation, continually adjusting to pressure from the environment. Hence in order to survive organisations are essentially adaptive.

Adaptation can emanate from formal strategy setting but often is done through organic re-adjustment (Mintzberg and al., 1998). Such adjustments are often happening beyond the realm of consciousness or rationality. Having essential adaptive capabilities, the organisation is akin to an organismic entity embedded into the wider ecosystem with which it is interacting and with which a feedback loop can be formed (De Geuss, 1997; Sterman 2000, Gharajedahy 2006).

However, with a cognitive map that portrayed the organisation as a machine independent from its environment, cost externalisation and its propensity to transfer risks from the entrepreneur and shareholder to the workers, taxpayers and the environment, has compromised the soil in which the organismic organisation is supposed to thrive.

“[...] Mass society, one in which individuals have lost their place in a social fabric and are on their own, “atomized”, has been found to be vulnerable to totalitarian movements, and subject to manipulation by charismatic leaders and mass media. In short, to be free requires individuals that are not socially isolated, cut off from one another; they must be linked to one another and bound into a community, to form a We, and to be able to sustain one another's emotional stability and inner security. It is on these psychological and sociological foundations that people fully develop and freely express their individuality. When the commons are experienced as oppressive, the group as a They, people can still assert their individuality, but never as fully and as free from distortion as they can when, by transforming their commons from a They to a We, they turn it into a responsive community” (Amitai Etzioni, 1990).

Stable societies and stable economies nurture each other.

The shift in framework also affects organisational design. The emphasis on working out the tensions between micro-macro outlook has been predominant since 1980's. However linking the head to the feet has never been an issue. The issue is to stir a collective effort toward a constructive purpose. The real issue is to address the split between structure and agency existing in any living entity (Ritzer, 2008).

The micro-macro dichotomy attempts to bring hierarchy and order to complexity. The structure and agency duality addresses the issue of intentionality within a given framework. The analogy to training the body to achieve one's goals is hence relevant.

For any athlete, training the body requires focus on discipline, diet and practice. For the organisation, structural focus should be on the framework by and in which action must take place, the elements that nurture and strengthen its ability to act, and a culture that applies these elements to create a virtuous feedback loop. From a stable

structure (discipline, diet and practice) and interaction with the environment, choices will emerge as per the best course to achieve survival or fitness. Capra (2002), in his book “Hidden Connections” describes the process beautifully:

“[...] Traditionally the study of complexity has been the study of complex structures, the focus is now shifting from the structures to the processes of their emergence. For example, instead of defining the complexity of an organism in terms of the number of its different cell types, as biologists often do, we can define it as the number of bifurcations the embryo goes through in the organism’s development.”

For management, the shift is equally significant since the organisation is no longer constructed or dismantled according to numerical parameters. It becomes an entity where aesthetic and texture become recognised. Barnard (1938) had already observed:

“The essential aspect of the executive process is the sensing of the organization as a whole and the total situation relevant to it. It transcends the capability of merely intellectual methods, and the techniques of discriminating the factors of the situation. The terms pertinent to it are “feeling”, “judgement”, “sense”, “proportion”, “balance”, and “appropriateness”. It is a matter of art rather than science, and is aesthetic rather than logical. For this reason it is recognized rather than described and is known by its effects rather than by analysis.”

## 4 New Compass

Many models describe SCM but by and large it is assumed that SCM is an element of the mechanistic organisation. Whilst the importance of flows is emphasised, a lot of the literature focuses on the functional or process aspects, and much of the literature tends to focus on disconnected aspects of SCM.

SCM needs to be put back into context in order to gain substance and relevance. In order to do so, two goals need to be re-examined: efficiency and excellence.

### 4.1 Efficiency vs. Eco-Efficiency

What is efficiency? Efficiency can be defined as “doing better with the same or less investment of resources” (New, 1997). However efficiency is a contestable term that can be defined only by reference to values (Dunphy *et al.*, 2007). Hence, efficiency is a subjective term often tainted by the value given to change by the recipient. But since economic efficiency is often realised through cost externalisation, from a sustainability perspective, efficiency has to include the impact on the environment and society.

There are three roads to efficiency - cost reduction, value adding, innovation and flexibility - none of which are necessarily a positive achievement for the organisation, society or the environment (Dunphy *et al.*, 2007). All too often short-term cost reduction may translate into long-term job loss, futile value-adding into meaningless over-servicing, unbridled innovation and flexibility into social instability. Hence it is why those were distrusted and tightly controlled in planned economies.



Maybe a more relevant alternative is offered by the World Business Council for Sustainable Development and the United Nations Environment Programme (UNEP). Broadening the efficiency benefits to include societal and environmental concerns, it defines the delivery of eco-efficiency as “the delivery of competitively priced goods and services that satisfy human needs and bring quality of life while progressively reducing ecological impacts and resource intensity, through the life-cycle, to a level at least equal with the Earth’s estimated carrying capacity”.

The major principles of eco-efficiencies are:

- Reducing the material intensity of goods and services
- Reducing the energy intensity of goods and services
- Reducing toxic dispersion
- Enhancing material recyclability
- Maximising sustainable use of renewable resources
- Extending product durability
- Increasing the service intensity of goods and services

Those radically conflict with:

- The aims of SCM to stimulate consumption through instant gratification (time compression, unlimited choice) and easy access (extensive distributive presence, low costs).
- The focus on energy-intensive just-in-time (JIT) and low inventory is also eco-inefficient as it potentially undermines the resilience of society in the face of growing energy challenges (geo-political instability) or popular unrest (social instability).
- The drive for marketing, manufacturing and transportation of goods, especially those associated with “wants” rather than “needs”. Even when industrial mimicry is applied, engineered and faddish market demand is a drain on resources.
- The protection of proprietary design and intellectual property (IP) since dismantling and recycling is usually done by third parties, and the standardisation of parts is a key factor in re-usability. However proprietary designs represent a key source of revenue by gate-keeping maintenance. By increasing running costs, a producer can hence support artificially low purchase prices, increase its market penetration and as a result consumption. This might be efficient at organisational level, it is not from a sustainable perspective.
- The pervasive philosophy of growth-based economies, which relies heavily on consumerism and dependence rather than self-sufficiency and sustainability.

In a nutshell, eco-efficiency, driven by a concern for sustainability, advocates the opposite of most of the SCM philosophy. Eco-efficiency is hence not about the supply of faster, better and cheaper goods but the manner by which goods evolve from raw material to disposal, as slowly as possible.

## 4.2 Excellence: Master or Fool?

To excel is to stand out or surpass. By definition, excellence is defined in relation to others and is competitive by nature. Excellence implies that somehow a skill or capability has been mastered to the highest level and there is little to improve on. Being excellent puts us in a defensive and reactive position.

The feeling of having “cracked it” is reflected in the “excellence” literature where often pragmatic answers are given to yet unstated philosophical questions. Too often, the “excellence” business literature continues a well-established tradition of not encouraging its readers to think for themselves (Huczynski, 1993). He explains:

“[All management ideas] represent a broad consensus on the nature of organizational management in a capitalist society [...] with broadly accepted models and sets of assumptions about organisation structures and techniques. The common underlying agreement referred to might be the “capitalist imperative” [...] with profit maximisation and the role of power relations between those involved in the production process. [...] The political nature of organization is rarely referred to directly in any of popular management literature.”

Excellence, cut from its context, can easily fall into the trap of management self-glorification (Furusten, 1999) and lose sight and perspective on what it is supposed to achieve. The productivity paradox sums up the disconnect: excessive focus on productivity of labour capital and technology become locked in a vicious circle of their own making, thus inhibiting the organisation’s ability to develop new ways of competing and enhancing their performance. The relentless search for short-term gains or efficiencies results in long-term decline. Short-term excess efficiencies can become barriers to long-term upskilling, which in turn undermines the capacity for value-added or technological based strategies. Hamel and Prahalad (Dunphy, 2007) make a similar point in their discussion of the way management fervently embraced re-engineering.

“They argue that re-engineering focusses too much attention on immediate efficiencies and neglect the vision of future innovative strategies; so they are real limits to an organization’s ability to develop a fully sustainable human and ecological approach based on cost efficiency alone.”

Clearly, knowing, especially when in prescriptive terms, does not seem to support excellence. So what is excellence? For the athlete, excellence comes with and is maintained by relentless practice. Self-improvement becomes open-ended, since prac-

tice only makes you aware of your unfulfilled potential, likewise learning makes one aware of one's own ignorance.

“To practice a discipline is to be a lifelong learner. You never arrive, you spend your life mastering disciplines. You can never say “We are a learning organization”, any more than you can say “I am an enlightened person”. The more you learn, the more acutely aware you become of your ignorance. Thus a corporation cannot be “excellent” in the sense of having arrived at a permanent excellence; It is always in the state of practicing the discipline of learning, of getting better or worse” (Senge, 2006).

The art of “learningful” conversation becomes key as a means of opening and receiving new ideas, of exchanging insights and more importantly to feel secure enough to cross to uncharted water.

Excellence cannot be found in books or ready-made formulae but through experience and reflection. There is not one meaningful model of excellence since it is about putting into practice the discipline and diet that befit a particular athlete. Excellence is the awareness of what one does not know.

## 5 New Territories

Have we reached an impasse?

The driving force of modernity was faith in progress. Just as reason was applied to the material world by science and technology, politicians and economists believed in the application of reason to the social world. Unfortunately, lessons whether from environmental protection, political coercion or economic control have taught us that any attempt of control will lead to unintended and undesired consequences. We are faced then with more fire-fighting instead of the prospect of evolution. Control does not work and as Amartya Sen, who was awarded the economic Nobel prize, declared:

“It is important to reclaim for humanity the ground that has been taken from it by various arbitrarily narrow formulations of the demands of rationality”.

The alternative is collaboration. Collaboration is easier if differences are behavioural rather than value-based, and are marginal. Often, in an attempt to reach compromise for short-term results, differing viewpoints are either ignored or brushed aside as if history, culture and philosophy could be easily dismissed. Those are the frames by which we see the world, and that makes us what we are. Even with “internal partnerships”, viewpoints are incompatible due to differing agendas. Customer service function will always strive to hold more inventory, while sales functions want complacent planning. Manufacturing will always favour large quantities and finance on low inventory. Singularities cannot be erased and in fact should be preserved. They add interest.

To be sure, the problem does not involve entities, functions or machines. The problem is human, with organisations that are first and foremost human. Rational analysis and collaborative ideals have been proven ill-suited.

Is there a third approach?

## 5.2 Geography

What is the new organisational landscape? Arie de Geuss (1997) defined the *living company* as capable of:

- Adaptiveness to outside world (Learning)
- Character and identity (Persona)
- Relationship with people and institution (Ecology)
- Way to develop over time (Evolution)

Adaptiveness to outside world is fundamental for short-term as well as long-term survival and arises from the frictions between the structure of the organisation and its environment. These frictions give rise to agency or the ability to make choices as per what is the best way forward at a particular time. As choice requires discernment, learning is generated. As learning evolves, it will also challenge the validity of the current structure. Hence, survival depends on the challenge of finding the balance between stability of design and creativity of emergence (Capra, 2002).

Amartya Sen: “The identity of an individual is essentially a function of her choices, rather than the discovery of an immutable attribute”

It is the interaction between the structure of the organisation and changing environment that creates persona. It is shaped by the quality of the interaction and the choices made along the way. Intentionality or purpose has a role in modelling specific persona and it facilitates the ability to learn from the past. This shifts the debate about core competencies to core persona. Indeed the overall organisational ethos (values, attitude and action) will prevail over a specific *savoir-faire*, just like ethos sets apart the outstanding performer over a good technician. Beauty comes from within. Intentionality, if left implicit, becomes a barrier to understanding the nature of the organisation (Birkinshaw, Piramal, 2005).

It is also the nature of the persona that insures integrity, encapsulated in the corporate governance structure. Integrity requires the right questions to be asked and that checks and balances are in place to make sure that the answers reflect what is best for the creation of long-term, sustainable value. When that structure gets subverted, it becomes too easy to succumb to temptation and engage in self-dealing (Minnow, 2002) One of the issues with deregulation is the absence of structure within which persona can flourish. It is through the appreciation of rules that sport can bring together individuals.

European philosophers find reality in substance, whilst Chinese philosophy finds it in relationships. One favours the visible, the other the invisible that links everything.

The organisation, as a cooperative and adaptive entity, requires members to be able to operate and make choices individually within the framework of collective engagement and direction. This requires clarity of purpose and clarity as per how individual interactions should occur. This not only ensures that all efforts are creatively directed toward one goal but also provides meaning by helping the individual to be part of something bigger and more meaningful.

Sterman (2000) summarises the importance and consequence of having structures:

“The fundamental principle of systemically dynamic states that the structure of the system gives rise to its behaviour. When we attribute behaviour to personality we lose sight of how the structure of system shapes our choices. Attribution of behaviour to individuals and special circumstances rather than systemic structure diverts our attention from the high leverage point where redesigning the system or governing policies can have significant, sustained, beneficial effects on performance. When we attribute behaviour to people other than system structure the focus of management becomes scape goating and blame rather than the design or organisation in which ordinary people can achieve extraordinary results.”

The point is not to manage individuals or change what they are. Instead it about managing the interaction between participants. In social theory, the structure of society (role, institutional and traditional norms) creates the elements (communication) of society. Those elements also create the structure, so that in all autopoietic [self-generating] systems, the system constitutes its own elements (Ritzer, 2008).

The same can be said of the impact of SCM on the social and economic context. Market needs spring from a complex interplay of socio-economic (consumerism and requirement for faster, better and wider choice) and ideological (growth-driven market economy) influences. SCM not only reflects those influences, it also shapes them by becoming a catalyst for supply and demand (New, 1997).

Hence in organisations:

- Formal structures are sets of rules and regulations that define relationships between people and tasks and determine the distribution of power.
- Informal structures are fluid and fluctuating network of communication: non-verbal forms of mutual engagement where skills are exchanged and shared tacit knowledge generated. Shared practices create flexible boundaries of meaning that are often unspoken (Capra, 2002).

Each formal and informal structure are strengthening and also influencing each other, hence adapting the organisation to changing circumstances.

## 5.2 Politics

Geography is only one aspect of the new territory. Change is imperceptible unless an earthquake occurs (industry/technology restructuring). Whilst nurturing and providing

some emotional and spiritual meaning, it is however not dealing with the day-to-day of life in close quarter. As mentioned earlier, the new territory is populated by humans and subject to constant change. Managing with impressive intellectual models or attempting to restraint change is going back to wrestling management. Aikido, and its emphasis on dealing with reality as it is, might be better suited to thrive in this new land.

The wise aikido master will be aware of the Yin-Yang symbol representing dynamic reality, where opposites are part of the whole and complement each other (see Figure 2). They might be distinct but they will evolve from one into another as each is present in the other. Opposites mutually feed on each other. The observation is valid for economy and markets, society and business, organisation and employees, structure and agency, collaboration and competition, rights and responsibilities, marketing and SCM. The booms carry the seed for bust and the bust carry the potential for boom.

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*Opposite but complementary  
Mutually evolving and self-feeding*

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**Figure 2** Yin Yang symbol

As noted by Schumacher:

“The whole crux of economic life, and indeed of life in general, is that it constantly requires the living reconciliation of opposites. [...] Indeed societies need stability *and* change, order *and* freedom, tradition *and* innovation, planning *and* laissez faire. Our health and happiness continually depend on the simultaneous pursuit of mutually opposed activities or aims.”

Mindful of his own health, he will also understand traditional Chinese medicine, who closely watches yin and yang movement as well as flows of energy in nurturing health. He understands the purpose behind the anatomy of organs, i.e. their roles in moving, refining and using energy. He sharpened his sense of observation through experience and has learnt what to look for through multidimensional pointers rather than theory.

For the part-fighter and part-healer aikido manager, this means focussing on the invisible parts of the organisation: its structure (yin) and its agency (yang) in order to result in intended action. This means:

### **YIN and structure**

- Nurture organisational goodwill, loyalty and integrity
- Monitor the invisible, sense the visible: KPIs are a reflection of the smoothness of flows rather than the measurement of an end result. The organisation's texture (complexion, emotion, sensation, being, behaviour, interaction and life signs) can be used as a barometer of health
- Restore risks onto the entrepreneur and investors instead of workforce and taxpayer. Management needs to be intellectually flexible to amend strategy incorporating social responsibilities. In contrast, the workforce needs emotional stability to face all personal and professional responsibilities satisfactorily. Currently the workforce pays the price for financial inflexibility. We all have wider responsibilities than just those in the workplace, whether toward parents, children or our community. We are the fundamental unit of a healthy society, and we cannot walk away from it. *We* are the primary stakeholders, not the shareholders who, by contrast, can so easily desengage themselves from their duties.

### **YANG and agency**

- Instead of focussing on visible functions, focus on channelling invisible flows. Use functions as catalysts for the flows.
- Product flow: shift paradigm from goods production to one of conversion of raw material to need satisfaction to recycling
- Finance flow: From healthy cash flow to suitable profit, liability to asset, expense to investment
- Information flow: From data to information to knowledge to wisdom
- People flow: from passive individuals to active collective contributors horizontally and vertically
- Knowledge flow: From individual and tacit to culturally embedded and evolving
- Communication flow: From verbal/written/physical to understanding

One has to be healthy to be able to act. Health is a function of balance and the purpose of the Aikido manager will be to nurture an equilibrium between the various dynamics within the organisation and between the organisation and its environment. Health and survival are based on interdependence.

Organisations must aim for self-transcendence: businesses should aim for societal efficiency over particular interests (eco-efficiency) and societal resilience over cost effectiveness (social stability over shareholder value, self-sufficiency in a politically

unstable global economy). Only through a meaningful purpose can all issues related to the loss of reference, inadequate behaviour and thinking mentioned in the changed context of SCM (part 1.2) be overcome.

## 6 Conclusion

“It is all so simple, Anjin-San. Just change your concept of the world!” James Clavell ‘Shogun’

And what if the new territory was not worth the effort? What if there is more excitement and financial reward, however short-lived, in material binging? What if it is easier to buy over caring, growing and nurturing? What if sustainability in a world out of control was actually unsustainable? Well, it is possible. But, in biology an organism that thinks only in terms of its survival will invariably destroy its environment thus destroy itself (Capra, 1988).

Has SCM lost its relevance? As long as there is a need to satisfy, there will be a need to organise the means to satisfy it. So SCM is here to stay but it needs to find an easier fit with the societal context in which it is embedded. Is it down to SCM to make it happen? Yes and No. Yes, since it shapes as much as it is shaped by the market and the economies it supplies. No, because economic and societal thinking need to address this issue as well. But each influence the other and what matters is to get the discussion started. Is today’s SCM capable of addressing the challenge? I do not believe so unless it starts adopting an integrative rather than analytical view of what it is about. The real power in SCM is invisible – however, too much attention is given to the visible. Functions are still taught over flows. Yet the invisible drives the visible, integration drives analysis, not the opposite.

Different skills might need to be acquired. But I believe most of the skills are embedded in us already - we need to tap into our instinct and gut feeling better. Through discussion with my students, I think there is a genuine need and thirst for change and real concern for the future. Fear and distrust seem to be the main obstacles. It is a shame because the map does not need to be re-drawn and organisations do not need to reinvent themselves, usually at the cost of people. The landscape is the same, just the glasses are different. Traditionally, academia has portrayed itself more as a distant observer. In physics, the role of observer has been dismissed and replaced by the role of “participator” because simply observing can alter the result of an experiment. Academia is not just about observing - it comprises participators and we have a role in re-shaping those glasses. If education is about developing judgement, it needs to promote different forms of thinking.

Ted Kapchuk (2000), in his book, *The Web with No Weaver*, summarised some of the paradigm shifts in modern medicine:

“[...] There is now a new sense of organism, interconnectedness, quality, meaningfulness and unity emerging on the frontiers of modern medicine. The development of Western medicine thought is creating room for new models and theories. There



is a perception that medicine needs art, progress needs wisdom, and precision needs vision.”

The same could be said of modern management.

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**Renato Passaro, Antonio Thomas (Editors)**

## **Supply Chain Management: Perspectives, Issues and Cases**

**I**t is quite complicated to monitor the developments that have been taking place in recent years in management studies and, in particular, in Supply Chain Management (SCM). Based on this premise, the volume contains contributions that highlight some basic issues of the recent international debate on SCM, which has gained the attention of several scholars, for a deeper understanding of its theoretical implications and to improve the methods and scope of empirical research. Accordingly, the book presents a large number of papers relating to SCM as well as the Logistics and Transport Services industry, written by academics, managers, entrepreneurs, practitioners and other experts.

The volume, therefore, includes papers by Authors with different background, research and professional expertise. Hence, this reflects both the wide scope and complexity of SCM, and the variety of perspectives from which processes and strategies are analysed and interpreted.

This volume is structured into three sections, which represent three different points of view on issues, constraints and actors, revolving around SCM and Logistics and Transport Services industry.

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