



Cross-Functional Supply Management



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Introduction

Cross-functional teams are usually used in sourcing, new product development, and commodity management (Leenders et al., 2002). In supply management such teams are used to achieve time-reduction targets, cross-boundary ownership of tasks and problems, innovation and synergy effects, better achievement of organisational goals and professional development of team members.

Cross-functional buying teams are essentially teams of specialists from user departments and buyers who are put together to develop specific sourcing strategies and plans, which improvement efforts are focused on integration and harmonisation of the purchasing processes across different business units (Van Weele, 2010). Cross-functional efforts are characterised by team-based management and cross-functional buying teams. They may also include key suppliers who can be very helpful in solving joint problems (Van Weele, 2010).

Cross-functional purchasing is one of the development stages of purchasing and supply management (P&SM;). It represents the stage of 'internal integration', at which point cross-functional supply management contributes to the objective of reducing total life cycle cost (as opposed to just the cost of purchased components).

A cross-functional and team-based approach is required for complex supply management decisions and choices that are made at high levels (e.g. those of high strategic importance and those that will directly influence the P&SM; performance (Van Weele, 2010). New product development, finding a new production facility, developing a procurement strategy and establishing a new business are examples of cross-functional decisions (Monczka et al., 2010).

It is important for purchasing departments to cooperate with other functions in order to achieve better efficiency of decisions. For example, operations must inform the purchasing department about planned volumes and delivery dates so that purchasing can locate the right suppliers on time. In addition, purchasing must work closely with quality control to assist them in supplier performance measurement and evaluation (Leenders et al., 2002).

Definition

A 'cross-functional team' refers to a group of individuals "from various organisational functions who are brought together to achieve clear, worthwhile, and compelling goals that could not be reached without a team. Teaming leverages organisational resources while utilising the expertise of team members. Purchasers typically participate in teams dealing with sourcing, commodities, quality, and new product/service development" Lysons and Farrington, 2016).

Successful Application

The role of a cross-functional team, its composition and integration across functions is important for the general implementation of cross-functional supply management and are at the core of the whole concept. There are between eight and 10 members in a typical cross-functional team representing the firm's functional areas. Particular attention should be paid to supplier involvement in such teams. Their degree of involvement can vary, but involving outside suppliers in cross-functional teams is a widely accepted practice.

In Japan, buyer-supplier relationships are often built around the 'keiretsu' - a group of companies integrated around a manufacturer who is usually the focal company. Another crucial implementation step is systems integration which includes the management of information flows and information integration (Henke et al., 1993).

Woodford,R and Vosper L, share the following top 10 tips for successful cross-functional collaboration:

- Be honest
- Clearly outline what you want to achieve
- Listen to each other
- Be accommodating to each other's arguments
- Look for common ground
- Try and understand each other's language
- Make the process as simple as possible
- Challenge each other and others around you
- Align objectives and ask questions
- Remember, together you can be a formidable team (CIPS Annual Conference 2017)

Steps to Successful Application

- Select a task: cross-functional teams should only work on strategically important large-scale tasks.
- Select team members and leaders.
- Train team members.
- Authorise or prohibit certain actions and responsibilities of a team.
- Conduct performance reviews and reward team members.

Monczka et al. (2010)

Hints and Tips

- The cross-functional perspectives often need to be extended to inter-organisational level as the information one firm needs may come from another supply chain member (Handfield and Nichols, 1999).
- Cross-functional team members need to have a broad business perspective, experience and skills relevant to perform a task and achieve positive outcome (Van Weele, 2010).
- It is important for cross-functional team members to have strong team-building abilities and excellent communication skills (Van Weele, 2010).
- Goals must be clearly understood and agreed by everyone involved (Monczka et al., 2010).
- Adequate resources must be available (Monczka et al., 2010).

Joint vision and strategy:

- Procurement collaboration needs to be articulated by Executives, and reflected in the vision and strategy of the alliance. Loosely coordinated vocational initiative simply won't work
- Shared KPIs
- From the start, when firms operationalize the joint strategy, they need to define a small set of KPIs (savings, efficiencies etc.) that will be reported to everyone's management and embedded into individual performance metrics of all stakeholders.(Dovgalenko ,S,(2018)
- Procurement needs to meet regularly with stakeholders, not just when they are working on a specific project together. "If we do not meet the business on a regular basis, we will not be able to align our strategy with theirs,"Jacobs,K (2018)

Potential Advantages

- Cross-functional teams have proved effective across many different settings in supply chain management (Cousins et al., 2008).
- Cross-functional supply management can reduce communication barriers between functions and organisations because members are in direct contact with each other (Monczka et al., 2010).
- Cross-functional teams realise synergies by combining individuals and functions (Monczka et al., 2010).

Potential Disadvantages

- There are high requirements and expectations of the people involved in the process in terms of education, business skills, process and communication skills etcetera (Van Weele, 2010).
- Cross-functional operations can run into process loss risks when gains from team interaction are less than the costs of achieving them (Monczka et al., 2010).
- Teams often display a group-level bias known as 'groupthink': a tendency of rational people to arrive at a bad decision despite the quality of information and resources available to them (Monczka et al., 2010).

Performance Monitoring

- Price/cost dimension (Van Weele, 2010).
- Product/quality dimension (Van Weele, 2010).
- Logistics dimension (Van Weele, 2010).
- Organisational dimension (Van Weele, 2010).

Case Studies

- Following considerable losses in the 1990s IBM reorganised its purchasing function to provide a consolidation of needs on components for the entire company through one single point of contact for the supplier - the commodity team. All contracting was done centrally on corporate levels, while operational purchasing activities at the same time were decentralised. This way IBM used its enormous purchasing power in combination with maximum flexibility (Van Weele, 2010).
- Suncor Energy, an oil and gas company from North America, has a strategic supplier relationship programme called the 'Suncor Foothills Drilling Asset team'. This is a cross-functional team consisting of people from Suncor's drilling department, the Foothills Asset team, contractors and suppliers. In five years the team has achieved a reduction of drilling costs by 18%, reduction of planning time by 42%, reduction of drilling time by 20% and a tripling of production (Monczka et al., 2010).
- Cross-functional supply management may also mean integrating and coordinating the sourcing process with suppliers. When the main production of Japanese Riken Corp., a major supplier of car parts to Toyota, Mitsubishi and other car manufacturers, was heavily damaged due to a large-scale earthquake, Mitsubishi sent 40 of its engineers to the Riken plant to assist with rebuilding the facility (Monczka et al., 2010).

Further Reading/References

Web Resources

- Cross-functional expertise in supply chains <http://www.supplymanagement.com/news/2011/supply-chains-need-cross-functional-expertise/>

- **The role of cross-functional teams** <http://scm.ncsu.edu/scm-articles/article/the-critical-role-of-the-cross-functional-team>
- **Supply chain community on cross-functional teams**
<https://community.kinaxis.com/people/dustinmattison1974/blog/2011/11/23/cross-functional-team-building>
- **Example of using cross-functional teams** <http://www.inboundlogistics.com/cms/article/cross-functional-teams-petter-supply-company/>
- **Supply Chain Management and Cross Functional Teams**
<http://www.ism.ws/pubs/Proceedings/confproceedingsdetail.cfm?ItemNumber=11511>

Books

- Collaboration, Planning, Forecasting and Replenishment, Seifert, ISBN 978-0814471821
- Collaborative Advantage, Dyer, 978-0195130683
- Supply Chain Management, Wang,Heng & Chau, ISBN 978-1599042312
- New Product Development, Moncska, Handfield, Scannell, Ragatz & Frayer, ISBN 978-0873894685
- Supply Chain Management, Chopra & Meindl, ISBN 978-0132743952

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- Van Weele, A.J. (2010) Purchasing and Supply Chain Management. 5th ed. Cengage Learning EMEA: Andover.

Video

Stanford University Webinar: Challenges met by cross-functional teams

https://www.youtube.com/watch?v=3C-vSI7P3X4&feature=player_embedded

