July 2014 - Article – The Anatomy of a Supply Chain Strategy

What is Supply Chain Strategy? Strategic management has been around for more than half a century but there is still no standard strategy formulation for supply chain management.

In this article, we will show you what solid supply chain strategy should look like.

1) It's a multi-year roadmap:

when people talk about strategy, they often say something like,

"we want to reduce cost by 5%" or "we will do what ever it takes to achieve 95% service level"

However, Merriam-Webster dictionary defines strategy as,

"a careful plan or method for achieving a particular goal usually over a long period of time"

So, supply chain strategy should be a plan that takes many years to implement to achieve a long term business results, not just a set of "KPIs".

2) Start with customer needs:

we believe many organizations incorporate customer satisfaction survey into a supply chain strategy formulation process which is a very good sign. Anyway, current customer needs may not be enough. We should try to anticipate the future needs as well.

Another point about customer needs is that people in supply chain function should try to "go see" customers so we can have a better understanding about the issues that might have the impact on demand/supply and the future of business.

3) Include internal assessment:

SWOT analysis seems to be a standard method for an internal assessment. Anyway, you will be able to understand your own deficiencies much better if you do the business process analysis, even something as simple as this one.

4) Think about evolving technology:

technology is the enabler for new process and practice. From my observation, people read news related to supply chain technology so extensively on social media. My question is, do we ever turn the news that we read everyday into something more meaningful like making a summary about pros and cons of each technology?

5) Track domestic and foreign competitors:

when your competitors offer some new products/services, these will eventually become the new customer's requirements. Then, we need to track competitors' movement so we can determine what customer might want in the future. You can check out how Strategy Canvas can help you with this.

6) Consider megatrends:

the technology outside supply chain management area changes more rapidly so we should track the technology outside supply chain world too (this article about 7 Megatrends may be useful to you).

7) It must be accepted across the company:

a good supply chain strategy is not merely the action plans by each functional area but a plan that is agreed upon so people can take action and make decision in the same direction.

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