



Certified Supply Chain and
Logistics Strategy Sample Material
VS-1448

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1. SUPPLY CHAIN STRATEGY

A company's competitive strategy defines, relative to its competitors, the set of customer needs that it seeks to satisfy through its products and services.

1.1. What is Strategy

A strategy can be described as an action plan that provides a direction that has to be adopted by the organization in order to achieve its objectives. In this way, strategy is a decision-making choice and it involves the consideration of the strengths and weaknesses of the organization and also the external environment that has an impact on the organization. While in the past, strategy was mainly used by the military but now, it has become an integral part of the business organizations also. In case of business organization, a platform is required to consider the plans and policies that have been adopted by the competitors and then the plans of the organization have to be modified in such a way so that the superiority of the products or the services of the organization can be established. At the same time, strategy also helps in deciding the objectives of the organization as well as the way in which the resources of the organization have to be deployed in order to achieve these objectives.

In this way, strategy is related with deciding the long-term goals of the organization and also the adoption of a course of action and allocating the resources that are required to achieve these goals. Therefore a strategy is a broad plan that can be used to take the company to the position where it wants to be in future from the place where it is at present.

Features of strategy

There are certain basic features of strategies.

- ✓ A strategy comprises the general course of action that has to be followed by the organization in order to achieve its objectives.
- ✓ Strategy involves the choices that decide the direction and the nature of the activities that have to be performed by the organization in order to achieve these goals.
- ✓ Strategy also has to consider the tactics that are going to be used by the competitors. In this way, a strategy should not only be capable of achieving the objectives of the organization but at the same time, it should also be capable of countering the steps that are being taken by the competitors.
- ✓ A strategy should provide the right combination of internal and external factors. For this purpose, the sense and weaknesses of the organization and also the influence of external factors should be considered when making a strategy that can be adopted by the organization.
- ✓ A strategy can never be static. Therefore, a strategy may have to be changed or modified in view of the particular needs of the changing times.
- ✓ In some cases, searches may also involve contradictory action. Due to reason that a strategy depends on several different factors, a manager may have to take action immediately or may result in such action for a later date, depending on the situation.
- ✓ A good strategy is always forward-looking. This means that the strategy should always be future oriented. However the past actions can be used by a strategy for guiding the decisions that have to be made in future.

- ✓ Strategies are made by the top-level management of the company. On the other hand, the managers at the low level are expected to implement the strategies that have been decided by the top management of the organization.

1.2. What is Supply Chain Strategy

Supply Chain Strategy or Strategic Supply Chain Management is defined as: "A strategy for how the supply chain will function in its environment to meet the goals of the organization's business and organization strategies". There's a kind of magic in some words, "strategy" and "strategic" being key examples. Place "strategic" in front of the name of any business process and suddenly that process acquires an aura of great importance. Strategic objectives cry out to be achieved in a way that simple objectives do not. Strategic planning sounds considerably more sophisticated and powerful than plain old planning. There's a reason those words have such power. Strategy, originally a military term, is how generals marshal all available resources in pursuit of victory. Strategy wins football games and chess matches—or loses them.

It's really the same in the business world. Each company has a business strategy that paints a broad picture of how they will compete in the marketplace. Since business strategy is like military strategy in that it requires the marshaling and organizing of all its resources, then it becomes clear that the business's supply chain can be its most potent strategic resource. Designing and building the right supply chain, one that promotes the business strategies, may just be the most powerful way to gain an edge on the competition, to move faster, deliver more value, and be more flexible in the face of both steady change and surprises. The supply chain strategy is a complex and evolving means that organizations use to distinguish themselves in the competitive contest to create value for their customers and investors.

As illustrated in figure mentioned below, you can see how the direction of a firm or organization is predicated on its business strategy. Of course many organizations now also use mission and vision statements to give clarity to their purpose.



If these strategies are not aligned, the direction and fit will be askew. All three strategies are linked and dependent.

1.3. Business Strategy and SCM

A plan for choosing how to compete. Three generic business strategies are:

- ✓ Least cost.
- ✓ Differentiation.
- ✓ Focus.

Typically a business strategy among supply chain strategies will outline how to grow the business, how to distinguish the business from the competition and outperform them, how to achieve superior levels of financial and market performance, and how to create or maintain a sustainable competitive edge. As per the definition provided previously, business strategies include least cost, differentiation, and focus. Least cost relates to a lower cost than the competition for an otherwise equivalent product or service. Differentiation relates to a product or service with more features, options, or models than the competition. Focus relates to whether the product or service is designed for a broad audience or a well-defined market segment or segments. There are many ways that these generic strategies can be combined or made into hybrids. For example, common business strategies that are generic to many industries and manufacturers include the following variations:

- ✓ Best cost—creates a hybrid, low-cost approach for providing a differentiated product or service.
- ✓ Low cost—focuses on delivering low price and no-frills basics with prices that are hard to match.
- ✓ Broad differentiation—creates product and service attributes that appeal to many buyers looking for variety of goods.
- ✓ Focused differentiation—develops unique strategies for target market niches to meet unique buyer needs.
- ✓ Focused low cost - designed to meet well-defined buyer needs at a low cost.

Choosing Business Strategies

While some firms may focus primarily on one business strategy, others may pursue a mix of strategies. Note, however, that making one strategy the priority may make other strategies difficult to achieve. For example, providing high quality at the lowest price is a challenge. But not all the strategies are mutually exclusive. Product differentiation and niche marketing fit well together. Either responsiveness or low cost may be a key competitive factor that differentiates a firm from its market rivals.

Once an organization has decided on a business strategy, it uses these choices to drive the organizational strategy and eventually the supply chain strategy.

1.4. Organizational Strategy and SCM

The strategy of an enterprise identifies how a company will function in its environment. This supply chain strategy specifies how to satisfy customers, how to grow the business, how to compete in its environment, how to manage the organization and develop capabilities within the business, and how to achieve financial objectives.

Prior to discussing organizational and supply chain strategy in more detail, the first topic in the section addresses business strategy and competitive advantages. Competitive advantages are closely related to business strategy because they outline the advantages the organization should realize once it has decided how it will compete.

Recall that the supply chain strategy of an enterprise identifies how a company will function in its environment. The strategy specifies how to satisfy customers, how to grow the business, how to

compete in its environment, how to manage the organization and develop capabilities within the business, and how to achieve financial objectives.

Where do you start when building an organization's strategy? As author and business consultant Stephen R. Covey says in *The Seven Habits of Highly Effective People*, "begin with the end in mind," that is, think first about the goals of the supply chain strategy.

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