



A Study on Strategic Fit in Supply Chain

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Abstract— *This article focuses on examining overall supply chain strategic fit based on an analysis from similar literature surveys on supply chain management. It explains the impact of achieving strategic fit in a company's overall success. The article also demonstrates the gaps in the supply chain are caused by a mismatch in the improper understanding of supply chain and competitive strategies. It specifies the various key challenges in achieving the overall strategic fit and compares the efficiencies and responsiveness factors in the supply chain. The article finally concludes by suggesting the methodologies to achieve successive strategic fit for any firm's successfulness.*

Keywords— *Competitive strategy, Implied uncertainty, Responsiveness, Supply chain management, Supply chain strategy, Strategic fit.*

I. INTRODUCTION

Review of Supply chain

A supply chain is a set of all the entities involved whose goal is to increase the supply chain profitability by efficiently satisfying customer requests. The various entities can be all processes participating in receiving and fulfilling customer requests successfully. The processes includes consumers, manufacturers, suppliers, distributors, warehousing and inventory management, retailers, innovative product development, marketing and its operations, distribution, finance and revenue management, and customer support service. A supply chain is dynamic in nature and involves the constant flow of logical as well as physical things like information, product, and funds between different stages. The ultimate goal of supply chain is to maximize the supply chain surplus. It is the difference between the overall revenue generated from the customers and the overall cost incurring the supply chain processes to satisfy the consumers.

II. LITERATURE REVIEW

Competitive and Supply chain strategy

A firm's competitive strategy can be defined by relative to its competitors, the various customer segments requirements that it is intended to satisfy through its products and services. For example, Let the company A wishes to provide a variety of products with high availability at low cost and with reasonable quality. Let the other company B wishes to provide similar variety of products sold by company A through Online whose competitive strategy will be high responsiveness, convenient availability. Thus, the competitive strategy of both the companies is different. Clearly, a company's competitive strategy can be defined based on its customer's priorities. It targets one or more customer varieties and aims to provide products and services that satisfy these customers' requirements.

Supply chain strategy specifies the broad structure of overall functional or operational strategies within the respective firm's supply chain. It specifies what are the various processes and its sub-processes, role of transportation and choosing of proper design for transportation network, operational functions, whether to perform functions in-house or out-sourced, the information infrastructure, finance, marketing strategy and inventory management. It also specifies the roles and responsibilities of all the entities involved in the supply chain.

Strategic Fit

Any firm's success is determined by its stated competitive and supply strategy. Strategic fit is aligning the competitive and supply strategies towards the common organizational goal. It establishes the correspondence among priorities of different customer segments and different functionalities in the supply chain strategies. It aims at the mutual co-operation among functions or processes in the supply chain and meets the external needs efficiently. Achieving Strategic fit ensures stable and trustworthy relationship between internal as well as external parties involved in the supply chain.

Issues in achieving Strategic Fit

All the processes in the supply chain must co-operate each other. Thus single process in the chain must not focus only on its own goal for achieving profits without considering other inter or intra processes in the supply chain which may ultimately results in firm's failure. A firm fails due to lack in abilities to achieve strategic fit. Issues such as improper understanding of demand and supply information, lack of required resources for performing operations, improper supply chain design, conflicting goals of different stages, and not aligning goals of different stages with the overall objective of the supply chain are considered as lack of capabilities to achieve strategic fit in supply chain.

Assume a condition in which a firm publicizes its capability to provide a huge variety of products very quickly, also states transports by choosing very low cost mode at the same time. In this scenario, customers have to wait for a longer weeks to receive their products if firm decides to achieve economy in transportation. This scenario depicts the confliction in stated marketing strategy. Similarly, consider another situation where a retailer has publicized providing huge variety while having low levels of stock but has chosen very cheaper distributors having less responsiveness. Thus, the retailer due to its conflicting goal suffers from huge customer dissatisfaction and fails in business.

Review on different supply chain strategies

Lee et al. describes a framework for establishing a strategy based on uncertainties in supply and demand. Author states in addition to considering demand there must be a consistency between strategy and product characteristics by considering stable versus evolving supply chain characteristics [5]. Christopher and Towill depicts the various pipelines for satisfying various customer segment demands, these pipelines must be chosen in such a way it matches the business goal or strategy of the supply chain [3]. Christopher et al. proposed a three-dimensional framework appropriate for global supply chains. The dimension includes product, demand and replenishment lead-times [2]. Galunic and Eisenhardt mentioned that firm must have ability to adjust their overall organizational structure and management processes in order to respond rapidly to the changes in the external competitive strategy in order to maximize supply chain performance [4]. Companies such as Seven-Eleven Japan, Dell computers and Walmart have built successive and very responsive supply chains influenced by high competition, varying market demand and increasing customer needs resulting to improved overall performance. Key success was on superior design, planning, and operation of their supply chain in firm. Webvan suffered huge set back in their business due to their inappropriate supply chain design and inability to manage them effectively. Therefore, a number of researches have been initiated in order to find the most efficient and highly responsive supply chain strategy in various industries.

Methodology

Chopra and Meindl have suggested methodologies on how to achieve strategic fit in an organization effectively [1]. They also stated any firm implementing supply chain for their business should identify set of supply chain activities which supports firm's objectives will achieve strategic fit.

Identifying and Understanding Customer needs

This is the first step in achieving strategic fit in supply chain. Needs of customer depends extensively on various customer segments. Different customer segments can be customer willing to pay high price but in necessity of products as early as possible, customer expects cheaper products but wishes to wait for a longer weeks, customer wanting a high quality products and expects high service level, customer interested in variety or different flavors of the same product, customer in necessity of new and innovative products, customer purchasing a product in huge lots. Thus, identifying and understanding the customers and their demands in different segments is the initial activity and can be mapped a key attribute implied uncertainty in demand. Implied uncertainty is the uncertainty which results from firm satisfying only particular customer segments needs. Table. 1. discusses the effect of requirements from different customer segments on implied uncertainty in demand. Lee et al. states uncertainty in supply chain and lifetime of the products also effects implied uncertainty [5].

Table. 1.

Requirements	Implied Uncertainty in demand
Number of quantity increases	High
Lot of innovation increases	High
High expectation of service level	High

Realizing the abilities of supply chain

After realizing customer needs, uncertainty in demand next step is to address how company addresses the customers in an uncertain environment. Two measures are identified in article proposed by Chopra and Meindl to realize abilities of supply chain they are responsiveness and efficiency [1]. High responsiveness incurs high cost which results in loss of efficiency. This factor should be realized properly in order to choose proper supply chain strategy. For example, Seven-Eleven company have high responsiveness because they change the merchandise mix by time of the day and its location, Several automotive production industries are somewhat responsive due to their deliver of a huge variety of products within weeks, Steel industries have high efficiency due to their proper production schedule and flexibility. The attributes such as cost, efficiency, responsiveness must be related well with the objectives of supply chain and needs from different customer segments. For example, Sam's Club sells a limited variety of products in huge size of packages. The capability of this supply chain is of low costs, and the focus is clearly on efficiency.

Mapping of demand and supply uncertainty with responsiveness

Framework for a supply chain can be designed to achieve overall strategic fit. All operational strategies like marketing, revenue management, IT, transportation and production must be in consistent with stated competitive strategy

also with the cost, efficiency and responsiveness factors. Thus, a supply chain should assign and adjust the roles and responsibilities for each stage to meet the specified level of responsiveness. Choice can be made by making one particular stage highly responsive and allowing remaining stages to deal with efficiency criteria. Exact roles can be assigned on the basis of flexibility and efficiency available among different stages in supply chain. Fig. 1. depicts the mapping of implied uncertainty in demand versus cost-responsiveness attributes and finally predicting the exact strategic fit area.

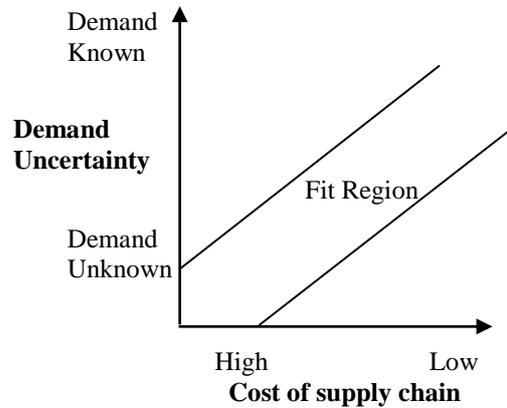


Fig. 1 Finding Strategic Fit Region

III. CONCLUSIONS

Issues in the supply chain arise if there is improper usage of various strategies of supply chain. Fisher proves that if there is improper mapping of implied uncertainty in demand and supply to strategies or capabilities of supply chain supply chain suffers failure [4]. Thus this article concludes based on the literature review of related articles proper supply chain strategy has to be chosen to satisfy customer requirements and assess uncertainty where managerial actions in affirm achieves success. All stages operations should focus on improving overall supply chain profitability and confronting on individual stage benefit will subject to huge bottleneck in business. Many firms like Walmart, Dell, Seven-Eleven have chosen right supply chain strategy and right supply chain framework is decided and were achieving huge customers satisfaction along with increased supply chain performance and surplus.

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