ED END2END™

5 Steps to Articulate your Supply Chain Strategy

By **Robert Steward** • President and CEO of End2End, LLC

An effective supply chain strategy is essential to the performance of most companies. However, many of them, even top-notch companies, have misaligned supply chain strategies. Often, supply chain strategies are poorly articulated and communicated within the business, resulting in poor business performance. But, even if your supply chain is misaligned, not all is lost. It's always possible to re-articulate your strategy and devise a supply chain strategy that not only meets your business' needs but also drives real service and bottom-line improvement.

 Let's start with the basics.

3 Reasons Supply Chain Strategies Fail

While this seems rather obvious, creating alignment between your supply chain and your business strategy is fundamental to articulate your supply chain. A clear strategy helps to avoid costly mistakes and ensures that all the links of the chain remain together.

However, as companies have contracted more outside partners, new risks have risen; and while most of the supply chain reconfigurations are made in the interest of cost reduction and fast delivery, failure can occur.

Not understanding the customer's needs

Customers are the end of the supply chain, but they're also the reason behind it. Not keeping track of your metrics in real-time or not using historical data for forecasting sales trends can wreak havoc on your supply chain and on your relationship with your customers.

If you fail to forecast your customer's demand and act based on uninformed decisions, you're starting on the wrong foot. Therefore, aligning your customer's needs to the supply chain is crucial to create a cost-efficient supply chain.

Pro-tip to solve this issue

Create different supply chains for different customers. For instance, a low-touch, low-cost one for low-value clients and a responsive, high-service one for platinum customers.

Failure to gain senior executive buy-in

It's not a secret that sometimes, executives are not aware of the need to change processes or invest in new technologies, which often results in major issues in the future. The complex nature of supply chain management often makes it hard to explain the benefits of a supply chain strategy to senior management.

The reason behind this is that the concepts and implementations behind a supply chain require a high-level understanding, making the progress difficult to judge.

Pro-tip to solve this issue

Supply chain professionals need to communicate their value using terms and concepts that are accessible to everybody. That being said, start by using the right level of detail: explain concepts and trade-offs to enhance your entire team's understanding of the topic.

Failure to gain employee commitment

One of the main reasons for weak employee commitment is a lack of understanding of the importance of the supply chain strategy. Just like what happens with upper management, a lack of understanding can hinder your strategy. Regardless of your team's background, concepts need to be clear to everybody, from finance to the marketing team.

Chances are that if this is happening, your employees' work is just too siloed, and they have a lack of visibility over the overarching goals of their department.

Pro-tip to solve this issue

Think for a second: does your supply chain strategy adjust to your organization's strategy? Communicating the strategy behind your supply chain from an inclusive perspective can incentivize your employees to adopt and enact the right strategy.

Summing up

There are 3 main ways of solving these failures:

- Having the will to change. This will has to come from the top of your company, and it starts with recognizing that something needs to change.

- Understanding that even though there are many value chains supporting different businesses, you need to find the one that suits *your* business.

- Making sure that you have the technical capabilities to provide visibility and transparency across the multiple boundaries of your supply chain.

Now that you know about this, take a look at these five steps to articulate your supply chain strategy.

5 Steps to Articulate Your Supply Chain Strategy

1. Analyze your current supply chain and supply chain management strategy

To make changes and adjustments to your supply chain strategy, you first need to figure out what the problems are and where you can do adjustments.

Nevertheless, conducting this type of analysis can be often very difficult to do on your own, because it might be hard to step away from your company and observe things from an outside perspective. So, take a step back and try to gain perspective.

These are a few things you can do to conduct your analysis:

- Start an in-depth discovery process to understand your supply chain's strengths and deficiencies as well as setting goals for your strategy.

- Assess whether or not your processes are out of date and how you can improve them with the amount of money you have.

- Recommend solutions based on what you have found to reduce operational overhead and smooth out supply chain potholes.

2. Connect your supply chain and your business plan

While a company's supply chain strategy and management plan might be separate concepts, they both rest on the same core idea: the need to reduce costs, gain a competitive advantage, and deliver a quality product to the customer.

With that in mind, an effective supply chain strategy involves using systems to help your company overcome strategic challenges, economic pressures, and comply with government regulations that might hinder their chance to move products efficiently.

These are some ways you can intertwine your supply chain with your business plan:

- Designate an advocate to champion your supply chain management initiatives and communicate them to the C-level executives

- Specify goals for supply chain improvement that are tied to your business plan

- Identify the areas of your business strategy where the supply chain plays a key role

3. Work closely with your team and third-party vendors

Ask yourself: Are you hiring the right leaders and picking the best vendors?

Small companies may work with only a small number of vendors, but large ones may have hundreds of them in their supply chain, which makes managing them pretty complex. Only by working closely with your team will you reap the benefits of a well-aligned supply chain strategy.

Take a look at these ways of streamlining your vendor management:

- Make accountability and visibility the two pillars of your company so every member of the team – vendors included – understand the role they play in your overall strategy

- Set cross-functional teams and reward initiatives that drive the company efforts towards your goals

- Categorize vendors by the size of their spend, strategic importance, risk, and other key factors

- Make sure you have vendor support and training initiatives in place

4. Choose the solution that fits your company

Most teams still work with pen and paper and Excel spreadsheets, and communication still happens on an *ad hoc* basis, which makes your supply management prone to errors. The solution to this is adding a supply chain analytics solution to your strategy.

Prescriptive and predictive analytics empower integrated teams to take actions on almost every issue that arise in your supply chain, not just report them afterward. The goal of choosing a software solution to manage your supply chain is gaining visibility over your processes and finding ways of improving what needs to improve.

Here are some ways that a software solution can help you articulate your supply chain:

- Get shipping status alerts to keep track of your assets in real-time and take action before small issues become larger

- Process orders faster and more efficiently with order management tools that cover you from the beginning to the end of the supply chain

- Manage your warehouse and handle complex logistics related to tracking, receiving, counting cycles, and planning routes

5. Implement the plan

The lack of a robust process for identifying, managing, and mitigating risks is a clear threat to your company's supply chain strategy. A systematic risk assessment, like the one we mentioned, becomes an important part of your crisis management strategy.

In general, a supply chain strategy should look at least three years into your company's future. However, that doesn't mean that you should strictly follow that plan for the next three years without changes or modifications.

These are some implementation tips you could follow:

- Make the transition from "Why change?" to "How are we going to make it happen?"

- Maintain a realistic scope so you don't get disheartened if things don't work as planned

- Choose the right system for your supply chain so you can determine upfront costs
- Get your suppliers' participation and acceptance, because the success of your strategy is directly tied to your suppliers' willingness to use the tools

Summing up

In the end, a thorough assessment of your internal supply chain capabilities is required to determine how well your current strategy is performing and whether you should change it.

With that in mind, many companies prefer to focus on comparing basic performance data to make strategic decisions, but we believe it's far more useful to focus on understanding your competitors' processes, technology, and the networks underlying their strategy.

To truly create value for your company, you need to look across your supply chain and make it into a competitive weapon. To do that, you need to ensure that your C-level executives are on board and that your implementation efforts are planned both strategically and realistically.