

Chapter 2: Supply Chain Performance

Achieving Strategic Fit and Scope

1. EXPLAIN WHY ACHIEVING STRATEGIC FIT IS CRITICAL TO A COMPANY'S OVERALL SUCCESS. A lack of strategic fit between the competitive and supply chain can result in the supply chain taking actions that are not consistent with customer needs, leading to a reduction in supply chain surplus and decreasing supply chain profitability. Strategic fit requires that all functions within a firm and stages in the supply chain target the same goal, one that is consistent with customer needs.

2. DESCRIBE HOW A COMPANY ACHIEVES STRATEGIC FIT BETWEEN ITS SUPPLY CHAIN STRATEGY AND ITS COMPETITIVE STRATEGY. To achieve strategic fit, a company must first understand the needs of the customers being served understand the uncertainty of the supply chain and identify the implied uncertainty. The second step is to understand the supply chain's capabilities in terms of efficiency and responsiveness. The key to strategic fit is ensuring that supply chain responsiveness is consistent with customer needs, supply capabilities and the resulting implied uncertainty.

3. DESCRIBE THE IMPORTANCE OF EXPANDING THE SCOPE OF STRATEGIC FIT ACROSS THE SUPPLY CHAIN. The scope of strategic fit refers to the functions and stages within a supply chain that coordinate strategy and target a common goal. When the scope is narrow, individual functions try to optimise their performance based on their own goals. This practice often results in conflicting actions that reduce the supply chain surplus. As the scope of strategic fit is enlarged to include the entire supply chain, actions are evaluated based on their impact on overall supply chain performance, which helps increase supply chain surplus.

4. DESCRIBE THE MAJOR OBSTACLES THAT MUST BE OVERCOME TO MANAGE A SUPPLY CHAIN STRATEGY SUCCESSFULLY. Increasing product variety, decreasing product life cycles, demanding customers and global competition all make creating supply chain strategies more difficult, as these factors can hamper supply chain performance. This increase in globalisation of the supply chain and fragmentation of supply chain ownership has also made it more difficult to execute supply chain strategies.

MAJOR OBSTACLES TO ACHIEVING FIT:

Instability and randomness:

- _Increasing product variety
- _Shrinking product life cycles
- _Customer fragmentation: push for customisation, segmentation
- _Fragmentation of supply chain ownership: globalisation



Increasing implied uncertainty

SUMMARY:

- The business strategies, environmental uncertainty and product characteristics are very important factors that have significant impact of the selection of supply chain strategy.
- To support new product introduction more effectively, supply chains must adapt in two ways: improved cross functional planning and agile execution.
- Functional products need efficient supply chain and innovative products need responsive supply chain.
- An effective supply chain strategy could achieve 20-40% cost saving and high inventory turns