Web–Based Supply Chain Strategy

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INTRODUCTION: SUPPLY CHAIN MANAGEMENT

Supply chain management is a fairly new creature and one that has evolved out of a variety of different enterprise functions over the past two decades. Traditionally, the majority of activities within supply chain management were related to the physical transport of goods from one point to another. Today, we understand supply chain management to include a broader range of activities such as demand planning, purchasing, warehousing, and transportation at the very least. Many authors will also throw production, product, and package design as well as marketing into the definition (Dornier et al., 1998; Schary & Skjøtt-Larsen, 2001; Taylor, 1997; Gourdin, 2001). For the context of this article, we refer to supply chain management as activities that are related to the planning and fulfillment of market demand. All of the activities within supply chain management can be performed by one or more than one legal entity. We further understand supply chain management as a business process rather than a function or department within a given company. Figure 1 below illustrates the set of core and potential activities as

well as supporting ones such as process, performance, and information management.

BACKGROUND: CORPORATE STRATEGY

Strategy refers to the competitive positioning of a company or product in a given market. According to Michael E. Porter, the essence of strategy lies in the activities a company performs – either choosing to perform the same activities differently from rivals or choosing to perform different activities than its rivals (Porter, 1996). These activities can be viewed as distinct activities in some cases or as business processes in others. Ultimately, the execution of activities leads to the occupation of a unique and defensible position from which the firm can outperform its competitors. The degree of defensibility depends on what Porter calls trade-offs: well-defined synergies that tie the activities of a company to one another and create a network for value creation that is harder to imitate than single activities would be. This view of strategy closely ties into the approach of strategic capabilities

Figure 1. Strategic supply chain activities
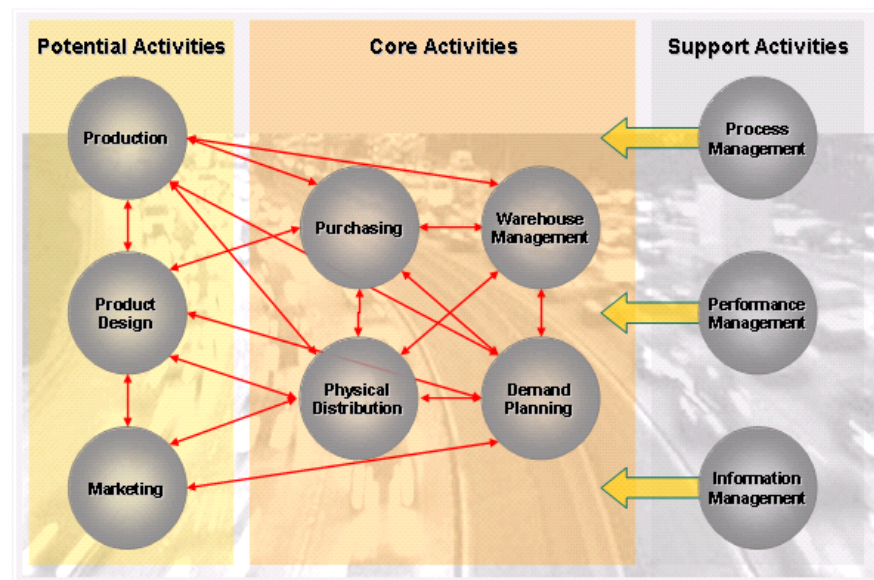
(Stalk et al., 1992; Hamel & Prahalad, 1990) and also into the more recent approach of the resource-based view (Collis & Montgomery, 1995; Kaplan et al., 2001).

FUTURE TRENDS: SUPPLY CHAIN STRATEGY

Before we venture into the definition of supply chain strategy, it is important to clarify the relationship between strategy and activities a bit further. In its simplest form, strategy is the definition of a desired future state of the firm or business unit or product. Activities are either stand-alone tasks or they are chains of tasks, which are *de facto* business processes. In this sense, strategy drives the definition of processes and processes in turn rely on technologies as much as on other resources in their execution. The explicit dependencies between strategy, process, and technology are illustrated by the framework as shown in Figure 2.

Returning to supply chain management, we can now define supply chain strategy. If corporate strategy is the selection and execution of specific activities in a given firm, then supply chain strategy necessarily is the choice and performance of unique activities within supply and demand management to ultimately achieve higher corporate goals. Further, it is important to differentiate between firms that are primarily driven by supply chain management activities (strategic role) and those where the supply chain is just an enabling function (support role).

In its support role, supply chain management translates corporate strategy into strategic supply chain objectives. These strategic objectives then drive the definition of processes through the choice of activities. Processes, in turn, are supported by supply chain technologies. As a result, supply chain processes and technologies subsequently become a directly dependent function of corporate strategy. Supply chain managers in this situation have to perform three strategy-relevant tasks:

(1) Definition of supply chain activities in close reliance on the essence and intent of corporate strategy.
(2) Creation (as opposed to depletion) of synergy between all supply chain activities as well as towards all other activities of the firm.
(3) Continuous monitoring of strategy achievement throughout the execution of supply chain activities.

Seen in this light, supply chain management actively contributes to corporate strategy achievement and is as important a corporate function as marketing, finance, or human resources. This view of supply chain as a support function has gained in importance over the past few years and will continue to do so.

In the strategic role, supply chain management drives the definition of corporate strategy and thus will translate its own strategic requirements into business processes and technologies. Supply chain management in the strategic role takes on a life of its own in that the dominant

Figure 2. Strategy framework (Hanebeck 2001)
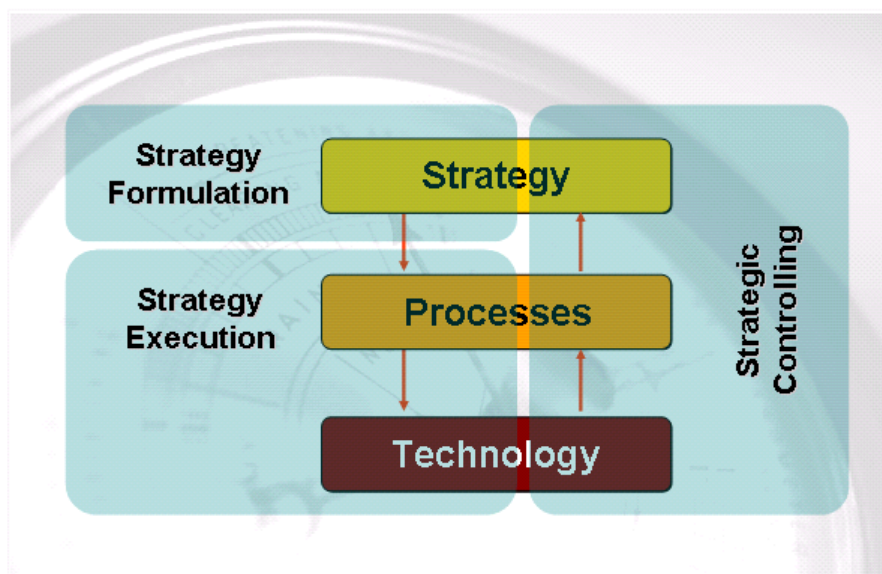
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