

SC2020 Strategy Process:

Improving the supply chain strategy for the present and the future



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Presentation to CLI Members
MIT - October 26, 2010

Agenda

1. Introduction *(Mahender)*
2. Developing our method *(Roberto)*
3. Process for the short term *(Roberto)*
4. Process for the long term *(Mahender)*
5. Q & A



INTRODUCTION

Outline of Sessions – SCS Seminar

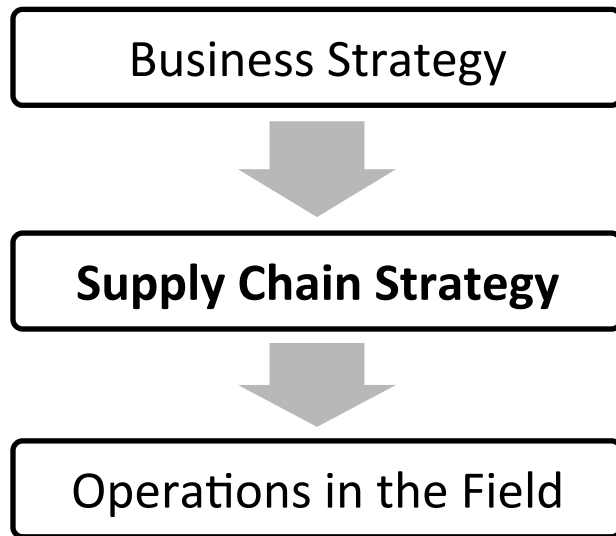
Day 1

- Introduction to the problem
- Finding strategy in activities
- Functional Strategy Map
- The 4 zones of interaction
- Building evaluation matrices
- Completing the matrices

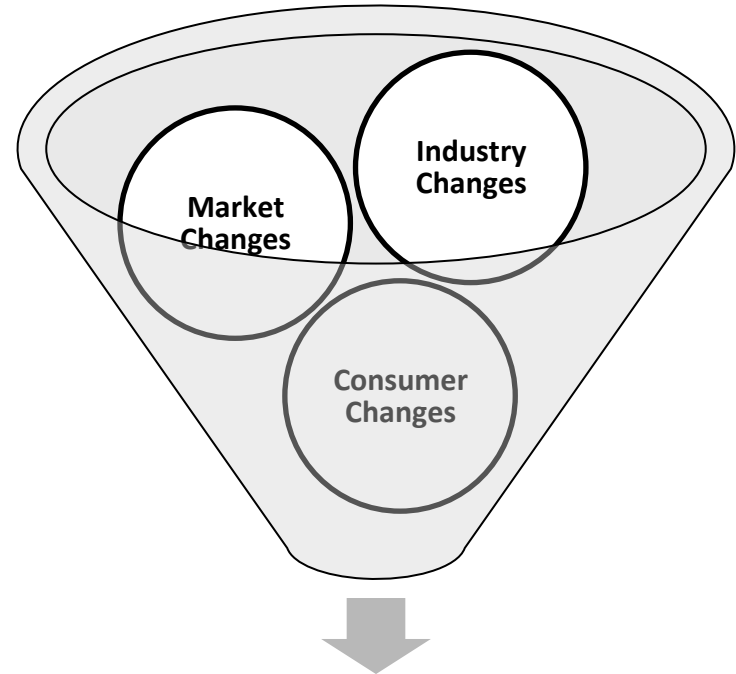
Day 2

- Deriving insights from the evaluation matrices
- Prioritizing areas of interest
- Proposing alternatives to status quo in each area
- Assembling candidates
- Use controlled convergence

Two major challenges regarding a firm's supply chain strategy

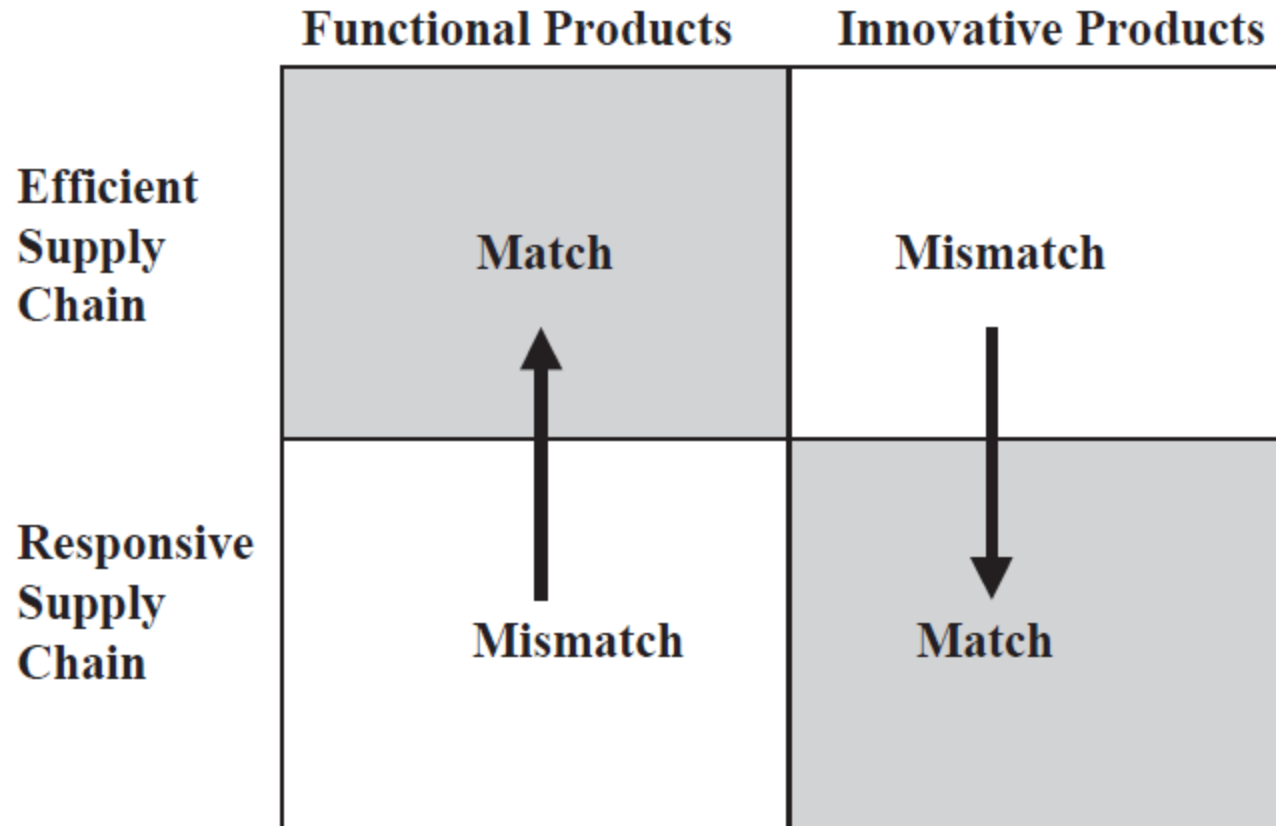


In the present: Make sure the business strategy is well supported by the operations in the field.

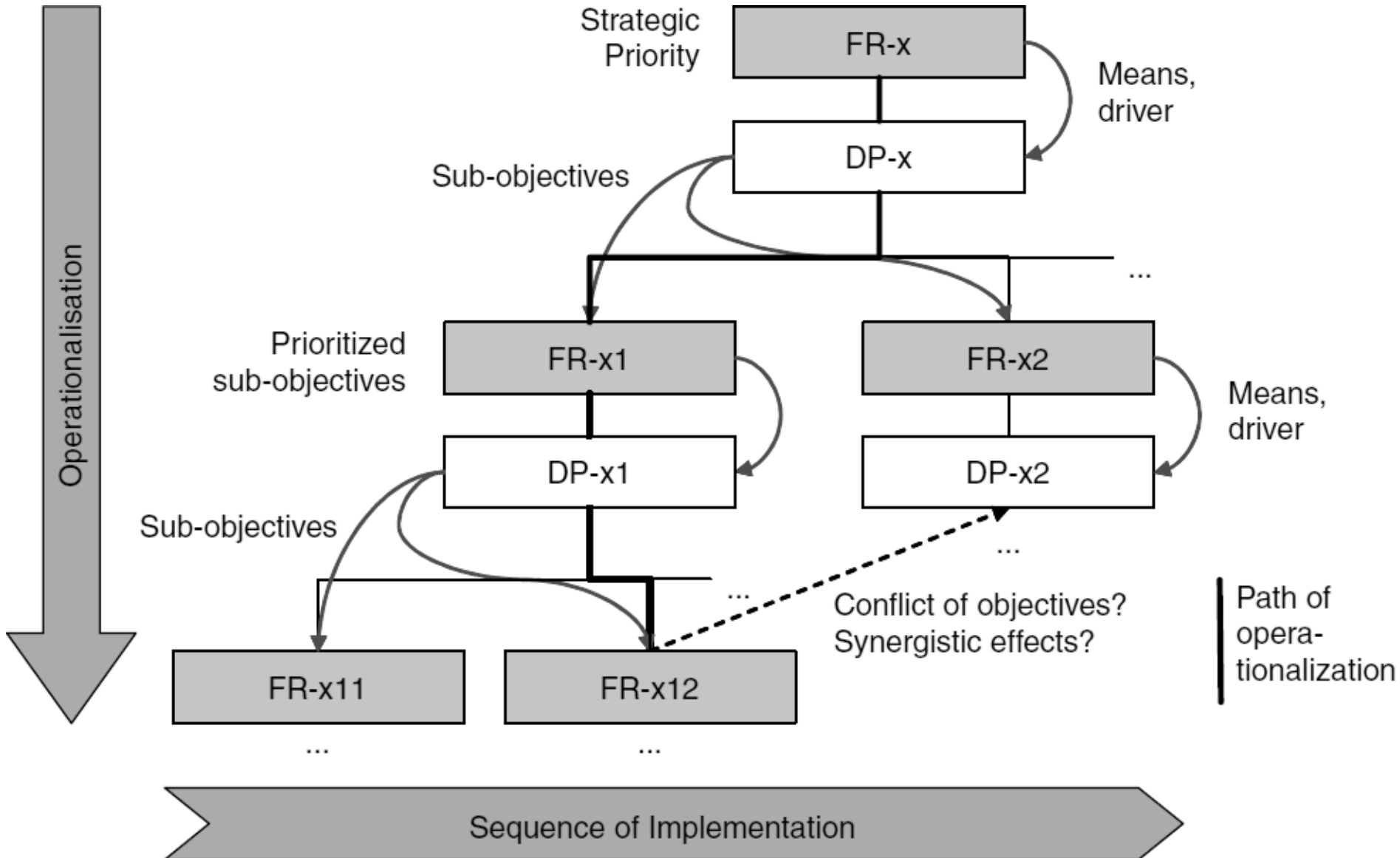


The future: Make sure the supply chain and the firm are ready to face an increasingly uncertain future.

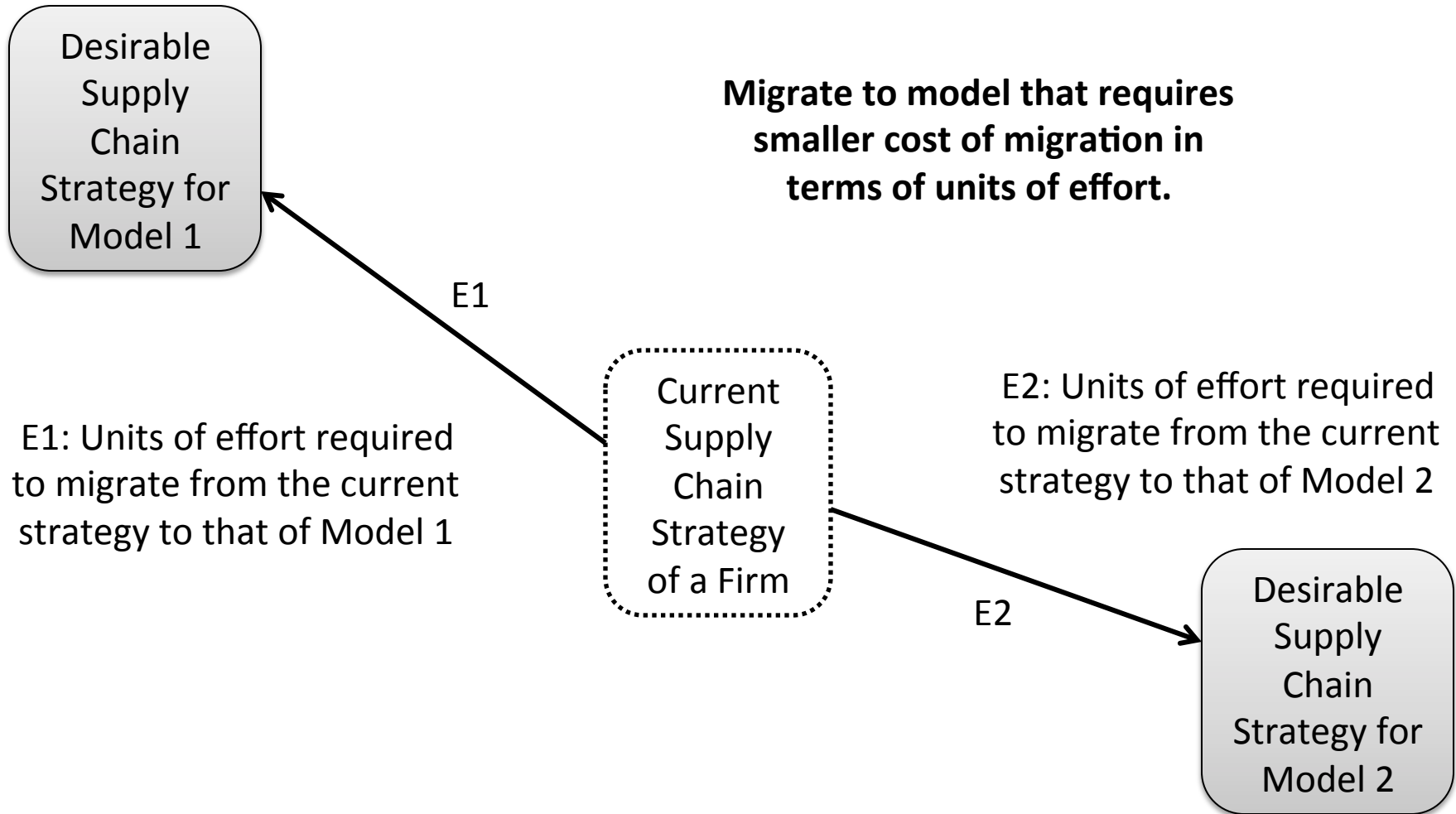
Fisher (1997)



Schnetzler et al. (2007), "A decomposition-based approach for the development of a supply chain strategy"



Martinez-Olvera and Shunk (2006), *“Comprehensive framework for the development of a supply chain strategy”*





DEVELOPING OUR METHOD

Stages of our Research Project

Stage 1:

Explore the
research
problem
freely

Stage 2:

Develop a
preliminary
theory as
needed
*(Grounded
theory)*

Stage 3:

Propose an
method for
the capture,
evaluation &
reformulation

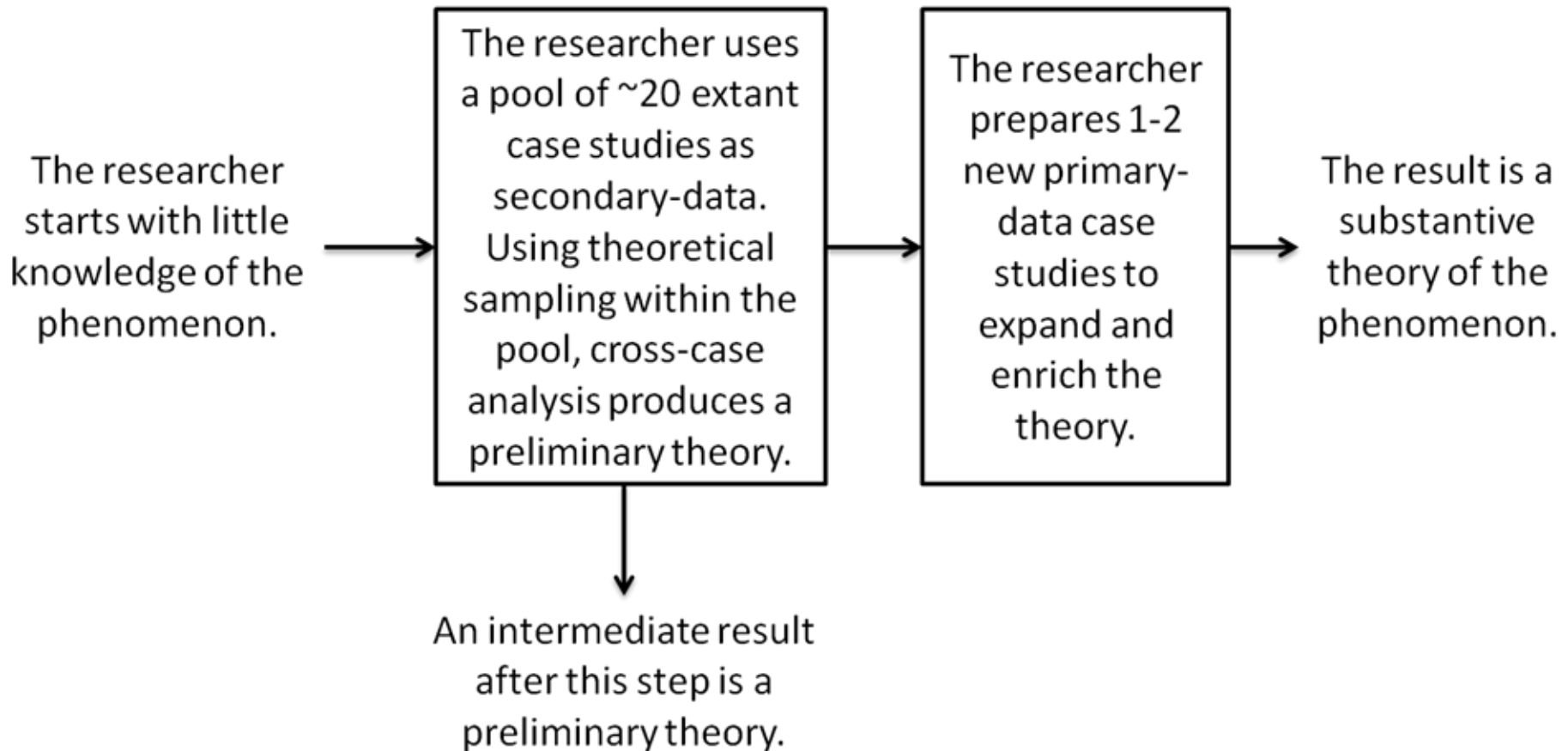
Stage 4:

Test and
improve the
method
through real
projects
*(Action
Research)*

Data sources for each stage – Module 1

Source data used in each stage	Stage 1: Explore the problem	Stage 2: Preliminary theory	Stage 4: Action research projects
<i>Interviews</i>	5 semi-open		63 open and semi-open
<i>Case studies</i>	2 secondary	20 secondary (incl. previous 2)	
<i>Surveys and questionnaires</i>	1 survey		6 questionnaires, (439Q / 5,036A)
<i>Documents</i>		1 strategy doc	3 strategy doc
<i>Panel discussions</i>			11 panel discussions

Generate theory in management, using preliminary theory



Strategy Evaluation

Strategy Enhancement

Module 1: Present

Phase 1: Capture
current SC
strategy



Phase 2:
Evaluate current
SC strategy



Phase 3:
Reformulate SCS
for short term

Module 2: Future

Phase 4: Uncover
constraints



Phase 5: Create
scenarios, discuss
implications

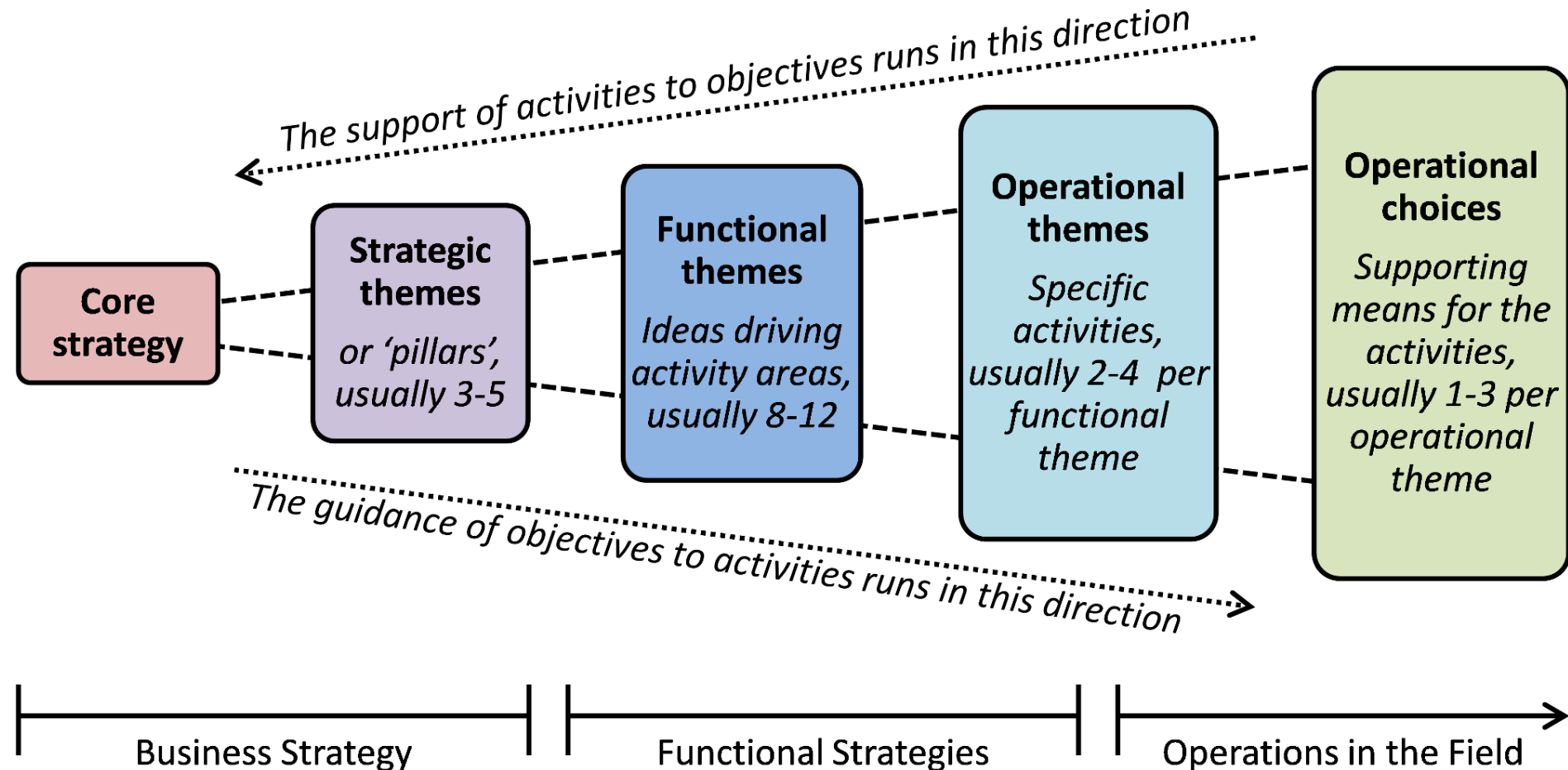


Phase 6:
Reformulate SCS
for long term

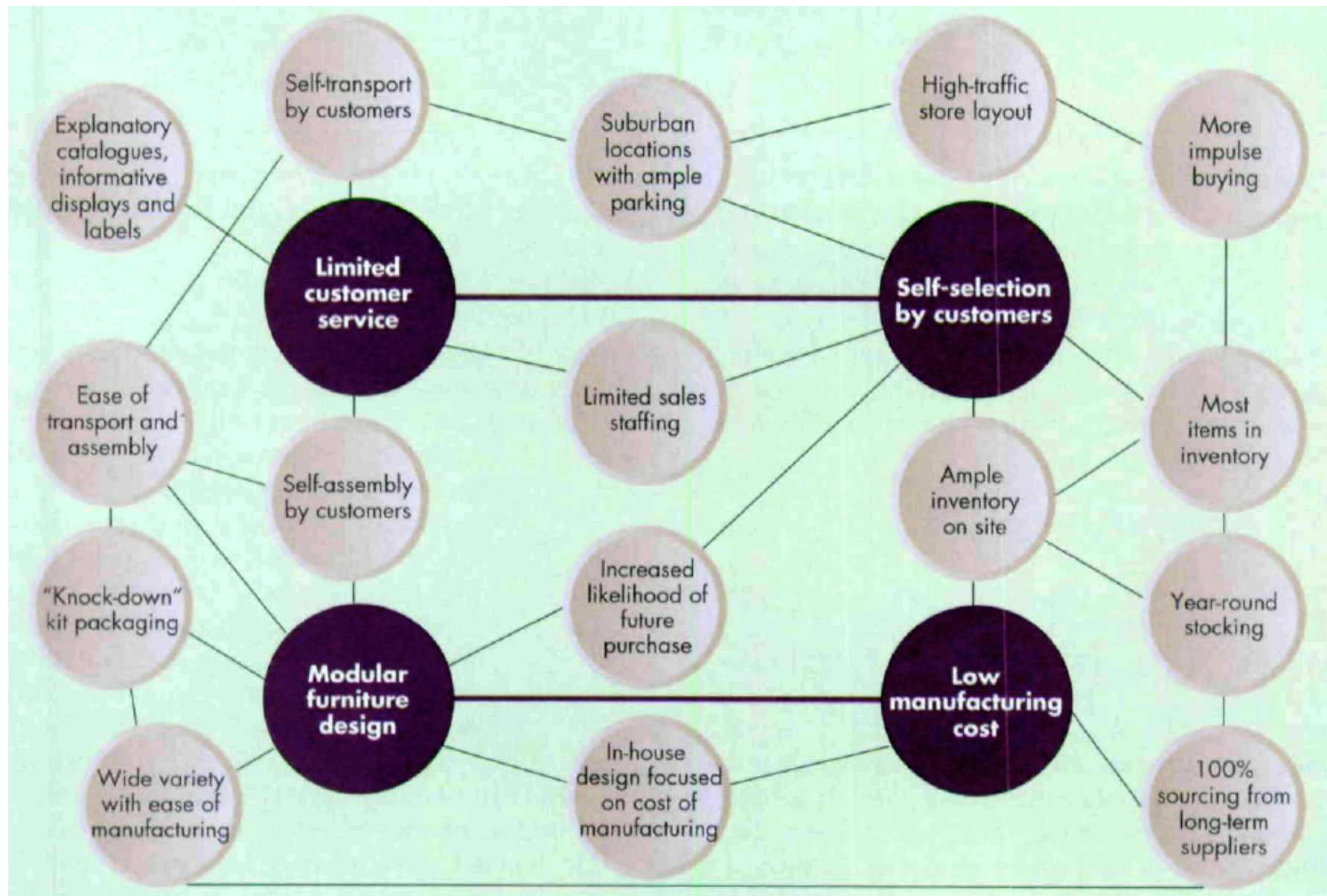


FOR THE SHORT TERM

The bridge between business strategy and operations in the field is a group of interrelated functional strategy.

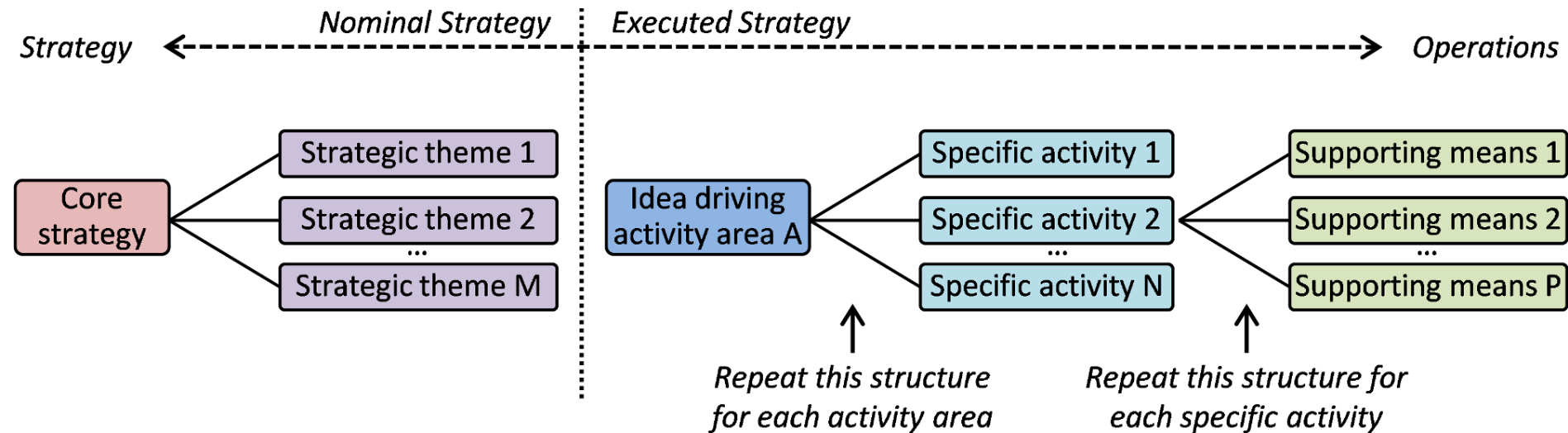


“the essence of strategy is in the activities” Porter (1996)














Very often, enterprises leave their functional strategies tacit, or they articulate them in an unrealistic way.

A way to reveal these tacit functional strategies is by tapping into the knowledge the organization has about the strategic activities. “The essence of strategy is in the activities” (Porter)



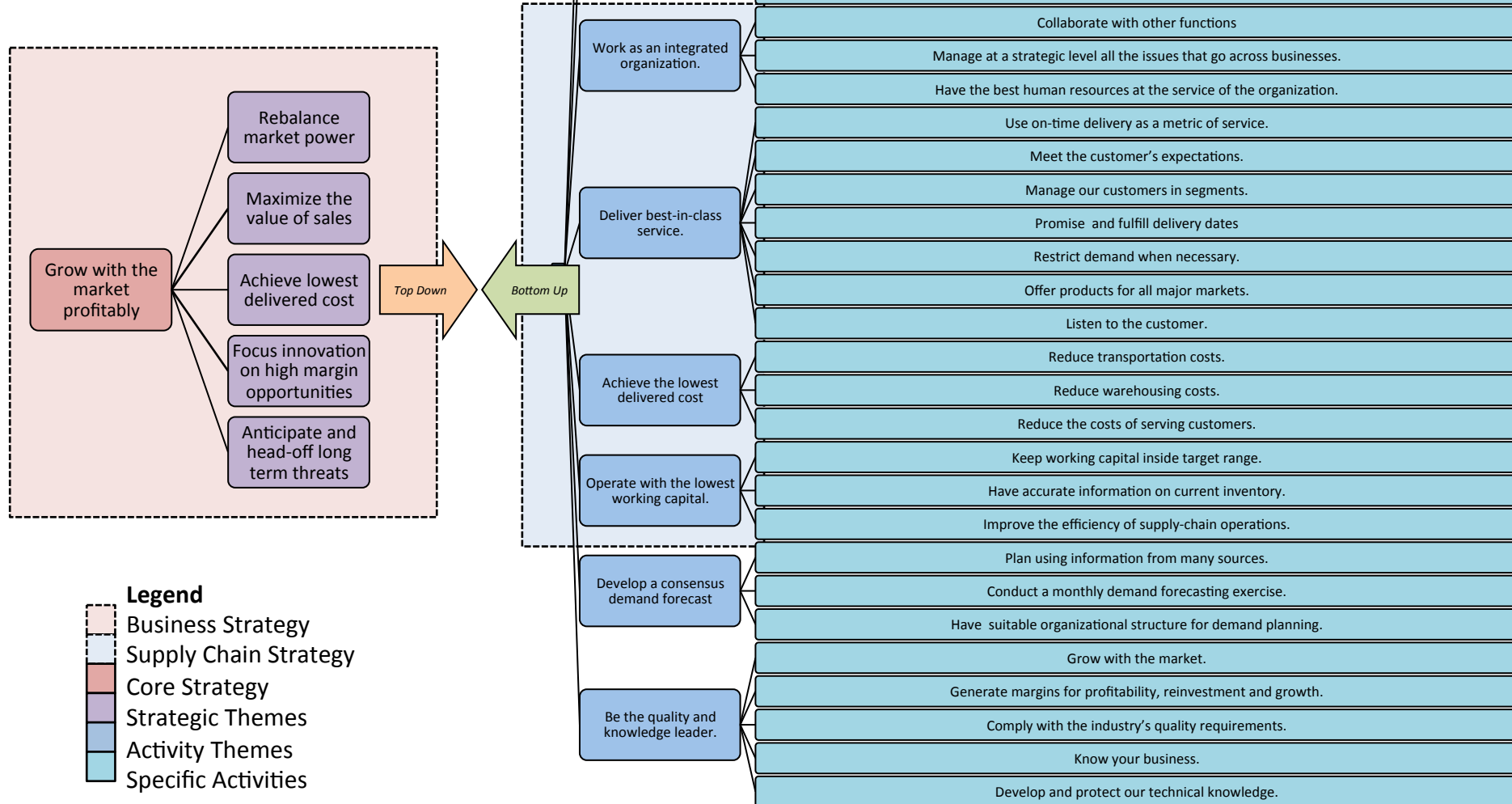
Original "concept selection" matrix, from Pugh's (1981) paper

CONCEPT CRITERIA											
	1	2	3	4	5	6	7	8	9	10	11
A	+	-	+	-	+	-	D	-	+	+	+
B	+	S	+	S	-	-	A	+	-	+	-
C	-	+	-	-	S	S	T	+	S	-	-
D	-	+	+	-	S	+	U	S	-	-	S
E	+	-	+	-	S	+	M	S	+	+	+
F	-	-	S	+	+	-		+	-	+	S

Functional Strategy Map

Unit-X

supply chain perspective

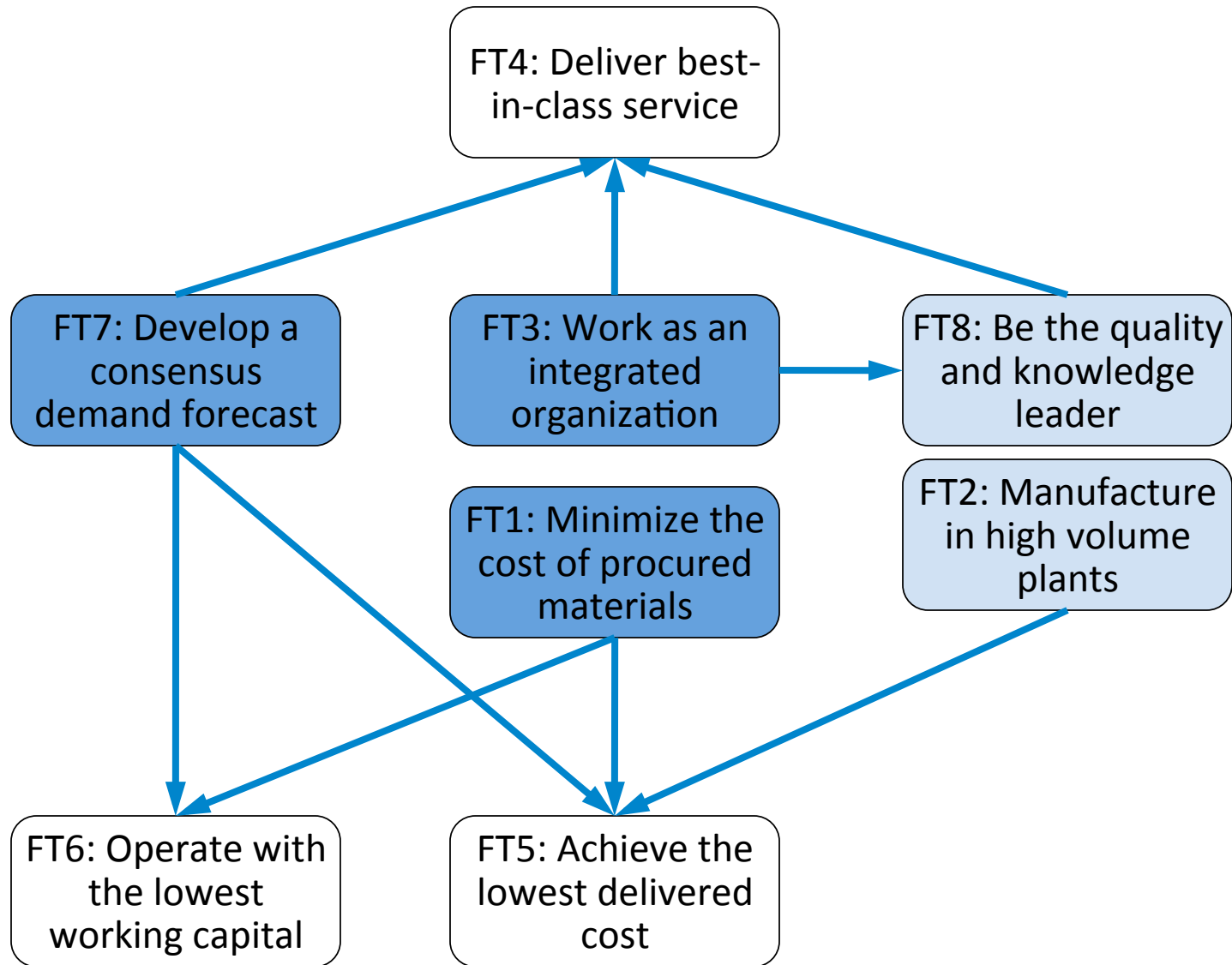


Are Unit-X's functional strategies helping or hurting each other?

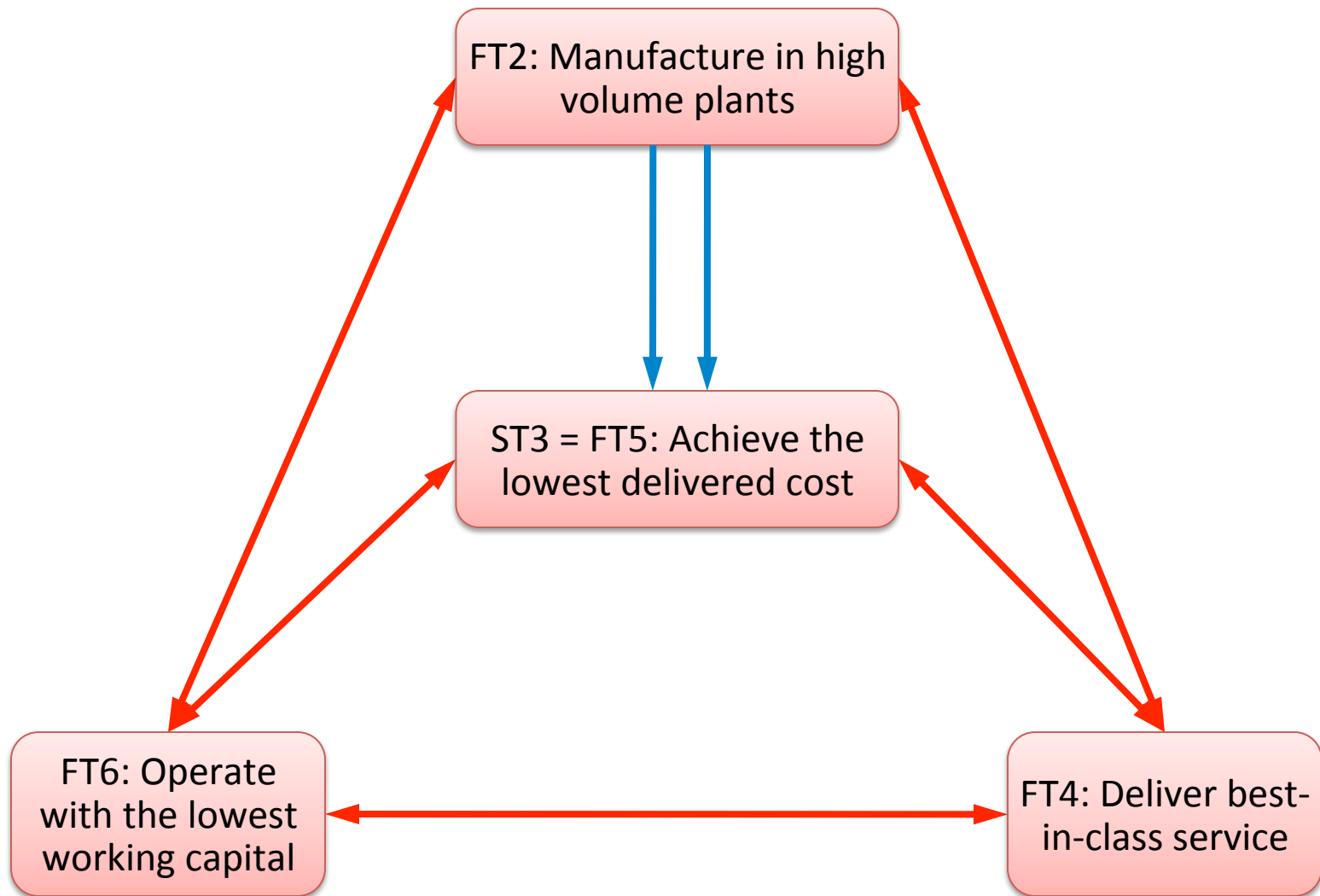
	FT1	FT2	FT3	FT4	FT5	FT6	FT7	FT8
FT1		0.5	0.8	-0.1	0.2	-0.2	0.8	0.2
FT2	0.4		0.4	-0.2	0.3	0.1	0.5	0.6
FT3	-0.1	0.4		0.3	0.2	0.3	0.6	0.3
FT4	0.1	-0.3	1.1		-0.4	-0.6	0.8	0.9
FT5	1.5	0.9	0.8	-0.3		0.3	0.8	0.3
FT6	1.1	-0.3	0.7	-0.6	0.3		0.8	0.2
FT7	0.0	-0.1	0.8	0.1	0.0	0.0		0.3
FT8	-0.1	0.3	0.9	0.4	-0.1	0.1	0.2	

0 means no help, 1 means helps significantly, -1 means hurts significantly.





Top quartile supportive links from Matrix 2.



Summary: reciprocal conflicts between FT4, FT5 and FT6.

FORMULATION OF FUNCTIONAL STRATEGIES

Area of Interest 1

- Policy choice
- Policy choice
- Policy choice

Area of Interest 2

- Policy choice
- Policy choice
- Policy choice

...

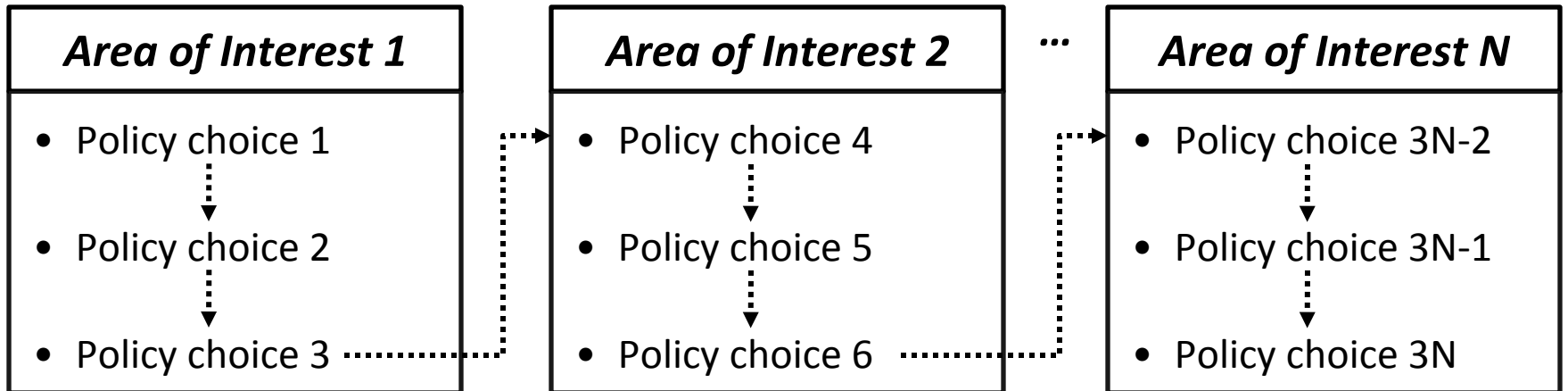
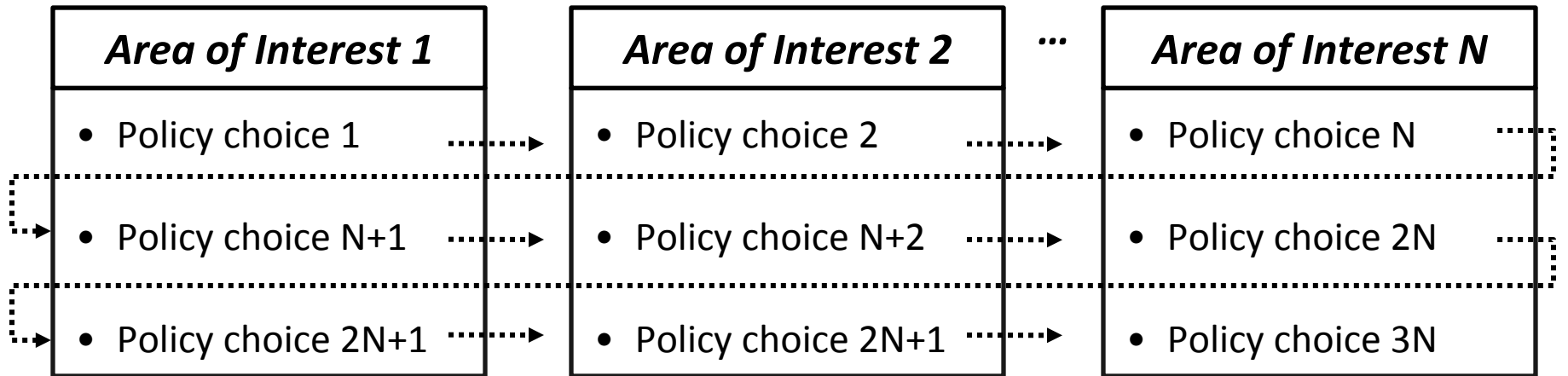
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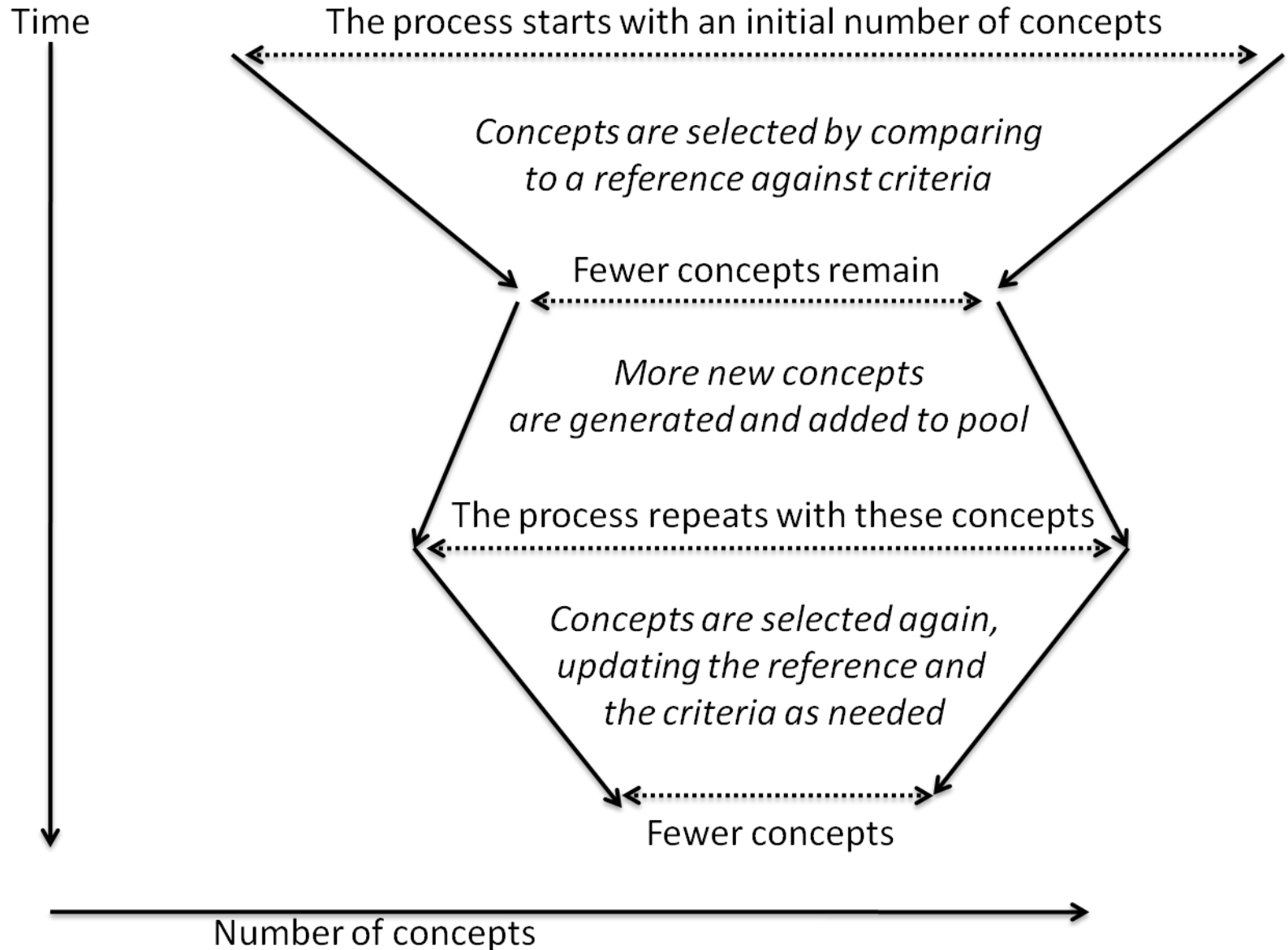
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Area of Interest N

- Policy choice
- Policy choice
- Policy choice





Task 1: Individuals

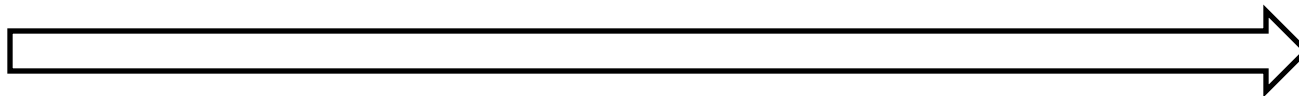
Each individual is asked to propose new policy options in each area of interest, that they consider superior to what is currently in place.

Task 2: Sub-groups

Each subgroup is asked to assemble an alternative formulation of the functional strategies, which we call a 'Candidate'.

Task 3: Group

The group is asked to select a formulation that keeps the best of, and resolves the conflicts between, the Candidates.



65

policy
choices

59

policy
choices

21

policy
choices

Notice the number reduced to about a third, to an average of four policy choices per area of interest. Out of these, 10 have comments: there's a total of 24 comments, most of these elaborating on how the choices can be implemented.

	Current Strategy	Enhanced Strategy
Competitive advantage	Pursue leadership in quality and knowledge.	Offer consistent high-quality products. Pursue leadership in quality and knowledge. Offer long term, mutually profitable relationships.
Customer service	Aim at delivering over 95 percent of orders on the promised date.	Segment customers and products into different service level categories. Deliver >95% of orders on promised date. Offer customers more visibility into the ordering process.
Inventory management	Strive to operate with the lowest level of working capital.	Have a multiple-tier inventory policy. Keep stable inventory levels for all items. Strive to minimize the level of working capital.
Manufacturing	Use large scale production lines and avoid change-overs.	Manufacture in flexible facilities, with standardized, repeatable processes. Match the manufacturing capability to the local product mix, to the extent that it is economically justified.
Innovation	Have no clear innovation policy currently in place.	Give innovation the preeminence of a core competency. Create new markets for existing products (market-driven innovation). Create new products (product-driven innovation).
Procurement	Procure strategic raw materials at the corporate level.	Improve our collaboration with key suppliers at a strategic level. Actively pursue mechanisms to ensure availability of raw materials at low cost. Procure strategic raw materials at the corporate level.

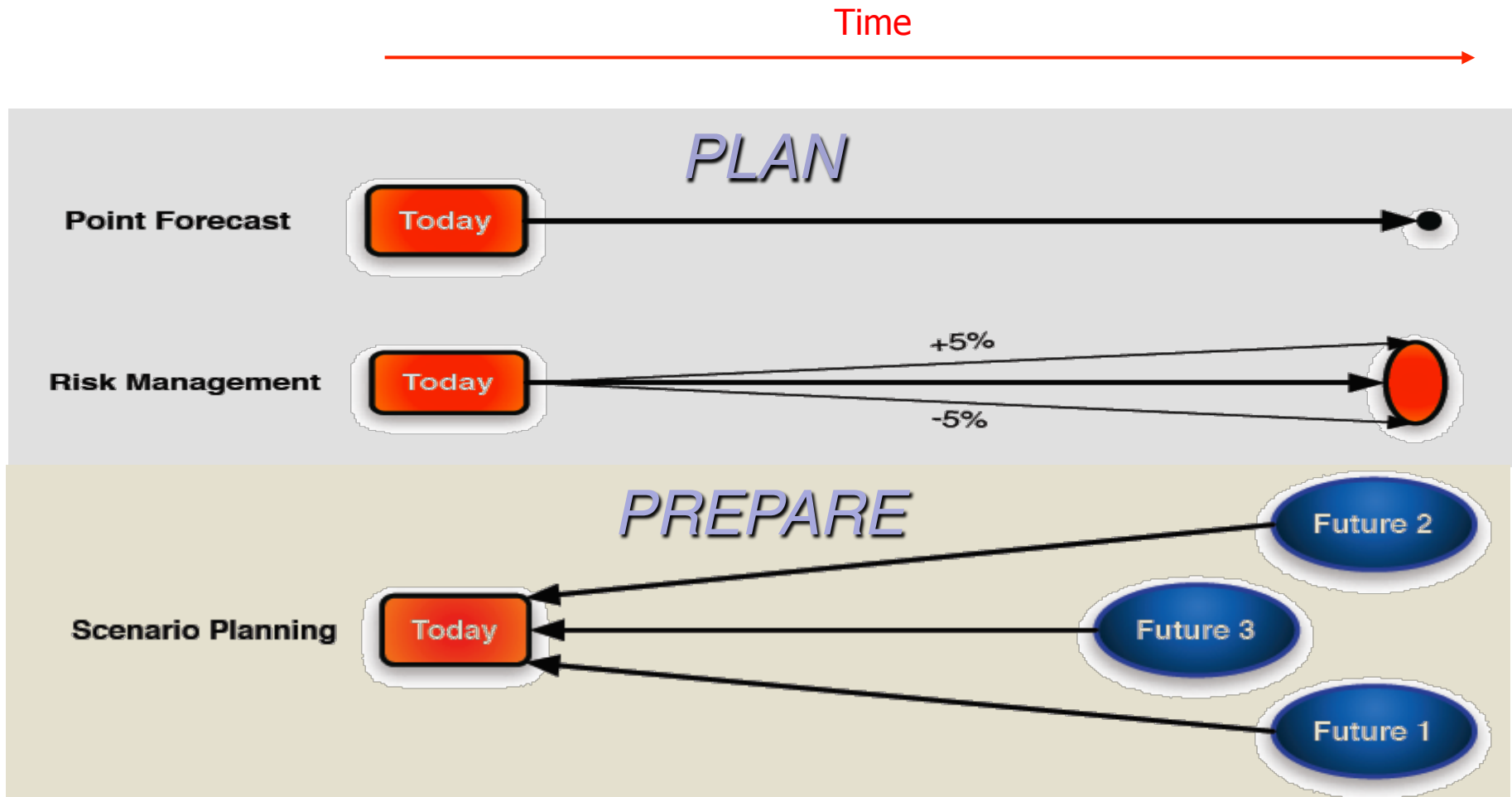


FOR THE LONG TERM

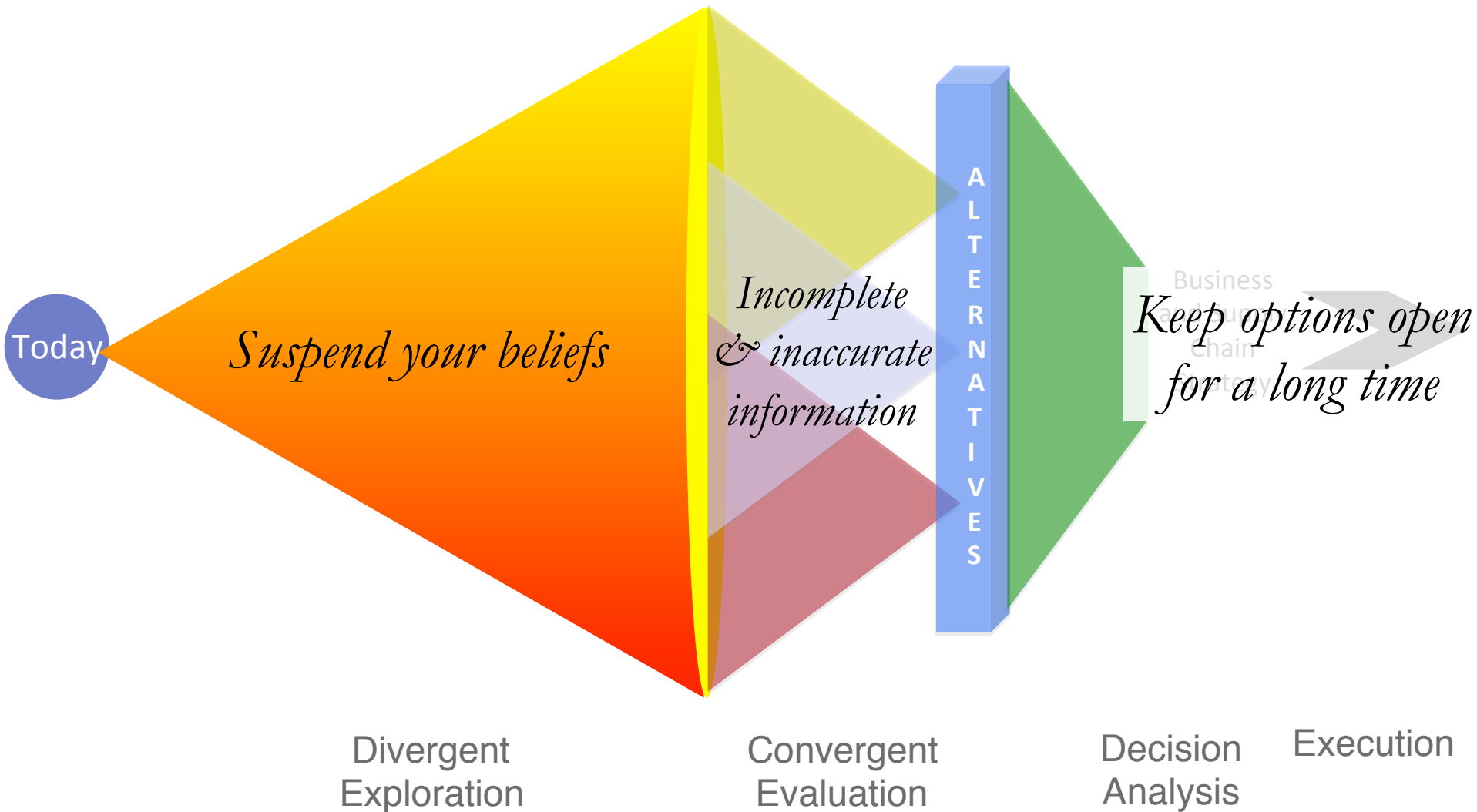
How should we deal with the challenges posed by a
highly unpredictable and dynamic business
environment in which **step changes are frequent?**

Plan for the known and prepare for the unknown

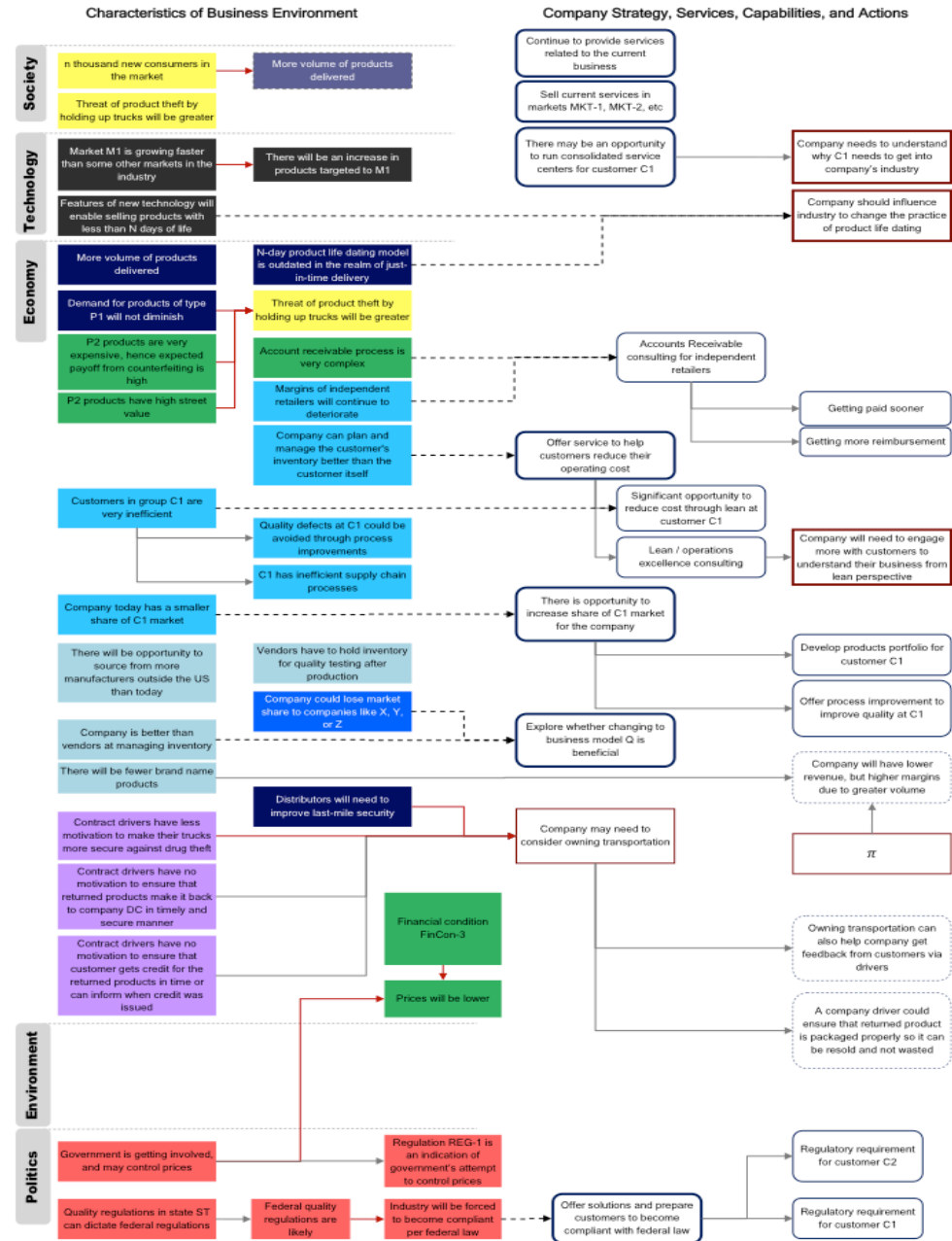
Planning versus Preparation



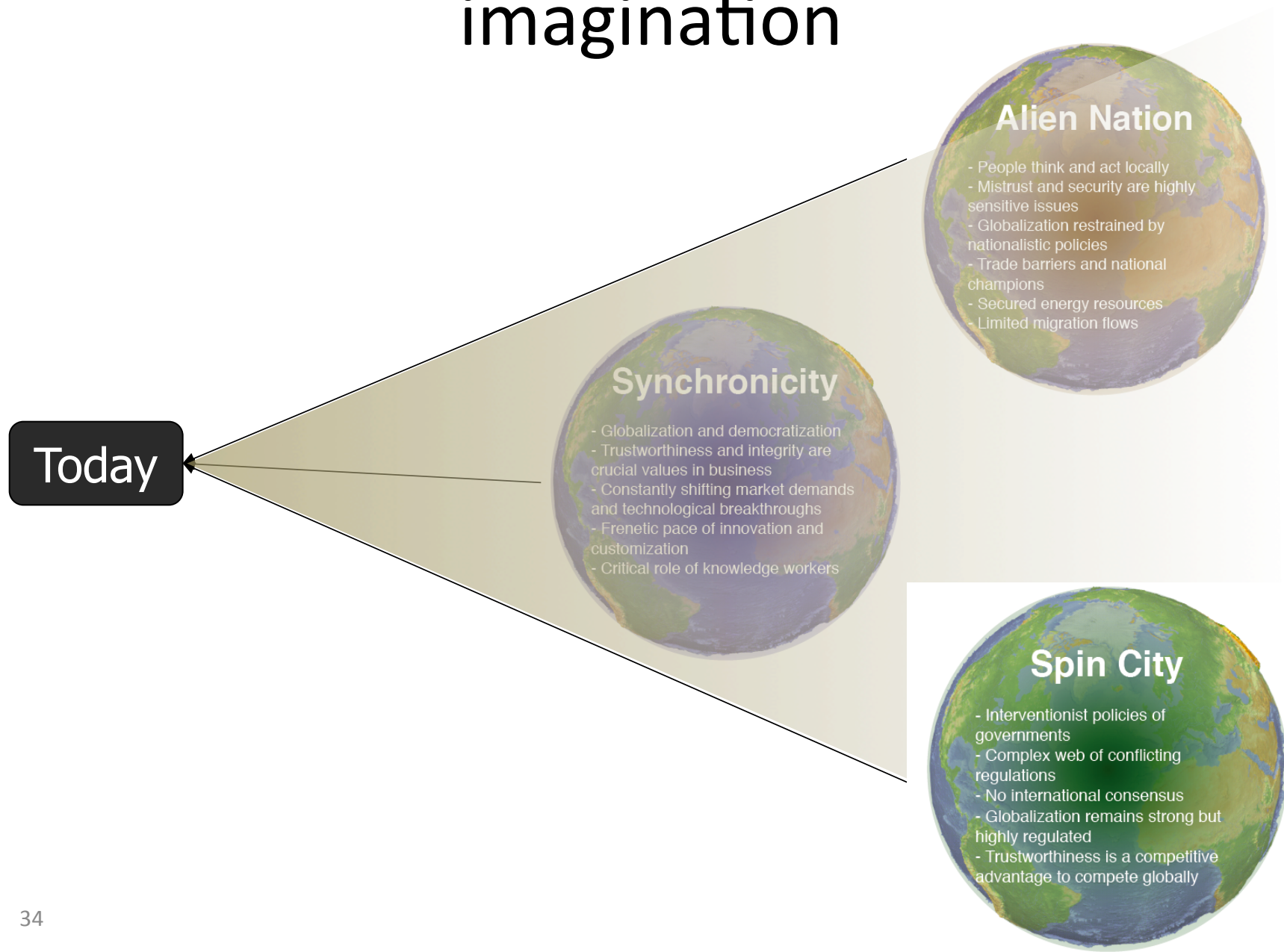
Decision-making in unpredictable environment



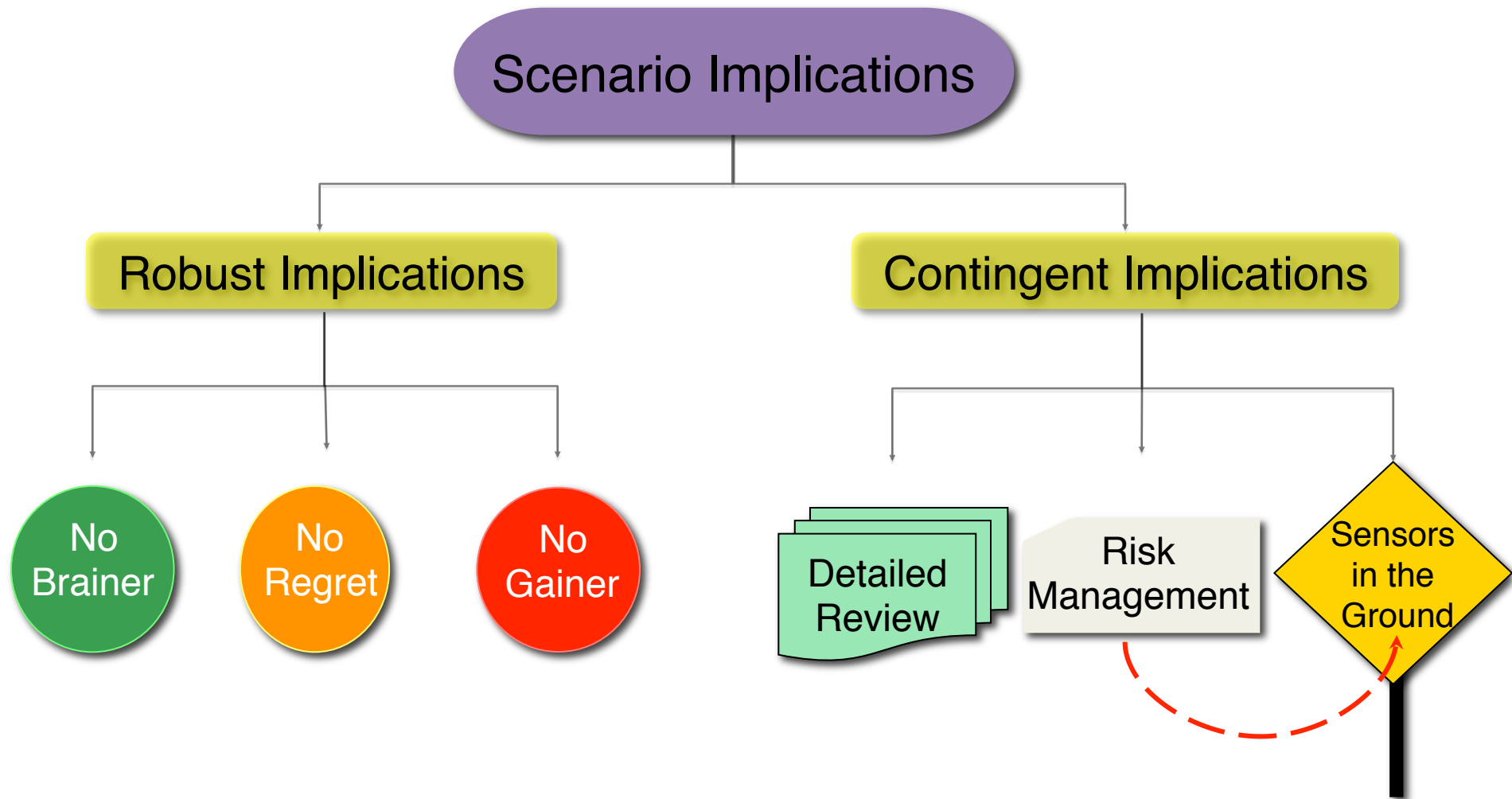
Mental map of Buckeye-the-Great of business and business environment



Divergent exploration – Stretching imagination



Convergent evaluation





Q & A