

SMOCK ♦ STERLING

Strategic Management Consultants

STRATEGIC ALLIANCES: A POWERFUL LEVEL FOR SUPPLY CHAIN MANAGEMENT

John W. Sterling, Vice President

You undoubtedly have read – ad nauseam – about how e-commerce is transforming supply chains. While we do not disagree (in fact we have written on this topic in previous monographs), we also know that there is more to the strategic management of the supply chain than bits and bytes. Quite simply, we know that effective supply chain management requires a strategic commitment to managing laterally across the supply chain. Further, it requires the development of effective alliances upstream and downstream in the supply chain.

On one hand, we are encouraged to see companies investing significant resources to improve their supply chain capabilities – particularly in e-commerce and other technical solutions. However, we are dismayed to see that, despite the major investments being made, many companies have not developed a formalized supply chain strategy. Beyond a simplistic desire to improve customer satisfaction and to cut costs, companies simply lack real direction in their supply chain strategy. As a result, companies often launch isolated initiatives that lead to only modest incremental improvement.

Digital strategy – be it directed at marketing channels, information management, or supply chain improvements – will not be successful unless it integral to a company’s overall strategy. Nowhere is this fact more obvious than in supply chain management. The research is now coming in to support SMC’s view of what really makes supply chain management work.

RECENT RESEARCH SUPPORTS SMC’S VIEW

A recent study conducted at the University of Wisconsin-Madison underscored the fact that technology is only one piece of a more complex puzzle.

University of Wisconsin Professor Edward J. Marien published research results in *Supply Chain Management Review* (March/April 2000) that identified four “*supply chain enablers*.” The four supply chain enablers are:

- **Organizational infrastructure** – how business units and functional areas are organized.
- **Technology** – how technology (not just information technology) affects a company’s operational and strategic supply chain processes.
- **Strategic alliances** – how external companies (customers, suppliers, and logistics-service providers) are selected as business allies; how intercompany relationships are built and managed.
- **Human resources management** – how job descriptions are designed, how positions are filled, how people are recognized and compensated, and how career paths are directed.

The University of Wisconsin team found that “*organizational infrastructure and its associated attributes was the most important enabler of successful supply chain implementation.*” And, by far the most important attribute of organizational infrastructure identified in the research was “*having a coherent business strategy that aligns business units toward the same goal.*” That sounds an awful lot like effective strategic planning and management to us.

Further, the University of Wisconsin study found that strategic alliances were as important an enabler as technology. The research found that the key to creating successful strategic alliances across the supply chain is “*having expectations clearly stated, understood, and agreed to up front.*” In other words, creating successful strategic alliances across the supply chain requires the partners to jointly develop a strategic direction and plan for the alliance.

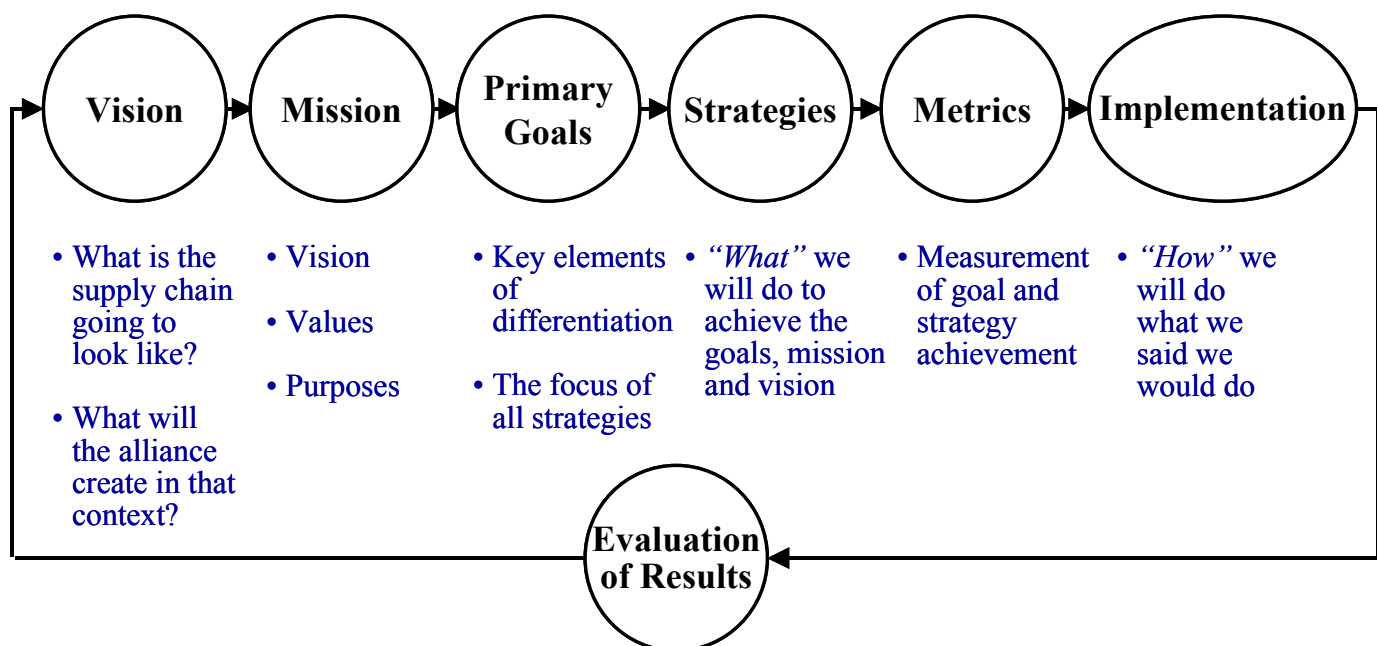
The value and impact of this approach is being proven out in other studies as well. For instance, Deloitte Consulting recently surveyed over 200 companies representing a cross section of industries in the United States and Canada on trends and issues in supply chain management. One of the most revealing findings of that survey was that **nearly all companies rated strong supply chain partnerships as critical to their success.**

We have long been advocates of developing high impact strategic alliances across the supply chain – with vendors, with key customers, and with others who can facilitate effective supply chain management. Developing effective supply chain alliances, however, requires a significant amount of work and a commitment of resources. Thus, companies must be selective in choosing strategic allies – focusing on partnerships that can create significant benefits for both companies in the alliance.

KEY PROCESS STEPS IN STRATEGIC ALLIANCE DEVELOPMENT

Smock•Sterling Strategic Management Consultants has developed a proven process for assisting companies meet their objective of developing sound and effective strategic alliances across the supply chain. This process, building on our FOCUS strategic planning methodology, enables customers and suppliers within the supply chain to come together, define their respective aspirations and objectives, and create strategic alliance plans that have a dramatically positive impact on both partners’ companies.

An overview of the strategic alliance planning process is presented in graphical form as follows.



Although we tailor the specifics of our approach to meet the particular needs of each client, the strategic alliance development process, in its most generic form, involves three phases – Foundation, Strategy Development, and Implementation.

Foundation

The Foundation phase begins with an effective analysis of the internal and external environment the organizations can influence by working jointly.

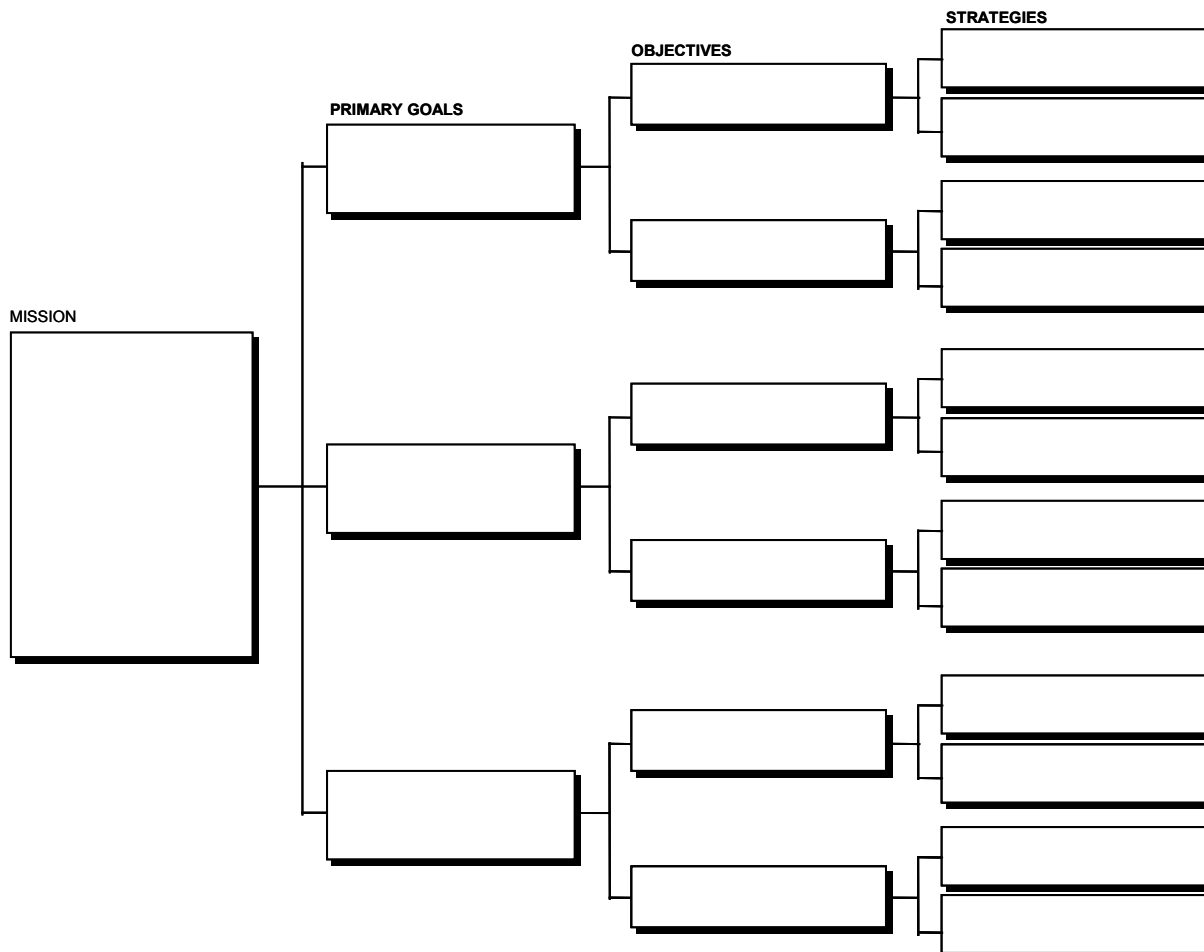
The results of the background analyses are channeled into a “*foundation*” planning workshop where managers from both the customer and supplier organizations gather to develop the alliance’s vision, mission and primary goals.

Selecting the right primary goals is the secret to success. Primary goals are those few areas of focus the alliance will direct its energies toward.

Strategy Development

Building on the Foundation phase, the Strategy Development phase is designed to enable the alliance to create fundamentally sound strategies that answer the question “*what*” needs to be done to achieve each primary goal. In addition, during the strategy development phase the partners agree on specific metrics for each primary goal.

By the end of the strategy development phase, both partners have made direct commitments of time and resources to the alliance – organized around a few primary goals. The end result of this phase is a one-page strategic alliance plan. The following presents a graphical summary of the framework.



Implementation Planning

Upon completion of the one-page strategic alliance plan, an Implementation Planning phase segues from planning to execution. Implementation planning answers the question, “*how*” the strategic direction for the alliance will be carried out. The focus is on the development of specific action steps or initiatives, responsibilities, and timing considerations for each strategy.

*

*

*

*

Supply chain management is a powerful strategic lever. For large companies with tremendous scale advantages and/or bargaining power, supply chain management is largely a function of strategic prioritization. That is, large companies have sufficient influence over their primary supply chain(s) to drive the rest of the supply chain to align with their interests.

On the contrary, for middle market companies, supply chain management is an artful balance of the four strategic enablers identified by Edward Marien and the University of Wisconsin. Strategic planning and strategic alliances are two of the most powerful tools available to the middle market to achieve dramatic success in supply chain management.

Smock•Sterling Strategic Management Consultants has the experience and the time-proven methods to help you develop strategic plans and supply chain alliances. We look forward to the next opportunity to work with you.

For more information please contact:

John W. Sterling
jsterling@smocksterling.com

SMOCK♦STERLING
Strategic Management Consultants

725 N. McKinley, Suite 2000 Lake Forest, IL 60045

6430 N. Central Ave., Suite 207 Chicago, IL 60646

Tel: 847-615-8833 Fax: 847-615-9550 www.smocksterling.com