About “strategy” and “strategies” in supply management

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Abstract

This article addresses the context and content of a generic supply strategy and discusses its strategy-making process. Building mostly on fundamental strategic management theories, the authors explain the role of supply strategy in its managerial context. In so doing, some light is shed on the meaning and use of the terms “strategy” and “strategies”. Also, a practical conceptual framework for supply strategy formulation is provided. The generic checklist, built by segmenting supply management decisions, is intended to guide supply professionals in addressing strategic issues to create value to customers, avoiding confusion and optimising resource allocation.

Keywords: Supply strategy; Strategy-making process; Strategy concept

1. Introduction

Classical frameworks guiding strategic thinking and strategy-making have not taken into account Supply Management at the same level as the Marketing, Finance or Production functions. Moreover, after decades of intellectual reasoning on strategy, research and practice, the concept of strategy is still misleading. It is argued that in an uncertain world, a strategy is too rigid to help dealing with change, that the formulation process is time and resource consuming, and that actually some top managers do not even know what a competitive strategy looks like. Some academics and practitioners have openly indicated their disappointment with strategy, and strategic planning indeed, whereas many organisations have simply abandoned it. Such a thought would have been considered foolish a few decades ago.

Interestingly, at the same time these discussions about the potential failure of—and the misunderstanding about—strategy and strategic planning have been going on, the strategic character of supply management has largely been recognised. A wide consensus has been reached on this matter and high-performance organisations know that resources must be allocated to develop a sound supply strategy (Carter et al., 2000; Anonymous, 1998; Hadeler and Evans, 1994; Doyle, 1990).

How can this apparent contradiction take place and how is it possible to explain its misleading effect on strategy? In other words, what is the meaning of strategy, particularly when applied to supply management, and what is the place supply strategy occupies in the strategy-making process of a firm? And finally, what are the differences between “strategy” and “strategies” in supply management? The objective of the analysis presented in this article is to discuss these issues and to elaborate an answer to these questions.

We begin this article by addressing the concept of strategy (Section 2) and generic approaches to strategy-making (Section 3), in order to make the fundamentals of our subsequent discussion on strategy in supply management explicit. In Section 2, we position the discussions at a managerial (or corporate) level to elicit the impacts on the definition of a supply “strategy” ... and “strategies”. In Section 3, by identifying and analysing three basic approaches to strategy-making, our purpose is to characterise the actual organisational and decisional dynamics of supply management.

In Section 4, we briefly review the evolution of strategic thinking in supply management. In Section 5, we propose a
conceptual framework, and the confusion surrounding “strategy” and “strategies” is specifically addressed. Finally, in Section 6, practical questions are identified to guide supply managers in getting maximum value out of the supply strategy formulation process.

2. The concept of strategy

The excessive use—and even abuse—of the term strategy has created much confusion among practitioners, misled managerial decisions and actions, and fragmented academia. Worst, some managers have radically discarded it or use it without taking advantage fully of what a strategy is supposed to provide to organisations. A consultant in strategic management has expressed his concern this way: “Put ‘strategy’ or ‘strategic’ next to something and it sounds really important. So we have IT ‘strategy’, manufacturing ‘strategy’, ‘strategic’ human resource management… The word ‘strategy’ is overused, misused and misunderstood.” (Kenny, 2003, p. 43). Notwithstanding, the question “What is strategy?”, and the efforts in defining the term and understanding its dynamics have been a recurrent topic of discussion among academics since the mid-1960s!

To understand the controversies the concept of strategy arises, four critical issues should be highlighted: First, shortcomings are attributed to pragmatic definitions provided by the classics (Ansoff, 1965, 1969, 1988; Andrews, 1971, 1987), also called “the design school of thought in strategic management”. A fundamental re-proach is that the rational and purposeful patterns of decisions and actions promoted in strategy-making do not allow for consideration of the environmental incertitude or the managers’ own characteristics (Turner, 1997).

Second, the intrinsic complexity of strategic thinking, strategy formulation and implementation processes, make it difficult to grasp the dynamic nature of the concept. For example, according to Evered (1983), strategy is a continuous process by which goals are determined, resources are allocated, and a pattern of cohesive actions is promoted by the organisation in developing competitive advantages. However, to Ansoff (1988), “Strategy is one of several sets of decision-making rules for guidance of organisational behaviour. For example: (1) Yardsticks by which the present and future performance of the firm is measured… (2) Rules for developing the firm’s relationship with its external environment… (3) Rules for establishing the internal relations and processes… (4) Rules by which the firm conducts its day-to-day business…” (p. 78).

Andrews (1987) has also dealt with the notions of time and the fact that a strategy could be very specific; he has argued: “As its meaning has dispersed throughout recent usage, the word strategy still retains a close connection to a conscious purpose and implies a time dimension reaching into the future. At its simplest, a strategy can be a very specific plan of action directed at a specific result within a specific period of time.” (p. xi). Mintzberg (1987), in turn, although agreeing on the dynamic nature of strategy, has argued that an eclectic definition stemming from multiple meanings of strategy should be accepted because a strategy is a plan, a ploy, a pattern, a position, a perspective. Mintzberg (1994a) has also characterised different kinds of strategy-making processes, highlighting that a “realised strategy” is “deliberate” and “emergent”. Consequently, managerial profiles, managers’ styles and commitment or people’s cognitive frameworks play critical and determinant roles.

To solve the dualism on the subjective and objective nature of strategy, Knights and Mueller (2004) have proposed to approach strategy as a never-ending project, as a mechanism for reconciling numerous stakeholders’ demands and participation. Nevertheless, Parnell and Lester (2003) have reported that managers perceive strategy either as an art or as a science. Whether it is one or the other, or a combination, might well be influenced by personality. Effectively, according to McCarthy (2003), strategy is personality-driven and the vision, instinct and imagination of entrepreneurs, rather than purely rational variables, drive strategy.

Actually, Ansoff, in his revised work, The New Corporate Strategy, recognised these facts, and stated in the foreword: “The past 30 years of experience have shown that strategic planning works poorly, if it works at all, when it is confined to analytic decision-making, without recognition of the enormous influence which the firm’s leadership, power structure, and organisational dynamics exert on both decisions and implementation” (Ansoff, 1988, p. v).

Third, while strategy is ingrained in competitiveness and is performance driven, the achievement of goals and strategic objectives does not necessarily warrant firm success. The challenges extend far beyond simply achieving the goals. On this matter, Michael Porter, one of the most fervent defenders of strategy, has acknowledged that in a constantly changing business environment, it is difficult to come up with an appropriate strategy. According to this author, strategy is about making deliberate choices and trade-offs intended to provide continuity as well as a long term sustained direction to organisations. “It’s about deliberately choosing to be different”, not to be con-founded with operational effectiveness, i.e. “things that you really shouldn’t have to make choices on” (see Hammonds, 2001, p. 153). To Porter (1990, p. 41), “strategy guides the way a firm performs individual activities and organises its entire value chain”; he has also argued that industry competitiveness analysis is critical and that firm success, or failure, “is perhaps the central question in strategy” (Porter, 1991, p. 95).

Yet, a very different perspective has been proposed by Hamel and Prahalad (1995). Challenging Porter’s strategic framework, the authors have sustained that understanding industry structure through traditional competitive analysis is not helpful in discovering the “why” of competitiveness. Hamel and Prahalad have stated that the prerequisite for
industry leadership is building “core competencies” to restructure and transform industries. It follows that the meaning of competitiveness and organisational characteristics should be equally important as the meaning of strategy. On this basis, Hamel and Prahalad have distinguished between the more “standard” strategic planning approach and a crafting strategic “architecture” approach. These two approaches both have—or should have—an impact on the way a supply strategy is devised. In any case, the identification of these approaches contributes to grasp the implicit dimensions of the concept of strategy per se.

Fourth, as the business environment has become more and more dynamic, networked and complex, so does strategy; in fact, strategy has also intrinsically become a change process. McCarthy (2003) has even argued that strategy formation process is crisis-driven. A literature review shows that recent publications have addressed the issue in a variety of interesting ways, either highlighting its complexity or being prone to its simplification through the adoption of best practices. Ambrosini and Bowman (2003), e.g. have reported evidence on agreement and disagreement between executives about corporate strategy revealing a lack of clarity—not to say ambiguity—, and probably uncertainty in conveying strategies throughout the organisation. Beinhocker and Kaplan (2002), instead, have addressed the mismatch between time, efforts engaged and disappointing results in strategic planning, arguing in favour of two new goals. The first one is “to make sure that decision makers understand the business, its strategy and the assumptions behind its strategy” (p. 49). The second is to increase innovativeness. Along the same line of concern, and for knowledge-intensive companies, Rylander and Peppard (2003) have suggested the necessity of bridging vision and value-based strategy to intellectual capital and organisational identity; consequently, the implementation process should be better understood as an “embodiment” process of strategy.

Recent studies largely support previous ones, such as Govindarajan’s (1989) and White et al.’s (1994), sustaining that managerial characteristics are critical in contributing to strategy and performance. Yet, recent developments, although recognising the importance of strategy formulation, are more directed to implementation and deployment issues (Norton, 2002). In fact, Norton and Russell (2004) have sustained a best practice approach to strategy execution, where strategic management is challenged to become a “core competency” in organisations.

In summary, management literature provides evidence showing that notwithstanding more than four decades of contributions, theoretical and practical debates on strategy are still going on. Years of inquire, research and practice, have led to acknowledge that the concept of strategy, including individuals’ involvement, challenges practitioners and academia.

It has recently been said that the perception of the strategic nature of supply depends on the “firm’s strategic goals and priorities” (Cousins, 2005, p. 403). Then, it should not be surprising that a clear definition and formulation of a supply strategy might present a number of challenges. Among them, the necessity to first make explicit the concept of strategy at the firm level to be able to determine the strategic role a supply strategy could fulfill.

In order to help address the specific issue of supply strategy and strategies, we are proposing, in the next section, a classification of strategy-making approaches based on the field of business strategy. This will make more evident some of the implications for a supply strategy formulation, to be discussed in Sections 4 and 5.

3. Generic approaches to strategy-making

Many studies have addressed managers’ characteristics, and their implications on formulation, implementation and deployment of strategies and generic strategies (for instance, Masch, 2004; Mintzberg, 1999, 1987; Herbert and Deresky, 1987). Strategy-making processes go from intuitive decision-making to very sophisticated and rational ones but, in all cases, strategy-making processes are people dependant. Thus, since the very inception of the practice of strategy, in the mid-fifties, two extremes approaches to strategy formulation have been observed: the formal and explicit one and the informal one. Ansoff (1969) described them as follows: “Most successful firms pursue their business in a coherent and consistent manner. A study of such firms will usually reveal distinctive and individual patterns of strategy, even though the process of strategy formulation may not be explicit or recorded in company documents. Since the middle fifties, a significant trend in business firms has been towards explicit and formal strategy formulation.” (p. 7)

In addition to these two approaches, a third one has taken place, emerging notably in the 1980s, with the concept of “world class” and based on the adoption of best practices (Voss, 1995). It follows that three generic approaches to strategy-making in organisations are elicited. As summarised in Table 1, the first one is the experience-based and intuitive approach, which is mostly informal. The second one is the rational, formal and systematic, structured process-based approach. The third one is the best practices-driven approach.

In principle, these approaches underlie three lines of thought and action concerning strategy-making. The first and the second approach are best understood through Mintzberg’s arguments in explaining why strategic planning failed. According to Mintzberg, strategic planning “is not the same as strategic thinking. Planning is about analysis and thinking is about synthesis. The outcome of strategic thinking is an integrated perspective.” (Mintzberg, 1994b, p. 107). By applying Mintzberg’s conceptualisations, the first approach in Table 1 basically corresponds to “strategic thinking”. It describes the natural and intuitive entrepreneurial action that cannot be excluded from strategy-making because it is the very
source of differentiation. The second approach matches the rational way to strategy-making mainly supported by the design school. Still, this approach is equally relevant because it allows for concretising the strategic exercise into plans; it is intended to codify and make strategy explicit and communicable. Therefore, both approaches are complementary and co-existent rather than exclusive. And in practice, they should compensate each other to neutralise their respective drawbacks.

The third one in turn, the best practice-driven approach, has in some measure been singled out by Porter (Hammonds, 2001) as well as by Hamel and Prahalad (1995), who have argued that operational effectiveness (in fact, “efficiency” in Operations Management terminology) is not strategy-making. Notwithstanding, Norton (2002) and Norton and Russell (2004), among others, have demonstrated the contribution of some best practices, such as the balanced scorecard, in formalising a strategy and working on measurable and integrative efforts in strategy-making. As such, best practices should be understood and adopted as supporting tools rather than drivers in strategy-making.

On the other hand, the process of strategy-making comprises: (1) A theoretical formulation of the strategy; (2) the application or implementation of the formulated strategy, and (3) the realisation or deployment of the formulated strategy, the action. Thus, if the dynamics of strategy-making is understood as a whole process, the three approaches elicit three dimensions of the same whole. It appears then that theoretical developments, in looking for a better understanding of strategy and strategy-making, have analytically fragmented the context, content and processes involved, whereas practitioners deal with strategy in an integrated and systemic environment. The underlying fragmentation of partial approaches to strategy and strategy-making (condemned to fail) appears to be the root-cause. Disappointing results in strategy-making (Atkinson, 2004; Beinhocker and Kaplan, 2002; Mintzberg, 1994b) are most probably associated and even explained by a dysfunctional integration of its components, in other words, people, processes, and/or means. More research is needed on this subject but, meanwhile, we can ask ourselves: could integration be contemplated in such a huge process as strategy-making?

According to literature and some practitioners, the rational answer is that integration happens throughout a hierarchical decisions pattern in strategy-making. As a point of departure for strategy-making in companies, the classical design school of thought has clearly distinguished two levels: corporate and exploitation strategies (Andrews, in Anonymous, 1995; Andrews, 1987). Corporate strategy sets hard goals—profitability, growth, product, market, financial performance—, and soft goals—management style, commitment, employee policies, community, environmental, societal and ethical responsibilities. According to many authors (McCarthy, 2003; Hill, 2000; Hamel and Prahalad, 1995; Porter, 1990; Andrews, 1987), orientations in value creation to customers, definition of competitive advantage, core competencies and risk considerations are also included.

Following corporate strategy, strategic planning normally applies to individual business units—business strategy, according to Andrews (1987)—; the relative importance of functions stems at this second level, although functional strategies constitute by themselves a third level. It is not uncommon to find marketing and manufacturing strategies frameworks conceptualised, developed and implemented by companies under the umbrella of individual business units (White et al., 2003; Hill, 2000; Skinner, 1978); supply strategy indeed took some time to get recognised (Watts et al., 1992). In any case, the integration of strategies takes into consideration three different levels of strategy, necessarily following a rational and systematic approach in strategy-making.

It should be noted that, on one hand, in the supply management field, with the exception of the conceptual framework developed by Watts et al. (1992), surprisingly few other authors (Cousins, 2005; Morgan and Monczka, 2003; Cavinato, 1999; Cox and Lamming, 1997; Cox, 1996; Ellram and Carr, 1994; Rajagopal and Bernard, 1993) have discussed about the link between supply strategy and the strategy of the firm. On the other hand, in the management field, supply management decisions are most of the time embedded in corporate, business or other functional strategies, these three fundamental levels in strategy-making being well accepted (Andrews, 1987). Considering that the strategic nature of supply appears to be delimited

<table>
<thead>
<tr>
<th>Approaches and characteristics</th>
<th>Experience-based and intuitive</th>
<th>Rational, formal and systematic; structured process-based</th>
<th>Best practices driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main theoretical line of thought and action</td>
<td>Process school; entrepreneurial and emergent</td>
<td>Design schools; purposeful and codified</td>
<td>Operations efficiency oriented</td>
</tr>
<tr>
<td>Description</td>
<td>Flexible; strong leadership</td>
<td>Formal; planned; communicable; validation and coherence potential</td>
<td>Know how; measurable objectives</td>
</tr>
<tr>
<td>Main drawbacks</td>
<td>Risky; individual dependency (entrepreneur)</td>
<td>Time consuming; procedural; consolidation needed</td>
<td>Fragmented; requires efforts for integration</td>
</tr>
</tbody>
</table>
by the strategy of the firm (Cousins, 2005), the strategy-making approach and its integration dynamics should be determinant in recognising the role of an supply strategy. Thus, in order to understand the underlying hierarchical integration dynamics, a more specific discussion of the role of supply strategy is presented in the next section.

4. Supply management and strategy

Except for Porter’s value chain model and his industry competitive analysis framework (Porter, 1990), classical managerial contributions have not explicitly discussed the supply function, or procurement, or supply strategy. Besides, conceptual frameworks appear generally detrimental to supply management functional strategy. For example, in analysing Porter’s generic strategies (differentiation strategy and cost leadership strategy), Govindarajan (1989) has explained that differentiation requires strong marketing and R&D skills, whereas low cost requires efficiencies in buying, production, strong manufacturing and finance/accounting skills. Evidently, this kind of analysis does not enhance the full potential of a supply strategy in its contribution to a firm’s competitiveness by differentiation; it rather limits the contribution to cost reductions.

On the other side, specific developments, notably in global network modelling, have indicated that “global sourcing and distribution are included in global production strategy” (Starr, 1984, p. 17), thus reinforcing the subordinated place traditionally attributed to supply management by operations and manufacturing strategy classical frameworks (for instance, Hill, 1985, 2000; Hayes and Wheelwright, 1984; Skinner, 1978).

Despite the aforementioned limitations, strategic concern for supply and procurement emerged in supply management more than 30 years ago, as discussed in the following sub-section.

4.1. Evolution of strategic thinking in supply management

In 1990, Doyle pointed out to the increasing attention paid by executives to procurement strategies. However, there have been important contributions to the development of strategic thinking in supply management (see Fig. 1, for landmarks in this area). By 1992, Watts et al., emulating Skinner’s previous seminal work on manufacturing strategy (Manufacturing—missing link in corporate strategy, Skinner, 1969), made the link between purchasing, corporate competitive strategy and other functional strategies explicit. At about the same time, Monczka et al. (1993) were among the first to highlight the key role of procurement and supply in world-class firms. “World-class supply management” and “world-class supplier” are expressions that have now become common in indicating

![Fig. 1. Evolution of the thinking about the strategic role of supply.](image-url)
the development of superior supply capabilities and performance (Frazelle, 1998).

The increased attention by executives referred to by Doyle (1990) had to come progressively from efforts by many contributors, notably from the academic side. Actually, Rajagopal and Bernard (1993, p. 13) have established that purchasing strategy achieved a certain level of “recognition and interest in the mid-1970s”. According to Ramsay (2001, p. 40), the title of “father” of purchasing’s potential contribution to sustainable competitive advantage “line of research” comes to David Farmer. Ramsay states that in a series of articles published since 1976, Farmer made a strong “attempt to raise the purchasing’s strategic profile” (Ramsay, 2001, p. 40). Ellram and Carr (1994) also point out in the same direction, establishing that the important shift observed on purchasing strategic issues and role took place between the mid-1970s and the early 1990s. During that period, purchasing went from a perceived passive role to independency and later, from a perceived supportive role to a recognised function.

It should also be pointed out that in 1978, the Harvard Business Review published Corey’s seminal work about the strategic decision of procurement centralisation. The same year Corey published his book *Procurement management: strategy, organisation, and decision-making*. Under the heading of *Procurement strategy models*, Corey wrote: “A strategy is a plan of action designed to achieve given goals and objectives… Procurement strategies vary so greatly from one purchasing situation to another... Thus, every strategy has to be tailored... However, all procurement strategies seem to be variations and modifications of the three basic models... i.e. cost-based negotiations, market-price-based negotiations, and competitive bidding.” (Corey, 1978b, p. 2).

Near the mid-1990s, a difference between “purchasing strategy” and “strategic function” was made. Ellram and Carr (1994) argued that the first “refers to specific actions” to support purchasing function objectives (p. 17) whereas the second refers to key decisions and participation in the “firm’s strategic planning processes” (p. 17). The same authors identified three distinct types of purchasing “strategy”:

1. “specific “strategies” employed by the purchasing function;
2. purchasing’s role in supporting the “strategies” of other functions and those of the firm as a whole; and,
3. the utilisation of purchasing as a “strategic” function of the firm” (p. 10).

Practically at the same time, Hadeler and Evans (1994) argued that, in capturing value in supply management and sourcing, an effective “strategy” must be developed and implemented. These authors also identified partnering, supplier relationships and strategic alliances with suppliers as strategies to focus and improve efficiency in procurement management. It is then clear that over time, the terms “strategy” and its plural “strategies” became gradually used more and more, notably by applying it to procurement strategies (Paliwoda and Bonaccorsi, 1994; Saarinen and Vepsalainen, 1994; Spekman, 1985; Corey, 1978a,b). And, the strategic thinking in supply management gave quickly place to a greater involvement in strategy.

### 4.2. Evolution of the concern about supply strategy

By the end of the 1990s, authors were more concerned with supply strategy content and context. Carr and Smeltzer (1997) presented one of the first efforts in operationalising “strategic purchasing”. To this end, these authors empirically developed four indicators (and 16 underlying variables, although all not inclusive) that correlate to the level of strategic purchasing. These factors are: status (how the function is perceived inside the firm), knowledge and skills (knowledge of supplier markets, analytical skill and purchasing performance measurement), risk (willingness to take advantage of new opportunities, foresight) and resources (including access to information). Soon after, networks promoted probably one of the first efforts in defining the concept of *supply strategy* (Harland et al., 1999). Although descriptive in nature, Harland et al.’s definition helps in improving the understanding of sourcing context and highlights the new role of supply in the business context of the 21st century. Interestingly, Carr and Smeltzer (1999) found practically at the same time that strategic purchasing is positively related to four supply management variables: supplier responsiveness, supplier communication, changes in the supplier market and the firm’s performance.

It should also be noted that by the mid-1980s, Burt (1984) introduced the notion of “proactive procurement”, considered a major contribution by pioneering pro-activity in management. This notion was integrated to value-driven approach and supply management by the mid-1990s. Cox (1996) and Cox and Lamming (1997), in particular, have argued in favour of a prescriptive approach to supply management, asking for a dramatic change to take place in the way firms managed supply. In so doing, firms should recognise that for achieving a sustainable and profitable advantage, supply management professionals have to “constantly assess the relative utility of a range of collaborative and competitive external—and internal—contractual relationships” (Cox and Lamming, 1997, p. 62).

The dawn of the 21st century found purchasing and supply management already of “major strategic importance” (Humphreys et al., 2000, p. 85). Indeed, new venues and activities have enhanced both the strategic role of suppliers, for instance in innovation (Croom, 2001), and the strategic role of supply management professionals (Ellram et al., 2002). Knowledge and skills developed during the last ten and even fifteen years have made possible the adoption and integration of best practices in
Among them, and probably the most interesting from the standpoint of practicing the profession, is scanning leading-edge technologies and supplier market information. The advent of business intelligence has opened new areas to supply management to contribute to corporate success. Actually, Cavinato (1999) envisioned a higher level of involvement than supply strategic management named “knowledge-based business”, where the function is involved in strategically linking the firm to suppliers and networks knowledge. But to reach this higher level, it is also compulsory for supply management professionals to master the strategy-making process and its implications.

In Section 3, we have argued that three levels have become well accepted in strategy-making: corporate strategy, business strategy, and functional strategies. In order to integrate the contributions already discussed and to illustrate their implications on strategic supply management, these three levels are described in Table 2 in terms of scope, characteristics and schools of thought. Corporate and business strategies, by their systemic and holistic scope, are both characterised in the first column. Functional strategies are found in the second column and, specific issues or “ways of doing” in supply management, are succinctly illustrated in the third column.

Main characteristics—fourth row in Table 2—show that corporate and business strategies are directed towards the long term, being intended to provide continuity and integrity to the whole company. Functional strategies are medium term plans; at this second level, broader definitions of strategy should be translated into concrete and specific actions. And, from functional strategies, a variety of ways of accomplishing strategic tasks are devised; these ways—a third level in supply management—being commonly described as “strategies”, probably to highlight their impact and contribution to the performance of the firm.

Most relevant schools of thought and key authors are indicated in Table 2 (last row), to show how we have built explanations for supply strategy on four of the most fundamental strategic management theories: the design/planning school, the process school, the industrial competitiveness and the resource-based view of the firm. In so doing, our objective is to make explicit the meaning of “strategy” and “strategies” in their applications to supply management. This is why, in the next section, we discuss how a supply strategy is formulated and implemented.

5. Supply strategy-making

The concept of strategy in supply management takes form, in practice, through a strategy-making process. Supply strategy is necessarily framed and should be crafted following corporate and business strategies as well as consolidated with other functional strategies. Therefore, at least seven hierarchical steps should be performed to formulate and implement a sound supply strategy, as indicated in Fig. 2. Due to its subordination to corporate and business strategies, and the necessity of functional coherence and consolidation, this process should be understood as a two-way process, i.e. it should go from

<table>
<thead>
<tr>
<th>Type of strategy</th>
<th>Corporate strategy</th>
<th>Functional strategies, e.g. marketing strategy, manufacturing strategy, supply strategy</th>
<th>In supply management, e.g. service acquisition strategies, supplier selection strategies, outsourcing strategies, and so on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>Systemic; holistic</td>
<td>Analytical; subordinated</td>
<td>Analytical; fragmented</td>
</tr>
<tr>
<td>General definition</td>
<td>A framework for business. Broad orientations; choices, product/market; soft and hard objectives</td>
<td>A plan</td>
<td>A particular way of doing</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Long term; provides continuity, integrity</td>
<td>Medium term; integration and coherence required</td>
<td>Very specific</td>
</tr>
</tbody>
</table>
the general to the particular and then, from the particular to the general, as illustrated in Fig. 2. This systematic and rational process is not always completely followed in practice; two reasons are advanced. Firstly, is the embeddeness of supply in manufacturing and operations, as explained in strategy classical frameworks, which have incorporated supply management as an element of the structure, at the same level as technology, processes and facilities (Hill, 2000; Hayes and Wheelwright, 1984; Skinner, 1978). Secondly, is the weak consolidation and communication among functions, notably between marketing and production (embedding supply), as pointed out by Hill (2000).

The hierarchical integration of the strategy-making process, in Fig. 2, comprises steps 1–3, i.e. strategy formulation of the firm, top-down cascade (strategic objectives) and, functional strategies formulation, as already discussed in Section 3. New issues in supply management—i.e. globalisation, suppliers networks development, supplier relationship management, supply chain management, scanning leading-edge technologies and supplier market information, and e-commerce (Carter et al., 2000; Cavinato, 1999; Cox and Lamming, 1997)—have also placed new demands on the function and consequently, on professional supply managers. These new demands need to be analysed, to determine its strategic content, as well as the relevance to position them as “strategies” or “strategy”. In all cases, it is critical to realise that the way managers perceive competitiveness is determinant. On this matter, Cousins (2005) has observed: “if a firm adopts a cost focused approach to its competitive position it will unlikely consider supply as a strategic process, because its competitive priority is to reduce cost... Whereas if a firm sees itself as a differentiator in the market place, it is likely to take a more strategic view of supply; supply will be seen as a source of competitive advantage through inter-organisation collaboration management” (p. 422).

As for steps 5–7 and in order to confirm the proposed hierarchical decision framework to strategy-making in supply management, empirical research is needed. These steps comprise functional integration of strategic plans, down-top consolidation and implementation of strategies. Based on literature review and field observations, we focus on step 4, of Fig. 2, i.e. supply strategy content, in the following sub-section.

5.1. Supply strategy content

After Corey’s procurement strategy models (see Section 4.1), one of the earliest documented attempts to strategy-making in supply management has identified four procurement strategies: a team-oriented value analysis approach, just-in-time and materials requirement planning techniques, total quality management and make-or-buy analysis (Sutton, 1989).

By 1990, Doyle (1990), providing a more detailed description of a procurement strategy, summarised five critical components or “five disciplines”, as follows: quality improvement (variance reduction), velocity (concept-to-customer cycle time improvement), all-in-cost (total-cost purchasing practices), technology (access and active monitoring) and risk reduction (an activity-managed program approach).

More recently, in 1998, Carlos E. Mazzorin, Ford’s vice president of purchasing for automotive operations, described key components of Ford’s supply strategy in terms of cost control, quality improvement, and supplier development (Anonymous, 1998).

Other cases analysed point out, in general, to the same components but traditionally, supply management has not been deemed to be (externally) customer oriented. Yet, the
consensual value approach promoted in the field as well as “pull strategies” being common place, suggest more and more that customisation and service value to customers are key drivers to strategy-making for the function. In order to contribute effectively to build and sustain competitive advantage and capabilities, supply management needs to direct its efforts to provide the most value for each individual customer throughout the value chain. Knowing the customer is not an exclusive marketing task anymore. Actually, collaborative management and product cycle management involving cross-functionality (Rink and Fox, 2003) suggest that people, processes and means have to be managed in such a way that supply will make intelligent use of tangible and intangible resources, even intuition, imagination and innovation stemming from supply and procurement professionals.

It is also important to understand that under a value perspective, not all purchasing decisions and supply activities are strategic in nature. Indeed, some strategic supply organisational decisions are not always of its domain of responsibility. To illustrate our arguments, let us consider, e.g. the outsourcing of purchasing or procurement. A recent survey of procurement directors, from companies in 14 countries (US and European) indicates that 22 per cent of companies (of a total of 219), outsource some purchasing areas whereas more than a half of UK companies and 64 per cent in France are likely to outsource procurement by 2006 (Arminas, 2003). The nature of the outsourcing decision directly threatens supply management; it is of course strategic for any company because of its impact on supply capabilities (Morgan and Monczka, 2003).

But at a corporation and business unit level, the decision may even be discussed at what could be considered a tactical level. The same could happen with partnership and supply chain management decisions affecting company performance. Therefore, it comes up to supply professionals to proactively frame and align supply decisions to the firm strategy as well as to creatively devise supply management contribution and strategic content. How is it possible to do this? We advance key elements in the following sub-section.

5.2. Conceptual framework for supply strategy formulation

To be even more explicit, supply strategy is composed of a series of plans, consolidated in a master plan for coherence and integrity, thus ensuring and demonstrating its contribution to corporate and business strategic objectives. As suggested in Table 3, a supply strategy should start by segmenting decisions and focusing according to a company’s characteristics, management style and culture.

A generic framework for supply strategy content is proposed in Table 3. Although systematic research in this area is needed, the tool constitutes a checklist which could be used at least as a starting point. In the left column, key elements of corporate and business unit strategies are described. In the right column, based on Leenders et al. (2005) and others authors such as Carr and Smeltzer (1997, 1999), Cox (1996), Cox and Lamming (1997), a segmented list of the main elements of a supply strategy is provided. This segmentation is based on the nature and scope of supply decisions. Although all supply decisions are important, some of them will be more critical to organisational performance, according to their impact on value creation to customers.

A sound supply strategy should correspond to the goals associated with higher-level strategies, as well in its formulation, as in its implementation and deployment. The proposed framework establishes three levels of action for supply management and specific contributions to the competitiveness of the firm (through strategic concern and scope), to efficiency and effectiveness (through tactical and operational concern and scope). Supply professionals are then expected to ensure the realisation of the full potential of supply “strategy” and “strategies” enhancing supply management’s contribution, its functional consolidation as well as the fulfilment of its specific strategic objectives.

6. Implications for supply managers

To reach integration and ensuring the right approach throughout the challenging first stages of strategy-making, supply managers should be aware of the risks involved. We would like to emphasise three main implications for supply managers, since they are not as obvious and easy to put into practise, as one might be tempted to think:

1. Find out corporate and/or business strategy and understand it (them); you will be able to align the supply “strategy” and demonstrate how supply management can respond to organisational goals and objectives.
2. Communicate business demands placed on supply by the business strategy, as you understand them; you will promote knowledge exchanges, thus creating a sense of oneness that will empower the responsiveness of the supply organisation to business changes.
3. Systematically evaluate the effective contribution of the supply “strategy” to corporate and/or business strategy; you will be aware of improvements to perform, and are more likely to know when to make them.

7. Conclusions

The contribution of supply management and supply “strategy” to corporate strategy goals and objectives is no longer a matter of discussion: it has become a reality. Supply management is now called upon to develop sound supply “strategies” intended to create value to customers and bring out innovation. On the other hand, in a dynamic, networked and changing business environment, supply management has no choice but to be responsive, proactive and innovative in building competitive capabilities.
The main contribution of this article has been to make explicit the meaning and relevance of “strategy” and “strategies” in supply management, to help the function in fulfilling its role and accomplishing its objectives in the 21st century environment. Moreover, the derivation of a conceptual framework that exploits complementarity among fundamental strategy-making approaches, and the generic framework to identify critical strategic elements, constitute basic tools to help formulate a supply strategy and which should facilitate its implementation and its deployment. Case studies and surveys to validate the generic framework for supply strategy derived from literature review and practical experiences are contemplated for future research.

Table 3
A generic framework for a supply strategy

<table>
<thead>
<tr>
<th>Firm strategy</th>
<th>Supply strategy</th>
<th>Specific contribution/Performance indicators</th>
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<tbody>
<tr>
<td>Competitiveness (Business goals) What, Why?</td>
<td>Strategic concern and scope</td>
<td>Sourcing (global) decisions/strategies</td>
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<td>Supplier selection strategies</td>
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<td>Outsourcing decisions</td>
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<td>Insourcing decisions</td>
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<td>Partnerships and supply chain management</td>
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<td>Technology adoption and investments</td>
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<td>Innovation and product life cycle management</td>
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<td>Effective contribution to corporate value and goals; definition and design of performance measurement system (indicators)</td>
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<tr>
<td>Organisational (Means) How to? Tactical concern and scope</td>
<td>Benchmarking and research</td>
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<td>Processes and procedures definition</td>
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<td></td>
<td>Sourcing (make-or-buy) analysis</td>
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<td>Supplier base management</td>
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<td>Supplier certification programs</td>
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<td>Project management</td>
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<td>Budgeting and reporting</td>
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<td>Insurances, legal aspects, Contract management</td>
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<td>Risk management</td>
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<td>Centralisation/decentralisation/ Outsourcing</td>
<td>Operational concern and scope</td>
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References


