

outsourcing

*electronic
commerce*

**FOCUS
STUDY**

total cost

ethics

*supply chain
management*

strategic alliance

global sourcing

*purchasing
consortiums*

*operational
resource management*

minority enterprises

Supply Strategy Implementation: Current State and Future Opportunities

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Colorado State University and Visiting Senior Fellow
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Executive Summary

Research Background

Supply is transforming from an administrative function to a strategic contributor to organizational competitiveness. The success or failure of supply to establish and lead a competitive supply base and work with other functions can drastically impact a firm's success, as exemplified by the supply issues associated with the Boeing 787 Dreamliner introduction.¹ In addition, supply positively or negatively affects cost, assets and revenue generation, all critical to the financial performance of the firm.

To achieve significant and successful supply transformations, firms' worldwide need to assess how well they are implementing supply strategies considered most important to the success of their organization. With this in mind and with the experience gained over the past years in developing, providing and conducting supply assessments, CAPS Research executed the 10X Executive Assessment (10X EA).

The primary objective of the 10X EA is to determine the importance organizations worldwide place on various supply strategies, their level of implementation and results achieved from these strategies. Data concerning 23 supply strategies and performance results were collected from 110 supply organizations across 24 industries to establish a baseline for current and future analyses.

In addition, Excel-based software was developed for participating firms to further analyze the non-attributed data collected and to deploy 10X EA across company supply units to assist supply transformations. 10X EA data showing the status of supply strategy importance and implementation over time will continue to be

collected. A second worldwide 10X EA will be conducted in early 2009 to determine change from 2007.

Key Findings

The 10X EA shows that firms are lagging in implementing supply strategies that they consider strategically important to the competitive success of their firm. Firms rated the average importance of the 23 strategies between being "functionally required" to an "operational necessity to compete." Implementation of the strategies was not complete. For all organizations, supply strategies were implemented at a limited number of supply locations and "were being accepted as best practice with initial positive results."

In addition, there was a large gap between strategy importance and implementation. There was also a large gap between the top and bottom firms in strategy implementation.

The 10 most important and implemented supply strategies were:

- Human Resource Development
- Vision, Mission and the Strategic Plan
- Engagement by Corporate Executives and Business Unit Leaders
- Commodity and Supplier Strategy Process
- Strategic Cost Management
- Measurement and Evaluation
- Functional Leadership and Business Processes, Practices and Systems
- Procurement and Supply Organization Structure and Governance

¹Wall Street Journal, December 7, 2007, pg. 1.

- Total Cost of Ownership
- Structuring and Maintaining the Supply Base

However, implementation of these strategies also lags behind their strategic importance.

In addition, the following five supply strategies were also found to be high priority because of “gaps” between importance and implementation or positive relationships to supply performance:

- Innovation and Accelerated Change Management
- E-Sourcing and Supply
- Supplier Assessment, Measurement and Communications
- Standardization of Systems, Components and Processes vs. Creation of Unique Designs and Specifications
- Global Sourcing and Supply

Overall, larger gaps between importance and implementation were found for innovation and accelerated change management; e-sourcing and supply chain strategies; supplier assessment, measurement and communications; strategic cost management; standardization of systems, components and processes vs. creation of unique designs and specifications; and human resource development. Strategies with the largest gaps may provide an implementation focus at many firms.

The research also explored the role between supply strategy implementation and selected supply performance measurements. The strategies that were common between higher importance and implementation rankings and which had positive correlations with supply performance include: structuring and maintaining the supply base; global sourcing and supply; commodity and supplier strategy development; supplier assessment, measurement and communications; executive engagement; and human resource development.

Guidance for Senior Management

Although supply is becoming more strategic at firms worldwide, implementation of critical supply strategies lags. We also found that strategies that take longer to implement and require more resources and cross-functional support to implement were not viewed as most important, nor were they most implemented. However, these more complex strategies such as standardization, collaboration and supplier integration may be very important to the future success of many organizations.

Based on these findings, senior management can compare its' supply organization's strategic focus and strategy implementation to other firms. The 10X EA also provides a means for an organization's supply leadership to achieve consensus about the current state of supply and establish a transformation plan to achieve the next level of performance. Deployment of 10X EA also can help “level-up” supply companywide, capitalizing on adoption of the best supply strategies and practices applied across the organization.

Future 10X Executive Assessments

CAPS Research will be conducting a second worldwide 10X EA in early 2009. Our objectives are to:

- Regularly conduct 10X Executive Assessments, enabling organizations worldwide to compare supply strategy importance, implementation and performance to other firms.
- Strengthen the objective fact base about the relationships between supply strategy implementation, and supply and firm performance.
- Identify the changes taking place in supply strategy implementation and performance over time.
- Enable firms to deploy 10X EA internally to assist in their strategic planning and execution for supply transformations.