Chapter 4
Implementing Supply Chain Strategies

ABSTRACT

This chapter emphasizes the key elements required to implement supply chain strategy in a firm. It highlights the differences in supply chain strategies, its alignment with corporate strategies, and the associated drivers of supply chain management. This chapter also highlights the dynamics associated with inventory and success of supply chain of a firm. It tries to provide a framework to resolve the supply chain managers’ dilemma as to hold inventory for order fulfilment or to enhance the inventory turnover ratio to maximize profitability. The chapter discusses all facets of inventory management – it includes inventory management of constant as well as dynamic demand. This chapter introduces the concept of adaptive inventory control for non-stationary demand. There are situations when all assumptions of conventional approach may fail and hence points out the importance of application of artificial intelligence and data science in inventory management. This chapter brings out the varied dimensions of contracts that are crucial to have an effective supply chain system. Here the author attempts to put forward an outsourcing decision framework to facilitate make or buy decision. This chapter relates the concept of materials requirement planning (MRP) with independent items. Since supply chains are going global, this chapter introduces the concepts behind global sourcing including the significance of INCO (international commercial) terms.

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INTRODUCTION

Supply chain strategies are based on corporate strategies. A firm decides on the type of product, its marketing mix, market and the way ahead. The firm need to decide on the strategy it would prefer to pursue. The three generic strategies include cost-leadership, differentiation and focus strategies. Thus the products are functional or innovative or personalized product. The corresponding operations strategy are – “make-to-stock”; “make-to-order”, and “engineer-to-order” respectively. While the supply chain strategies would be a push (for forecast based supply chains) or pull (for order based supply chains in case of engineer-to-order) or push-pull (actual sales based supply chains for innovative products) strategy. The supply chain manager has to trade-off between fill rate and inventory turnover ratio, bulk purchase and obsolescence, EOQ and seasonal availability; and end up measuring its performance on all these parameters including the cash-to-cash cycle (the time elapsed between procurement and realization of sales of final product). He has to continuously adapt its supply chain strategies and decisions based on the performance and changing circumstances. Supply chain function involves 7 stages shown in Figure 1.

Figure 2 illustrates the implementation cycle of supply chain management strategy. It suggests that supply chain strategy is dynamic and continuous re-alignment is necessary to keep up the performance.

INVENTORY

In all three different approaches, namely, make-to-stock, make-to-order and engineer-to-order) the common element is inventory. But inventory decision will vary across the product lines. In case of functional products, a firm, based on forecast, can hold inventory in all stages in supply chain. It

Figure 1. Stages in supply chain management
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