

# About “strategy” and “strategies” in supply management

Jean Nollet<sup>a,\*</sup>, Silvia Ponce<sup>a</sup>, Manon Campbell<sup>b</sup>

<sup>a</sup>Operations Management Department, HEC Montréal, 3000 chemin de la Côte-Sainte-Catherine, Montréal, Qué., Canada H3T 2A7

<sup>b</sup>Indirect Procurement, Imperial Tobacco, Canada, Ltd., 3711 Saint-Antoine Street West, Montréal, Qué., Canada H4C 3P6

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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.

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## 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; Hadelier 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

\*Corresponding author. Tel.: +1 514 340 6279; fax: +1 514 340 6834.

E-mail addresses: [Jean.Nollet@hec.ca](mailto:Jean.Nollet@hec.ca) (J. Nollet), [Silvia.Ponce@hec.ca](mailto:Silvia.Ponce@hec.ca) (S. Ponce), [Manon.Campbell@videotron.ca](mailto:Manon.Campbell@videotron.ca) (M. Campbell).

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 reproach 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 confounded 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

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