Available online at www.sciencedirect.com
ScienceDirect
Journal of Operations Management 25 (2007) 573–580
Journal of Operations Management
www.elsevier.com/locate/jom

Bridging organization theory and supply chain management: The case of best value supply chains

David J. Ketchen Jr.[a,*], G. Tomas M. Hult[b,1]

[a] Department of Management, College of Business, Auburn University, Auburn, AL 36849-5241, United States
[b] Department of Marketing and Supply Chain Management, Eli Broad Graduate School of Management, Michigan State University, East Lansing, MI 48824-1122, United States

Available online 16 June 2006

Abstract

Rivalry is increasingly being contested at the supply chain level of analysis. Rather than competing ‘‘firm versus firm,’’ today’s organizations are battling ‘‘supply chain versus supply chain.’’ Within this context, best value supply chains are emerging as a means to create competitive advantages and superior performance. While traditional supply chains often focus primarily on one key outcome such as speed or cost, best value supply chains excel along an array of uniquely integrated priorities—cost, quality, speed, and flexibility. We describe how key organizational theories help to distinguish traditional supply chains from best value supply chains. To provide a foundation for future inquiry, we offer theory-based research questions that are focused on best value supply chains.

Keywords: Organization Theory; Supply Chain Management; Best Value Supply Chains; Strategic Supply Chain Management

A supply chain is a series of units that transforms raw materials into finished products and delivers the products to customers (Mabert and Venkataramanan, 1998). Some of the units in a chain are located inside a single organization’s borders while others cross such borders in complex and evolving ways. Effectively managing supply chains is vital to organizational success. Indeed, there is a growing recognition that modern competition is being fought ‘‘supply chain versus supply chain’’ rather than ‘‘firm versus firm’’ (Boyer et al., 2005; Ketchen and Guinipero, 2004).

The value of supply chain management is reflected in how firms such as Wal-Mart, Toyota, and Dell have used their supply chains as strategic weapons to gain advantages over peers. Meanwhile, failing to manage supply chains effectively offers serious negative consequences. For example, problems with contract manufacturers led Cisco to write off $2.25 billion of inventory in 2001 (Lee, 2004). In terms of stock price, firms’ market value erodes by an average of 10% following the announcement of a major supply chain problem (Hendricks and Singhal, 2003).

Our contention is that *best value supply chains* are the chains that are most likely to prosper within today’s competitive global landscape. Our paper has three main goals related to best value supply chains. First, we define best value supply chains and explain the overarching differences between these chains and traditional chains. Second, we describe how key organizational theories help to distinguish best value supply chains from traditional supply chains. Third, we lay a foundation for future inquiry by building on these

* Corresponding author. Tel.: +1 334 844 4071; fax: +1 334 844 5159.
E-mail addresses: ketchdj@business.auburn.edu (D.J. Ketchen Jr.), hult@msu.edu (G. Tomas M. Hult).
[1] Tel.: +1 517 353 4336; fax: +1 517 432 1009.

0272-6963/$ – see front matter
doi:10.1016/j.jom.2006.05.010

key theories to offer research questions focused on best value supply chains.

1. Best value and traditional supply chains

Traditionally, supply chain management has been viewed predominantly as a process for moving materials and goods. From this view, supply chain management has been viewed as a support function that helps organizations implement their strategies. As shown in Table 1, best value supply chains take an important additional step. Their focus is on *strategic supply chain management*—the use of a supply chain not merely as a means to get products to where they need to be, but also as a means to enhance key outcomes that drive firm performance (Hult et al., 2004). In other words, strategic supply chain management elevates supply chain management from a *function that supports strategy* to a *key element of strategy*. An emphasis on strategic supply chain management does not imply a need to use cutting-edge and expensive equipment, nor to emphasize rich teamwork at all stages in the chain. Instead, the emphasis is on matching the chain's approach to each problem to the nature of the problem that needs to be solved. Beyond a general focus on strategic supply chain management, best value supply chains are further distinguished from other chains by how they approach issues of agility, adaptability, and alignment, and by their ability to pursue multiple priorities (often labeled "competitive priorities" in previous supply chain research).

1.1. Agility, adaptability, and alignment

The effectiveness of strategic supply chain management is closely tied to three attributes: agility, adaptability, and alignment (e.g., Lee, 2004). *Agility* refers to the ability of a supply chain to react quickly to unexpected or rapid shifts in supply and demand (Lee, 2004). One way to create agility is to develop "cultural competitiveness" in the supply chain. Cultural competitiveness is defined as the degree to which supply chains are predisposed to detect and fill gaps between what the customer desires and what is currently offered (Hult et al., 2002; cf. Hult et al., 2003). Cultural competitiveness provides supply chain participants with a pattern of shared values and beliefs that assert the importance of certain elements (and omit others), which in turn drive the chain's approach to serving the end user. In particular, cultural competitiveness can be achieved by emphasizing a spirit of entrepreneurship, innovativeness, and learning among supply chain participants (Hult et al., 2002).

Adaptability refers to a willingness to reshape supply chains when necessary, without ties to legacy issues or the way the chain has been operated previously (Lee, 2004). Adaptable supply chains rely on information systems to identify shifts in the market, and then take appropriate actions such as moving facilities, changing suppliers, and outsourcing. Adaptability sometimes requires developing more than one supply chain for the same product in order to ensure distribution. For example, the supply chain surrounding the Gap rely on China for manufacturing and sourcing of Old Navy stores, while Central American facilities supply Gap stores and Italian facilities supply Banana Republic stores. This approach is far more expensive than if all three brands were served by one network, but it helps differentiate the brands and provides insurance against problems that might arise in any of the three regions (Lee, 2004).

Alignment refers to ensuring that the interests of all participants in a supply chain are consistent (Lee, 2004). Most chain participants faced with taking an action that benefits their firm versus one that benefits the chain will choose the former (Narayanan and Raman, 2004). As a result, incentives must be organized in such a way that all parties' interests are aligned. For example, contracts

Table 1
A comparison of best value and traditional supply chains

Issue	Best value supply chains	Traditional supply chains
View of supply chain management	"Strategic supply chain management"—chains are a strategic weapon	Chains are a method to move products in order to support strategy
Agility	Strong ability to be proactive as well as responsive to changes	Modest ability to respond to changes
Adaptability	Maintain a limited set of multiple chains to ensure distribution	Often limited to single chains or a large number of chains
Alignment	Interests of participants coincide (or is developed to be synergistic)	Participants forced to choose between own and chain's interests
Competitive priorities	Total value across speed, quality, cost, and flexibility	Emphasize one of the four competitive priorities