Competitive priorities in supply chain strategies

The globalization of markets in countries has led to intense global competition. Companies no longer compete locally, but across commercial and territorial borders. Today, competitiveness has reached large supply chains, especially those that are agile, flexible, and lean. The companies discussed in this article fall into this category. The dispute for market share is rooted in the perspectives of competition and the level of dispute in the supply chain in offering a better level of service without the consumer paying more for it. Several factors have contributed to this scenario: improvements in production processes, particularly in advanced manufacturing environments (TUBINO et al., 2007); a shift from a product-focused vision to responsive customer service (CHRISTOPHER, 2007); use of information technology in process sharing (SKIPPER et al., 2008); intra- and inter-company integration (DONK et al., 2008) and complexity in the management of arrangements (MORGAN, 2007), the use of competitive priorities in the supply chain, among others.

In order to overcome the challenges posed by fierce competition and keep pace with evolving consumer demands, companies began to form alliances to gain competitive advantages that would be difficult to achieve if they acted in isolation from other companies. The supply chain represents a business format that is part of a highly complex context, given the large number of interactions between members of the chain, making management more difficult (MORGAN, 2007). A supply chain, according to Mentzer et al. (2001), is a set of three or more entities directly involved in the upstream and downstream flow of products, services, finances, and/or information from the source to the consumer. The difficulties in managing these relationships have been highlighted by several authors (TÖYLI et al., 2008). Connections between people, objects, and systems form dynamic, self-organizing networks, managed in real time, which promotes greater autonomy for production systems. Decision-making skills can be transferred from an organized, hierarchical system to a decentralized system, with decisions made autonomously or semi-autonomously by the network of machines, equipment, operators, and mobile devices. On the other hand, supply chain management activities may face new challenges. Increased data volume and real-time availability require new infrastructures and approaches to handling information.

Another important element to be verified in supply chains is strategic alignment with the operations strategy. Strategic alignment, according to Chopra and Meindl (2003), means that competitive and chain strategies have common objectives. For the authors, strategic alignment refers to the compatibility between customer priorities, satisfied by competitive strategy, and supply chain capabilities, created by chain strategies. Strategic alignment must be compared with the value chain of each key member of the supply chain. The objective is to verify whether there is synchrony and complementarity between the core competencies of each key member in generating value for the links in the supply chain. By surveying the value chains of the members, it is possible to verify whether a value system has been formed that is committed to raising the level of service to the end customer at an appropriate cost.

Companies that innovate in operations management have agile, flexible, and lean supply chains, as they make extensive use of outsourcing their products, manufacturing in more cost-competitive locations, faster, with short lead times. Therefore, the supply chain at a strategic level is aligned with the corporate strategy of companies, as it emphasizes speed, low production costs, flexibility, integration between the actors participating in the chain, and cleaner production, thus aligning with the competitive priorities in question. As for alignment within companies, innovative organizations have performance criteria aligned with corporate strategy, as they focus their design skills, emphasizing a priority on new product development.

Due to outsourcing in their manufacturing, being agile chains and presenting a collaborative relationship with their partners, innovative companies are aligned with production as it prioritizes speed and agility, resulting in competitive operating costs, making it possible to have lower product prices than competitors. This alignment reflects positively on delivery punctuality and the pioneering spirit of companies compared to competitors, as they have a production capacity that can handle even the unexpected, since it is outsourced. Partners plan and schedule to meet the demands of this extremely competitive market, so outsourcing production translates into agility in the chain and the product reaches the market quickly. They also have a reduced time frame compared to competitors due to all the logistics with partners and the characteristics of the supply chain. Thus, all this integration makes production costs more competitive and, at the end of the chain, a more attractive price for customers. Therefore, the chain is aligned with the company's global strategy and aligned with internal areas, generating value for the customer.

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Further Reading

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