

# SIX REASONS WHY SUPPLY CHAIN STRATEGIES FAIL

It is not a secret that many, if not most, supply chain strategies fail to achieve their full anticipated results. This is despite corporations spending millions on dollars every year on strategy formulation and implementation. The experience base and the case study data set is accumulating and pointing towards some common reasons why these strategies fail.

This article explores some of the most common reasons.

## 1 Confusion between hope/intention and strategy

Many people still think hope or intention is a strategy. Let me explain what I mean by this. Many a times we have worked on supply chain transformation projects where the business strategy is not very clear – at any level within the organisation. On being asked during initial interviews, CEOs and senior executives would express what could be classified as either a goal or a vague longing for something to occur as their core strategy. Deeper probing would reveal only very few strategic underpinning regarding customer segmentation, competitor behaviour, organisation's own strengths etc. on which this expressed strategy was based.

Strategy is a lot more – it is a well thought-out plan that takes into account all the above factors, and many more. By its very nature such a process closes more doors than it opens. Otherwise it is very easy to fall in the trap of saying yes to too many ideas that have not been clearly thought through in terms of their strategic long-term impact on the business.

Why is this important? Because without the clarity of vision, agreement on the chosen path, and the reason for doing so – personnel within the organisation are confused, dispirited and cynical. Without the laser-like focus that results from such clarity most implementations fall short on results.

## 2 Implementation gap

The second key reason based on our observation is the lack of ability and willingness to implement sound strategy. No matter how good the strategy is, it is really just a road map. Implementation is required in order to arrive at the destination. However, during the journey several detours are experienced due to political

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interference, personal biases, personal interests or other reasons that make it impossible to arrive at the chosen destination.

Whilst, in most cases, the outcomes are still better than where the organisation was at the start of the journey, if the political interference or personal biases/interests had not intervened, the organisations would have been in a much better position than otherwise.

Most readers will be able to quote numerous examples from their personal experience where the outcomes of the supply chain strategies were severely compromised due to implementation gap resulting from political interference or personal biases/interests of the key stakeholders, which should have been adequately explored and taken into account during the strategy setting.

## 3 Strategist / implementer divide

One of the biggest problems we observe is that those who design strategies are rarely called on to implement them. Whether internal teams or external teams are deployed to formulate strategies, they are rarely called upon to be responsible for delivering the results they estimate. If called up to implement, they raise the cost of implementation far above the anticipated benefits.

Those who implement frequently neither fully understand, nor endorse the strategic moves. Their involvement is only marginal during the strategy formulation process. They are also not used to esoteric methodologies espoused by the strategists, hence they resent the expense and resist the attempts to bring them on board.

Each party blames the other. Strategists build in huge buffers, high-level rubbery numbers based on percentages, and use other questionable methodologies to make estimates of potential benefits. Implementers use these shortcomings as an excuse to cover up for their own lack of planning, execution skills and discipline.

## 4 Insufficient hands-on knowledge among the strategists

A growing trend in the last 25 years has been that some of the most brilliant minds from most of the good universities have gone into consulting and/or investment banking. Frequently, these people are put in positions where their job is to formulate strategies. The expectation is that with their superior intellect and education they will be able to see further and think deeper than mere mortals run businesses from day to day. The remuneration models of most strategy consulting firms and investment banks are based on this assumption.

However, as the global financial crisis has exposed, there is a fatal flaw in this thinking. These very same people have very limited, if any practical experience running businesses, factories or distribution centres. While the most imaginative among them can relate to the on-the-ground reality as described by other people, most others hide their lack of practical knowledge with an arrogance born out of a sense of superior entitlement. Needless to say that the strategies based on flimsy hands-on knowledge of the strategists would be suspect, as is generally the case. However, based on their credentials it is easy to

sell these strategies to boards that are frequently even further away in their detailed knowledge of the core business of their organisations.

## 5 Proclivity to take the high road

In a story of Honda managers sent to the US to launch the motor bike business in California in 1959, the author described how these people more by accident than by design stumbled on the strategy of selling smaller 50cc motor bikes through non-traditional retail channels. While

and from work – which was the reason these bikes caught on. The rest, as they say, is history. Honda, now, is one of the most respected brand in the United States.

Contrast this approach with the typical culture of most organisations. Very limited time is devoted to understanding the substance of the issues. Most of the fact-finding is done from air-conditioned offices and 5 star hotels. There is little flexibility in the strategies and no room for humility in the strategists' minds. Scant regard is paid to the feedback from the implementers,

tions of the Wall Street from quarter to quarter leaves very little room for strategic thinking or its implementation. Short-term fire-fighting takes precedence over long-term, socially responsible management for growth and profitability.

Add to that the short average CEO and managerial tenure of 3-4 years, and most people now plan their career accordingly. First year in the role is marked by significant new projects and actions while rest of the tenure is spent in creating the results of the initial plans. However, most people know that the full results will not be seen in most cases till they have moved on. Hence they focus only on the short-term results of the actions and modulate the actions accordingly.

In conclusion, supply chain strategies will be good only when they are devised with due deliberation, taking into account all the factors that surround the key decisions incorporated into them. At the same time, they will only work when implemented with rigour and flexibility. Corporations can save themselves a lot of time and money by avoiding the errors listed above.

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their initial intention, and the headquarters' directive, was to sell larger, 250 cc-up bikes through traditional channels, they were flexible enough to grasp the opportunities presented to them and humble enough to learn from the market. Perhaps apocryphally, the author goes on to describe that they lived simply, slept on the floor of their one-bedroom rental apartment and travelled on small 50 cc motor bikes to

who are seen more as self-centred whiners rather than genuinely escalating the emergent issues. Is there any wonder that most strategies fail to achieve the kind of results Honda achieved?

## 6 Short-term focus

Much has been written about the quarterly culture of Wall Street and its impact on the businesses. Managing earnings and the expecta-



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