

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

INDUS UNIVERSITY



CHARTERED BY GOVT. OF SINDH



PEC



NBEAC



RECOGNIZED BY
HIGHER EDUCATION COMMISSION

Course Name

- Teacher
- Semester
- Credit Hours
- Maria Siddiqui
- Fall 2024
- 03

Assessment

- Presentation • 15
- Report • 15

2



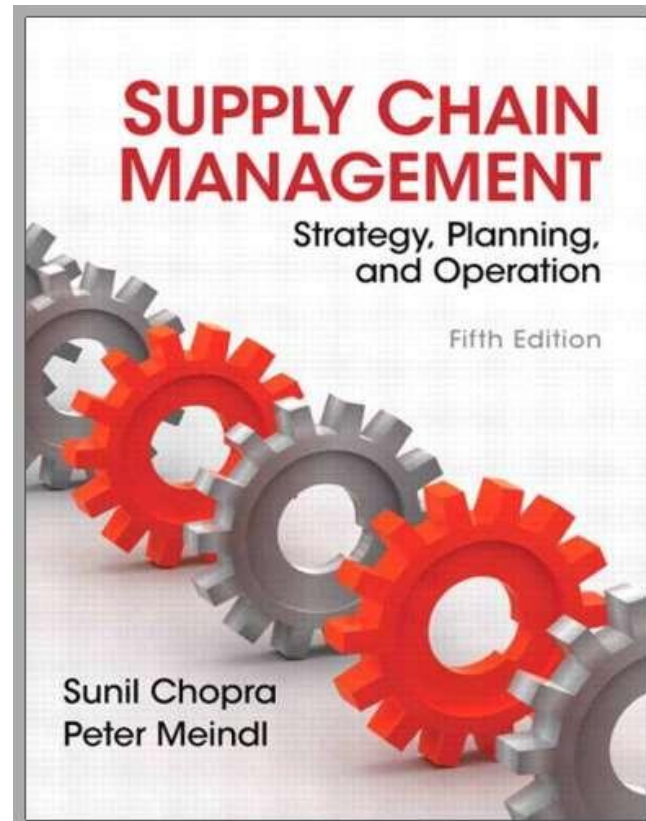
Supply Chain Performance: Achieving Strategic Fit and Scope

LEARNING OBJECTIVES

After reading this chapter, you will be able to

1. Explain why achieving strategic fit is critical to a company's overall success.
2. Describe how a company achieves strategic fit between its supply chain strategy and its competitive strategy.
3. Discuss the importance of expanding the scope of strategic fit across the supply chain.
4. Describe the major challenges that must be overcome to manage a supply chain successfully.





create table to compare business model for

- Walmart, Pakistan Steel Mills, a steel service center., Seven-Eleven , A supermarket chain
- ober, kareem, bykea, inter city bus service, Shalimar Express Pakistan, NLC, emiartes airlines, maersk lines,

Company	Business Model Description	Key Characteristics
Walmart	Global retail giant offering a wide range of products at competitive prices in large-format stores and online.	High-volume, low-margin retail strategy. Extensive supply chain, cost efficiency, and inventory management.
Pakistan Steel Mills	Government-owned integrated steel mill involved in the production of steel from raw materials.	Large-scale manufacturing, raw material extraction, long lead times, heavy capital investment.
Steel Service Center	Provides steel processing, inventory management, and distribution services to customers.	Short lead times, flexibility in order sizes, value-added services, reduced implied uncertainty.
Seven-Eleven	International convenience store chain with small-format stores offering essential items and services.	Convenient locations, extended hours, quick turnover of products, higher implied uncertainty.

create table to compare business model for

•uber, kareem, bykea, inter city bus service, Shalimar Express
Pakistan, NLC, emiartes airlines, maersk lines,

Company	Business Model Description	Key Characteristics
Uber	On-demand ride-hailing platform connecting riders with drivers.	Peer-to-peer model, app-based service, dynamic pricing, convenience.
Careem	Middle Eastern ride-hailing service acquired by Uber.	Similar to Uber, focusing on regional market, localized features.
Bykea	Pakistani ride-hailing and delivery platform offering motorcycle rides and delivery services.	Specializes in motorcycle transportation and local deliveries.
Inter City Bus Service	Provides scheduled bus transportation between cities.	Fixed routes, scheduled departures, longer travel distances.
Shalimar Express Pakistan	Train service connecting cities within Pakistan.	Rail-based transportation, fixed routes, public service.
NLC	National Logistics Cell of Pakistan, involved in transportation and logistics services.	Government-owned, diverse logistics services including transportation, warehousing, and construction.
Emirates Airlines	Major Middle Eastern airline offering global passenger and cargo services.	Premium passenger experience, international routes, cargo logistics.
Maersk Lines	Danish shipping company specializing in container shipping and logistics.	Container shipping, global logistics, supply chain management.

Every supply chain has its own competitor supply chain making an industry

Categories	Emirates Airlines	Etihad Airways	Qatar Airways (Al Jazeera Airways)
Founding Year	1985	2003	1993
Hub	Dubai International Airport	Abu Dhabi International Airport	Hamad International Airport (Doha)
Founders	Dubai Royal Family	Government of Abu Dhabi	Qatar Government
Initial Focus	- International air travel	- International air travel	- International air travel
Fleet Growth	- Rapid expansion of modern aircraft	- Aggressive expansion with new aircraft	- Growth with advanced and modern aircraft
Network Expansion	- Global network covering six continents	- Global reach with a focus on connecting the world	- Expansive route network connecting major cities globally
Luxurious Experience	- Emphasis on luxury and comfort in all classes	- Premium services and high-class amenities	- Known for providing high-quality in-flight services
Awards and Rankings	- Highly regarded for service quality and innovation	- Received multiple awards for luxury and in-flight experience	- Recognized as one of the world's top airlines
Technological Focus	- Utilization of advanced technology for passenger experience	- High-tech aircraft, premium cabins, and modern amenities	- Invested in advanced in-flight entertainment and technology
Global Impact	- One of the largest and most influential airlines globally	- Established presence with international partnerships	- Connects major cities and serves as a key player in aviation

explain Competitive Strategy & Key Customer Needs, Demand Uncertainty Spectrum, Responsiveness Level & Supply Chain Capability, Expanding Strategic Fit across Supply Chain

1. Competitive Strategy & Key Customer Needs:

Competitive strategy refers to the approach a company takes to gain an advantage over its rivals in the market. It involves making choices about how the company will compete and position itself. Key customer needs are the specific requirements and expectations of customers that a company aims to fulfill through its products or services. The competitive strategy should align with these needs to create a unique value proposition and attract customers.

2. Demand Uncertainty Spectrum:

A "spectrum" is a range or continuum of values, conditions, or characteristics that can be observed and measured. It's often used to describe how different instances or situations fall within a certain scale, from one extreme to another.

Demand uncertainty spectrum represents the range of unpredictability in customer demand for a company's products or services. It spans from low uncertainty, where demand is relatively stable and predictable, to high uncertainty, where demand fluctuates significantly due to factors like changing trends, market shifts, or external events. Understanding where a company falls on this spectrum helps determine appropriate supply chain strategies to manage demand variations effectively.

3. Responsiveness Level & Supply Chain Capability:

Responsiveness level refers to how quickly and effectively a supply chain can react to changes in demand or market conditions. It's about the ability to adapt to fluctuations in customer requirements. Supply chain capability encompasses the organization's capacity to perform various supply chain activities efficiently, such as sourcing, manufacturing, distribution, and inventory management. The responsiveness level should align with the supply chain's capabilities to meet customer needs.

4. Expanding Strategic Fit across Supply Chain:

Strategic fit refers to the alignment between a company's competitive strategy and its supply chain strategy. **Expanding the scope of strategic fit across the supply chain** involves ensuring that all supply chain activities, partners, and processes are aligned with the company's overall strategy. This alignment enhances efficiency, improves customer satisfaction, and supports the company's long-term goals. To expand strategic fit, a company might work on strengthening collaboration with suppliers, optimizing production processes, improving demand forecasting, and enhancing distribution networks.

Every supply chain has its own **SCN= Supplier – Producer- Distributor –Retailer – Customer**

Every company has its own explain Competitive Strategy & Key Customer Needs, Demand Uncertainty

Spectrum, Responsiveness Level & Supply Chain Capability, Expanding Strategic Fit across Supply Chain like

Company	Competitive Strategy & Key Customer Needs	Demand Uncertainty Spectrum	Responsiveness Level & Supply Chain Capability	Expanding Strategic Fit across Supply Chain
Amazon	Dominant e-commerce platform offering convenience, variety, and fast deliveries.	High demand uncertainty due to rapidly changing online consumer behavior and market trends.	Very high responsiveness, quick and accurate order fulfillment, real-time inventory management, and efficient last-mile delivery.	Further integration of AI and predictive analytics for demand forecasting, expansion of warehouse network, and enhancement of delivery options (e.g., same-day delivery).
Nordstrom	Upscale department store providing premium products, personalized service, and luxury shopping experience.	Moderate demand uncertainty from changing fashion trends and luxury preferences.	High responsiveness with personalized customer service, efficient stock replenishment, and exclusive in-store experiences.	Enhanced collaboration with high-end designers, leveraging technology for virtual shopping experiences, and extending loyalty programs for customized offerings.
Supermarket Chain	Offers affordable everyday products with convenience and localized presence.	Moderate demand uncertainty influenced by local consumer preferences and economic conditions.	Moderate responsiveness to ensure consistent stock levels and adapt to local demand variations. Efficient inventory management and vendor relationships.	Integration of data analytics for demand forecasting, optimization of store layouts for improved customer experience, and expansion of local sourcing partnerships.
Auto Manufacturer	Produces vehicles with quality, innovation, and brand loyalty across various market segments.	Moderate to high demand uncertainty due to shifts in consumer preferences, economic conditions, and technological advancements.	Balanced responsiveness in production and delivery, managing production fluctuations, maintaining a network of suppliers.	Closer collaboration with suppliers for streamlined production processes, integration of real-time data for vehicle diagnostics, and expansion of digital customer engagement platforms.

Project Planning, Organizing, Implementation (Scheduling) and Controlling

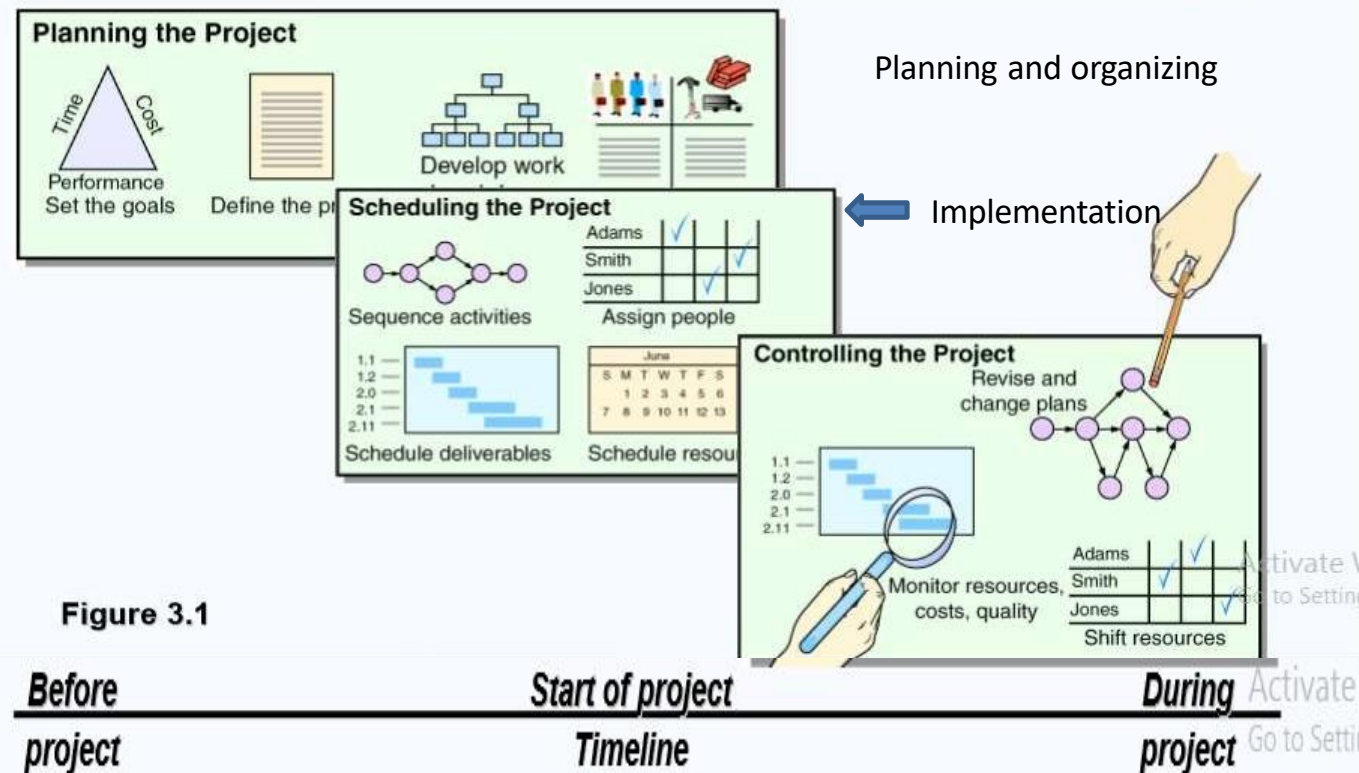


Figure 3.1

BBA- MBA : Bachelor – Master of Business Administration

Why you do it ? learn skills to be a good **Manager** that will help you to pursue various **management** and administrative roles within a company

Management Process : Planning – Organizing – Implementation -Control

Operation Strategy- is the Action Plan to achieve Smooth Operations of Firm or Department to achieve Competitive Advantage



1) Environmental Scanning – SWOT analysis to develop strategy with respect to mission

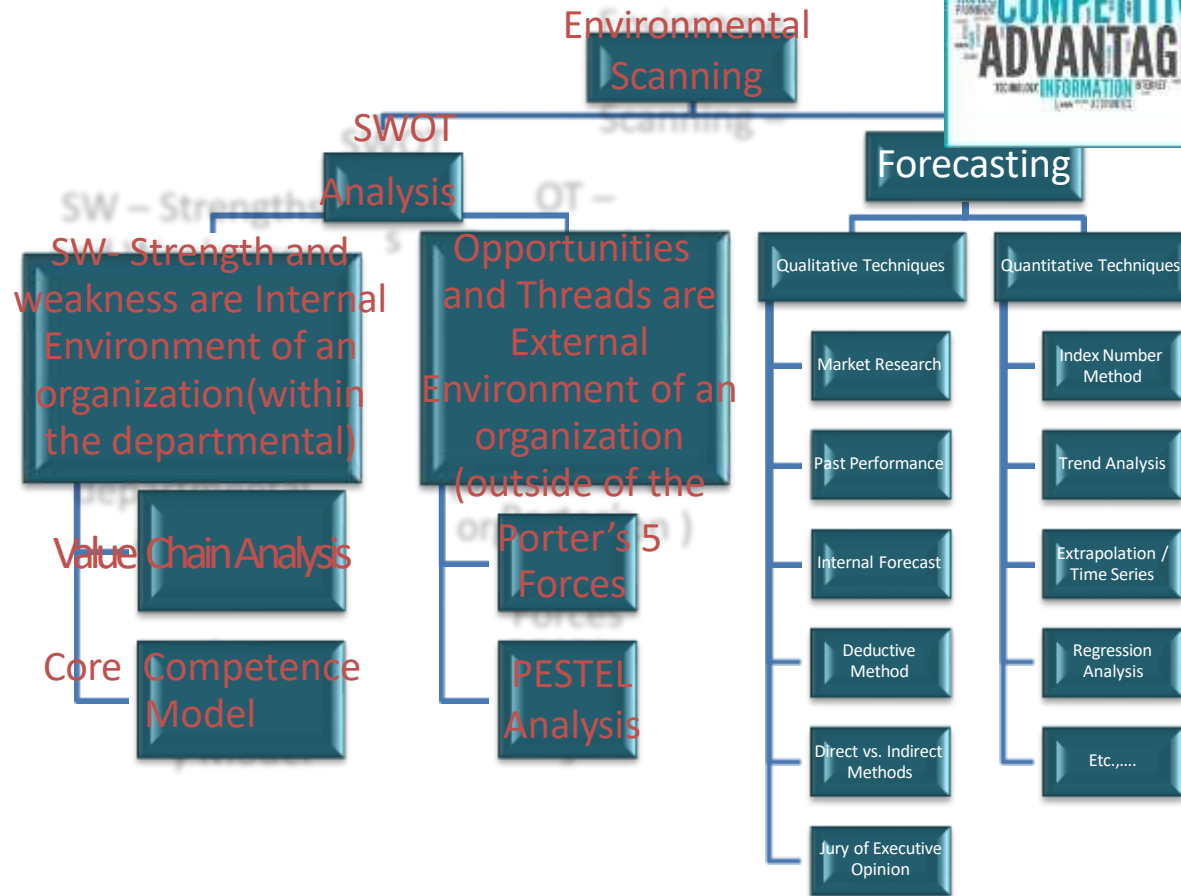
2) Align companies mission with departmental mission

3) Determine the corporate mission and factors

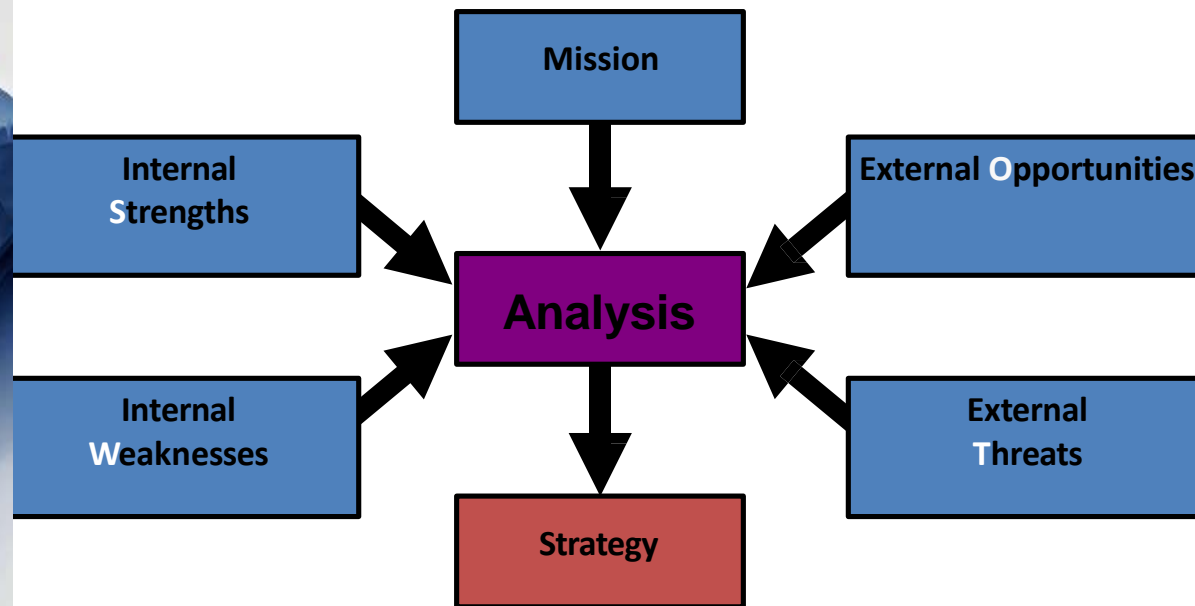
- I know your customer
- Know your SC
- Make best fit solution

Strategic Management Model

1- Environmental Scanning using Techniques

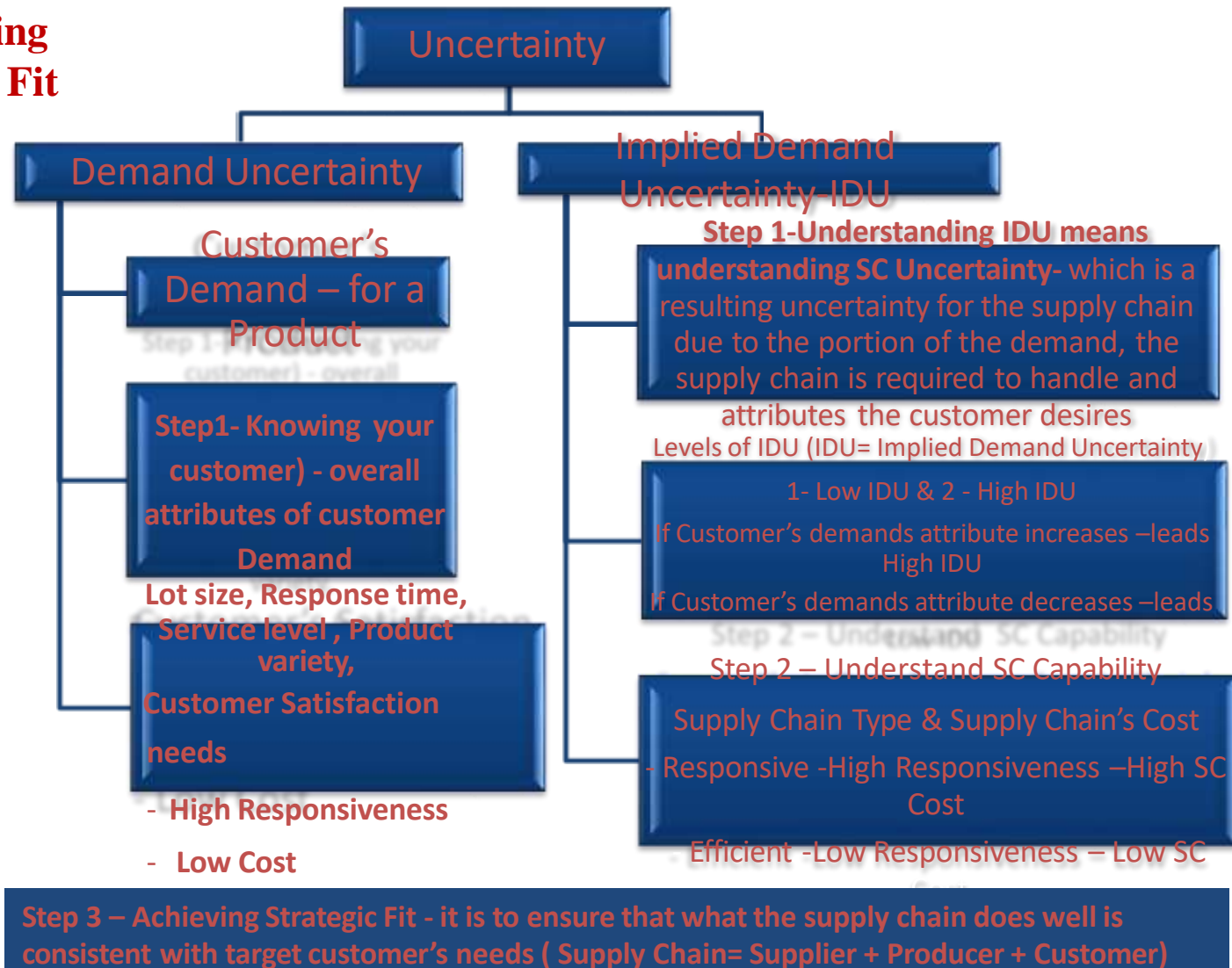


2- SWOT Analysis to develop Strategy with respect to Mission

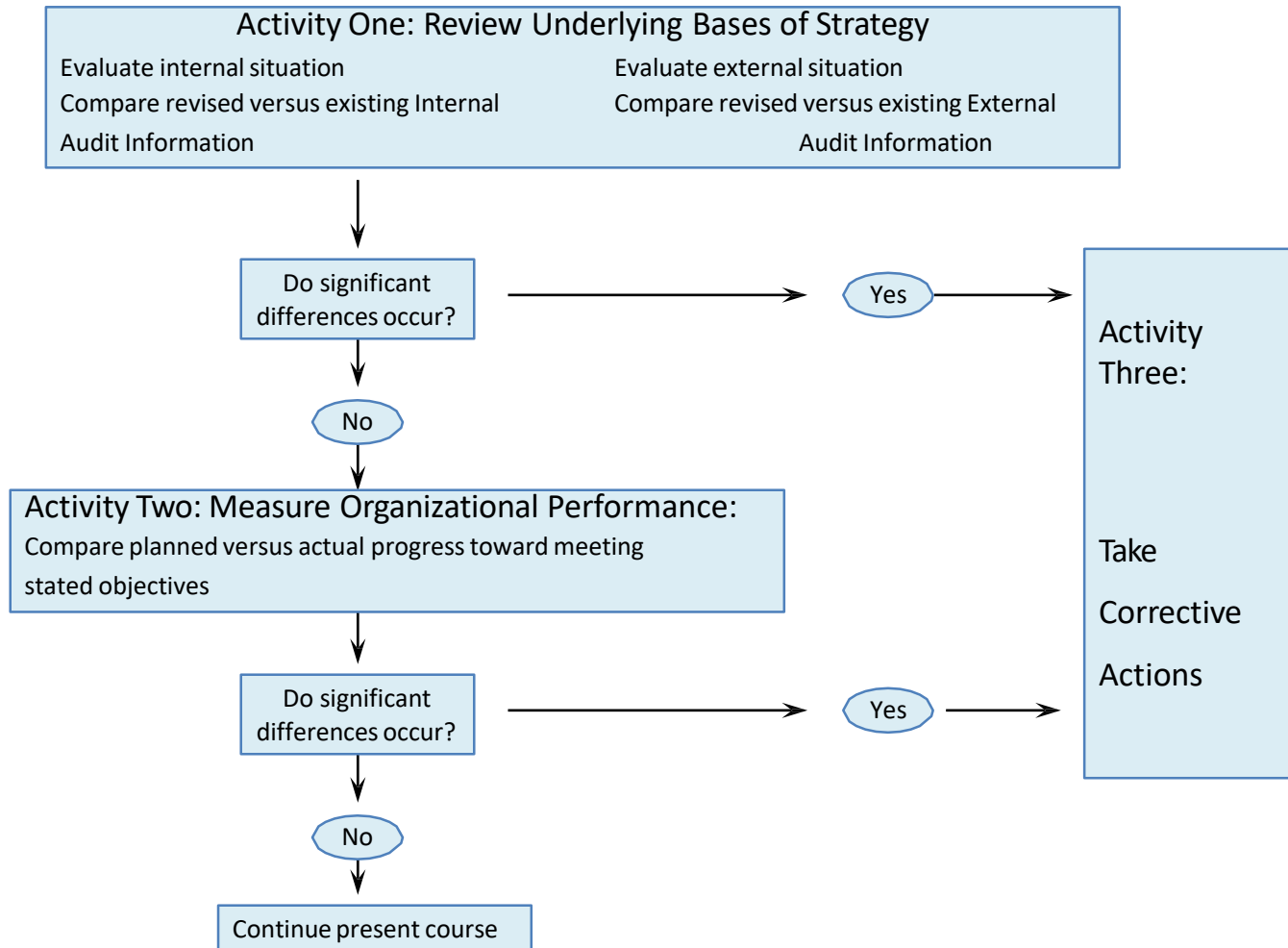


As we know that Mission-> Strategy-> Vision

3- Achieving Strategic Fit

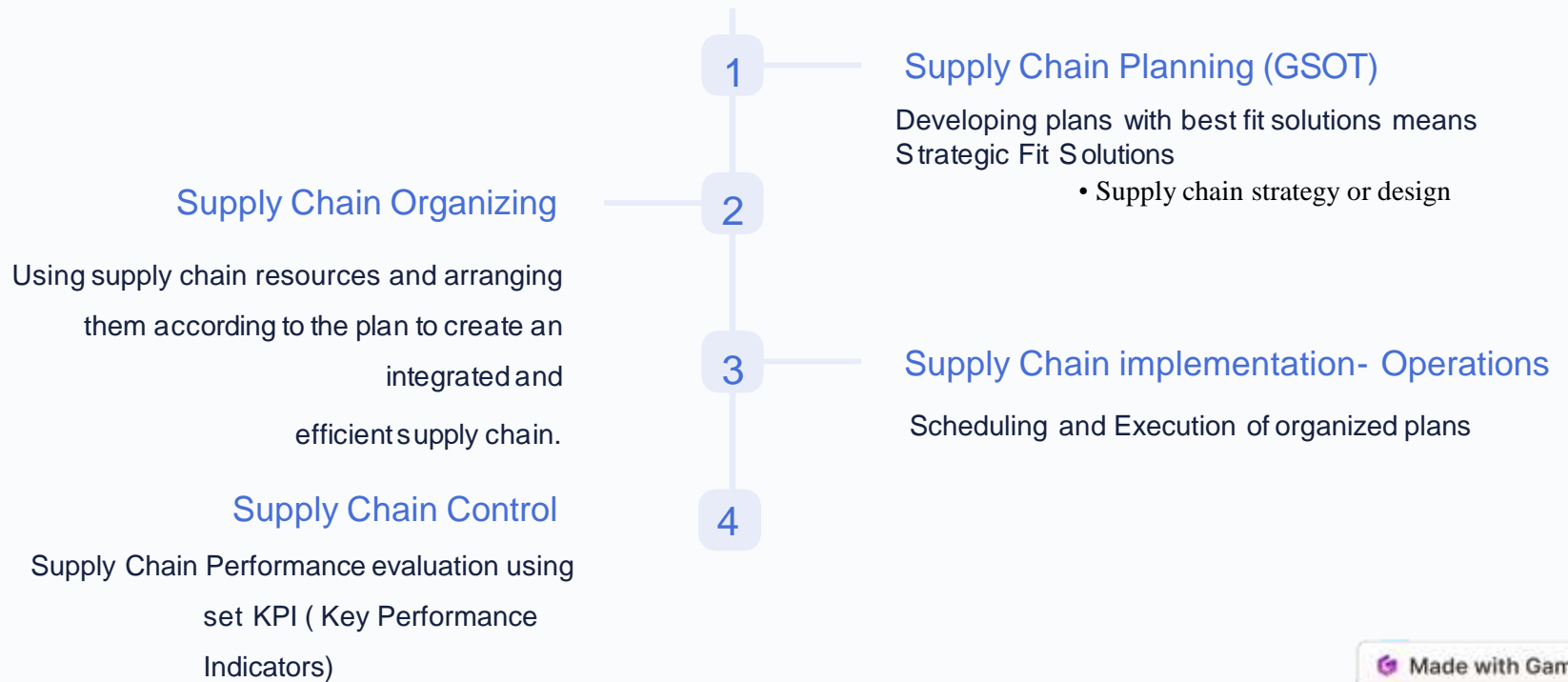


A Strategy-Evaluation Framework (Figure 9-2)



Decision Phases of Supply Chain

As a Manager you have to run Management Process that is
Planning (GSOT)- Organizing-Implementation - Control



Decision Phases of Supply Chain-POIC

Supply Chain Planning

Definition of a set of policies that govern short-term operations

- Planning decisions:
 - Which markets will be supplied from which locations
 - Planned buildup of inventories
 - Subcontracting, backup locations
 - Inventory policies
 - Timing and size of market promotions
- Must consider in planning decisions demand uncertainty, exchange rates, competition over the time horizon



SC Organizing and implementation

- Decisions about the structure of the supply chain (suppliers – producer- customers) and what processes each stage will perform
- **Strategic** supply chain decisions
 - Facilities (where Products to be made like plant / factory / production house or stored like store / DC / Warehouse at various locations)
 - Locations (geographic places: Karachi, UK, Germany)
 - Capacities of facilities like no of customers, no of units
 - Modes of transportation
 - Information systems
- Supply chain design must support strategic objectives
- Supply chain design decisions are long-term and expensive to reverse
- must take into account market uncertainty

Supply Chain Implementation

- Time horizon is weekly or daily
- Decisions regarding individual customer orders
- Goal is to implement the operating policies as effectively as possible
- Allocate orders to inventory or production, set order due dates, generate pick lists at a warehouse, allocate an order to a particular shipment, set delivery schedules, place replenishment orders

Supply Chain Control using KPI

Sourcing KPI :

Days payable outstanding,
Average purchase price
Range of purchase price
Average purchase quantity
Supply quality
Supply lead time
Fraction of on-time deliveries
Supplier reliability

Like sourcing, every department and its areas have their KPI

DIFFERENT LEVELS OF STRATEGY:



Note:

Strategy (action plan) is the part of Planning and is made at every Level Whereas

The term **“Strategic decisions”** means the decisions made at Top Level Management

The following chart shall give some overview

Typical ...	Strategic Decisions	Tactical Decisions	Operational Decisions
Scope	Whole organization	Business functions, business units, or products	Day-to-day business
Change involved	Major	Medium	Minor
Resource implications	Major, often irreversible, risk of sunk costs	Medium, often budgeted	Minor
Nature	Complex	Less complex	Simple, routine
	taken under uncertainty	Often within a particular framework	Highly structured
	unstructured	More structured	Within defined processes
Taken at which level	Top-management	Mid-level management	Lower-level management, operational staff
Frequency and time-frame	Long-term effect	Medium-term effect	Short-term effect of days or weeks
	Infrequent and non-recurring	More frequent, sometimes within a regular schedule	frequent

We can summarize that strategic decisions provide the framework and the gu

Achieving Strategic Fit and Scope



Strategic Fit : **Strategic fit** means that both the **competitive** and **supply chain strategies** have the same

goal. It refers to consistency between the **customer priorities** that the **competitive strategy** hopes to satisfy and the **supply chain** capabilities that the **supply chain strategy** aims to build

1 Why is strategic Fit important?

Strategic Fit of a small organization depicted/showed how well the resources and potentiality matched with the proper opportunities, means matched from internal to the external environment. So it is a key factor in achieving the ultimate gains of the organization so that achieve and carry on success

2 How do you achieve Strategic Fit in S C?

To **achieve strategic fit** companies need to bring consistency between implied demand uncertainty and **supply chain responsiveness**.

1. For a high implied demand uncertainty we need a **responsive supply chain** and
2. for a low implied demand uncertainty we need an **efficient supply chain**

3 What is strategic Flexibility?

Strategic flexibility is the organization's capability

1. to identify major changes in the external environment and
2. quickly commit resources to new courses of action in response to those changes, and
3. recognize and act promptly when it is time to halt/stop or reverse existing resource commitments

Competitive and Supply Chain Strategies

- **Competitive strategy** defines the set of customer needs a firm seeks to satisfy through its products and services.
- **Product development strategy** specifies the portfolio of new products that the company will try to develop.
- **Supply chain strategy** determines the nature of material procurement, transportation of materials, manufacture of product or creation of service, distribution of product.
- **Marketing and sales strategy** specifies how the market will be segmented and product will be positioned, priced, and promoted.

All functional strategies must support one another and the competitive strategy.

Management Process and Organizational Function Matrix														
Org. Functions / Dept.		Primary Activities - SCOR Model							Support Activities					
Management Process POIC		PLAN (Strategic)	SOURCE	STORE	MAKE	W/HOUSE	DELIVER	RETURN	ACCOUNTS	IT	HR	LOGISTICS	R&D	Etc.,
Managers Designations and ID		CEO, GM, DIRECTOR runs SM Op	Purchase / Procurement Mngr runs Pur OP.	Store Mngr runs store OP.	Production Mngr runs Prod. OP.	W/House Mngr runs W/H Op.	Sales/ Marketing Mngr runs Pur OP.	Purchase / Sales Mngr runs Ret. OP.	Finance - Accounts Mngr runs A/C OP.	IT Mngr runs IT OP.	HR Mngr runs HR OP.	Logistics Mngr runs Log OP.	R&D Mngr runs R&D OP.	
10 Critical and Strategic Decision Areas of Operations which each department runs but according to its own domain														
	Type-Service	Directing with Strategies	Purchasing	Storing	Production	W/H n Delivery	Selling	Returning	Accounting	prov. IT Solutions	Prov. Compet Teams			
1- Product -POIC														
2- Process -POIC														
3- Quality- POIC														
4- Inventory - POIC														
5- SCM- POIC														
6- Scheduling-POIC														
7- Maintenance-POIC														
8- HR POIC														
9- Facility's Location and Capacity-POIC														
10- Facility's Layout-POIC														
3 Flows of SCM		Material/ Inventory		RM	WIP	FG								
Accounts	Fund		A/P & O/H	Holding cost, O/H	Direct Lab. O/H	Holding cost, O/H	A/R & O/H							
IT - ERP	Information	DSS	MRP I & II	VMI	OS	WMS	CRM		Fin. Sys	ERP				

How Strategic Fit is achieved? 3 Steps process

Understanding the supply chain capabilities

How does the firm best meet demand?

- Supply chain responsiveness is the ability to

Respond to wide ranges of quantities demanded

Meet short lead times

Handle a large variety of products

Build highly innovative products

Meet a very high service level

1

Understanding the customer and supply chain uncertainty

- Customer - Quantity of product needed in each lot, • Response time , customers will tolerate, • Variety of products needed, • Service level required
- Price of the product, • Desired rate of innovation in the product
- **Demand uncertainty** is uncertainty of customer demand for a product.
- **Implied demand uncertainty** – resulting uncertainty for the supply chain given the portion of the demand the supply chain must handle and attributes the customer desires

2

3

Achieving Strategic Fit

- Ensure that the degree of supply chain responsiveness
- Assign roles to different stages of the supply chain that ensure the appropriate level of responsiveness.
- Ensure that all functional strategies support the competitive strategy

1- Understanding the customer and supply chain uncertainty

Customer Needs and Implied Demand Uncertainty

Customer Need	Causes Implied Demand Uncertainty to ...
Range of quantity required increases	Increase because a wider range of the quantity required implies greater variance in demand
Lead time decreases	Increase because there is less time in which to react to orders
Variety of products required increases	Increase because demand per product becomes more disaggregate
Number of channels through which product may be acquired increases	Increase because the total customer demand is now disaggregated over more channels
Rate of innovation increases	Increase because new products tend to have more uncertain demand
Required service level increases	Increase because the firm now has to handle unusual surges in demand

Table 2-1

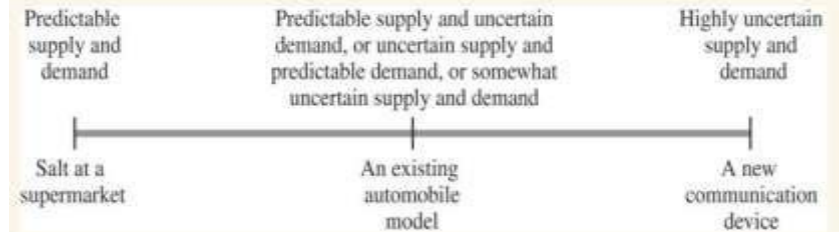
Copyright © 2013 Dorling Kindersley (India) Pvt. Ltd.

Implied Uncertainty and Other Attributes

- Products with uncertain demand are often less mature and have less direct competition. As a result, margins tend to be high.
- Forecasting is more accurate when demand has less uncertainty.
- Increased implied demand uncertainty leads to increased difficulty in matching supply with demand. For a given product, this dynamic can lead to either a stock-out or an oversupply situation.
- Markdowns are high for products with greater implied demand uncertainty because oversupply often results.

How Strategic Fit is achieved?

Levels of Implied Demand Uncertainty



Impact of Supply Source Capability

Supply Source Capability	Causes Supply Uncertainty to...
Frequent breakdowns	Increase
Unpredictable and low yields	Increase
Poor quality	Increase
Limited supply capacity	Increase
Inflexible supply capacity	Increase
Evolving production process	Increase

Table 2-3

2- Understanding the supply chain capabilities

- Responsiveness comes at a cost.
- Supply chain efficiency is the inverse to the cost of making and delivering the product to the customer.
- The cost-responsiveness efficient frontier curve shows the lowest possible cost for a given level of responsiveness.

Cost-Responsiveness Efficient Frontier

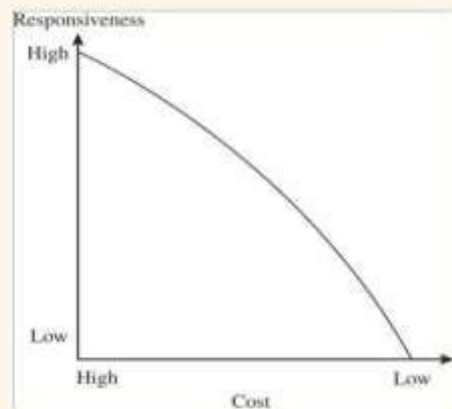
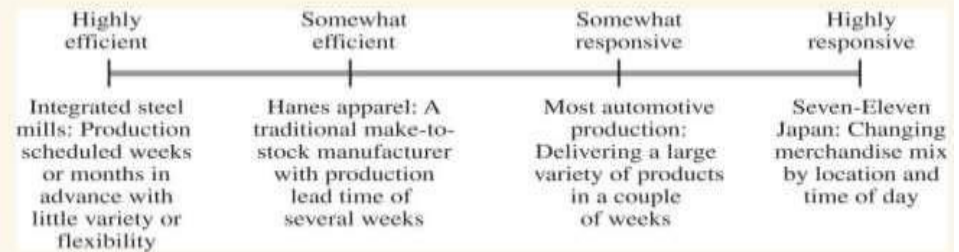


Figure 2-3

Copyright © 2013 Dorling Kindersley (India) Pvt. Ltd.

How Strategic Fit is achieved?

Responsiveness Spectrum



3- Achieving Strategic Fit



Efficient and Responsive Supply Chains

	Efficient Supply Chains	Responsive Supply Chains
Primary goal	Supply demand at the lowest cost	Respond quickly to demand
Product design strategy	Maximize performance at a minimum product cost	Create modularity to allow postponement of product differentiation
Pricing strategy	Lower margins because price is a prime customer driver	Higher margins because price is not a prime customer driver
Manufacturing strategy	Lower costs through high utilization	Maintain capacity flexibility to buffer against demand/supply uncertainty
Inventory strategy	Minimize inventory to lower cost	Maintain buffer inventory to deal with demand/supply uncertainty
Lead-time strategy	Reduce, but not at the expense of costs	Reduce aggressively, even if the costs are significant
Supplier strategy	Select based on cost and quality	Select based on speed, flexibility, reliability, and quality

How Strategic Fit is achieved?

Extend of Implied Uncertainty for the Supply Chain

Chapter 2 • Supply Chain Performance: Achieving Strategic Fit

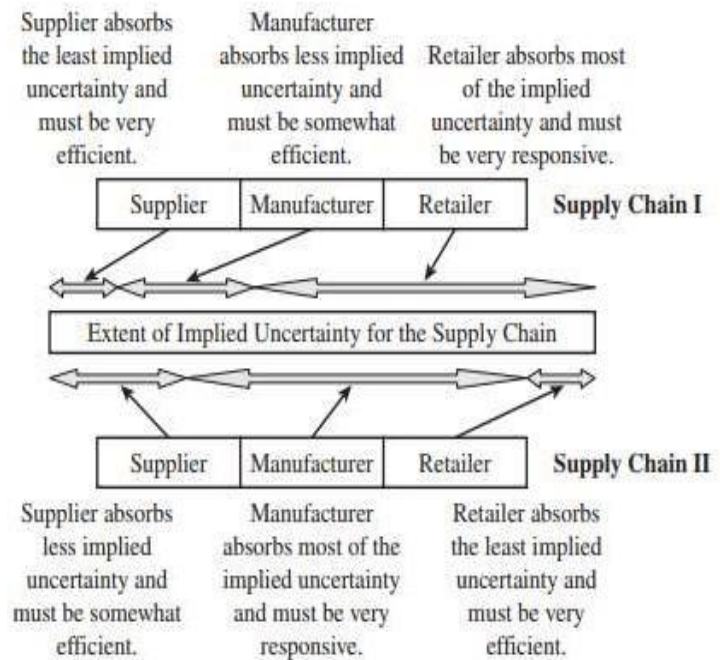
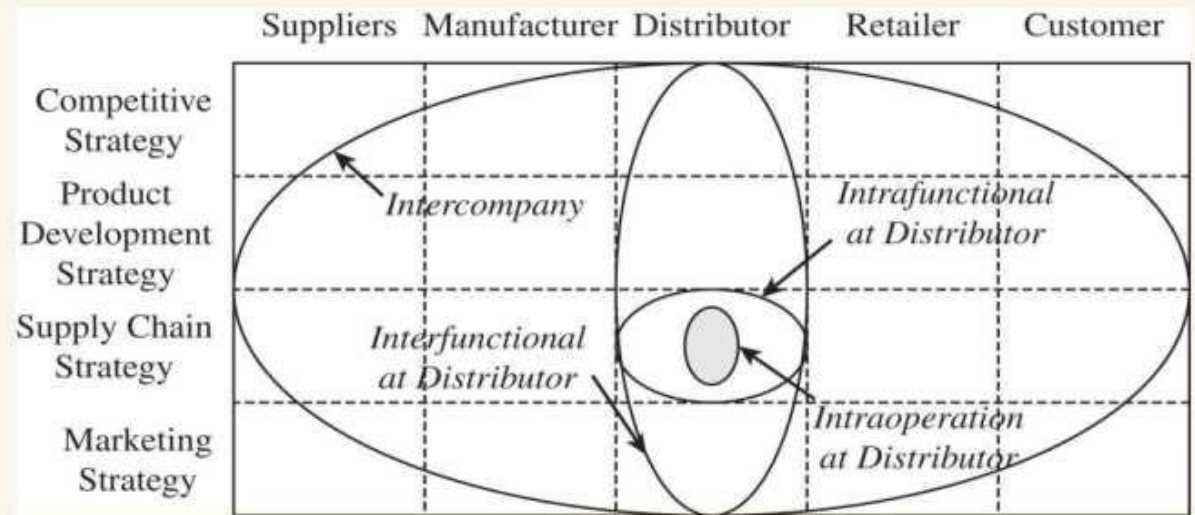


FIGURE 2-6 Different Roles and Allocations of Implied Uncertainty for a Given Level of Supply Chain Responsiveness



Different Scopes of Strategic Fit Across a Supply Chain



Copyright © 2013 Dorling Kindersley (India) Pvt. Ltd.

Figure 2-7

Intra – means single or individual

Inter means among many

Intra-operation Scope: The Minimize Local Cost View

Intra-functional Scope: The Minimize Functional Cost View

Inter-functional Scope: The Maximize Company Profit View

Inter-company Scope: The Maximize Supply Chain Surplus View

Future Trends in Supply Chain Management

1 Technology integration

Explore how emerging technologies can improve supply chain visibility, increase efficiency and reduce costs.

2 Sustainability and social responsibility

See how companies are adopting more sustainable and responsible practices, including circular supply chains and net-zero emissions targets.

3 E-commerce and omnichannel retail

Discover how e-commerce is transforming the supply chain and enabling businesses to create more personalized and seamless shopping experiences.

Conclusion and Key Takeaways

Supply chain management is a key driver of business success. By optimizing the flow of goods and services, companies can reduce costs, improve customer satisfaction, and create new opportunities for growth and innovation.



Thank You