



**Vivek Sood** reveals and discusses the common factors that cause supply chain strategies to fail



# 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 of dollars every year on strategy formulation and implementation. The experience base and case study data set is accumulating and pointing towards some common reasons why these strategies fail. Following is a discussion of six of those common reasons.

#### **Confusion between hope/intention and strategy**

Many people still think 'hope' or 'intention' is a strategy. Let me explain what I mean by this. We have often worked on supply chain



transformation projects where the business strategy is not 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 a very shallow strategic basis in terms of customer segmentation, competitor behaviour, the organisation's own strengths, and so on, on which the expressed strategy was based.

'Strategy' is a well thought-out plan that takes into account all the above factors and many more besides. By its very nature, such a process closes more doors than it opens. Otherwise, it is very easy to fall into 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 reasons for following it, 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.

#### Implementation gap

The second key reason based on our observation is the lack of ability and willingness to implement sound strategy. Strategy is really just a road map, no matter how good it is. Implementation is required in order to arrive at the destination. However, during the journey, several detours are experienced due to political interference, personal biases or other reasons that make it impossible to arrive at the chosen destination.

While, in most cases, the outcome is an improvement, if political interference or personal biases/interests had not intervened, the organisations would end up being in a much better position. Most readers will be able to quote numerous examples from personal experience where the outcomes of supply chain strategies were severely compromised due to implementation gaps resulting from political interference or personal biases/interests of the key stakeholders that should have been adequately explored and taken into account during the strategy setting.

#### 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

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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 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 their own lack of planning, execution skills and discipline.

#### Insufficient hands-on knowledge among the strategists

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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. However, it can be easy for these people to sell their strategies to boards that are frequently even further away from detailed knowledge of the core business of their organisations.



### Proclivity to take the high road

In a story of Honda managers sent to the US to launch the motorbike business in California in 1959, the author described that these people more by accident than design stumbled on the strategy of selling smaller 50cc motorbikes through non-traditional retail channels. While their initial intention, and the directive from headquarters was to sell larger 250cc or higher 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 50cc motorbikes to and from work — which was the reason these bikes caught on. The rest, as they say, is history. Honda is now one of the most respected motorbike brands 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 five star hotels. There is little flexibility in the strategies and no room for humility in the minds of the strategists. Scant regard is paid to feedback from the implementers, who are seen more as self-centred whiners rather than genuinely illuminating emergent issues. Is there any wonder that most strategies fail to achieve the kind of results Honda achieved?

### Short-term focus

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

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Add to that the short average CEO and managerial tenure of three to four years — most people now plan their career accordingly. The first year in the new role is marked by significant new projects and actions, while the rest of the tenure is spent creating the results of the initial plans. Most people know that in most cases the full results will not really be seen until they have moved on. Thus they focus only on short-term results and modulate their actions accordingly.

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 they incorporate. At the same time, they will only succeed fully when implemented with rigour and flexibility. Corporations can save themselves a lot of time and money by avoiding the errors listed above. 

The author is managing director of the Global Supply Chain Group, a boutique strategy consulting firm specialising in supply chain strategies headquartered in Sydney, Australia. More information on Vivek is available at [www.linkedin.com/in/vivek](http://www.linkedin.com/in/vivek) and more information on the Global Supply Chain Group is available at [globalscgroup.com](http://globalscgroup.com)

