

How Supply Chain drives Competitive Advantage

by Mark Millar

Supply Chains are the arteries of today's globalised economy – they enable the international trade flows that empower global commerce. Supply Chains have evolved to reflect the increased complexity of world trade – highly competitive, super connected and changing fast, amidst a volatile global environment.

No wonder that Supply Chain has become an essential topic across all spheres of management and a strategic agenda item in every boardroom.

Twenty-first-century supply chains have transformed into world-wide inter-connected supply-and-demand networks - with profound interdependencies and exposed to the vulnerabilities of our uncertain world. This has led to greater deployment of collaborative partnerships, frequently involving outsourcing and off-shoring, creating elongated networks encompassing multiple stakeholders. Consequently, supply chains have morphed into today's multi-layered, inter-woven distribution networks that enable companies and countries to trade more effectively.

Confirming how these networks enable commerce in an increasingly connected world, the Financial Times' (FT) lexicon describes how "businesses operate in a broader network of related businesses offering particular products or services - this is known as a business ecosystem". They further define this as "a network of interlinked companies, such as suppliers and distributors, who interact with each other, primarily complementing or supplying key components of the value propositions within their products or services".

From the supply chain perspective, Cranfield's Dr Martin Christopher adopts an end-to-end view, articulating the supply chain as "the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer".

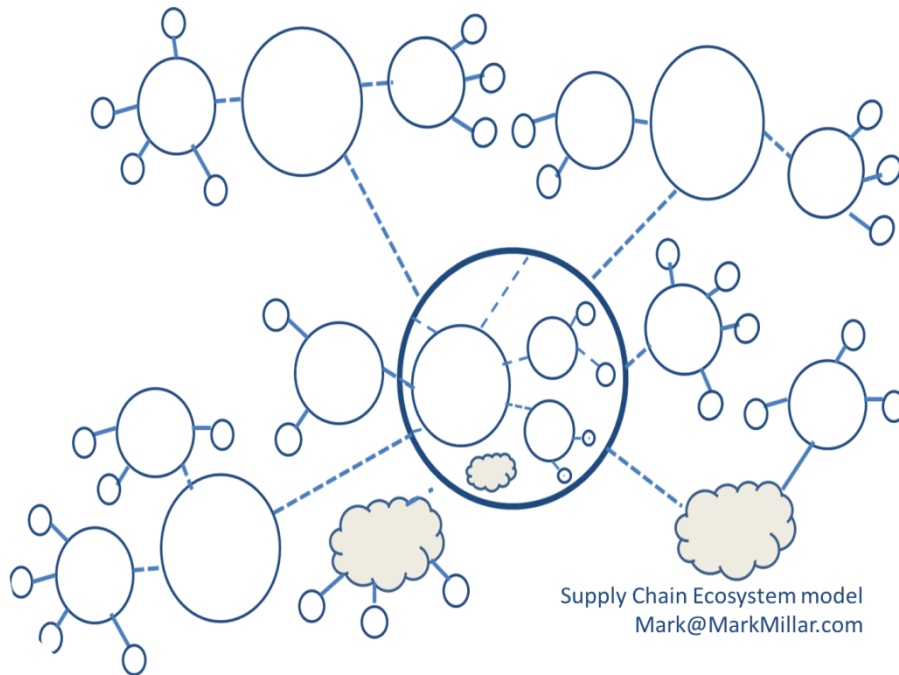
This notion of networks is particularly important, with Dr Christopher reinforcing the key message that modern supply chains are no longer simply linear chains or processes, "they are complex networks - the products and information flows travel within and between nodes in a variety of networks that link organisations, industries and economies".

The linear concept of a chain is therefore no longer adequate to describe today's complex international networks of suppliers, partners, regulators and customers – all collaborating to ensure the efficient and effective movement of products, services, information and funds around the world.

These extended multi-stakeholder networks continue to develop as supply chains have become progressively more global, complex and strategic - we are firmly in the era of Global Supply Chain Ecosystems!

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Connected Supply Chains drive Competitive Advantage

In today's complex connected world, supply chain is more and more recognised as a key source of competitive advantage and differentiation. Companies strive to build powerful supply chains that will enable them to get their products to market faster, more efficiently and more economically than their competition.

For many businesses – particularly those in high tech, consumer electronics, pharmaceutical and fresh produce - time to market and effective distribution channels are critical success factors, and therefore supply chain management competencies and capabilities are what drive competitive advantage.

In that context, there are exciting and evolving synergies between the supply chain and marketing functions, as together they become the principal business drivers for companies in the modern era. Each of them is both a functional discipline and a profession. Taking the broadest perspective of the two disciplines, these functions together embrace all of the mission-critical business activities of a company, with IT, HR and Finance playing important supporting roles.

With marketing comprising the four P's of Product, Price, Promotion and Place and supply chain encompassing the five operational activities of Plan, Source, Make, Deliver and Return, then Logistics becomes the point of intersection and convergence - the essential linkage between the Deliver function of supply chain and the Place (distribution) function of marketing.

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Together therefore, supply chain and marketing are becoming the primary engines that drive the business – hugely influential in driving business growth, increasing market share and generating revenue and profits. The Chief Marketing Officer (CMO) and the Chief Supply Chain Officer (CSCO) will become the most critical leadership roles to sit alongside the CEO and CFO in the enlightened C-suite of the future.

Supporting this concept that supply chain drives competitive advantage for your business, the FT lexicon explains how “Ecosystems also create strong barriers to entry for new competition, as potential entrants not only have to duplicate or better the core product, but they also have to compete against the entire system of independent complementors and suppliers that form the network”.

Conclusion

Any chain is only as strong as its weakest link – and it’s the same with a supply chain, except that within a supply chain ecosystem the linkages are not consecutive and not linear; there are numerous multi-dimensional connections with profound inter-dependencies.

Nevertheless, the strategy of achieving continuous improvement through consistently and persistently working on strengthening the weakest link(s) still applies, and companies adopting such an approach will leverage their global supply chain ecosystem for competitive advantage in our complex, connected world.

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By-line:

Mark Millar is the author of [Global Supply Chain Ecosystems](#) - commissioned and published by Kogan Page of London - in which he presents detailed and practical insights that help companies capitalise on market opportunities, overcome supply chain challenges and make better informed business decisions. www.markmillar.com