Why is it important to connect your supply chain strategy with your business strategy? Follow this report as it journeys through exclusive data collected by Tompkins Supply Chain Consortium and makes a case for the importance of aligning supply chains to business strategies in order to meet company goals. Companies who lack alignment are finding that their supply chain organizations are on their own to meet business objectives. Ideal organizations work to develop a sound supply chain strategy that is aligned with a smart business strategy, along with well-defined performance objectives.

The previous research by Tompkins Supply Chain Consortium in this area indicates that most supply chain strategies are not aligned with business strategy. Why is this? And why are there still so many high performing companies? This report, based on a recent survey conducted by the Consortium, exposes the real thinking behind today’s alignment issues and poses thoughts on why alignment is so important.

Survey Demographics

The survey includes complete responses from 172 participants. What is their level within their organizations? Are they part of the supply chain organization or another area of the company’s management team?

Figure 1: Organization Level and Role - Percentage of Respondents

Figure 1 indicates that nearly 85% of survey respondents are part of supply chain organizations, with 39% at a Vice President role or higher. Another interesting point is that approximately 15% of survey respondents are from non-supply chain roles and would likely have a very different view of alignment compared to those in the supply chain organization.
The survey also divulges information about the region of the world represented by survey respondents. This indicates if other parts of the world have a different view of the alignment of business and supply chain strategies.

### Region of the World

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>75.1%</td>
</tr>
<tr>
<td>Global</td>
<td>13.6%</td>
</tr>
<tr>
<td>China, Hong Kong, India, Asia</td>
<td>5.3%</td>
</tr>
<tr>
<td>Western and Eastern Europe</td>
<td>4.1%</td>
</tr>
<tr>
<td>Middle East, Africa, etc.</td>
<td>1.2%</td>
</tr>
<tr>
<td>South / Central America</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

*Figure 2: Region of the World - Percentage of Respondents*

While three-quarters of respondents are from North America, there are enough global responses to understand if the world view matched that found in North America. This is explored later in the report.

### Survey Data

Is supply chain an enabler of business strategy? This survey question offers an idea about how management perceives its role in business strategy.

### Enabler of Business Strategy

- Yes: 80%
- No: 16%
- Don't know: 4%

*Figure 3: Enabler of Business Strategy – Percentage of Respondents*
A strong 80% of respondents feel that supply chain is an enabler of business strategy. This data point is solid across industries, levels of management, regions of the world, and all other factors differentiating survey respondents from each other. This is a strong statement about the relationship between supply chain and business strategy. A ratio of 5:1 (Yes to No responses) is significant, so clearly the majority of respondents feel supply chain strategies enable business strategy.

The survey next explores how supply chain is viewed overall in the individual’s organization. Respondents could choose from the following options:

1. Positive response about supply chain being a value-add and competitive advantage.
2. Middle of the road answer on supply chain being a standalone function.
3. Very negative perspective that supply chain is excluded from plans for change.

![Supply Chain Organization Perspective](chart)

Figure 4: Supply Chain Overview – Percentage of Respondents

A large majority believe that the supply chain is a source of business value and a competitive advantage. This percentage contains several non-supply chain executive responses. There are also a number of supply chain managers who do not share this point of view. More than one-third consider supply chain as a standalone operating function within the company, and 20% feel supply chain is excluded from plans for meaningful change.

We believe it is fair to say that if an individual believes supply chain is excluded from plans for meaningful change, then alignment of supply chain and business strategy is not exactly taking place. It can also mean there is a poor or nonexistent business or supply chain strategy in place, which might also apply to the response that supply chain is a standalone function. If it is standalone, it is not aligned with business strategy or anything else.
The next question helps to understand where and to what extent leaders think supply chain will contribute to company improvements.

![Supply Chain Improvement Areas](image)

*Figure 5: Supply Chain Improvement Areas – Percentage of Respondents*

In the minds of leaders, cost reduction is the clear forerunner for supply chain contributions. Customer service, inventory, and profitability are all close contenders, with more than 70% of respondents’ votes. Supply chain leaders do not see as strong of a relationship with sales revenue, yet more than half see this as an area of contribution.

Next, and arguably the most critical survey question, asks to what degree there is alignment of supply chain and business strategy.

![Degree of Alignment](image)

*Figure 6: Degree of Alignment – Percentage of Respondents*
It is interesting that nearly 96% of participants believe there is some level of alignment (highly, moderately, and/or slightly) between supply chain and business strategy. If a weighting factor is applied (3 for highly aligned, 2 for moderately aligned, etc.), there is a weighted average value for the level of alignment. The average weighting factor is 2.1 for all survey responses, which indicates a better than moderate level of alignment across all respondents. The Consortium conducts further analysis of this information later in the report to explore other perspectives on alignment values.

**Additional Analysis**

Additional analysis was conducted to compare responses. Comparisons include:

- **Management level with degree of alignment**: Explores how people in different levels of management feel about the degree of alignment between supply chain and business strategy.
- **Region of the world responsibilities (focusing on supply chain)**: Shares how people representing different regions of the world feel about their supply chain organizations.
- **Region of the world responsibilities (focusing on supply chain improvements)**: Explores how people from different regions of the world feel about the contributions of their supply chains to their companies.
- **Region of the world responsibilities with degree of alignment**: Spotlights what people from different regions of the world feel about the degree of alignment between their business and supply chain strategies.
- **Supply chain enablers with degree of alignment**: Provides information about the match between companies that believe supply chain is an enabler and the degree of alignment of their supply chain and business strategy.
- **Supply chain overview with degree of alignment**: Spotlights the match between companies’ perspectives on their supply chain contributions and their degree of alignment.

**Resulting Trends**

<table>
<thead>
<tr>
<th>Degree of Alignment</th>
<th>All Respondents</th>
<th>SC VP &amp; Up</th>
<th>SC Manager/Director</th>
<th>Non-SC VP &amp; Up</th>
<th>Non-SC Manager/Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly</td>
<td>35%</td>
<td>41%</td>
<td>29%</td>
<td>39%</td>
<td>25%</td>
</tr>
<tr>
<td>Moderately</td>
<td>44%</td>
<td>41%</td>
<td>45%</td>
<td>54%</td>
<td>50%</td>
</tr>
<tr>
<td>Slightly</td>
<td>17%</td>
<td>16%</td>
<td>21%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Not Aligned</td>
<td>4%</td>
<td>3%</td>
<td>5%</td>
<td>0%</td>
<td>13%</td>
</tr>
</tbody>
</table>

*Figure 7: Degree of Alignment Comparison with Management Level*

Several clear trends develop from the data in Figure 7. The “VP and up” groups—whether in supply chain or not—believe supply chain and business strategy are more highly aligned, especially for non-supply chain executives. Therefore, the higher people are in an organization, the more likely they are to believe that there is alignment. Non-supply chain managers/directors see the lowest overall level of alignment. Supply chain VPs and up see more
alignment than supply chain managers/directors. Again, this indicates that higher level managers perceive stronger alignment. Weighting factors range from 2.0 for supply chain manager/director to 2.5 for non-supply chain VP and up.

Region of the World — Supply Chain

North America (NA) represents three-quarters of all responses, dominating the overall responses. More than 73% of NA companies feel supply chain is a source of business value and competitive advantage. This is slightly higher than the response of about 68% from global respondents.

A wider gap exists for supply chain as a standalone function. When asked if they see supply chain as a standalone function and if supply chain is excluded from plans for meaningful change, 32% of NA respondents feel supply chain is a standalone function and 18% are excluded from plans. Interestingly, the global stage has a more pessimistic view—almost half feel supply chain is a standalone function and 29% are excluded from plans. Ignoring the impact of the smaller global sample size, people in NA feel their supply chains are of greater value to their companies than did their global counterparts.

Region of the World — Improvements

Across the board, the global company’s percentage of respondents on cost reduction, inventory, customer service, and profitability are slightly higher. Does this mean that global companies provide more noticeable benefits through the efforts of their supply chains than NA companies? The data indicates a five to nine percentage point increase in response rate for global companies.

Region of the World — Degree of Alignment

Overall, NA companies believe their supply chains are more aligned with business strategy than the rest of the world, but not by a very large margin. NA has a weighting factor of 2.3 versus the rest of the world, which has a 2.1 weighting factor.

<table>
<thead>
<tr>
<th>Degree of Alignment</th>
<th>All Respondents</th>
<th>North America</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly</td>
<td>35%</td>
<td>33%</td>
<td>39%</td>
</tr>
<tr>
<td>Moderately</td>
<td>44%</td>
<td>47%</td>
<td>32%</td>
</tr>
<tr>
<td>Slightly</td>
<td>17%</td>
<td>16%</td>
<td>23%</td>
</tr>
<tr>
<td>Not Aligned</td>
<td>4%</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Figure 8: Region of the World Responsibilities with Degree of Alignment

Supply Chain Enablers with Degree of Alignment

For companies that feel their supply chains are enablers of the business strategy, how do they compare in terms of alignment? Companies who indicate their supply chain is an enabler should also be highly aligned organizations.
### Figure 9: Supply Chain Enabler with Degree of Alignment

This notion proves to be true with those that said the supply chain is an enabler; they also scored well on the degree of alignment. Those who say that their supply chains are not enablers have very low percentages of responses for alignment. Companies indicating that they do not know on the enabler question obviously have even lower alignment results.

#### Supply Chain Overview with Degree of Alignment

There is an interesting relationship between survey participants' view of their supply chain organizations compared to the degree of alignment.

<table>
<thead>
<tr>
<th>Degree of Alignment</th>
<th>All Respondents</th>
<th>Yes - Enabler</th>
<th>No - Not an Enabler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly</td>
<td>35%</td>
<td>43%</td>
<td>4%</td>
</tr>
<tr>
<td>Moderately</td>
<td>44%</td>
<td>46%</td>
<td>37%</td>
</tr>
<tr>
<td>Slightly</td>
<td>17%</td>
<td>10%</td>
<td>48%</td>
</tr>
<tr>
<td>Not Aligned</td>
<td>4%</td>
<td>2%</td>
<td>11%</td>
</tr>
</tbody>
</table>

#### Figure 10: Supply Chain Overview with Degree of Alignment

Companies who feel their supply chains add value and have a competitive advantage also believe there is a much higher degree of alignment of supply chain and business strategy. Leaders who feel their supply chains are standalone functions are not as well-aligned as the average respondent. Companies who feel excluded from plans for meaningful change are much less likely to believe they have a high degree of alignment. Clearly, there is a strong relationship between perspectives of their supply chains and how aligned their supply chain strategies are with business strategy.

### Conclusion

The results help to conclude that, in many cases, what supply chain leaders are thinking is contrary to recent research about supply chain and business alignment. The top eight takeaways from this survey include:

- Most companies feel that supply chain is an enabler of business strategy. This is a strong statement about the relationship between supply chain and business strategy.
- A majority of companies feel that supply chain is a source of business value and a competitive advantage. Still, a fairly high 35% think that supply chain is a standalone function.
- As to where the supply chain contribution to the company would come from, cost reduction is the leader.
- The degree of alignment between supply chain and business strategy is quite high. For all respondents, more than 79% indicate they are highly or moderately aligned in their companies.
- The higher in the organization a person is, the greater the degree of alignment between supply chain and business strategy. Also, non-supply chain leaders indicate that they feel the alignment is higher than did supply chain leaders.
- Respondents from NA think their supply chains are of greater value to their companies than did the rest of the world.
- Global companies’ responses are higher on cost reduction, inventory, customer service, and profitability than NA companies. However, the degree of alignment is higher for NA companies than global companies.
- Companies who consider the supply chain as an enabler of their businesses also have a tendency to have a high degree of alignment of supply chain and business strategy.

The survey results provide a clear message about well-aligned companies’ strategies for supply chain and business strategy. The importance of creating a sound business strategy and having a connected supply chain strategy is repeatedly echoed in the survey data. While there are factors that influence the degree to which alignment is important, such as region of the world and management level, the results conclusively indicate that a connection is needed between strategies.

There are also signs that improvements are necessary, such as the lower percentage of companies who believe their supply chains are excluded from plans for meaningful change in company performance. This is not a healthy perspective about how supply chain should be viewed. The Consortium’s view is that supply chain is integral to company success and is an enabler of the entire organization.

The survey data helps to illustrate how individuals see supply chain and business strategy alignment. Another important point is the importance of supply chain and business alignment to improved company performance. The better the level of alignment is, the more likely it is that companies are achieving their objectives for cost reduction, customer service, and other metrics. The importance of an integrated strategy cannot be ignored.
About Tompkins Supply Chain Consortium

Tompkins Supply Chain Consortium is the premier source for supply chain benchmarking and best practices knowledge. With more than 350 participating retail, manufacturing and wholesale/distribution companies, the Consortium sponsors a comprehensive repository of over 10,000 data points complemented by search capabilities, online analysis tools, topic forums and peer networking for supply chain executives and practitioners. The Consortium is led by the needs of its membership and an Advisory Board that includes executives from Domino’s Pizza, GlaxoSmithKline, Hallmark, Ingram Micro, Kane is Able, Miller-Coors, The Coca-Cola Company, Target and University of Wisconsin. To learn more about how your company can become a member of the Supply Chain Consortium, contact Patty Trocchio at ptrocchio@tompkinsinc.com or visit www.supplychainconsortium.com.

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