Abstract. Value creation and delivery have both become the mantra of supply management theorists and practitioners. In the quest to create and deliver value, little focus is placed on the mechanics of developing and implementing value propositions that lead to enhanced performance for all supply partners. The strategic choices made by supply professionals should be based upon carefully conceptualized value propositions. The presentation will identify concrete approaches that supply practitioners can use to make appropriate strategic choices regarding value propositions.

Introduction. Value propositions are the specific means by which organizations choose to deliver value to stakeholders. The process involves delineating the focal areas, harnessing the necessary resources, and matching these resources with marketplace opportunities. Supply managers have both internal and external stakeholders that must be developed, nurtured, and evaluated. It is the responsibility of supply professionals to ‘map out’ the value propositions appropriate at each stakeholder level. Each decision made by supply managers must be viewed from the perspective of balancing risk, long-term opportunity, and effective utilization of scarce resources.

The Concept of Value Propositions. Value propositions are conceptual and pragmatic descriptions of what each partner expects to receive from others in the exchange process. Purchasers have a strategic vision of what they would like to accomplish long-term with a given partner. All supply partners must articulate the strategic picture they envision from the relationship. A precursor to this strategic vision is carefully analyzing the myriad choices from which to select the most appropriate value propositions. This analysis entails understanding, creating, and delivering value.

According to Srivastava, Shervani, and Fahey (1999), value creation involves three fundamental tasks:

1. Developing new customer solutions and/or reinvigorating existing solutions.
2. Enhancement of the acquisition of inputs and their transformation into desired customer outputs.
3. Creating and leveraging linkages and relationships to external marketplace entities, including channels and end users.

What do these tasks mean for purchasers? Purchasers are simultaneously buyers and marketers with the responsibility of developing long-term relationships that help solve problems throughout the relationship life cycle. Purchasers can develop new solutions for suppliers just as marketers have solved purchasing problems. This quid pro quo perspective is an integral part of relationship longevity. If these postures are maintained, value will be both created and sustained over time.
The second part of value creation deals with acquiring inputs and changing them to the outputs desired by customers. Within complex supply chains there are multiple ‘customers’ with varying expectations about how resources should be crafted to satisfy needs. At this point, the results of market sensing efforts allow purchasers to better understand the needs of all supply chain partners and how those needs interface with each other.

The third leg of the value creation tripod involves the developing and leveraging links with external marketplace partners. These partners may include any unit that can facilitate and expedite the exchange process to assist in delivering the value expected. Understanding the tight interdependence between supply chain partners and marketplace realities is an essential part of value proposition development in purchasing.

Hutt and Speh (2001, p. 6) say the following about value propositions:

“Given many strategic paths, the value proposition signals the chosen direction by specifying how the organization proposes to deliver superior value to customers. The value proposition is an important organizing force in the firm because it directs all employees to focus on customer requirements, and it provides the means for the firm to position its offerings in the minds of customers.”

When supply professionals delineate and select strategic paths within the supply chain, they are in effect creating value propositions that impact multiple parties. These propositions are basically roadmaps on how value will be delivered.

**Developing Value Propositions for Supply Management.** Supply managers have become much more strategic in their focus over the past decade. They are more adept at understanding ‘shareholder value’ and its ultimate implications for sustained performance. In particular, there is greater understanding of the role of supply in managing shareholder value at all levels in the supply chain. Some of the most germane phases of the value proposition development process for supply managers include:

1. Understand the strategic nature of supply management. Think specifically about supply’s role in customer satisfaction and developing a market orientation, risk management and financial concerns (cash flow, return on investment, etc.). In particular, this phase requires supply professionals to think about the ‘hierarchy of value.’ This hierarchy recognizes an organizational and systemic view of value at the top. This perspective sets the tone for understanding and inculcating value at each level in the firm. Each level in the hierarchy must have a consistent and compatible view of value that is articulated from the top. This value interdependency drives the whole process of matching organizational resources with market opportunities, inside and external to the supply chain.

2. Understand the key organizational drivers. Where is the organization headed? Why? Where are the challenges/opportunities? What is the risk landscape? These questions should be asked and answered by each partner in the supply chain and others that are tangentially connected to it.

3. Understand the value pyramid. What are the sources of value in the chain? How is value derived? Where are the opportunities to increase value strategically and operationally? At
the base of the value pyramid is the core foundation on which to launch efforts to further enhance value – e.g., changes in inputs, processes, becoming more learning-oriented, knowledge management opportunities, etc..

4. Understand both the macro and micro aspects of value. Strategic supply success is dependent upon making the right choices at the big picture level and the individual unit level. Skillful integration of both perspectives on value are critical to sustained high performance in supply chains.

Malburg (2000) has presented the following as a way to ‘map your company’s path to value’:

A. Identify the firm’s existing resources and assess the strengths and weaknesses of each.
B. Identify the company’s existing skill set (its capabilities or core competencies).
C. Assess the value of current resources when combined with the company’s existing skills (What is their potential to increase sustainable profits?).
D. Identify the gaps that exist between resources and skills that limit maximization of your company’s value, and then determine how best to fill these gaps.
E. Draft a strategy to deploy existing and future resources in the most advantageous manner.

Malburg’s approach identifies a logical and methodical means to delimit the firm’s capabilities at all levels. Supply managers can use these same steps to move into the strategic region of organizational activity.

**Fundamental Questions that Guide Value Propositions.** Supply managers are linchpins in the ever-evolving strategic realm. Given this increased visibility and position at the strategic level, supply professionals must be in a position to contribute some substantive answers in each one of the question categories below.

1. How is value created in the organization? In the organizations of supply partners?
2. How is value delivered in the organization? In the organizations of supply partners?
3. How is value sustained in the organization? In the organizations of supply partners?
4. How is value measured in the organization? In the organizations of supply partners?
5. How is value embedded in the fabric of strategic supply decision making in my firm and in those of partnering organizations? On the other hand, how is value embedded in the fabric of strategic marketing decision making in supplying firms?
6. Does supply management have an appropriate role in delineating value propositions in my organization? What should our role be in strategic choice?

**Summary and Conclusions.** Supply management is deluged with complex choices and an array of uncertainties that must be analyzed and balanced. Full participation by supply in the strategic choices of organizations is a fundamental imperative. Supply involvement in the delineation of strategic options and the establishment of value propositions ensures enhanced levels of future success.
REFERENCES


