

EMERGING SUPPLY-CHAIN STRATEGIES NECESSARY TO EXPAND MARGINS AND MARKET SHARE, BUT ALSO HAVE RISKS

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Chicago, IL, June 27, 2014 - Users are demanding higher quality and faster delivery times from suppliers, manufacturers, and distributors. Meanwhile competition is driving margins down. Therefore, it is more important than ever that firms optimize their supply-chain strategy - both upstream and downstream.

“It used to be that most suppliers and customers would see each transaction as a zero-sum game,” says Tawfiq Ali, principal attorney of the Chicago-based firm Ali Law Practice LLC. “But now we know that while zero-sum negotiation strategies might maximize one party’s bottom-line in the short run, they may be non-ideal in the long run.”

Companies in the tools, engineering, and industrial manufacturing sectors, in particular, are moving to optimize procurement, sales, and logistics through strategic relationships rather than one-off transactions. Some have criticized these sectors for lagging behind others in supply-chain optimization.

“For sustainable cost reduction, speed, and retention, parties should consider collaborative agreements,” Ali says, “where they agree to exchange information that they might have otherwise wanted to withhold to maintain a negotiator’s edge, all to create a win-win long-term relationship.”

Emerging supply-chain integration strategies, however, offer not only opportunities for profit and growth, but also potential risks of conflict or litigation.

As companies change their supply-chain strategies, it is inevitable that some will want to renegotiate old arrangements, says Ali, “and sometimes that means that some parties will break (or be perceived to break) promises.” Ali further notes that “as suppliers and manufacturers enter into longer and deeper agreements,” which are often customized or exclusive (and may include deeper disclosure of potentially sensitive information), “there is always the possibility that those relationships that were originally thought to be mutually beneficial might go sour.”

“When they do, the stakes are usually higher than they would be in a one-off transaction, so it is important that potential conflicts be resolved as early and painlessly as possible,” Ali says. “But if you feel that you are wronged, you must still maintain a strong position so that if there is no immediate resolution, you can limit your losses and protect your rights.”

“Negotiate the supplier-customer relationship with your eyes wide open, monitor the relationship to make sure the parties are living up to the letter and spirit of their agreements, and act promptly and strategically when there is a potential conflict,” Ali recommends. “Your goal is to maintain your edge in markets that are becoming more and more competitive while significantly limiting the risks inherent in supply-chain integration.”

Tawfiq I. Ali, principal attorney of Ali Law Practice LLC, graduated from Harvard College and received his Juris Doctor from Harvard Law School. He served and trained at the famed Harvard Legal Aid Bureau, and at the internationally and nationally renowned law firms of Kirkland & Ellis LLP and Grippo & Elden LLC. He is available for media inquiries and engagements regarding these and other matters.

Ali Law Practice LLC is a law firm dedicated to helping businesses solve and prevent legal disputes in ways that other law firms can’t or won’t, to make a meaningful difference. The firm focuses on business negotiations, disputes, and litigation.

Contact: Tawfiq I. Ali, Principal Attorney, Ali Law Practice LLC, 200 E Randolph St, Ste 5100-24, Chicago, IL 60601 · (312) 970-1847

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