

SUPPLY CHAIN MANAGEMENT: IT'S A JOURNEY, NOT A DESTINATION

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ABSTRACT

Supply Chain Management (SCM) is a cross functional approach that involves management of movement of raw materials, production and movement of finished products to the desired end customers. Overall performance of any organization is significantly influenced by SCM resulting in increase in revenue. The paper is based on the secondary data.

An attempt is being made to analyze the performance of SCM in this paper. A Wal-Mart case study has been discussed in the paper. The researcher also highlighted the importance of Green Supply Chain Management as well as Efficient Supply chain Management. Effective SCM helps to improve inventory management which will ultimately benefits the organizations to avoid the interruptions in manufacturing and also to arrest the bullwhip effect.

It will study how the SCM can improve the overall efficiency of company in various ways like - i) Improvement in the productivity of the manufacturing plants, ii) Storage capacity, iii) Improvement in the transportation vehicles etc.

Key words: Supply chain management, Effective SCM, Green SCM, Inventory Management, Bullwhip effect.

1. Introduction

Germany introduced the concept of SCM firstly to the world in 1982. In 1983, the results of the implementation of SCM was published, which gained currency in mid 1990s. Supply chains were earlier defined as incorporating all the activities that are associated - i) with the movement of goods and the information & ii) process of transforming goods - from raw materials to the end user. Supply-chain management then later was defined on the basis of achieving the competitive advantage.

A competitive advantage can be attained by integrating supply chain activities with the supply chain members coordination and relationship. SCM is a multi-functional approach that involves- i)

management of raw material movements within an organization, ii) production processes that convert elements of raw material into useful finished products & iii) movement of those finished products from the manufacturer to the end customer.

Over the last three decades the concept of Supply-Chain Management has undergone numerous changes and development. Supply-chain management has challenged many ancient ways of doing a business. Number of new ideas and processes has been created like re-engineering, agile manufacturing, lean manufacturing, blue ocean strategy, strategic thinking, etc.

Supply chain is more complex than understood. Supply chain is not just a “chain” but is actually a

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“network” which binds together the suppliers, manufacturers, distributors and the end customers. There can be multiple suppliers and multiple customers which are involved in this network.

Supply-chain management can be viewed as “Value added chain” or “Demand chain”. If the supply chain is perceived with a view of adding value to the activities it will be “Value chain” and if it is perceived as demand originated from the customers, it will be “Demand chain”.

SCM has been interpreted differently by different authors or researchers.

Ganeshan and Harrison^[1] defined SCM as “A link between the facilities and circulation options, that i) performs the purchases of materials, transformation of these materials into semi-finished products & finished products, & ii) the distribution of those finished products to end consumers”.

Lee & Corey^[2] stated “SCM involves the incorporation of activities that takes place among a system of facilities that procure raw material, transform them into semi-finish goods and then final products, & deliver products to customers through a distribution system”.

Christopher^[3] defined the supply chain as “The system of various organizations that involves through up and down linkages, in the various processes and activities that produce value, in the form of products and services for the end customer”.

According to Mentzer and his team researcher SCM is the "strategic and systematic synchronization of a) the traditional way of doing a business & b) the strategies across these business functions within a particular organization and across various businesses within a supply chain, the long-standing performance of the companies can be improved and the supply chain as a whole"^[4].

Supply-Chain Management (SCM) is a vital part of each and every organization, whether small or large. SCM organizes supply chain activities in such a way

that it maximizes customer value and helps in achieving a sustainable competitive advantage. SCM deals with the procurement of material, storage of material, manufacturing of goods and movement of finished products to the desired customers.

Modern SCM incorporates planned arrangement of the entire business process to understand market and also the economic value, also giving a firm a competitive advantage over competitors.

2. Literature Review

Tom Davis (2010) in his study made an attempt to understand the importance of effective supply chain management. The author has discussed several cases which re-evaluated the product family to supply chain. The author concludes stating that approaching the problem with a organization's view can result in higher savings of cost.

Vishal Parmar, H.G.Shah (1998) in their study made an attempt to identify the barriers in implementing SCM in manufacturing organization. The study concludes stating that supply chain management can help organization in acquiring the prominent position in this competitive environment by improving organization's overall performance.

Assey Mbang Janvier-James (2012) in their study stated that supply chains can be successful only if they are efficiently implemented. The researchers in their have used important jargons and theoretical approaches to assess the efficiency of Supply Chains in an organization. The study reflected on some of the important factors which has to be considered while developing an efficiency measurement of supply chain for an organization.

Ayers, JB. (2001) in his study reported that Supply Chain management is the process of maintning, planning and ensuring the satisfaction of end customer needs.

Croom S., Romano P, and Giannakis M. (2000) in their study examined level of analysis and research approaches on Supply Chains. The researchers made

an attempt to classify the Supply Chain Management literature. They concluded describing the research techniques can be classified in two dimensions, empirical and theoretical.

3. Research Methodology

The study is entirely based on secondary data. The researcher has referred various research journals and articles for the study.

4. Fundamentals of Supply-Chain Management

Information flow: Through the entire supply chain there are flow of information such as demand information, forecasting flow, production and scheduling flow, design information flow.

Finance flow: It basically involves flow of money amongst all the participants involved in the network.

Commercial flow: It involves the materials flow from suppliers to distributors and from distributors to end customers. Better Supply Chain Enhanced Business SCM has a massive impact on business as good SCM can result in improved customer service. Delivering the right quality of product at right time in right quantity of desired quality is very important to maintain a good relationship with manufacturers and distributors. Consumers are always keen to know the location from where they can obtain their goods. Consumers also desires a higher level of customer support.

SCM is a branch of a company can assure the consumers that their goods will be distributed on time or as soon as possible. SCM can have a huge impact on the result of a company. A good supply-chain management can improve the overall efficiency of company by improving the productivity of manufacturing plants, storage, and transportation vehicles.

Cash flow can be efficiently managed as the delivery of a product is on time and the consumer can thus purchase their goods.

5. Importance of Supply-Chain Management

It is a known fact that SCM is a fundamental part of most businesses and is essential for the company to success and satisfy the customers. The main importance of Supply-Chain Management are:

Customer services are improved

Customers expect to receive the desired product at expected time of the desired quantity - Supply-chain management ensures that the right product is delivered at right time to the right customer. For example, if a person wants to buy four books from online, and only two of the books of actual desired title arrives, then the customer will lose faith in that particular company, resulting in a bad review..

Customers expect the products to be in hand at right time - Customer satisfaction is dependent on the availability of the required product at right time. For eg. In a garage, if a customer wants to repair the car's brake pads, but the repairing is delayed because the car brake pads are not available, then the customer will be disappointed and move to other option. ·

Service after sales must be done quickly - Customers today, are expecting the service after sales immediately. 2.

Reduction in operating costs

Decrease in Purchasing Cost - Company wants to distribute the expensive inventory so as to reduce the inventory cost.

Decrease in Manufacturing Cost - SCM ensures the delivery of material on time when required for the production, resulting in avoidance of any costly delays in manufacturing.

Reduction in Total Supply Chain Cost - SCM helps in designing of a proficient network of wholesaler and retailers which will ultimately result in meeting goal of customer satisfaction. This eventually results in gaining a competitive advantage over the competitors.

Improvement in financial position

Increase in Profit Leverage - Supply chain managers can help businesses by controlling and decreasing the supply chain cost.

Decrease in Cost - Efficient Supply chain can result in decrease in cost of fixed assets, storage of goods and transportation.

Increase in Cash Flow - Added supply chain value results in improved flow of product to the customers and thus increasing the cash flow.

6. Green Supply Chain Management

The customers are today are becoming more aware of the environmental issues and global warming. As a result, they are more eager to know about the products they are purchasing in terms of the products recycle. Companies today are emphasizing on the how green their production process and supply chain are. Green supply chain management links the environmental issues within SCM.

Green SCM if implemented successfully can help to achieve benefit over the competitors by improving the sustainability of the company. Green supply chain can be ecofriendly. It can i) decrease production costs and it also can shoot economic growth, ii) greater customer satisfaction, positive image can be created which will result in competitive advantage over competitors and iii) opportunities to export the products increases in pro-environmental countries.

Green supply chain management can generate the following advantages to these organization:

Distribution of information, techniques, capital and knowledge among the chain partners.

Transparency of the supply chain.

Large investments and risks are shared among partners in the supply chain.

Better control of product safety and quality.

Increased sales and revenue.

Beneficial uses for waste.

Positive impact on financial performance.

Sustainability of Resources.

Lowered Costs/Increased Efficiency.

Gain competitive advantage over competitors by marketing the products as environmental products.

Reduce the risk of being impeached for anti-environmental and unethical practices.

Enrich brand image in customer's mind.

7. Conclusion

The benefits of an efficient supply chain management system included lead time decreased, inventory turnover increases, exact forecasting of inventory levels, less safety stock and better working capital utilization. The stock-out of goods and the subsequent loss arising out of it was completely eliminated. Supply Chain.

It can be stated that supply chain management when implemented successfully can result in endless flow of goods, information and services from purchasing of raw materials till final delivery of the product. On the other hand, disruptions in supply chain can have an adverse effect on the organization.

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