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Supply Chain Management - Introduction, Philosophy and Global Perspective

KEYWORDS

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DEFINITION

The Definition of "Supply Chain" seems to be common across authors (Cooper & Ellram, 1993; La Londe & Masters, 1994; Lambert, Stock & Ellram, 1998). La Londe and Masters (1994) proposed that a Supply Chain is a set of firms that pass materials forward. Normally, several independent firms are involved in manufacturing a product and placing it in the hands of the end user in a Supply Chain-raw material and component producers, product assemblers, wholesalers and retailer merchants are all members of a Supply Chain (La londe & Masters, 1994).

Christopher (1992 a) defines a Supply Chain as the network of organizations that are involved, through upstream ad 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.

A lot of people are talking about Supply Chains today, but there are so many definitions that often people within the firm are on different pages with what they are talking about and our customers are totally confused. When people are working with different definitions of a Supply Chain, it can make it very difficult for firms to work together toward the concept of Supply Chain management.

Therefore, distinction have been made between various types of Supply Chains. To be more precise, we will distinguish between a "basic Supply Chain", an, extended Supply Chain", an, ultimate Supply Chain", and a partnership". A basic Supply Chain consists of a company, an immediate supplier, and an immediate customer directly linked by one or more of the upstream and downstream flows of products, services, finances, and information.

An extended Supply Chain includes suppliers of the immediate supplier and customers of the immediate customer, all linked by one or more of the upstream and downstream flows of products, services, finances and information. An ultimate Supply Chain includes all the companies involved in all the upstream and downstream flows of products, services, finances and information from the initial supplier to the ultimate customer. Although these studies offer important insights into aspects of Supply Chain management, we maintain that cooperative relationships between two companies are distinct from Supply Chains, because this type of relationship does not involve any one company in simultaneous upstream and downstream relationships. Such dyadic relationships are defined here as partnerships or alliances. All these types of channel structures are represented graphically in Fig. 1 (Houlihan 1998; stevens, 1989).

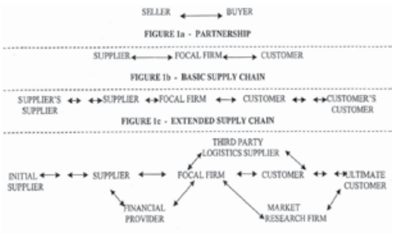

Figure : 1. Types of Channel Relationships

SCM AS A MANAGEMENT PHILOSOPHY

SCM as a philosophy of channel management seeks synchronization and convergence of intrafirm and interfirm operational and strategic capabilities into a unified, compelling marketplace force (Ross, 1998). In adopting a Supply Chain management philosophy, firms must establish management practices that permit them to act or behave consistently with the philosophy. Previous research has suggested various activities necessary to implement an SCM Philosophy successfully (Table 1) .

Table : 1 - Supply Chain Management Activities

1.	Integrated behaviour
2.	Mutually sharing information
3.	Mutually sharing channel risks and rewards
4.	Cooperation
5.	The same goal and the same focus of serving customers
6.	Integration of processes
7.	Partners to build and maintains long-term relationships

SUPPLY CHAIN MANAGEMENT IN GLOBAL PERSPECTIVE

Just as there is a lack of consistency in defining" Supply Chain Management, there is also a lack of consistent definition of what global or international means. Bartlett and Ghosal (1998) identified four distinct business models that differentiate business operating in multiple countries. Each model has different strategic thrusts, organizational structures and management processes, which would suggest different approaches to Supply Chain management. These four model are (a) the multinational company, (b) the international company,(c) the global company, and(d) the transnational company. In the first model, the multinational company typically has operation in multiple countries that operate with a great deal of freedom and autonomy from corporate headquarters or other company operations. In this model, a firm manages multiple domestic Supply Chains in different countries with differing political, economic, and cultural contexts.

The second model, the international company, is one in which the firm is focused primarily on transferring and adapting the parent company's products and ideas to foreign markets.

The third model, that of the global company, treats world markets as an integrated whole and markets as an integrated whole and manages their worldwide operations to serve the global marketplace. The firm's focus tends to be on centralized management of global operations to achieve cost advantages through economies of scale to minimize risk.

These three models have been utilized historically by companies. Operating on a global scale. Bartlett and Ghoshal (1998) suggest that, in the past, each of these three models could be effective, as long as the firm's approach fit the strategic demands of its business. Now, however, increasing pressures toward global integration, local differentiation, and worldwide innovation require firms to manage toward global efficiency, local responsiveness, and worldwide transfer of knowledge and capability simultaneously. Thus to compete now and in the future, a firm must manage its global operations with a different model that utilizes a more balanced approach, becoming what Bartlett and Ghoshal (1998) de-

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scribes as a transnational company. The transnational company operates a dispersed, interdependent, and specialized network of assets and capabilities, leveraging globally where it makes sense, yet being responsive to differences in local markets where required Supply Chains, likewise, take advantage of global networks to achieve scale but operate locally when advantageous, trends Skills and capabilities are developed jointly among worldwide operations and shared across the entire network.

A firm's corporate Supply Chain strategy will differ based on the approach to globalization adopted by the firm (see figure 2). The multinational firm may manage independent domestic Supply Chains in multiple countries, in which case the firm may rely on local managers, suppliers, and transporters, and is not faced with cross-border movements and multiple currencies. On the other hand, international firms may manage imports and exports across national borders, or local Supply Chain in multiple countries, with Supply Chain knowledge and expertise maintained in corporate headquarters in the home country. In this case, the firm must work across countries and cultures and must manage the complexities associated with customers, tariffs, currency exchange, and multiple entities in the delivery process.

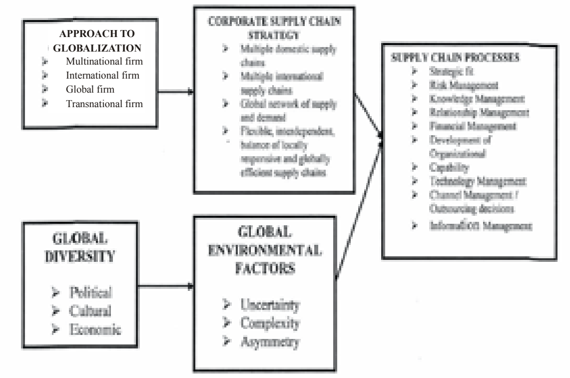

Figure : 2 – Factors Influencing Global Supply Chain Processes

A global company may manage Supply Chains across multiple national borders, operating in an integrated global environment and managing a global network of Supply and demand. In this case, an integrated approach to planning on a global basis is critical, and information technology that gives the firm global Supply Chain visibility and decision making on a global scale is required. Finally, the transnational firm is selective in managing Supply Chain activities both globally and locally, taking advantage of global scale where appropriate knowledge and expertise are developed and shared across operations worldwide, In the case of the transnational company, collaborative planning between local and corporate managers and decision support systems that allow the firm to understand and manage trade-offs become critical.

Thus a firm's Supply Chain management strategy in a global context is dependent on the overall strategy of the firm and on the global business model which the firm adopts. Consequently, the Supply Chain processes and the globalization issues faced by Supply Chain managers are influenced by the approach to globalization and the Supply Chain strategy adopted, as well as by the diversity in the global economic environment.

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