

SUPPLY CHAIN MANAGEMENT

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Introduction

In an organization, if a product is manufactured using raw materials from various suppliers and if these products are sold to customers, a supply chain is created.

Depending on the size of the organization and the number of products that are manufactured, a supply chain may be complex or simple.

Supply Chain Management refers to the management of an interconnected network of businesses involved in the ultimate delivery of goods and services to customers.

It entails the storage and transport of raw materials, the process of inventory and the storage and transportation of the final goods from the point of manufacture to the point of consumption.

Different Links in the Supply Chain

- **Customer** - The start of the supply chain is the customer. The customer decides to purchase a product and in turn contacts the sales department of a company. A sales order is completed with the date of delivery and the quantity of the product requested. It may also include a segment for the production facility depending on whether the product is available in stock or not.
- **Planning** - Once the customer has made his/her sales order, the planning department will create a production plan to produce the product adhering to the needs of the customer. At this stage, the planning department will be aware of raw materials needed.
- **Purchasing** - If raw materials are required, the purchasing department will be notified and they in turn send purchasing orders to the suppliers asking for the deliverance of a specific quantity of raw materials on the required date.
- **Inventory** - Once the raw materials have been delivered, they are checked for quality and accuracy and then stored in a warehouse till they are required by the production department.
- **Production** - Raw materials are moved to the production site, according to the specifics laid out in the production plan. The products required by the customer are now manufactured using the raw materials supplied by the suppliers. The completed products are then tested and moved back to the warehouse depending on the date of delivery required by the customer.
- **Transportation** - When the finished product is moved into storage, the shipping department or the transportation department determines when the product leaves the warehouse to reach the customer on time.

Levels of Activities in the Supply Chain

In order to make sure that the above supply chain is running smoothly and also to ensure maximum customer satisfaction at the lowest possible cost, organizations adopt supply chain management processes and various technologies to assist in these processes.

There are three levels of activities Supply Chain Management in that different departments of an organization focus on to achieve the smooth running of the supply chain. They are:

- **Strategic** - At this level, senior management is involved in the supply chain process and makes decisions that concern the entire organization. Decisions made at this level include the size and site of the production area, the collaborations with suppliers, and the type of that product that is going to be manufactured and so forth.
- **Tactical** - Tactical level of activity focuses on achieving lowest costs for running the supply chain. Some of the ways this is done is by creating a purchasing plan with a preferred suppliers and working with transportation companies for cost effective transport.

- **Operational** - At the operational level, activity decisions are made on a day-to-day basis and these decisions affect how the product shifts along the supply chain. Some of the decisions taken at this level include taking customer orders and the movement of goods from the warehouse to the point of consumption.

Technology and Supply Chain Management

In order to maximize benefits from the supply chain management process, organizations need to invest in technology.

For the optimal working of the supply chain management process, organizations mainly invest in Enterprise Resource Planning suites.

Also, the advancement of Internet technologies allows organizations to adopt Web-based software and Internet communications.

Theories of Supply Chain Management

A number of experts in the field of supply chain management have tried to provide theoretical foundations for some areas of supply chain management by adopting organizational theory.

Some of these theories are:

- Resource-Based View *RBV*
- Transaction Cost Analysis *TCA*
- Knowledge-Based View *KBV*
- Strategic Choice Theory *SCT*
- Agency Theory *AT*
- Institutional theory *InT*
- Systems Theory *ST*
- Network Perspective *NP*

Conclusion

Supply Chain Management is a branch of management that involves suppliers, manufacturers, logistic providers, and most importantly, the customers.

The supply chain management process works through the implication of a strategic plan that ensures the desired end product leaving a customer with maximum satisfaction levels at the lowest possible cost.

The activities or the functions involved in this type of management process are divided into three levels: the strategic level, the tactical level and the operational level.

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