

# Supply chain management essay example

[Business](#), [Management](#)



Supply chain management (SCM) is the management of an interconnected or interlinked between network, channel and node businesses involved in the provision of product and service packages required by the end customers in a supply chain. [2] Supply chain management is the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption.

It is also defined as the " design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally. SCM draws heavily from the areas of operations management, logistics, procurement, and information technology, and strives for an integrated approach.

Supply chain management is a cross-functional approach that includes managing the movement of raw materials into an organization, certain aspects of the internal processing of materials into finished goods, and the movement of finished goods out of the organization and toward the end consumer. As organizations strive to focus on core competencies and becoming more flexible, they reduce their ownership of raw materials sources and distribution channels.

These functions are increasingly being outsourced to other firms that can perform the activities better or more cost effectively. The effect is to increase the number of organizations involved in satisfying customer demand, while reducing managerial control of daily logistics operations. Less

control and more supply chain partners led to the creation of the concept of supply chain management.

The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and the velocity of inventory. Organisations increasingly find that they must rely on effective supply chains, or networks, to compete in the global market and networked economy. [11] In Peter Drucker's (1998) new management paradigms, this concept of business relationships extends beyond traditional enterprise boundaries and seeks to organize entire business processes throughout a value chain of multiple companies.

In recent decades, globalization, outsourcing, and information technology have enabled many organisations, such as Dell and Hewlett Packard, to successfully operate collaborative supply networks in which each specialized business partner focuses on only a few key strategic activities (Scott, 1993). This inter-organisational supply network can be acknowledged as a new form of organisation. However, with the complicated interactions among the players, the network structure fits neither "market" nor "hierarchy" categories (Powell, 1990).

It is not clear what kind of performance impacts different supply network structures could have on firms, and little is known about the coordination conditions and trade-offs that may exist among the players. From a systems perspective, a complex network structure can be decomposed into individual component firms (Zhang and Dilts, 2004). Traditionally, companies in a supply network concentrate on the inputs and outputs of the processes, with

little concern for the internal management working of other individual players.

Therefore, the choice of an internal management control structure is known to impact local firm performance (Mintzberg, 1979). In the 21st century, changes in the business environment have contributed to the development of supply chain networks. First, as an outcome of globalization and the proliferation of multinational companies, joint ventures, strategic alliances, and business partnerships, significant success factors were identified, complementing the earlier "just-in-time", lean manufacturing, and agile manufacturing practices. 12] Second, technological changes, particularly the dramatic fall in communication costs (a significant component of transaction costs), have led to changes in coordination among the members of the supply chain network (Coase, 1998). Many researchers have recognized supply network structures as a new organisational form, using terms such as "Keiretsu", "Extended Enterprise", "Virtual Corporation", "Global Production Network", and "Next Generation Manufacturing System". 13] In general, such a structure can be defined as "a group of semi-independent organisations, each with their capabilities, which collaborate in ever-changing constellations to serve one or more markets in order to achieve some business goal specific to that collaboration" (Akkermans, 2001). The security management system for supply chains is described in ISO/IEC 28000 and ISO/IEC 28001 and related standards published jointly by the ISO and the IEC. ovement.