

Harley davidson and supplier chain management



**ASSIGN
BUSTER**

This report discuss about the importance of supply chain management in business. It pointing into the relationship between supply chain management and quality, buyers and suppliers, different ways to improve supply chain management.

The report initiate with the general definitions of supply chain management and objectives of it. A Few real time examples from the case study are incorporated in order to show the theoretical relation with the real world. Harley Davidson is the only American motorcycle company survived with its fast and big changes in the fast moving motorcycle environments. The report pointing into the lessons learnt by Harley Davidson in their fall in market. Understanding the role of SCM in the entire process was one of the key factors brought Harley Davidson back from the grave. Implementing a process like SCM involve overall changes in the processing. The role of leadership and proper decisions also play vital role in bringing the things to live. Just in Time was another important factor that derived from the case study and it's a common operational factor that can be applicable to any sort of mass production area. Involvement of employees in the quality process will reflect the quality in the overall processes and products of the company. Supplier optimisation is another key term in the report. Selecting perfect supplier, training suppliers in order to bring their standards into the quality, Proper information sharing with the suppliers make the SCM more effective. Also we are discussing some of the future trends in SCM and electronic way of maintaining SCM in the new generation business world.

3. What is Supplier Chain Management?

The global market is drastically changing each day and the technology is advancing faster than time. It is hard to maintain stability in strategies used in business, quality of products and market place of a company. The importance of technological approaches to business is more discussed in these scenarios. Supply chain management is one of the systematically approach and the most important topic to be discussed.

Supply Chain Management is the management of upstream and downstream relationship with suppliers and customers to deliver superior customers value at the less cost to the supply chain as a whole. 1 [Phil Southey, (2010)]

Supply chain management is the planning and managing all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. 2 [James B. Ayers, 2000]

Customer

Supplier

Fig (1) Supply Chain

In simple words supply chain is the network that maintains the flow of materials from its raw form to end product. It involves all the process and logistic of the materials in the network. The information flow along with the flow of processing material play a key role in supply chain management.

Information must be handled properly in between customers, company and

<https://assignbuster.com/harley-davidson-and-supplier-chain-management/>

suppliers. To achieve good quality and efficiency in the product manufacturing the information flow in supply chain must be transparent and fast in network. The network contain suppliers that supply raw material, manufactures spare which is converted into material and then into products, then goes into stores, distributors and then deliver to the retailers, and they bring the product to the end market. This shows the value of chain, without an efficient supply chain we cannot satisfy customers on time . Flaws in supply chain will ultimately reflect in the business with the customers.

3. 1 Supplier development: is defined as any effort of a buying firm with its supplier to increase the performance and/or capabilities of the supplier and meet the buying firm's supply needs. From the buying firm's perspective, effective two-way communication, top management involvement, teams, and purchasing a relatively large percentage of the supplier's output are critical to the supplier development effort³ [D R Krause and L M EUram, 1997]. These are some of the steps involved in the supplier development:

Fig (2) supplier development process⁴ [D. R. Krause et al, (1998)

4. Overview on Harley Davidson

Harley Davidson is the last Surviving motorcycle company in America now. They started manufacturing bikes in the early stage of 20th century. It was the time where gasoline engines where becoming very popular among people. After a long successful run Harley Davidson merged with ' American machine and foundry company '(AMF). This was a milestone in the growth of Harley Davisson. But a major problem evolved after the merge was depreciation of quality. AMF changed the production strategy by the starting

of 1970's and they increased the production tremendously in order to achieve the investment returns fast. But it made the things worse and they started losing their place in market. In addition with that two things add challenges to Harley . First one was less expensive and more refined Japanese competitors and second was the economical recession in that time.

This fall down situation made them think about the pit falls and correct each one to bring the Harley into old position. After the research from the assembly line they end up with the key factor that should give intense attention - Suppliers.

5. Role of Leadership

At the time of 1965 to 1980, Harley was facing lack of money for increasing the capital of the company. And they even proposed AMF to sell the company outside. But it was not easy to sell a company with high capital intensiveness. The proper leaders who available on that time played a great role in coming up with good decisions.

Courageous and decisive leadership can inspire an organization to overcome difficult situations or take quick action. It is through leadership that organizational members are able to achieve senior management's " ideal" vision of the future organization. 5 [Steven H. Appelbaum, Normand St-Pierre and William Glavas, (1998)]

The exact same thing happened in the case of Harley Davidson. The leadership could maintain a future goals and potential of the company and they made decision seeing that. One of such major decision was building up a ' local management' and avoided selling the company outside. They raised

<https://assignbuster.com/harley-davidson-and-supplier-chain-management/>

a good capital and good organizational structure due to this. The second remarkable decision was making the company public in 1980 and raise the capital.

6. Understanding the Objectives of SCM

The revolutionary change from Harley Davidson was turning their attention into Supply chain management.

Fig (3)6 [Phil Southey (2010)]

The above figure explains the major five elements needed for a SCM. Time and information flow make it most significant and different from different style of management implemented by different companies. Information should pass in between, supplier and customer in order to keep the flow smooth. One best example of such a supply chain management is “ ebay. com”. They keep the information very understandable to small retailers, big wholesale dealers and for customers. Inventory management must play a key role in maintaining the supply chain in the proper way.

7. JIT

No Waste

On time Delivery

High quality

Cost Reduction

Utilizing the Minimum Facilities

Fasten the production process

Reduce inventory stocks

Just in time aims in the delivering quality service or product when it is needed. This principle actually synchronizes with the 'lean operations' which always keep the process in such a way to keep the lowest rate of waste in the process output. In traditional production process they always keep buffer stocks to avoid risk and mass production. The main disadvantage of this type of old production strategy is wastage of processes in order to produce additional stock for keeping buffer inventory. And also old method makes isolation between each department of same production line and reducing the dependability of process. Independent departments of same process were highly concentrate on their single production and it effectively end up in the depletion of quality of product. In JIT all the department are highly dependable and faster solution will come up from the overall involvement and it makes a warm environment inside the company.

The quality is another important credible of JIT. The delivery that makes on a demand must be in the highest quality on the delivery. This will make the overall quality of the product good. Because the dependability exists in the process and quality from each supplier reflect in the overall performance. And major concern is to reduce cost of the production. JIT makes it very effective. The major part is done in reducing the inventory stocks. So that the money invested in the stock and storage utilities will reduce into zero. Also the production for demand will increase in high figures because the buffer stock production is removed from the Supply Chain.

In the case of Harley Davidson, they managed to reduce 24 Million worth stock into 4Million by introducing the JIT in the Supplier Chain Management. Also they could able to increase the production rate and quality with this Supply chain Management. They named the Just in time process as Materials As Needed.

8. Internal empowerment – Employees involvement

In the supply chain management employees play a key role in maintaining it in the best way. So involving employees in the quality programs is an out of debate topic. Different companies implement different methods to do this. In the case of Harley Davidson they made couple of steps to do this. The people who do the manufacturing also do the documentation and measuring the quality of the manufactured product. Harley called this a Statistical operator control. Also they formed small Cells, group of employees to discuss the production progress and issues.

Several topologies are offered by Dachler and Wilpert (1978). And Five most on important from those are 7 [Narendar Sumukadas, 2006]:

participation in work decisions

consultative participation

short-term participation

informal participation

employee ownership

representative participation

<https://assignbuster.com/harley-davidson-and-supplier-chain-management/>

The most common and acceptable topologies is the first one. Participate employees in the work decision and productive opinions are taken into account. Before optimising the suppliers, we need to empower our internal structures. This was the same methodology used by Harley Davidson, they trained the employees on the change in process like Just in time. After doing such training they called the suppliers for transfer the knowledge they gained in the process and training programs. So all together the Total Quality of the company will definitely reach heights. All these topologies are considered to be the part of Total Quality Management.

9. Optimizing and developing Suppliers

The term Supplier optimisation includes four main properties

Selecting Suppliers

Managing Suppliers

Development of product through Supplier

Selecting process mainly concentrate the attention into three basic feature of supplier, Product capability, process capability, Relation capability. In some broad view of business suppliers can be considers as the business partners. So they must be in the same wavelength of the customer. Top management always go for good analysis in selecting long term suppliers. So that communication among the customers and suppliers will have flexibility it will end in good productive goals of company. So supplier must act as a cross functional team of the company.

We can either adopt single sourcing or multiple sourcing Managing sourcing methods. Both have its own advantages and disadvantages. The factor of using these methods in the proper time is the success of managers. Keeping multiple suppliers will result in competition among the suppliers and it will end in the decrease of price. Where in the case of single source, the long term relationship will be strong and information flow will be more reliable and effective.

These are some outcomes of good supplier development

Increase the on-time delivery

Reduce the cycle time (from order placement to receipt, inclusively)

reduce our product/service cost

supplier to help in improving product design

contributed to increasing our product/service sales. 8 [Daniel R. Krause (1997)]

10. Future trends in SCM

The concepts of SCM are becoming wider in the new generation business world. It is now not only the relationship management between suppliers and customers. It's the key factor that play important role in strategies of business. The technology changes made the SCM move into the electronic world. Most of the companies are implementing sophisticated software applications to maintain the supply chain. 'SAP' is a very good example for the digital version of management. The technical terms like CRM (customer

relations management) ERP (Enterprise Resource Planning) are more significance in the modern supply chain management.

The success of supply chain management at this strategic level requires considerably more integration with other enterprise systems. Since many business targets and performance indicators are established in the budgeting process, efficiency demands that the planning, budgeting, sales and marketing, and SCM systems talk with one another. Gisela Wilson, director of product lifecycle management solutions program at International Data Corp. (IDC), Framingham, Mass., reports that the ability to integrate with other back-end systems has become one of the most important features of SCM tools. 9 [Katrina C. Arabe, 2003]

11. Conclusion

As discussed in the report SCM is one of the key factors that maintain the business in its smooth run. From the case study , the main points came into notice are, understanding the problem and solving it in the proper way is the ability if good leadership. And total quality management and its high relation with supply chain management. Suppler selection, managing suppliers and optimising suppliers are three most important properties of SCM. The advantages of Just In Time reduce the product cost and improve the quality of product or service. Involvement of employers in the quality process and decision making refine the production process and ultimately it reflect in the profit and quality of product. Moreover adaptability makes the companies survive in the fast moving environment. According to Darwin's principle "Survival of the fittest" it must be the slogan that drives the companies in the fast changing and competitive world.

References:

Phil Southey, (2010) Supply chain management, lecture notes: Coventry University

James B. Ayers, (2000) , Supply Chain Project Management: A Structured Collaborative and Measurable Approach, Second Edition, by ISBN: 978-1-4200-8392-7

D R Krause and L M EUram (1997), European Journal of Purchasing & Supply Management, Vol. 3, No. 1, pp. 21-31

D. R. Krause et al, (1998), Journal of Operations Management, page 39-58

Steven H. Appelbaum, Normand St-Pierre and William Glavas,(1998) Strategic organizational change: the role of leadership, learning, motivation and productivity Management Decision , page 289-301)

Phil Southey, (2010) Supply chain management, lecture notes: Coventry University

Narendar Sumukadas, 2006, International Journal of Quality & Reliability Management Vol. 23 No. 2, pp. 143-161

Daniel R. Krause (1997) , International Journal of Purchasing and Materials Management , Spring 1997, page 12-18

Katrina C. Arabe,(2003)The Future of Supply Chain Management , March