

Tasks on strategic supply chain management and logistics



1. 1 Supply Chain Management and Organizational Objectives

According Harland, C. M., " Supply Chain Management (SCM) is the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers." [1] Essentially, this is a process that facilitates the movement of goods from the customer order through the multiple stages involve. These stages span from raw materials, to supply, to production and finally to the distribution of products to the customer.

Organizational objectives, on the other hand, refer to the practice of defining objectives within an organization. These objectives are usually disseminated throughout the organization through a Corporate Mission Statement and its sole purpose is aimed to maximize performance by aligning goals and subordinate objectives throughout the organization.

Why is it important?

With the advent of newer technologies and globalization, SCM has become a tool to garner competitive advantage at both the local level and a global scale. The business climate today has evolved to become one that is more competitive than ever. Organizations now need to identify their core competencies and distinguish itself from its competitors. As such, companies are forced to rethink their strategy and focus on their core competencies to ultimately meet the organizational objectives of the company. SCM allows organizations to re-assess their entire operation and work through their supply chain processes to align them accordingly to their core competencies.

A proficient SCM will bring about significant improvement in the market positioning as well as gaining a competitive advantage. In addition to that, SCM also provide a value advantage whereby the organizations can offer products that have a differentiated advantage.

Organization

Importance of SCM in achieving organizational objectives

HMV Group

Proficient SCM will help HMV capitalize on the full potential of the music market.

Supply the best offerings and widest range of products.

Achieve turnover in their Waterstone's business unit.

GlaxoSmithKline

Proficient SCM will allow GSK to deliver more products of value

Help them in their foray into Emerging Markets and high growth regions, and achieve their objective of growing into a diversified global business.

British Telecom

Proficient SCM will help free their resource and allow them to focus solely on their customer service.

Allow them to gain value advantage and develop more innovative products and solutions for their end-customers.

1. 2 Relationship between SCM and the Organizational Objectives?

All organizations will inevitably have different mission statements and objectives. Simply put, organizations, regardless of size, need to have a supply chain framework in place to satisfy the provision of goods and services to the end-consumer. A good understanding of the basic SCM concepts will be paramount for an organization to gain control of its SCM operations. In the case for NewG Furniture, it can work towards attaining its objectives by first identifying the underlying functions of existing departments and defining the role each plays in the supply chain process.

The three local organizations I have selected to delve deeper in my research are HMV Group, GlaxoSmithKline and British Telecom. I will stress on each of their organizational objectives as well as their competencies on the SCM process and identify the steps they have taken to achieve these objectives.

HMV Group

HMV is a British global entertainment retail chain that “ offers a specialist and eclectic range of products, services and experiences”[2]. First established in July 1921, it has gained recognition for its ‘ dog-and-gramophone’ trademark and its ninety year heritage in bridging customers to entertainment scene while providing a wide range of merchandise in music, film, games and books. HMV today boast a global operation that provides access to popular culture through a number of complementary channels:

285 stores in UK and Ireland that offers comprehensive selection of music, film, games and books across all genres and platforms, a broad range of technological gadgets and accessories, artist and in-house fashion merchandise.

An online platform and internet website to facilitate online sales.

“ Offer live music and entertainment through the sale of the event tickets via hmvtickets online and instore”[3].

Operates a pay-to-play gaming base instore for online gaming and has ongoing strategic partnerships with several vendors including Orange Mobile in-store concessions in over 25 stores.

Strategy

HMV Group has followed a three-year transformational plan to build the company towards profitability. This medium-term strategy had a core focus on its overall offerings to garner more sales in new product categories and lead in changing markets for music, visual and games. Its' strategy also included growing its live and ticketing venture to build upon their leadership in place in the digital space as well as work on the revitalizing and repositioning of the Waterstone's brand to maximize their sales in the Border bookstores. In a nutshell, their strategy/objectives are outline by the following bulletpoints in their annual report[4]:

Continue to evolve the HMV product mix into related areas of entertainment

Attain growth in live and ticketing, and fully capitalize on the value of music market

Achieve turnaround at Waterstone's outlets by focusing on the core strengths

Business Functions

The world of HMW introduces customers to the music, film and games they love. This is their vision, their passion and these objectives are achieved primarily through the three functions that includes: (i) head office - which comprises of 8 separate departments; (ii) in store - the people who work on the sales floor, and run stock room as well as the daily operations of the brick-and-mortar outlets; (iii) distribution - which plays a critical role in the supply chain to facilitate the delivery of stock to the retail stores and customers.

The head office operates 8 departments that come together to offer full support to their stores, warehouses and their online business to bring them closer to bridge the gap between customers and the music, film and games they love. These functions include finance, human resources, marketing, e-commerce, operations, IT, supply chain and product. Breaking down these functions and detailing their role in the organization, we have:

Finance: This function in HMV is to keep track of sales and profit performance across all areas of the business. They are responsible for creating a budget and provide support in the planning process to ensure a positive return on equity on their investments/projects.

Human Resources: This function in HMV is responsible for the employment development programmes and facilitation in the areas of recruitment, performance management, communication, employee relations and payrolls.

Marketing: This function is in charge in the design and delivery of their media strategy to help drive sales. They are also involved with the advertising campaigns and loyalty programme.

E-Commerce: This function within HMV centers around creating an online experience for the end-consumer, by the management of the operation of website - online marketing activity, online sales, online viral video clips, online promotions, and etcetera.

Operations: The operations team at HMV is concerned with “ improving operating standards and overall efficiency in their stores”[5]. They are also run a dedicated customer service team to drive the improvement in their HMV stores and support new initiatives.

IT: The IT department’s duty is to manage the IT infrastructure and develop the tools and systems necessary to improve efficiency and service to customers.

Supply Chain: HMV’s supply chain department ensures the efficient procurement of their stock to their stores and online customers. This function is critical to the daily operation of HMV business activities, and work closely with the distribution business unit at HMV.

Product: This function in HMV centers around the delivery of depth and breadth in the titles and genres HMV carries instore and online. They facilitate
<https://assignbuster.com/tasks-on-strategic-supply-chain-management-and-logistics/>

the product negotiations and are responsible for securing the best offers to bring their vision of bridging customers with the music, films and games they love to fruition. In addition to that, they are involved in promotional campaigns, and the maintenance of the latest range of products both instore and online.

Supply Chain Objectives at HMV Group

As a renowned chain retailer, HMV Group has to ensure its supply chain objectives are met through the cohesive collaboration between their 8 departments. Some of the objectives that are met are:

Product department to ensure stock is sources at the lowest cost, and HMV has stock to some of the latest range of products both instore and online.

Ensure efficiency in the distribution of goods in the delivery of stock to retail stores and customers.

Protect a £166 million of new product sales, and increased their entertainment market share by the launch of their loyalty programme.

Achieve a £30 million of cost savings and project more savings going forward with the implementation of a new supply chain for Waterstone.

Conduct assessments on suppliers through collaboration with local producers to attain cost savings in logistical cost.

GlaxoSmithKline

GlaxoSmithKline (GSK) is a global pharmaceutical, biologics, vaccines and consumer healthcare company headquartered in the United Kingdom.

<https://assignbuster.com/tasks-on-strategic-supply-chain-management-and-logistics/>

Globally, it is the third[6]largest pharmaceutical company by revenues and has a diversified portfolio of products for major disease areas to oral healthcare product, nutritional drinks and over-the-counter medicines. It is one of the constituent on the FTSE 100 Index, and is listed on the London and New York Stock Exchange.

GSK has made significant progress to transform its business model. Notably, they are focused on the delivery of three strategic priorities to bring about higher growth with minimal risk and ensure improve long-term financial performance. Moreover, GSK has also been taking action to become more flexible and responsive toward the fulfillment of their social responsibilities. Their organizational objectives or strategic priorities are outlined in their annual report as the following[7]:

Grow a diversified global business through the creation of a more balanced product portfolio and its reliance on traditional “ white pill/western markets”. GSK has expressed their intent to foray into Emerging Markets in bid to diversify their primary revenue streams.

Deliver more products of value with the objective to maintain high quality, industry-leading pipeline of product. This is in line with their R&D strategy that centers around producing the best science and improving the returns on investment.

Simplify the operating model by transformation of their operating model to reduce the complexities, improve efficiency and cost reduction.

Business Functions

GSK's business motto is to bring about an improvement in healthcare and be in the forefront in the development of medicines and vaccines. Their vision, simply put, is their commitment to improvement of the " quality of human life by enabling people to do more, feel better and live longer"[8]. GSK categorize their departments accordingly six separate business units and that follows[9]:

Sales and Marketing: This function at GSK is responsible in marketing and selling some of GSK's leading pharmaceutical products.

Finance: The finance function at GSK is responsible over the financing decision of the firm and help drive the growth of GSK's overall business.

Purchasing: This function at GSK centers around the management of their suppliers, and are responsible for the project management, supplier conditioning and negotiation, and stakeholder engagement.

IT: Enable GSK to operate the business more efficiently through technology.

Engineering: The engineering function leads the rapid commercialization of GSK products, where the people here are in collaboration with the other business units to " ensure the smooth and rapid transition of newly developed products into full-scale manufacture"[10].

Science: This is the research and development arm of GSK, where Scientists utilize the vast resources at GSK to bring their ideas to life.

Supply chain objectives at GSK

The primary supply chain objectives are met through GSK's purchasing business units, while working in conjunction with the other business units to deliver some of its key targets. These for the fiscal year of 2009 include:

Manufacture of over 4 billion packs per year in 28, 000 different presentations[11].

Efficient operation of its procurement responsibilities' by working together with external suppliers to purchase raw materials[12].

Supply of cost-competitive products with no compromise in the quality

“Leverage their network of sites and contractors to provide flexibility to sustain future growth and adapt to emerging commercial business models”[13].

Leverage the use of technology to support the process of understanding, control, and capability and drive innovation, cost-savings and provide flexibility in operations.

Collaboration with purchasing and science is necessary to ensure the right technical competencies are in place to support rapid and successful new product information.

Focus on customer services and providing additional support for new product launches.

British Telecom (BT Group)

British Telecom or also known as the BT Group plc (BT) is a global telecommunications services companies headquartered in the London, United Kingdom. It is one of the largest globally, and its operations span more than 170 countries. It is in the business of supplying telecommunication services to corporate and government worldwide, and also supplies services such as telephony, broadband and cable television in the United Kingdom. It has over 18 million customers, and is a public company listed on the London and New York Stock Exchange.

Its business model is driven by its customer services in line with its mandate to be one of the leading telecommunications providers in all parts of the UK by 2015. BT's organizational objectives are laid out in the annual report with the following:

To improve their headline revenue and increase the cash flow to its operations

Grow its business and expand its market share through a sustainable matter that is beneficial for both customers and society

Take advantage of global growth opportunity by committing investments in fiber, television in other parts of the world like the Asia Pacific region

Core focus of the provision of superior customer services to attract returning customers

BT's strategic focus is centered on improving their customer services. This has resulted in significant reduction of faults and complaints. BT has continued to invest in training, systems and processes to deliver a better overall customer experience. These are possible through the collaboration of their different business units, and according to their career website[14], BT is structured as:

Business Management: This department comprises of a myriad of roles that are would include product management, corporate sales, customer management, client engagement and business improvement. This function here is concern about delivering a strong customer focus with their acquired business skills.

Marketing and Media: This department at BT Group is where their creative minds are placed, where they go beyond telecommunications and are more involved with exploring the new markets and marketing the BT global brand image.

Finance: The finance department at BT Group is responsible in making the financing decision of the firm to help drive the growth of BT's overall business.

Supply Chain: The supply chain department is BT's in-house logistics provider, in charge of " providing global end-to-end supply chain solutions for the whole of the country"[15].

Legal: BT's in-house legal team to handle the bulk of BT's legal needs from employment law, to litigation, competition and commercial contracts.

<https://assignbuster.com/tasks-on-strategic-supply-chain-management-and-logistics/>

Technical: This department is responsible for ensure BT remains at the cutting edge of technology, and make use of technology to optimize the other business units at BT.

HR: The HR business function at BT supports the employee development at BT to develop a culture where everyone can succeed to the best of their ability. It is also responsible with the selection and recruitment process to ensure that they have the human capital necessary to meet their business needs.

BT is a firm with big ambitions, striving to be the global supply chain partner of choice by “ meeting the needs of different customer groups in more than 170 countries around the world”[16]. Their supply chain department as the in-house logistics providers would have to work in conjunction with all parts of the business, together with 3rd party logistics partners to provide the flexible supply chains to meet their customer’s demands. Some of the supply chain objectives that are met with the help of its business functions include:

Development and move towards new markets

Ensure customer service delivery to meet consumer demands and provide customer satisfaction

Leverage the use of technology to facilitate the global end-to-end supply chain solutions.

Focus on reducing costs across all business and deliver absolute levels of cost reduction

Continued investment in their infrastructure such as their networks, systems and services to ensure the outstanding overall customer experience

1.3 Produce presentation for NewG

Using information collected on the 3 different types of well known organizations, NewG can take on a similar organizational structure and set appropriate departmental goals to serve as a basis to work towards the organizational objectives. Having good supply chain will enable them to optimize their operations and achieve the strategic objectives of NewG Furniture. Let's assume the supply chain objectives of NewG Furniture:

Take advantage of global growth opportunities and expand its market share

Leverage the use of technology to optimize their departmental strengths and minimize production errors

Pursue a cost-leadership strategy to encourage high volume/low margin strategy

Ensure that their production line are in compliance with environmental requirements

In achieving the objectives for NewG Furniture, it is paramount to see the link between the departmental roles and how they work in conjunction towards the organizational objectives. Given the cost-leadership strategy, the following departments will hand to consider:

Operations will have to ensure that sources will allow them to obtain their inventory at the lowest costs.

Supply chain will have to negotiate on bulk agreements to obtain discounts on stock and also ensure that their distribution delivers using the lowest cost route.

Human Resource will be responsible for recruiting the right people with the necessary skills and experience and train them to develop their potential.

Technology department will come in to develop IT systems and infrastructure to facilitate the efficient procurement of their delivery, online sales and revenue targets.

Business Management will be responsible for looking at new themes and innovative product designs to ensure that NewG offers the best quality furniture instore.

Task2

2. 1 Key drivers in achieving Supply Chain Management

The primary drivers of Supply Chain Management comprises of three logistical drivers and three cross-functional drivers[17]. For the former, this would include drivers such as facilities, inventory and transportation. The latter would then include drivers such as information, sourcing and pricing. In achieving their supply chain management, organizations would have to balance between being responsive and efficient in order to best meet the needs of the company competitive strategy. These drivers in attaining supply chain management can be illustrated below:

18

Inventory consists of the raw materials that come together to reach the finishing product within a supply chain. The three key drivers of making decision with respect to inventory are: (i) Cycle Inventory, (ii) Safety Inventory, and (iii) Seasonal Inventory.

Cycle Inventory: The amount needed to meet demand for the cyclical business cycle.

Safety Inventory: Inventory held to buffer against uncertainty.

Seasonal inventory: Inventory that is built up in anticipation of the seasonal cycles.

Transportation involves the moving of inventory from one point to another in the supply chain. This can take the form of combination of modes and routes to deliver the most cost efficient method available.

Facilities refer to the actual physical locations within the supply chain network where the inventory is stored, assembled, or packaged. These can be at production sites like factories or storage sites such as warehouses. In the manufacturing process, organizations can take either a product focus or a functional focus. The former usually performs the range of different operations required to deliver the product line, whereas the latter concentrates on a few operations such as only assembly or manufacturing certain parts of the product.

Information refers to the link between the various stages of the supply chain, to ensure the optimal coordination effort that increases the profitability of the supply chain. This driver is usually maximized by the implementation of a sophisticated IT infrastructure that facilitates the function of supply chain management.

Sourcing entails the decision made to obtain the end-product. Managers here play a vital in deciding what get outsourced and what will be performed in-house within the firm.

Pricing ascertains the level in organization is charging for the goods and services offered in their supply chain. This plays an important part to the demand of their goods and services, and would inevitably affect the supply chain performance.

These are some of the key drivers that would be critical for managers to take note of in achieving their supply chain management objectives. Looking at the three chosen organizations, we can easily identify these key drivers used:

Key Drivers used by HMV Group

Distribution business unit emphasized on the importance of the efficient procurement of their stock to both instore and online.

Supply Chain focused on the delivery of products to their warehouse and online customers using the most cost effective transportation method.

Use of E-Commerce to generate online sales and leverage technology to assist in HMV's infrastructure to improve its overall efficiency and services to customers.

HMV has a product department that is responsible for some of the pricing decisions, by ensuring that HMV offers the best deals and brings to customers the latest range of products.

Key Drivers used by GlaxoSmithKline

Purchasing department at GSK is responsible for the management of the suppliers, inventory and negotiation of best deals as well as the management of the delivery of inventory to their existing facilities.

Engineering department works in conjunction with other business units to ascertain the sourcing decisions and reports on GSK core strengths to identify what can be engineered in house and what is outsourced.

Sales and Marketing department here handles the pricing decision and determines the amount to charge their clients to optimize profitability.

IT is used to ensure efficiency in GSK's business with the integration of technology to their daily operation.

Key Drivers used by British Telecom

Business management department comprises of a myriad of corporate roles. One of its concerns is the maintenance of customer services and consumer satisfaction. This is BT's core focus and is also directly correlated with their revenue stream.

Marketing and media at BT manages the brand image to ensure that consumers and businesses are aware of the offers. This would often contain information on pricing and marketing materials to differentiate BT's services with its competitors.

Supply Chain department here is responsible for majority of the objectives in the supply chain management. This spans from managing inventory to its facilities and picking the most cost efficient transportation method available. Managers here will also take the responsibility of supplier selection to ensure that they get the best offers and pass on these saving to their customers.

Technical department is concern over the use of technology to manage and control their supply chain to ultimately bring about cost savings.

2. 2 Summary to NewG Furniture directors

These aforementioned key drivers are some of the considerations that influence the efficiency and viability of the supply chain. Regardless of the type of organization, there is always exists a structure that takes hold to divide the responsibilities throughout the various departments. Together, these departments work in conjunction to fulfill their own departmental objectives to ultimately drive the success of the supply chain. Case in point, I have demonstrated how three seemingly different organizations, HMV Group, GlaxoSmithKline and BT Group, depict similarities in their corporate structure and their use of key drivers in achieve their supply chain management.

Although NewG Furniture operates a business unlike the three selected organizations, it is safe to assume that it a similar corporate structure that

divides NewG Furniture would be helpful in running a successful supply
<https://assignbuster.com/tasks-on-strategic-supply-chain-management-and-logistics/>

chain. A division of your organization would help break down the objectives into smaller departmental objectives and allow more emphasis on the key drivers that would achieve efficiency in the supply chain management.