

Russian example of bullwhip effect essay



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Actually, the easiest way to find an example of bullwhip effect is to talk about Procter & Gamble where they found disturbing and often inexplicable variations in supply and ordering figures on diapers, despite a relatively stable demand from consumers. And the company even saw that variability increased further when examining its own orders to its suppliers.

Or to talk about Hewlett Packard where upon investigating sales of a given HP printer by a retailer, the company found that orders from the merchant exhibited far bigger movements than what was seen by changes in actual sales of the item. Further, the same could be said of orders from HP's printer unit to another division of the company supplying it with materials. It??? s the easiest way, but not the most interesting one. Let??? s try to find an example in Russian companies. According to Russia, one of the examples could be the joint-stock company “ PO Glinozem” which was established on the basis of the “ Glinozem” group of enterprises.

These enterprises were built at a distance of 250 kilometers northeast of St. Petersburg at the end of the 1950s. The main business activity of “ Glinozem” includes the production of alumina, cement, roofing slate, and limestone. The product cycle was developed in such way that the whole production was absolutely wasteless ??? wastes from one enterprise were used as resources in another enterprise. But in 2004 the whole group was divided into 3 different enterprises.

They started to work independently using each other as suppliers and consumers (it??? s absolutely B2B-market). But soon some problems had occurred. Firstly, there were really poor communications (and also

coordination) up and down the supply chain because of destroying old well-established relations. Secondly, there were overreactions to backlogs and even neglecting to order in attempts to reduce inventory. And finally, these companies absolutely failed in negotiations about prices.

The negative impact of Bullwhip in this situation was really enormous. One enterprise (BaselCement-Pikalevo), which failed in negotiations with others about price raisings, just stopped to supply raw materials. When supplies were stopped another enterprise (Pikalevo Cement) had to stop its production and had to restructure its business for its own raw materials. They also had to fire about 1000 employees because of this.

Third enterprise (Metahim) had run out of its safety stock in half a year and also started to fire its employees. In the same time the first company had lost its production profitability and stopped as well. It was really a great problem for the whole city and who knows how this situation could end unless there was government interference. The government made the management of these enterprises sign contracts about prices and supplies for peaceful settlement of a conflict. So now we can only hope that these companies will not repeat all these mistakes that brought them to the Bullwhip effect.

Reference http://www.ehow.com/about_6367519_example-bullwhip-effect.html