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Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.aygrt.isrj.org

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A STUDY OF DEVELOPMENTAL ISSUES IN SUPPLY CHAIN MANAGEMENT

D. V. Ingle

Assistant Professor, Smt. L. R. T. College of Commerce,
Akola. Maharashtra.

Abstract:-This is conceptual study in the area of supply chain management. It is well known that the top performers might be engaging a strategic option from a list of activities which support the firm's overall objectives. The academics believe firms should adopt the strategic approach but the senior practitioner sees less change from senior management in attitudes and beliefs. The firms are very aware of the need to be successful in the acquisition of goods and services and the control of costs in the supply chain. What it does not show is that firms actually believe they can use the supply chain as a tool to gain competitive advantage. Big firms enjoy significant economies of scale and as a result operate with lower costs. The hard technical skills of the supply chain professional need to be developed so the supply chain professional will work together with the accountant and engineer for having technical skill in those areas.

Keywords: Supply Chain Management, Scheduling, Supply Continuity, Procurement and Inventory Control.

INTRODUCTION:

The activity of purchasing and its transformation to the new field of supply chain management are key factors on the transformation of business in general. The change to supply chain management from a traditional purchasing role is the result of the evolution of the profession. If we look to the present or the recent past we see the changes that happened in the supply chain dominion were driven by significant changes in the economy. The supply chain function became important in securing the resources for the manufacture of many products. Increased recognition of the importance of procurement and supply chain has been considered as a key to more aggressive strategies for competitive response. Supply chain management has been directly linked to global purchasing and control of markets.

STUDY PURPOSE

The objective of the study is to explore the issue that supports the strategic value in the development of supply chain management.

CONCEPT OF SUPPLY CHAIN MANAGEMENT (SCM)

The Supply Chain Management (SCM) is the management of the flow of goods and services. It includes the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. Interconnected or interlinked networks, channels and node business are involved in the provision of products and services required by end customers in supply chain management. Within the organization, the supply chain refers to a wide range of functional areas. These include Supply Chain Management-related activities such as transportation, warehousing, and inventory control. Sourcing, procurement, forecasting, production planning and scheduling, order processing, and customer service all are part of the supply chain management process. One of the best definitions of supply-chain management offered by La Londe as follows: "The delivery of enhanced customer and economic value through synchronized management of the flow of physical goods and associated information from sourcing to consumption". The Supply Chain Management Program integrates aspects from manufacturing operations, purchasing, transportation, and physical distribution into a unified program. It stress and links all of the partners in the chain. In addition to the departments within the organization, these partners include vendors, carriers, third-party companies, and information systems providers.

DEVELOPMENTS IN SUPPLY CHAIN MANAGEMENT

Six major movements can be observed in the development of supply chain management studies. In the creation era the term "supply chain management" was first coined by Kieth Oliver in 1982. The characteristics of this era include the need for large-scale changes, re-engineering, downsizing driven by cost reduction programs, and widespread attention to Japanese management practices.

During the integration era studies was highlighted with the development of electronic data interchange (EDI) systems in the 1960s, and developed through the 1990s by the introduction of enterprise resource planning (ERP) systems. This era has continued to develop into the 21st century with the expansion of Internet-based collaborative systems. This era of supply chain evolution is characterized by both increasing value added and cost reductions through integration.

During the Globalization era development is characterized by the attention given to global systems of supplier relationships and the expansion of supply chains beyond national boundaries and into other continents.

In the Specialization era (phase I), companies began to focus on "core competencies" and specialization. They abandoned vertical integration, sold off non-core operations, and outsourced those functions to other companies. This changed management requirements, by extending the supply chain beyond the company walls and distributing management across specialized supply chain partnerships..

During the Specialization era (phase II), transportation brokerages, warehouse management, and non-asset-based carriers, and has matured beyond transportation and logistics into aspects of supply planning, collaboration, execution, and performance management.

In the six phase Supply chain management 2.0 (SCM 2.0), Building on globalization and specialization, the term "SCM 2.0" has been coined to describe both changes within supply chains themselves as well as the evolution of processes, methods, and tools to manage them in this new "era". Web 2.0is a trend in the use of the World Wide Web that is meant to increase creativity, information sharing, and collaboration among users.

ASPECTS OF SUPPLY CHAIN MANAGEMENT

Aspects of supply chain management are-

i. Customer service Management process

Customer relationship management concerns the relationship between an organization and its customers. Customer service is the source of customer information. It also provides the customer with real-time information on scheduling and product availability through interfaces with the company's production and distribution operations. Successful organizations use the following steps to build customer relationships:

- determine mutually satisfying goals for organization and customers
- establish and maintain customer rapport
- induce positive feelings in the organization and the customers

ii. Procurement process

Strategic plans are drawn up with suppliers to support the manufacturing flow management process and the development of new products. In firms whose operations extend globally, sourcing may be managed on a global basis. The desired outcome is a relationship where both parties benefit and a reduction in the time required for the product's design and development. The purchasing function may also develop rapid communication systems, such as electronic data interchange (EDI) and Internet linkage, to convey possible requirements more rapidly. Activities related to obtaining products and materials from outside suppliers involve resource planning, supply sourcing, negotiation, order placement, inbound transportation, storage, handling, and quality assurance, many of which include the responsibility to coordinate with suppliers on matters of scheduling, supply continuity, hedging, and research into new sources or programs.

iii. Product Development and commercialization

Here, customers and suppliers must be integrated into the product development process in order to reduce the time to market. As product life cycles shorten, the appropriate products must be developed and successfully launched with ever-shorter time schedules in order for firms to remain competitive. According to Lambert and Cooper (2000), managers of the product development and commercialization process must:

1.Coordinate with customer relationship management to identify customer-articulated needs;
2.Select materials and suppliers in conjunction with procurement; and
3.Develop production technology in manufacturing flow to manufacture and integrate into the best supply chain flow for the given combination of product and markets.

iv. Manufacturing flow management process

The manufacturing process produces and supplies products to the distribution channels based on past forecasts. Manufacturing processes must be flexible in order to respond to market changes and must accommodate mass customization. Orders are processes operating on a just-in-time (JIT) basis in minimum lot sizes. Changes in the manufacturing flow process lead to shorter cycle times, meaning improved responsiveness and efficiency in meeting customer demand. This process manages activities related to planning, scheduling, and supporting manufacturing operations, such as work-in-process storage, handling, transportation, and time phasing of components, inventory at manufacturing sites, and maximum flexibility in the coordination of geographical and final assemblies postponement of physical distribution operations.

v. Physical distribution

This concerns the movement of a finished product or service to customers. In physical distribution, the customer is the final destination of a marketing channel, and the availability of the product or service is a vital part of each channel participant's marketing effort. It is also through the physical distribution process that the time and space of customer service become an integral part of marketing. Thus it links a marketing channel with its customers (i.e., it links manufacturers, wholesalers, and retailers).

vi. Outsourcing

This includes not just the outsourcing of the procurement of materials and components, but also the outsourcing of services that traditionally have been provided in-house. The logic of this trend is that the companies focused increasingly on those activities in the value chain in which it has a distinctive advantage and outsource everything else. This movement has been particularly evident in logistics, where the provision of transport, warehousing, and inventory control is increasingly subcontracted to specialists or logistics partners.

vii. Performance Management

Experts found a strong relationship from the largest arcs of supplier and customer integration to market share and profitability. Taking advantage of supplier capabilities and emphasizing a long-term supply chain perspective in customer relationships can both be correlated with a firm's performance. As logistics competency becomes a critical factor in creating and maintaining competitive advantage, measuring logistics performance becomes increasingly important, because the difference between profitable and unprofitable operations becomes narrower. According to experts, internal measures are generally collected and analyzed by the firm, including cost, customer service, productivity, asset measurement, and quality. External performance is measured through customer perception measures and best practice benchmarking.

viii. Warehousing Management

To reduce a company's cost and expenses, warehousing management is concerned with storage, reducing manpower cost, dispatching authority with on time delivery, loading & unloading facilities with proper area, stock management system etc.

FACTRS TO BE CONSIDERED IN SUPPLY CHAIN MANAGEMENT

The future for Supply Chain Management looks very bright.

- Freight transportation industry has undergone a revolutionary change during the last decade. As deregulation spread to all modes of transport, the number of surviving companies declined. Carriers unprotected by regulation discovered they could not differentiate themselves from the competition on price alone. Successful transportation companies must provide prompt pickup, excellent customer service, and swift, complete and damage-free delivery.

- Motor carrier industry forges a critical link in a multimodal Supply Chain Management system and must compete against time and service to stay in business. Shippers move cargo over whatever mode provides the best service. Less-than-truckload (LTL) motor carriers find their competition particularly stiff. Parcel carriers constantly increase their maximum shipment weight while truck load carriers now accept partial trailer loads as small as 10,000 pounds. A shorter cycle time means better service.
- Customers' needs have also changed. The growth of Just-in-Time and Quick Response inventory management and third-party S C M requires all participants in the Supply Chain Management chain to consider shorter cycle time a competitive advantage. Manufacturers, distributors, and some carriers effectively use information technology to reduce cycle times and improve the quality of freight handling. Package handlers use the technology to great competitive advantage.
- Traditional bar codes uniquely identify every package in the pipeline. Scanning the packages positively confirms custody transfer from shipper to carrier to consignee. Two-dimensional bar codes on shipping documents record the entire bill of lading (BOL). Scanners in drivers' hands provide error-free entry of the BOL in less than a second. Radio communication from the truck cab to central operations immediately informs dispatchers of incoming freight. Similar scanning during delivery shortens the billing cycle and provides positive confirmation of delivery.
- Dock management systems speed cross docking operations. A combination of radio communication and bar code scanning immediately delivers control information to people who need it. From dispatchers to fork operators, every member of the dock team receives immediate information where they work. The system efficiently tracks all packages from inbound docks through staging to outbound docks. No package waits for information.
- Yard management systems ensure the delivery of the right equipment to the right location at the right time. Radio communication to yard tractors keeps shuttle drivers working on the highest priority tasks. Real-time communication between yard drivers, hub managers, and information support systems provides positive control of all moving stock. Optimizing personnel and rolling stock results in shortened stripping and loading time at the doors.
- Consistent application of appropriate information technology throughout the Supply Chain Management pipeline results in shortened cycle times and lowered effort. Immediate, reliable information allows managers to optimize their physical and human resources. While maximum benefit comes to those carriers who implement a consistent information strategy throughout their operations, segmentation of the problem allows carriers to phase in their transformation. Each phase provides immediate economic benefits, while improving the strategic position of the carrier.

CONCLUSION

The firms are very aware of the need to be successful in the acquisition of goods and services and the control of costs in the supply chain. What it does not show is that firms actually believe they can use the supply chain as a tool to gain competitive advantage. Big firms enjoy significant economies of scale and as a result operate with lower costs. The theory is often just because we know large firms have significant disadvantages linked to communication and waste that can actually hurt their ability to be efficient. The hard technical skills of the supply chain professional need to be developed so the supply chain professional will work together with the accountant and engineer.

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D. V. Ingle
Assistant Professor , Department of Management Studies and Research , Smt. L.R.T.College of Commerce, Akola.

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