

Challenges for Supply Chain Management in Today's Global Competitive Environment

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Abstract

This research is a humble attempt to shed more on the challenges and the obstacles that the companies face in Supply Chain Management. The present paper is aimed to understand the supply chain management & its relation to logistics, to discuss the challenges of SCM, how to achieve maximum level of customer satisfaction by SCM, to recognize the key issues responsible for effective supply chain management. It is found that three major perspectives that become challenge for Supply Chain Management are technical perspective, managerial perspective & Relationship perspective.

Keywords: Customer Satisfaction, Logistics, Supply Chain Management.

INTRODUCTION

Supply Chain Management (SCM) is defined as managing chain of events that strives to balance activities such as promotion, sales, distribution and production. It can also be defined as profit maximization (Hise, 1995; Nelson and Toledano, 1979). In today's competitive and uncertain market supply chain vulnerability has become an issue of significance for many organizations. As of today supply chain is becoming more and more complex due to global sourcing and continuous trend of leaning down and as a result supply chain challenges increases. The challenge to business organizations today is to mitigate that risk through creating more resilient supply chains. The motives behind organizations turning towards risk management approaches being the global competition, change in technology, and the continuous contention for competitive advantage (Brindley, 2004). There are wide instances in the literature regarding the challenges and vulnerabilities, and complex supply chains. The advancement of globalization in industries of any magnitude has increased uncertainties in both demand and supply and the likelihood of supply chain disruption. Surprisingly there is a lack of conceptual framework and empirical findings to provide clear meaning and guidance to visualize the global supply chain management.

1. RELATED LITERATURE

(John Storey, Caroline Emberson, Janet Godsell, Alan Harrison, 2006) in their paper "Supply chain management: theory, practice and future challenges" critically assess current developments in the theory and practice of supply management and through such an assessment to identify barriers, possibilities and key trends. The paper reveals that supply management is, at best, still emergent in terms of both theory and practice. The paper identifies the range of key barriers and enablers to supply management and it concludes with an assessment of the main trends. (Omera Khan, Bernard Burnes, 2007) in their study "Risk and supply chain management: creating a research agenda" develop a research agenda for risk and supply chain management. The paper shows that there are a number of key debates in the general literature on risk, especially in terms of qualitative versus quantitative approaches, which need to be recognised by those seeking to apply risk theory and risk management approaches to supply chains. In addition, the paper shows that the application of risk theory to supply chain management is still in its early stages and that the models of supply chain risk which have been proposed need to be tested empirically. (Mary J. Meixell, Vidyaranya B. Gargeya, 2005), in their paper "Global supply chain design: A literature review and critique" they review decision support models for the design of global supply chains, and assess the fit between the research literature in this area and the practical issues of global supply chain design. The classification scheme for this review is based on ongoing and emerging issues in global supply chain management and includes review dimensions for (1) decisions addressed in the model, (2) performance metrics, (3) the degree to which the model supports integrated decision processes, and (4) globalization considerations. They conclude that although most models resolve a difficult feature associated with globalization, few models address the practical global supply chain design problem in its entirety. We close the paper with recommendations for future research in global supply chain modelling that is both forward-looking and practically oriented. A supply chain design problem comprises the decisions regarding the number and location of production facilities, the amount of capacity at each facility, the assignment of each market region to one or more locations, and supplier selection for sub-assemblies, components and materials (Chopra and Meindl, 2004). Experts maintain that global supply chains are more difficult to manage than domestic supply chains (Dornier et al., 1998; Wood et al., 2002; MacCarthy and Atthirawong, 2003). Substantial geographical distances in these global situations not only increase transportation costs, but complicate decisions because of inventory cost tradeoffs due to increased lead-time in the supply chain. Firms that implement Advanced Planning Systems (APS)

may integrate production decisions across the supply chain by including supplier inventory and capacity constraints into their scheduling function, striving to avert supply problems before they occur (Rohde, 2000; Bowersox et al., 2002). These integration practices also affect global supply chain design. Several authors (Dornier et al., 1998; Brush et al., 1999; Trent and Monczka, 2003) discuss the value and need for integration between facilities in the global supply chain. An integrated, well-coordinated global supply chain is difficult to duplicate and so plays an important role in competitive strategy. In current study lot of research has been done to understand what the Supply Chain Management is and how it is affecting organisations, what are different challenges and it can be proved as a tool for improving overall performance in today's global competitive environment.

2. RESEARCH METHODOLOGY

In this research paper following questions are used

What are the challenges of SCM?

How to achieve maximum level of customer satisfaction by SCM?

In order to find the answers to the research questions, literature study and an exploratory cases study in which five different cases are studied.

Literature study is necessary to put the research question in perspective of already pertained research on supply chain management. A wide

variety of literature is taken, trying to look at the issues from a broad perspective. These cases were randomly selected. The case studies were descriptive by nature.

3. FINDINGS

Supply Chain Managers face following challenges:

1. Decisions involving allocation of resources to various activities, with the objective of increasing profit or decreasing cost or both.
2. With respect to integrating supply chain specific strategies with the overall corporate business strategy.
3. After extensive reading to the supply chain integration challenges that the literature mentioned in different resources. It is found that the researches try to enumerate the challenges from one perspective [and others. The researchers in the previous direct discuss the challenges from three perspectives:
 - Technical perspective
 - Managerial perspective
 - Relationships perspective

In this paper all challenges are integrated in a single comprehensive source. It is believe that this integration will provide the following benefits:

- Decrease the complexity of the challenges.
- Priorities these challenges effectively.
- Better allocate resources for managing challenges.

4. REGIONAL

A globally integrated process with regional representation requires costly resources, information infrastructure, and travel. Globally integrated information systems are critical to reduce the cost of communications and to make relevant information readily accessible or to reduce coordination costs. [5] Setting up standards of trade. For SMEs and their suppliers, the high cost of technology is exacerbated by the lack of a widely accepted international electronic information standards governing the financial supply chain.

5. PROCUREMENT MANAGEMENT

A typical manufacturing company needs to procure thousands of products from hundreds of suppliers; the challenge here is how to manage the complexity of the procurement process, and establishing a strong procurement infrastructure to execute on strategic supply initiatives, using an empowered organization structure, fully integrated to the stakeholder and finance organization.

6. SUPPLIER COMPETENCE REQUIREMENTS

If customers are moving to fewer suppliers, and investing in strategically important supply chain relations, then SME suppliers that cannot make themselves attractive purely through economies of scale and scope must increase their asset specificity and decrease uncertainty.

7. GLOBALIZATION

How to cut costs and grow simultaneously? During the industrial revolution, companies vlooked for new markets, new sources of raw material and new sources of labor. The revolution was fueled by globalization and

companies thrived by taking advantage of economies of scale. Senior executives now understand that they can't just focus on supply chain operations to create efficiencies. The challenge is to integrate supply chain execution with the overall corporate business strategy, and to use the supply chain as a catalyst for business transformation or business reinvention.

CONCLUSION

Assessing supply chain performance leads to identification of problems and opportunities. Having a strategy and measuring key parts are necessary to understand and take control of your supply chain. Put the process, people and technology in place to create competitive advantage, both for today and tomorrow. If you do not, a competitor will. Supply chain success involves process, people and technology. It gives definition to the company purpose. It enables all participants to know what is required.

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