MANAGING THE SUPPLY CHAIN

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MANAGING THE SUPPLY CHAIN

A STRATEGIC PERSPECTIVE

J. L. Gattorna
and
D. W. Walters

palgrave

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Introduction

In a very short space of time ‘physical distribution management’ became ‘logistics management’, and now, in the more forward-thinking companies, is developing into ‘supply chain management’.

This text considers a number of issues that confront management as supply chain management becomes accepted on a wider basis. The concept suggests that the company’s focus extends beyond its own performance to become much more of an inter-organizational focus. At the same time, managers whose tasks are primarily involved in making the supply chain cost effective are aware of the need for their activities to be effective in a corporate financial performance context. The recent attention paid to creating shareholder value implies that any and all corporate activity should be value creating. In this context we see a need for management to be aware of the implications of their decisions and activities on margin and asset management and the impact on cash flow.

We have attempted to address these issues through the way we have structured this text (see Figure I.1). We consider the financial responsibilities and interface areas between supply chain activities and financial management (Chapter 4). The main task here is to explore the components of supply chain strategy and this is achieved by considering two vital perspectives of the strategy activity – **performance drivers** and **performance facilitators**.

The primary performance driver is customer service. In Chapters 2 and 3 we consider the role of customer service in augmenting the company’s product-service offer. These chapters discuss the components of customer service policy. In these chapters the methodology of customer service policy, research and service performance are explored.

Effective supply chain management requires a thorough knowledge of distribution channels, their structures (economic and social), their management and the emerging trends and issues. Chapters 12 and 20 consider distribution channel design and management.

The inter-organizational dimension of supply chain management suggests that communications and information management are essential if decision making is to be effective. Therefore, the design and management of communications and information systems are the topics of Chapters 10 and 18.

As with physical distribution and logistics management, the roles of inventory management, selection of transportation modes and the design of facilities and the selection of suitable locations play important roles. These are considered in Chapters 7, 8 and 9.

A supply chain strategy also requires a number of back-up or support activities. Furthermore, in common with other business functions, the logistics

Figure I.1

element of the firm has an inter-company cross-functional role. This is discussed in detail in Chapter 5.

As the concept of the supply chain expands, a method of analysis is required. Chapter 6 uses the established value chain concept to examine 'delivery' alternatives. The value chain approach is extended into customer account profitability and direct product profitability analyses in Chapter 14. Other performance-monitoring approaches (and indeed design methods) are considered in Chapter 15, which reviews and applies the current approaches in best practice and benchmarking. Best practice and benchmarking imply performance efficiency, and increasingly managers are applying computer-based models to the problems of identifying supply chain structures which, within given strategic and operational constraints, will optimize customer service and system operating costs. This is the topic of Chapter 17.

The changing organizational context of the supply chain, together with the moves by many companies to become 'global' or 'international' businesses, have implications for supply chain management decisions. In Chapter 13 we review the increasing importance of strategic partnerships and alliances, while Chapter 16 considers the international aspects of supply chain management.

Clearly, we need to identify organizational design and management issues within the supply chain and consider the process by which strategy alternatives are formulated and evaluated. Chapters 11 and 19 cover these topics.

In writing this text we have been conscious of the need to be aware of the dynamic changes occurring in supply chain management. To this end we have identified the current issues and methodologies. In addition, we offer the reader some new approaches and methods to apply to both existing and emerging supply chain management issues; this is the challenge we leave with the reader.

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