

A

Seminar report

On

Supply Chain Management

Submitted in partial fulfillment of the requirement for the award of degree
Of MBA

SUBMITTED TO:

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Preface

I have made this report file on the topic **Supply Chain Management**; I have tried my best to elucidate all the relevant detail to the topic to be included in the report. While in the beginning I have tried to give a general view about this topic.

My efforts and wholehearted co-corporation of each and everyone has ended on a successful note. I express my sincere gratitude towho assisting me throughout the preparation of this topic. I thank him for providing me the reinforcement, confidence and most importantly the track for the topic whenever I needed it.

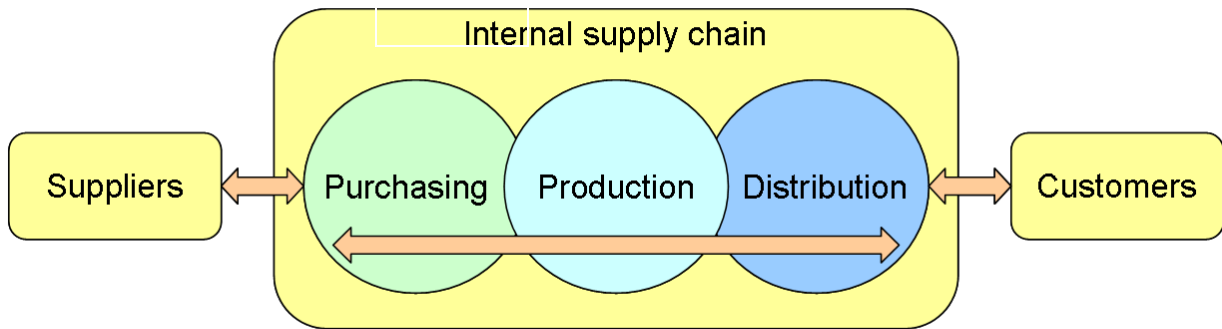
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INTRODUCTION

A supply chain or logistics network is the system of organizations, people, technology, activities, information and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials and components into a finished product that is delivered to the end customer. In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable.



Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management system is to reduce inventory (with the assumption that products are available when needed).

Supply chain management flows can be divided into three main flows:

- The product flow
- The information flow
- The finances flow

The product flow includes the movement of goods from a supplier to a customer, as well as any customer returns or service needs. The information flow involves transmitting orders and updating the status of delivery. The financial flow consists of credit terms, payment schedules, and consignment and title ownership arrangements.

Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves **coordinating** and **integrating** these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management system is to reduce inventory (with the assumption that products are available when needed).

As a solution for successful supply chain management, sophisticated software systems with Web interfaces are competing with Web-based application service providers (ASP) who promise to provide part or all of the SCM service for companies who rent their service.

Effective supply chain management is an intricate loop, one that begins with the customer and ends with the customer. In earlier days, the phrase Supply Chain Management meant assembly lines, warehouses, truckers and time sheets. Traditionally, marketing, distribution, planning, manufacturing, and purchasing organizations operated independently along the supply chain. These organizations functioned with their own objectives which were often conflicting. The imbalance in the entire practice demanded for a mechanism which integrates different functions together. Supply chain management is a strategy through which such integration can be achieved.

History

The 1980s the term Supply Chain Management (SCM) was developed, to express the need to integrate the key business processes, from end user through original suppliers. Original suppliers being those that provide products, services and information that add value for customers and other stakeholders. The basic idea behind the SCM is that companies and corporations involve themselves in a supply chain by exchanging information regarding market fluctuations, production capabilities.

Traditional logistics optimization to maximize the efficiency of the distribution side.

Starting in the 1990s several companies choose to outsource their supply chain management by partnering with a 3PL, Third-party logistics provider

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GOAL OF SUPPLY CHAIN MANAGEMENT

GOAL

- To reduce organization in efficiencies

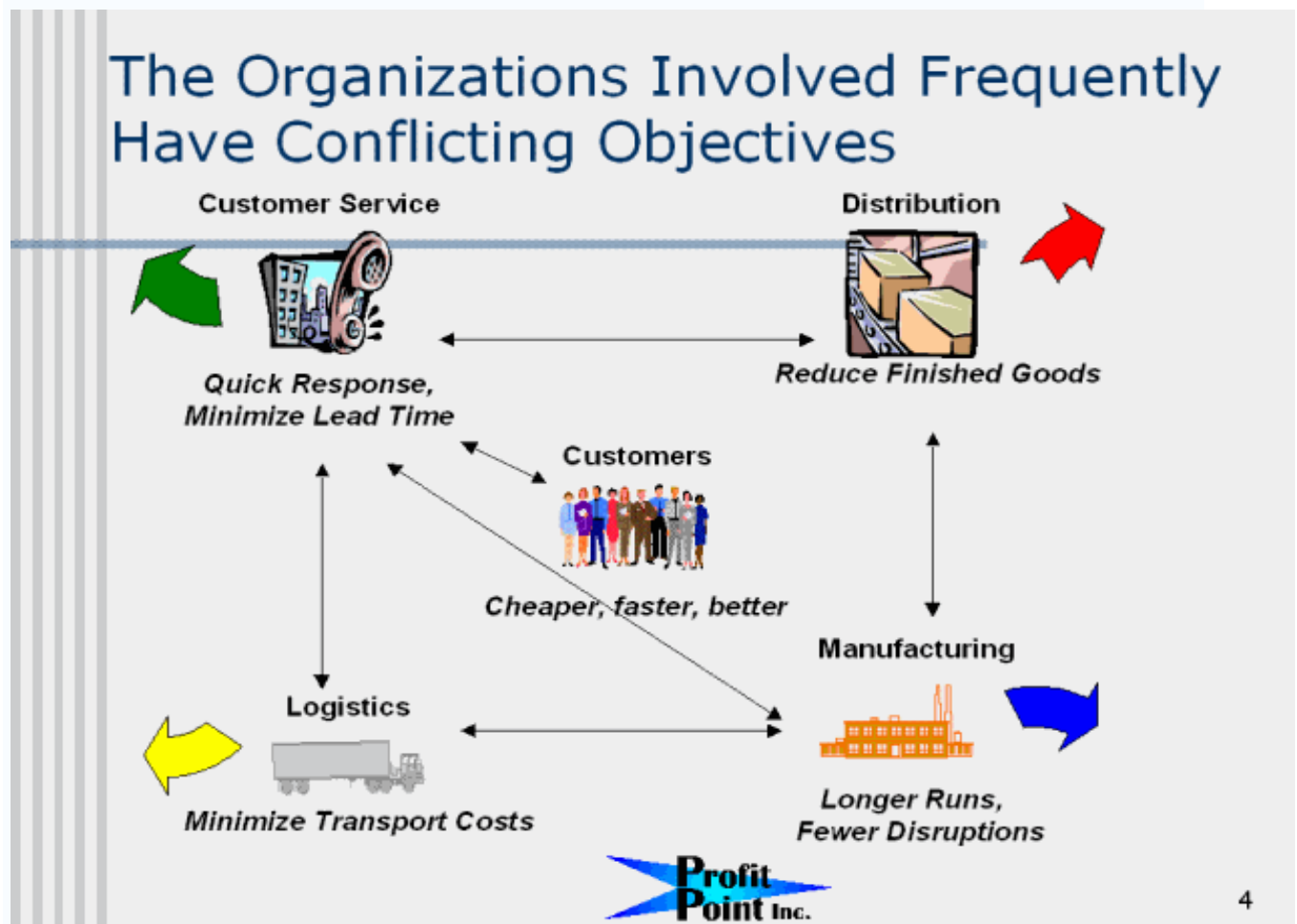
The process of coordinating activities among

- ✓ SUPPLIER
- ✓ PRODUCTION FACILITIES
- ✓ DISTRIBUTION CENTRES AND
- ✓ CUSTOMERS

So that you can make and distribute the Right product at the Right time to the Right location at a

Minimum cost

While maintaining a Desired level of service.

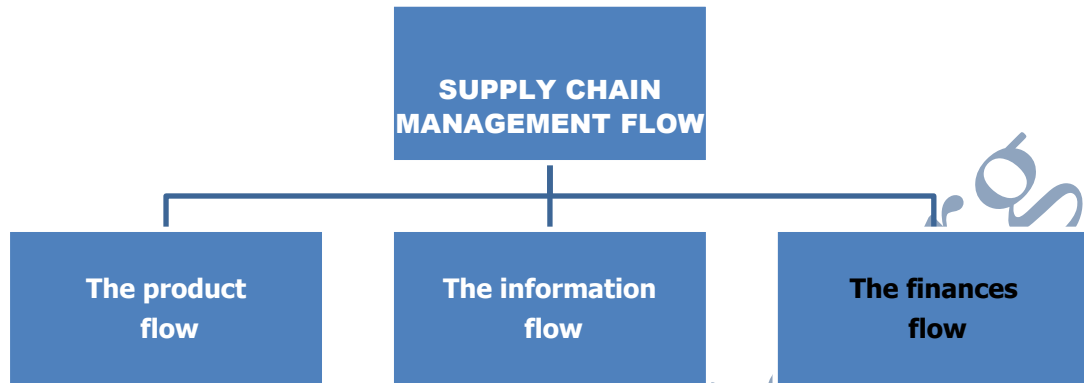


Components of SCM

1. **Plan**—This is the strategic portion of SCM. Companies need a strategy for managing all the resources that go toward meeting customer demand for their product or service. A big piece of SCM planning is developing a set of metrics to monitor the supply chain so that it is efficient, costs less and delivers high quality and value to customers.
2. **Source**—Next, companies must choose suppliers to deliver the goods and services they need to create their product. Therefore, supply chain managers must develop a set of pricing, delivery and payment processes with suppliers and create metrics for monitoring and improving the relationships. And then, SCM managers can put together processes for managing their goods and services inventory, including receiving and verifying shipments, transferring them to the manufacturing facilities and authorizing supplier payments.
3. **Make**—This is the manufacturing step. Supply chain managers schedule the activities necessary for production, testing, packaging and preparation for delivery. This is the most metric-intensive portion of the supply chain—one where companies are able to measure quality levels, production output and worker productivity.
4. **Deliver**—This is the part that many SCM insiders refer to as logistics, where companies coordinate the receipt of orders from customers, develop a network of warehouses, pick carriers to get products to customers and set up an invoicing system to receive payments.
5. **Return**—This can be a problematic part of the supply chain for many companies. Supply chain planners have to create a responsive and flexible network for receiving defective and excess products back from their customers and supporting customers who have problems with delivered products.

SUPPLY CHAIN MANAGEMENT FLOWS

we can be divided into three main flows:



- **The product flow** includes the movement of goods from a supplier to a customer, as well as any customer returns or service needs.
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Elements of the Supply Chain

A simple supply chain is made up of several elements that are linked by the movement of products along it. The supply chain starts and ends with the customer.

- **Customer:** The customer starts the chain of events when they decide to purchase a product that has been offered for sale by a company. The customer contacts the sales department of the company, which enters the sales order for a specific quantity to be delivered on a specific date. If the product has to be manufactured, the sales order will include a requirement that needs to be fulfilled by the production facility.
- **Planning:** The requirement triggered by the customer's sales order will be combined with other orders. The planning department will create a production plan to produce the products to fulfill the customer's orders. To manufacture the products the company will then have to purchase the raw materials needed.
- **Purchasing:** The purchasing department receives a list of raw materials and services required by the production department to complete the customer's orders. The purchasing department sends purchase orders to selected suppliers to deliver the necessary raw materials to the manufacturing site on the required date.
- **Inventory:** The raw materials are received from the suppliers, checked for quality and accuracy and moved into the warehouse. The supplier will then send an invoice to the company for the items they delivered. The raw materials are stored until they are required by the production department.
- **Production:** Based on a production plan, the raw materials are moved inventory to the production area. The finished products ordered by the customer are manufactured using the raw materials purchased from suppliers. After the items have been completed and tested, they are stored back in the warehouse prior to delivery to the customer.
- **Transportation:** When the finished product arrives in the warehouse, the shipping department determines the most efficient method to ship the products so that they are delivered on or before the date specified by the customer. When the goods are received by the customer, the company will send an invoice for the delivered products.

Supply Chain Management LEVELS

To ensure that the supply chain is operating as efficient as possible and generating the highest level of customer satisfaction at the lowest cost, companies have adopted Supply Chain Management processes and associated technology. Supply Chain Management has three levels of activities that different parts of the company will focus on: strategic; tactical; and operational.

Strategic

- Strategic network optimization, including the number, location, and size of warehouses, distribution centers, and facilities
- Strategic partnership with suppliers, distributors, and customers, creating communication channels for critical information and operational improvements such as cross docking, direct shipping, and third-party logistics
- Product lifecycle management, so that new and existing products can be optimally integrated into the supply chain and capacity management
- Information Technology infrastructure, to support supply chain operations
- Where-to-make and what-to-make-or-buy decisions
- Aligning overall organizational strategy with supply strategy

At this level, company management will be looking to high level strategic decisions concerning the whole organization, such as the size and location of manufacturing sites, partnerships with suppliers, products to be manufactured and sales markets.

Tactical

- Sourcing contracts and other purchasing decisions.
- Production decisions, including contracting, scheduling, and planning process definition.
- Inventory decisions, including quantity, location, and quality of inventory.
- Transportation strategy, including frequency, routes, and contracting.
- Benchmarking of all operations against competitors and implementation of best practices throughout the enterprise.
- Milestone payments
- Focus on customer demand.

Tactical decisions focus on adopting measures that will produce cost benefits such as using industry best practices, developing a purchasing strategy with favored suppliers, working with logistics companies to develop cost effective transportation and developing warehouse strategies to reduce the cost of storing inventory

Operational

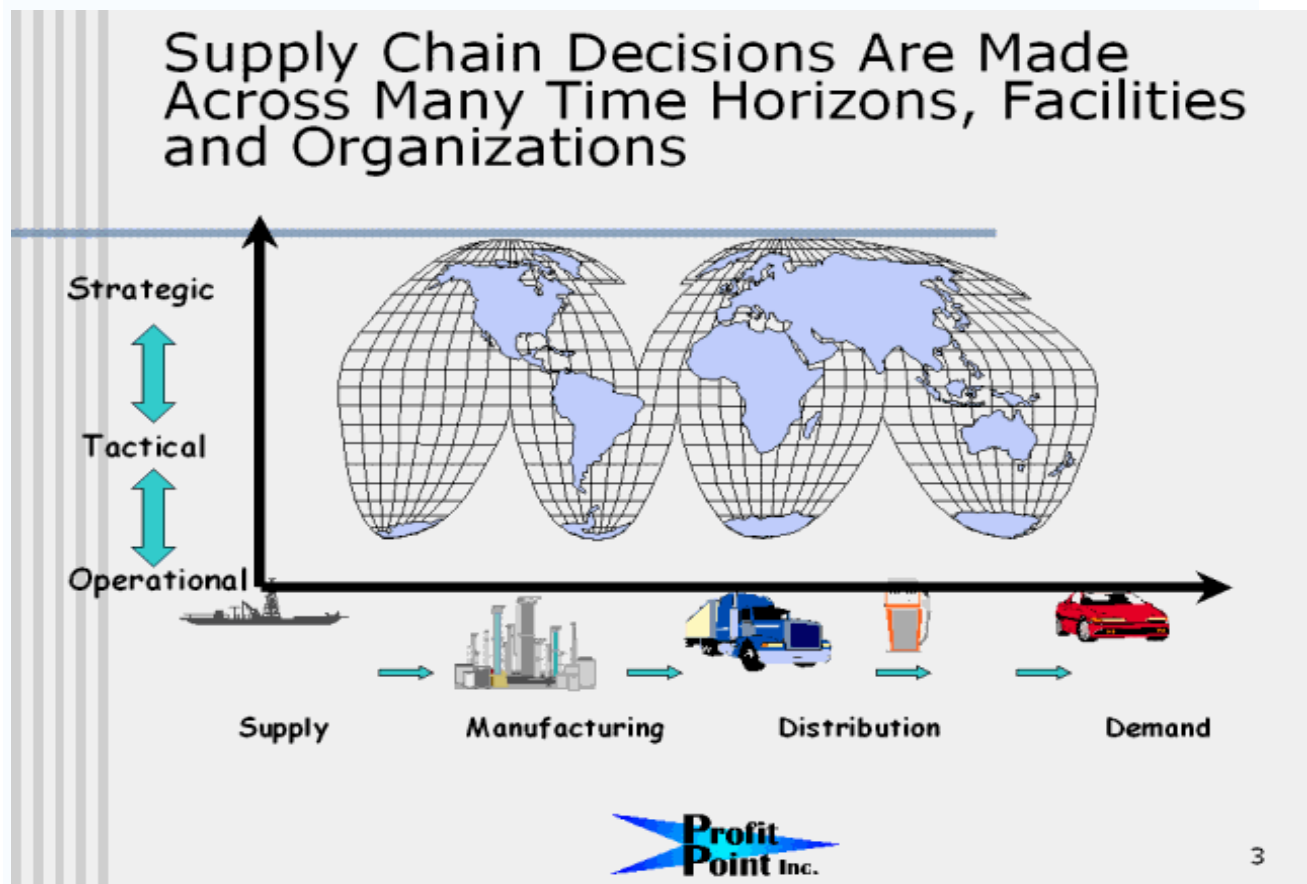
- Daily production and distribution planning, including all nodes in the supply chain.
- Production scheduling for each manufacturing facility in the supply chain (minute by minute).
- Demand planning and forecasting, coordinating the demand forecast of all customers and sharing the forecast with all suppliers.

- Sourcing planning, including current inventory and forecast demand, in collaboration with all suppliers.
- Inbound operations, including transportation from suppliers and receiving inventory.
- Production operations, including the consumption of materials and flow of finished goods.
- Outbound operations, including all fulfillment activities and transportation to customers.
- Order promising, accounting for all constraints in the supply chain, including all suppliers, manufacturing facilities, distribution centers, and other customers.

Decisions at this level are made each day in businesses that affect how the products move along the supply chain. Operational decisions involve making schedule changes to production, purchasing agreements with suppliers, taking orders from customers and moving products in the warehouse.

WHY SUPPLY CHAIN MANAGEMENT?

In the 21st century, changes in the business environment have contributed to the development of supply chain networks. First, as an outcome of globalization and the proliferation of multinational companies, joint ventures, strategic alliances and business partnerships, there were found to be significant success factors, following the earlier "**Just-In-Time**", "Lean Manufacturing" and "Agile Manufacturing" practices. Second, technological changes, particularly the dramatic fall in information communication costs, which are a significant component of transaction costs, have led to changes in coordination among the members of the supply chain network



Benefits of SCM

Companies implementing Supply Chain Management may realize benefits of SCM as:

- ✿ Reduced inventory
- ✿ Reduced distribution costs
- ✿ Reduced time to market
- ✿ Reduced market risks through effective co-ordination and communication
- ✿ Improved quality of product/service
- ✿ Improved inventory management
- ✿ Increased ability to implement just-in-time delivery
- ✿ Increase in on-time deliveries
- ✿ Increased factory responsiveness
- ✿ Order cycle time reduced
- ✿ Increased revenue
- ✿ Increased visibility of processes
- ✿ Increased customer service
- ✿ Create competitive advantage

Supply Chain Management Technology

If a company expects to achieve benefits from their supply chain management process, they will require some level of investment in technology. The backbone for many large companies has been the vastly expensive Enterprise Resource Planning (ERP) suites, such as SAP and Oracle.

Since the wide adoption of Internet technologies, all businesses can take advantage of Web-based software and Internet communications. Instant communication between vendors and customers allows for timely updates of information, which is key in management of the supply chain.

SAP Supply Chain Management

Features & Functions

SAP SCM delivers a complete set of features and functions for building adaptive supply chain networks. The application enables:

- **Supply chain planning and collaboration** – With SAP SCM, you can model your existing supply chain; set goals; and forecast, optimize, and schedule time, materials, and other resources. Supply chain planning functionality enables you to maximize return on assets and ensure a profitable match of supply and demand.
- **Supply chain execution** – SAP SCM enables you to carry out supply chain planning and generate high efficiency at the lowest possible cost. You can sense and respond to demand through an adaptive supply chain network in which distribution, transportation, and logistics are integrated into real-time planning processes.
- **Supply chain visibility design and analytics** – SAP SCM gives you network wide visibility across your extended supply chain to perform strategic as well as day-to-day planning. The application also enables collaboration and analytics, so you can monitor and analyze the performance of your extended supply chain using predefined key performance indicators (KPIs).

SAP Supply Chain Management (Business Benefits)

SAP SCM can help you transform a traditional linear supply chain into an adaptive network with the following benefits:

- **Faster response to changes in supply and demand** – With increased visibility into the supply chain and adaptive supply chain networks, you can be more responsive. You can sense and respond quickly to changes and quickly capitalize on new opportunities.
- **Increased customer satisfaction** – By offering a common information framework that supports communication and collaboration, SAP SCM enables you to better adapt to and meet customer demands.

- **Compliance with regulatory requirements** – You can track and monitor compliance in areas such as environment, health, and safety.
- **Improved cash flow** – Information transparency and real-time business intelligence can lead to shorter cash-to-cash cycle times. Reduced inventory levels and increased inventory turns across the network can lower overall costs.
- **Higher margins** – With SAP SCM, you can lower operational expenses with more timely planning for procurement, manufacturing, and transportation. Better order, product, and execution tracking can lead to improvements in performance and quality – and lower costs. You can also improve margins through better coordination with business partners.
- **Greater synchronization with business priorities** – Tight connections with trading partners keep your supply chain aligned with current business strategies and priorities, improving your organization's overall performance and achievement of goals.

ISSUES TO SUPPLY CHAIN MANAGEMENT SUCCESS

Supply chain success just doesn't happen. It takes focus and effort across the entire company organization and with outside suppliers and service providers. Logistics touches every part of a company. So supply chain management must be multidimensional in its approach and scope. And this takes process, people and technology. This is true whether you are a wholesaler, retailer or manufacturer. And it is true if you are lean and need to be agile, flexible and collaborative.

Supply chains can be long and complex, stretching between different countries. A firm may have many customers, each with different order and shipment requirements and destinations. There can be many suppliers, sourced from different cities and many countries. Each supplier may require instructions and planning as to lead times. All this work is done have product available when customers order.

There are internal needs too. These include where warehouses should be located, both in the U.S. and internationally; how inventory is forecast and allocated to each warehouse; how orders are handled and shipments prepared and how production is assigned among plants and suppliers.

PROCESS. Process means a practice, a series of actions, done for a specific purpose, such as satisfying customers. Customers demand and expect more from their suppliers; that is a fact regardless your size or industry. And supply chain management is critical to that customer satisfaction.

Supply chain process is a flow of activities with the goal of meeting the requirements of a customer. It includes all internal functions, logistics, distribution, sourcing, customer service, sales, manufacturing and accounting. It includes external companies. The series flows backward-from delivering each customer order each order as demanded back through the performance of suppliers to provide needed finished products, components, parts and assemblies.

Process has structure. This compares what some companies call "process" which may be a series of repetitive, standalone transactions. Process has standardization with its understanding of what must be done. With that in place, it also has flexibility to handle exceptions and changes that are a reality of doing business.

PEOPLE. People make organizations and are important to supply chain success. They need to have functional expertise and skills. They need to know how to manage and operate warehouses, inventory, transportation, purchasing. They need both a tactical view for everyday business and a strategic vision of where and how their function fits in the supply chain and how to make it better.

People success is a function also of the corporate culture, how the company sees itself, defines itself and operates, both internally and externally. The culture can be a facilitator of processes or an inhibitor. If the company has myopia, then it negatively impacts its ability to respond in all areas required.

Similarly, organizations, with their hierarchical design, create barriers to supply chain process, which is horizontal. Organization silos can short circuit the supply chain process. Each silo can

have its internal goals that can work cross-functionally to the process. Even though the focus of the supply chain process is the customer, merchandising, logistics, finance and others may work to optimize their role, but which may sub optimize the process.

TECHNOLOGY. Supply chain management is sometimes define, or incorrectly defined, in terms of technology. Process can be defined as technology, with an overemphasis on hardware and software, and not on the purpose of the process.

Software may be "sold" as the answer, the means, to supply chain nirvana. That can lead to an over expectation by the user, which in turn can lead to disillusion with what is required to set up and operate the system and with the results actually achieved.

AN EXAMPLE WITH SUPPLIER MANAGEMENT

Every company has a position in Supplier Management. You are dealing with suppliers and/or you are a supplier. This is a vital part of the total supply chain. And it must be aligned with the goal of meeting customer requirements.

Supply chain visibility is a desired means to supply chain effectiveness. And that visibility need may be greatest with the inbound part of the supply chain. This part of the total supply chain is very complex and involves a significant financial obligation. Many purchase orders with many supplier shipping diverse products from multiple plants and warehouses, both from the U.S. and various countries and ports or airports can be a significant management challenge. Add in different cultures, time zones and business practices the visibility need with a global supply chain can be daunting. And the pressures in supplier performance are great for all, wholesalers, manufacturers, retailers and suppliers.

Supplier management as part of inbound supply chain requires process, people and technology. It demands a process, not a series of purchase order transactions. It requires people with vision and skills to manage the complexity and to build the collaboration and deal with the flexibility needed as sales and other events change the purchasing demands.

The people need to be linked. It requires technology to gain the needed visibility of purchase orders, suppliers and transportation of what is going on and to use event management and exception management to deal with all the vagaries that can occur.

THEORIES OF SCM

- Resource-based view (RBV)
- Transaction Cost Analysis (TCA)
- Knowledge-based view (KBV)
- Strategic Choice Theory (SCT)
- Agency theory (AT)
- Institutional theory (InT)
- Systems Theory (ST)
- Network Perspective (NP)

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ADVANTAGES OF A GOOD SUPPLY CHAIN

- The management gets to concentrate on core issues rather than distribution and supply as it controls the supply chain from above rather than from within.
- The stock is stored lower in the supply chain, i.e closer to the consumer.
- Higher discounts can be made available to the intermediary as volumes are high.
- Short Lead Time for retailers.
- Retailers can concentrate on smaller operations.
- Transportation is cheaper.

CONCLUSION

Supply chain success involves process, people and technology. It gives definition to the company purpose. It enables all participants to know what is required. This in turn provides agility to handle exceptions and to adapt to changes.

Having those three elements is important to having metrics, ones that are useful across the organization. All three working together in a company provides coordinated, unified effort to use supply chain management as a driving force in customer satisfaction and in having competitive advantage, with service and productivity.

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