SUPPLY CHAIN MANAGEMENT

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How are these Terms Different?

- Logistics Management
- Supply Chain Management
- Value Chain Management
- Demand Chain Management
1998 CLM DEFINITION OF LOGISTICS

....is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point-of-origin to the point-of-consumption in order to meet customers' requirements.

[Council of Logistics Management, 1998]
… is that part of Supply Chain Management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers’ requirements.

[Council of Logistics Management, 2003]
SUPPLY CHAIN MANAGEMENT

…is the integration of key business processes from end user through original suppliers, that provides products, services, and information that add value for customers and other stakeholders.

[The International Center for Competitive Excellence, 1994]
[The Global Supply Chain Forum, 1998]
Types of Inter-company Business Process Links

Supply Chain Management Vision

The key to achieving an integrated flow of product and information throughout the supply chain is to create a focused customer interface, a focused supplier interface, and an integrated, process-oriented, supply chain which is driven by the customer.

Underlying Process Vision
Supply Chain Management

Integrating and Managing Processes Across the Supply Chain

Information Flow

Tier 1 Supplier
Tier 2 Supplier

Manufacturer
Purchasing
Logistics
Marketing
Finance
R&D
Production

PRODUCT FLOW

Customer
Consumer/End-user

Supply Chain Management Processes

CUSTOMER RELATIONSHIP MANAGEMENT
CUSTOMER SERVICE MANAGEMENT
DEMAND MANAGEMENT
ORDER FULFILLMENT
MANUFACTURING FLOW MANAGEMENT
SUPPLIER RELATIONSHIP MANAGEMENT
PRODUCT DEVELOPMENT AND COMMERCIALIZATION
RETURNS MANAGEMENT

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT

Note: Process sponsorship and ownership must be established to drive the attainment of the supply chain vision and eliminate the functional barriers that artificially separate the process flows.

Managing the Supply Chain Involves Three Closely Inter-related Elements:

- The supply chain network structure
- The supply chain business processes
- The management components
SUPPLY CHAIN MANAGEMENT
Fundamental Management Components

Physical & Technical Management Components
- Planning and Control Methods
- Work Flow/Activity Structure
- Organization Structure
- Communication and Information Flow Facility Structure
- Product Flow Facility Structure

Managerial & Behavioral Management Components
- Management Methods
- Power and Leadership Structure
- Risk and Reward Structure
- Culture and Attitude
Some of the Processes

- **Customer Relationship Management** - provides the structure for how relationships with customers are developed & maintained, including the PSAs between the firm & its customers.

- **Order Fulfillment** – includes all activities necessary to define customer requirements, design the logistics network, and fill customer orders.

- **Manufacturing Flow Management** - includes all activities necessary to move products through the plants & to obtain & manage manufacturing flexibility in the supply chain.

- **Supplier Relationship Management** - provides the structure for how relationships with suppliers are developed & maintained, including the PSAs between the firm & its suppliers.
Supplier Relationship Management

Strategic Sub-Processes

- Review Corporate, Manufacturing, and Sourcing Strategies
- Identify Criteria for Categorizing Suppliers
- Provide Guidelines for the Degree of Customization in the Product/Service Agreement
- Develop Framework of Metrics
- Develop Guidelines for Sharing Process Improvement Benefits with Suppliers

Process Interfaces

- Customer Relationship Management
- Customer Service Management
- Demand Management
- Order Fulfillment
- Manufacturing Flow Management
- Product Development & Commercialization
- Returns Management

Operational Sub-Processes

- Differentiate Suppliers
- Prepare the Supplier/Segment Management Team
- Internally Review the Supplier/Supplier Segment
- Identify Opportunities with the Suppliers
- Develop Product/Service Agreement and Communication Plan
- Implement the Product/Service Agreement
- Measure Performance and Generate Supplier Cost/Profitability Reports

Customer Relationship Management Process

- Customer teams develop and implement customer partnering programs.
- Product/service agreements are established.
- New customer interfaces are used to better predict customer demand and improve the way customers are serviced.
- Teams identify and eliminate sources of production variability.
- Key performance evaluation criteria (both company performance and customer account profitability) are used to measure results.
Required Behaviors

In demand management, customer demand is continuously gathered, compiled and renewed in order to match supply capability with requirements in the market.

Demand Management Process

- Demand requirements and supply capabilities are continuously modeled using point of sale and “key” customer data.
- Market requirements and production plans are coordinated on an enterprise-wide basis.
- Multiple sourcing and routing options are considered at the time of order receipt.
- Worldwide on-line/real-time inventory availability check and promising capacity is employed.
- Demand and production rates are synchronized and inventories are managed globally.
- Customer need dates and requirements drive the process.