

# CHRISTIAN EMINENT COLLEGE, INDORE

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## E-Content

On

## “Supply Chain Management”

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# What is Supply Chain Management (SCM)?

Supply chain management (SCM) is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage.

Supply Chain Management (SCM) includes all the activities that must take place to get the right product into the right consumer's hands in the right quantity and at the right time – from raw materials extraction to consumer purchase. SCM focuses on planning and forecasting, purchasing, product assembly, moving, storage, distribution, sales and customer service. SCM professionals are involved in every facet of the business process as they strive to achieve a sustainable competitive advantage by building and delivering products better, faster and cheaper.

Supply chain management professionals play a role in all kinds of organizations – manufacturers, retailers, transportation companies, third party logistics firms, government agencies and service firms. Firms from around the world in all sectors of the economy recruit SCM graduates. As a supply chain professional, an individual could work in a variety of areas including purchasing, logistics, new product development, global sourcing and procurement, quality management, inventory control or traffic analysis, operations and supplier relationship management. Competitive pressures and sophisticated customers who demand innovative and speedy solutions characterize today's global business environment. Understanding and optimizing business processes is a cornerstone of success, and for this reason, supply chain professionals are in strong demand.

Successful supply chain professionals are typically detailed-oriented with an ability to prioritize, plan and organize. In addition, they are usually quick-learners, possess excellent communication skills, can effectively manage relationships and work in teams, and effective problem-solvers.

## Supply Chain Management Definition

A supply chain consists of all the activities and entities that are involved in extracting, processing, and manufacturing, distributing and selling the products to the ultimate customers. However, the concept of SCM is much broader than that of the marketing channels as SCM goes back to a distant starting point / root and includes the raw material suppliers.

The concept of Supply Chain Management (SCM) is based on two core ideas:

1. The first is that practically every product that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain.
2. The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their “four walls.” Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer. The result was disjointed and often ineffective supply chains.

For example, Raw material suppliers → Logistics Services Providers → Manufacturer → Logistics Services Providers → Intermediaries/ Retailers → Consumers

### **Different people have defined SCM in different fashions:**

“Supply chain management is the integration of businesses from end user through original suppliers that provides products, services, and information that add value for customers.”

“A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers.”

Supply chain management is the combination of art and science that goes into improving the way your company finds the raw components it needs to make a product or service, manufactures that product or service and delivers it to customers.

SCM represents the processes and technical systems that enable multiple organizations to collaboratively design, build and deliver products (though not necessarily services).

Integrated supply chain management is a process-orientated, integrated approach to procuring, producing, and delivering products and services to customers. SCM has a broad scope that includes sub-suppliers, suppliers, internal operations, trade customers, retail customers, and end users. It covers the management of material, information, and funds flows. It is a cradle-to-grave approach.

SCM has grown over the past two decades from fragmented and un-automated processes to complex, integrated, and highly automated systems.

### **Physical Flows**

Physical flows involve the transformation, movement, and storage of goods and materials. They are the most visible piece of the supply chain. But just as important are information flows.

### **Information Flows**

Information flows allow the various supply chain partners to coordinate their long-term plans, and to control the day-to-day flow of goods and materials up and down the supply chain.