Implementing Supply Chain Management

It has been the central theme of this book that supply chain management (SCM) represents nothing less than a radically new strategic management philosophy enabling today’s enterprise to realize the significant opportunities for competitive advantage to be found in the global marketplace of the late 1990s. Similar to other management concepts such as Just-In-Time (JIT) and Quality Management (QM), SCM can be described from several perspectives as an implementable technique, a management process, and a business philosophy. Beginning as an aspect of integrated logistics management centered around linking the common logistics functions to be found among supply and customer channel partners in search of throughput and cost advantages, SCM has evolved from a purely operational tactic to a universal strategic philosophy that seeks to converge the productive and innovative capabilities of enterprises linked together in a supply chain into a single, unified competitive force. The fundamental value of SCM is cooperation, and it is manifested in the willingness of allied chains of companies to link their strategic objectives and fundamental operational processes to create unique, borderless, market-satisfying resources that are invisible to the customer yet capable of quickly massing critical competencies and physical processes to form uncopyable sources of competitive advantage. In the past, companies relied on the development of fixed channels of supply where standardized mass-produced products would be distributed based on the least-cost principle. Today, market leadership belongs to those supply channels that can activate concurrent business processes and core competencies among their members, merge infrastructure, share risk and costs, jointly leverage design and productive processes, and anticipate tomorrow’s opportunities for radically new products and competitive space.

This concluding chapter seeks to discuss the management and organizational elements necessary to effectively implement SCM. Although it is true that any actual SCM implementation will be unique due to particular business circum-

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stances, productive and distributive processes, sets of core competencies, and strategic visions of the supply channel networks involved, there are, nevertheless, a number of formative principles that can be found in any application of the SCM concept. The chapter begins by revisiting these basic principles of SCM. Next, the discussion shifts to a detailed review of the requirements necessary for a successful SCM implementation. The chapter then concludes with a series of questions managers can use when determining how SCM can help their businesses achieve competitive success and what direction their implementations should take.

SCM Revisited

In Chapter 1, an attempt was made to construct a definition of SCM that could be used as a benchmark for the discussion to follow. Although it was stated that SCM, as is the case with any management philosophy, was still in the process of evolving, the concept could be broken down into three closely integrated dynamics. The first perceives SCM narrowly as an operations management technique that enables companies to move beyond merely integrating logistics activities to a position where all enterprise functions—marketing, manufacturing, finance, and logistics—can be closely integrated to form the foundation of a unified business system. SCM at this level enables the firm to connect and synchronize the day-to-day performance of operational activities, such as inbound logistics, all types of processing functions, outbound logistics, and marketing, planning, and control support activities, that are necessary to ensure the continuous alignment of departmental tactical objectives, the optimization of all operations functions, and the continuous creation of customer service value from the enterprise perspective.

In the second dynamic, SCM is described as a channel management method that seeks to extend the concept of integrated logistics to the performance of complimentary logistics activities by suppliers at the input end and by customers at the output end of the supply pipeline. The objective of SCM at this level is to closely interface, if not merge altogether, the logistics functions of an organization with the identical functions performed by logistics counterparts found in outside supply channel partners. Examples could be as simple as providing inventory planners with the ability to look directly at their suppliers’ inventories via computer-to-computer linkup, or as complex as the partnerships some companies form with third-party logistics service providers who perform a matrix of logistics activities, such as warehousing, rate collection and billing, transportation, and others, working in close collaboration with their customers’ logistics operations staffs. This dynamic supports the concept that in today’s business environment, no company exists independently nor possesses by itself all of the competencies and knowledge necessary to maintain market leadership. Instead, by networking logistics functions, supply channel partners, in effect, acknowledge that they are inextricably bound with networks of other channel partners in the pursuit of common and mutually supportive competitive objectives.