

Answer on Question #53701, Management / Other

Discuss the key supply chain process

Explanation:

Supply-chain management (SCM) has three principal components: creating the supply-chain network structure, developing supply-chain business processes and managing the supply-chain activities. Successful supply chain management requires cross-functional integration of key business processes within the firm and across the network of firms that comprise the supply chain. It is focused on relationship management and the performance improvements that result. In many companies, however, executives struggle to achieve the necessary integration and, consequently, the resulting improvements.

The eight key supply chain management processes are the following:

- Customer relationship management.
- Customer service management.
- Demand management.
- Order fulfillment.
- Manufacturing flow management.
- Supplier relationship management.
- Product development and commercialization.
- Returns management.

The CRM process provides the structure for how relationships with customers are developed and maintained. Through this process, management identifies key customers and customer groups to be targeted as part of the firm's business mission. The objective is to segment customers based on their value over time and to increase customer loyalty by providing customized products and services appropriate to the particular value proposition. Leaders in this process create cross-functional customer teams to tailor product and service agreements (PSA) that meet the needs of key accounts and customer segments and document how the two firms will engage in business.

The customer service management process represents the company's face to the customer. It is the key point of contact for administering the PSAs developed by customer teams during the customer relationship management process. Customer service provides the customer with real-time information on promised shipping dates and product availability through interfaces with such functional areas as manufacturing and logistics. The customer service process may also include assisting the customer with product applications.

Demand management is the process that balances customer requirements with supply chain capabilities. With the right process in place, management can match supply with demand proactively and execute the plan with minimal disruptions. This process is not limited to forecasting. It also includes synchronizing supply and demand, increasing flexibility, and reducing variability. Demand management entails controlling all of those practices that increase demand variability, including end-of-quarter loading and terms of sale that encourage volume buys.

The supply chain process encompasses all activities necessary to define customer requirements, design a network, and enable a firm to meet customer requests while minimizing the total delivered cost. While much of the actual order fulfillment work will be performed by the logistics function, the process needs to be implemented cross-functionally and coordinated with key suppliers and customers. The objective is to develop a seamless system from the supplier to the firm, and then on to the various customer segments.

Manufacturing flow management includes all activities necessary to obtain, implement, and manage manufacturing flexibility in the supply chain and to move products through the plants. The ability to make a wide variety of products in a timely manner at the lowest possible cost is a reflection of this process. To achieve the desired manufacturing flexibility level, planning and execution must extend beyond the four walls of the manufacturer and out to the supply chain partners.

Supplier Relationship Management provides the structure for how relationships with suppliers are developed and maintained. It involves developing close relationships with a small subset of suppliers based on the value that these suppliers bring to the firm over time. For each key supplier, the firm should negotiate a product and service agreement that defines the terms of the relationship. For less critical suppliers, the firm should follow the more traditional approach of simply providing the PSA, which in most cases would be non-negotiable. In short, supplier relationship management is about defining and managing these PSAs.

Product Development and Commercialization provides the structure for working with customers and suppliers to develop products and bring them to market. Effective implementation of this process not only enables management to coordinate the efficient flow of new products across the supply chain but also helps other members of the supply chain to ramp up manufacturing, logistics, marketing, and other activities necessary to support product commercialization. A product development and commercialization process team would work with CRM process teams to identify customer needs (both articulated and unarticulated), with the SRM process teams to select materials and suppliers and with the manufacturing.

Returns management is the process by which activities associated with returns, reverse logistics and return avoidance are managed within the key members of the supply chain. Properly implemented the returns management process enables firms not only to manage the reverse product, but also to identify opportunities to reduce unwanted returns and to control reusable assets such as containers. Effective returns management is an important part of SCM and provides an opportunity to achieve a sustainable competitive advantage.