

THE IMPORTANCE OF SUPPLY CHAIN MANAGEMENT

INTRODUCTION

Do small- to medium-sized enterprises (SMEs) need to be concerned with improving supply chain performance? The answer is “absolutely!”

Recent research in the area of SME supply chain practices found that SMEs need to decide where and how to compete. As any SME knows, they face many unique challenges.

Some research has recommended that SMEs need to understand and fine tune their strategic focus and supply chain relationship position. Strategic focus is broadly defined as “how SMEs compete within supply chains, in terms of either low cost operations or value added operations (e.g. new product and service development).” Supply chain relationship position is defined as “competitive positioning by particular SMEs.”

In fact, it has been stated that the growth and even survival of SMEs may depend on how effectively resources are allocated through their strategic focus, and how they secure better negotiation terms through improvement of their chain relationship position.

Did you know the “bullwhip effect” may be affecting your business?

Effective communications and SCM can help reduce this effect.

GETTING STARTED

One suggestion for an initial first step is developing a map of your supply chain to help in the definition of a firm’s strategic focus and relationship position.

Small- and medium-sized manufacturers must develop supply chain competence in order to remain competitive.

In fact, effective supply chain management can set the stage for increased growth and profits for an SME.

What are some potential benefits of effective supply chain management (SCM)?

- A focus on SCM allows SMEs to compete globally.
- Inventory reduction in a supply chain context can improve cash flow — a critical issue for SMEs.
- Improvement in key metrics such as on-time delivery, distribution costs and quality levels.
- Improved responsiveness and agility and reduction in lead time.

THE BULLWHIP EFFECT

Magnification of variability in orders in the supply chain



Retailers may have little variability in their orders...

...but as orders move through the supply chain, small levels of variability may be amplified...

...leading to huge swings in demand potentially growing throughout the tiers in the supply chain.