

[Supply chain management](#)

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Supply chain management combines logistics with strategy and is of increasingly vital importance to companies. It concerns the management of two-way flows of materials, finance, people and information along the chain from the raw materials to the customer. The concept is founded on the image of a chain with continual links between the different stages.

Traditionally, the nitty-gritty of moving raw materials and products around was regarded as the truly dull side of business. Companies knew that products had to be transported, stored, and distributed, but it hardly set the pulse racing. Competitiveness had little to do with whether raw materials arrived on Tuesday or Friday.

Today, the logistics of moving things around has become an exact science: supply chain management. It has been defined by Bernard La Londe of Ohio State University as 'the delivery of enhanced customer and economic value through synchronized management of the flow of physical goods and associated information from sourcing through consumption'.

Supply chain management has emerged as being of critical importance to the modern organization for a number of reasons. First, the balance of power has shifted. In the past, manufacturers dictated terms to retailers. Now it is retailers who call the shots, with sophisticated systems designed so that they get what they want when they want it. Companies such as Wal-Mart now store massive amounts of information on customers. Manufacturers have to deliver to their increasingly demanding specifications.

Second, time is an increasingly important factor in overall corporate competitiveness. Speed is of the essence, whether in terms of product development, production or distribution. Late deliveries close down production lines or lead to disappointed customers who are all too willing to look elsewhere.

The third factor is the expansion of information technology (IT). IT enables companies to manage the flow of goods, materials, thoughts and information in ways never previously imagined. IT enables each element of the supply chain – whether the manufacturer, retailer or end consumer – to know the others' circumstances. For example, if a supermarket runs out of a particular product line, technology enables it to be automatically reordered.

The final factor bolstering the standing of supply chain management is globalization. Truly global businesses require global supply chains. The right raw materials have to arrive in even the most obscure corporate outpost at the right time in the right amount.


Effective supply chain management can lead to processes, people and materials working more efficiently and so has a significant impact on costs. Removing a link in the supply chain, usually through the use of technology, can often lead to improved services at highly competitive prices – something that computer manufacturer Dell achieved by electing to sell computers directly to the public. For major multinational companies, there is no doubt that global supply chain management is a highly complex challenge, but one critical to their competitiveness.

Key texts

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Supply chain management. (2003). In Capstone Press, *Capstone encyclopedia of business*. Wiley. Credo Reference: https://lopes.idm.oclc.org/login?url=https://search.credoreference.com/content/entry/capstonebus/supply_chain_management/0?institutionId=5865

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"Supply chain management." *Capstone Encyclopaedia of Business*, Capstone Press, Wiley, 1st edition, 2003. *Credo Reference*, https://lopes.idm.oclc.org/login?url=https://search.credoreference.com/content/entry/capstonebus/supply_chain_management/0?institutionId=5865. Accessed 16 Feb. 2020.