

Media Room Article – Back To Basics

Sean Murphy explains the basics of Supply Chain Management to *Supply Chain Management Review Magazine*

For 10 years now, the term "Supply Chain Management" has quietly become an integral part of the corporate lexicon. Whether you are a supply chain manager or work with them, it is getting harder to find a corporation that doesn't use the term "supply chain" in some capacity.

The following is a brief overview of the basic concepts of supply chain management, and a history of the past decade of the industry, which includes the founding of Supply Chain Management Review, just over 10 years ago.

Definition

The concept now known as "supply chain" may have a new name, but it's been around for quite some time. There are many supply chain managers who insist they've been "doing supply chain stuff" for decades, just under different names.

Indeed, "supply chain" is essentially a term for the sourcing, materials handling, and logistics processes a product goes through from manufacture to selling point, and beyond.

Everyone knows that a product doesn't just materialize in a store to be picked up by the consumer, especially if said product is made overseas (an increasing likelihood these days).

So naturally, the product needs to get from where it is manufactured to the store, very likely changing hands and transport from ships to trains to trucks. How will this happen? Exactly what path is the best one for a company's products to take? Should a company use its own carrier or contract out? How efficient will the carrier be? How safe is the product in transit? These are all questions for executives heavily invested in the transportation, otherwise known as logistics, side of the process.

The product in question will likely travel from one vehicle to another in transit. While most corporate leaders would love to see their products handed from the ship to the train to the truck like the baton in a relay race, the reality is that just doesn't happen that way. Everything from regulations to vehicle availability forces products to experience some downtime. Where will they be during these periods? Most likely some sort of warehouse, but where? Does the company have its own buildings or must it once again contract out? How well organized are these buildings? Are they automated? Are they secure? Are they climate-controlled? All these issues are the purview of materials handling managers.

While at first glance the presence of logistics and materials handling managers in a company would suggest no need for further management, studies have shown that these managers tend to be too focused on their field to be expected to think beyond it. That's where supply chain management comes in. A supply chain manager is free to oversee the process from a holistic perspective, correcting errors and streamlining process problems that logistics and materials managers might not spot.

The Concept Emerges

The supply chain concept really became crystallized in the mid-1990s. Tony Friscia, founder of AMR Research, remembers the emerging need for a more consistent approach to supply chain management:

"Back in the mid '90s, everyone seemed to have their own definition of the supply chain depending on their industry and the role they played within the organization ... I started talking (with) Mike McGrath, who was running (consulting firm) PRTM at the time, and we agreed that the industry needed to come together and start using a common terminology in how it defined 'supply chain.' That way, an exec from company A could talk about the supply chain to an exec from company B and they could understand one another because they were speaking the same language.

Friscia said a group of industry leaders then joined in, forming the Supply Chain Council. "Initially AMR Research and PRTM ran the Council for about the first year," he said. "But we soon realized that the only way that the organization would be sustainable was if we created a non-profit entity that was owned by its members. So we went out and recruited an executive director and got the members to agree to governance. The Supply Chain Council was then formed as its own entity. Each of us just took a board seat and the organization took on a life of its own."

About 50 representatives from companies such as Proctor & Gamble, 3M and the Limited worked together to create a standard reference model for supply chain management. Named the SCOR model, the reference is anchored in five concepts: Plan Source, Make, Deliver, and Return.

Today, the regularly-updated model remains the definitive resource for supply chain management. And the corporate world has taken advantage of it. Companies such as Wal-Mart and Dell are known for selling products at cheaper retail prices and a popular make-to-order system, respectively, but both companies also owe a large portion of their success to well-managed, groundbreaking supply chains.

Today, supply chain management is no longer a corporate fad. It is one of the most well-known concepts to emerge since just-in-time, and is arguably just as important. Many companies now maintain vice presidential positions focused on supply chain management.

Consulting firms have sprung up offering supply chain management services, and more and more colleges and universities worldwide are adding supply chain-related courses to their curricula. Supply chain management is definitely here to stay.