

ROLE OF SUPPLY CHAIN MANAGEMENT IN INCREASING THE COMPETITIVENESS OF COMPANIES IN A GLOBAL CONTEXT

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Abstract

The supply chain management is an important source of improving the company's efficacy and effectiveness because it facilitates the logistic integration between companies, the integrated management of the supply chains of the partners, respectively, in view of creating added value for the final client, which allows the creation of long term relationships or partnerships, which involves the cooperation in order to improve the design, diminish the costs, improve the quality and develop products to be launched as quickly as possible on the market. In the broadest sense, the supply chain management includes the entire network and develops strategies and influences to invest in and relate upstream with suppliers, supplier's suppliers etc., and also to invest in and relate downstream with clients, client's clients etc. up to the end user.

Key words: develop products, efficacy, logistic, quality products, supply chain management

INTRODUCTION

The term Supply Chain Management (SCM) was developed in the 80's in order to express the need to integrate the key business processes, from the end user to the original suppliers. The core idea of a SCM is that the companies are involved in a supply chain at least through the exchange of information regarding the market fluctuations and production capabilities. (C. Vasiliu).

Although the authors of the concept are R. Oliver and M. Webbe, the Supply Chain was a topic of discussions long before. Some fields, such as production, had an upward trend, while stock management was subject to marketing. This fragmentation led to the occurrence of conflicts between production, marketing, accounting and financial departments. In this context, logistics emerged as a method of improving company's efficiency.

MATERIALS AND METHODS

By the use of specialized literature, this paper intends to present the importance of SCM within a company.

Based on the bibliographical references, the following were indicated: terms of supply chain and supply chain management, their component elements, as well as the advantages of using the Supply Chain

Management in increasing the company's competitiveness on a global market.

Because there are several issues to be pursued, the supply chain management is difficult to treat as a whole. New trends regarding SCM are focused on the most recent approaches to the coordination of material and information flows.

RESULTS AND DISCUSSIONS

The term Supply Chain Management (SCM) was developed in the 80's in order to express the need to integrate the key business processes, from the end user to the original suppliers. The core idea of a SCM is that the companies are involved in a supply chain at least through the exchange of information regarding the market fluctuations and production capabilities. (C. Vasiliu).

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Supply Chain represents a network of organisations which are involved, by upstream and downstream connections, in different processes and activities which generate value as products and services which reach the end users. In a broader sense, a Supply Chain consists of two or several organizations which are legally separated, but connected through material, financial and information flows, including the end user also.

In a narrow interpretation, the term of Supply Chain is applied to a single company which has several seats, often located in different countries within which the coordination of material, information and financial flows takes place and it is easier to take decisions because these premises are included in a single organization, with a single management level.

Supply Chain Management was defined as a process for “the management of downstream and upstream relations with suppliers and clients which allows the supply of a higher value to the client, at a lower cost, in a supply chain which is viewed as a whole” (Moller, 2003; Christopher, 1998).

Supply Chain Management includes more issues than the traditional logistics functions, being one of the most powerful instruments in increasing company’s efficiency, especially in increasing the operational efficiency.

Since the emergence of this term, the marketing departments started to offer a greater importance to distribution.

Supply Chain Management unifies all the processes in a single homogenous chain from the supplier, manufacturer, and merchant to the client. Resources and capabilities are combined and the design, manufacturing, and delivery of goods, services and information are performed in an organization which is objective-oriented.

In the article “The ABC of Supply Chain Management”, published in the online magazine NetworkWorld, 2007 it is shown that a Supply Chain Management may include five main components (C. Vasiliu):

1) “the plan, which refers to the over-all strategy of the SCM program including the development of SCM metrics to monitor;

2) the source, which refers to the suppliers who'll provide you with goods and services necessary for you to run your business;

3) the make or manufacturing component, which refers to the execution of processes needed to produce, test, and package your products or services;

4) the delivery, which refers to the system for receiving orders from customers, developing a network of warehouses; getting the products to the customers; invoicing customers and receiving payment from them;

5) the return, which is the system for processing customer returns and/or supporting customers with problems with the products they received”

In this context, the cooperation between the supply chain and the extended supply chain becomes important, and relevant information becomes relevant for any enterprise within the supply chain, which could to be optimized. This will lead to a better general planning of production and distribution. In turn, this situation will lead to cost diminishing and will offer a greater attractively to the end product, supporting the sales increase.

The successful implementation of the Supply Chain Management leads to the emergence of a new type of competition on the global market which takes place between supply chains and not between companies, being an effective method of creating value for the client.

Florea N. and Clipa C. described SCM as follows:

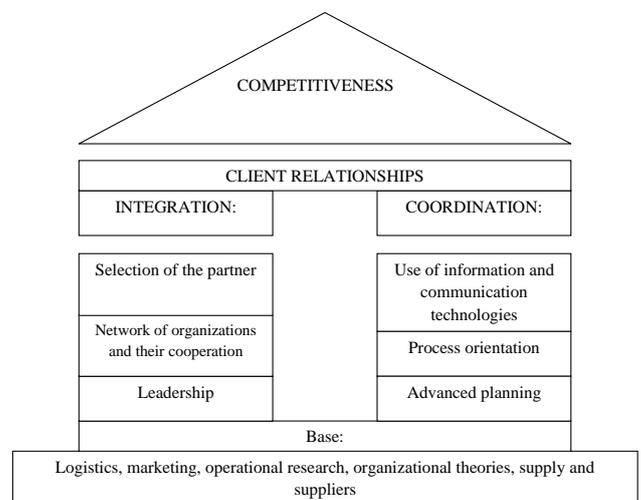


Figure 1 – SCM Structure
 (Source: Florea N., Clipa C., 2005)

The elements underpinning this structure are: competitiveness, client relationships, integration and coordination.

Competitiveness may be improved as follows: by diminishing costs, increasing the quality of products offered or by increasing the flexibility, in the context of observing the changes which occur in the client's demands.

Integration means grouping an aggregate of organizations, selecting proper partners to form an average and long term partnership.

Coordination on the one hand, means the use of information, of materials and financial flows, and on the other hand, it means the alignment to the strategies of the involved partners.

It involves the use of information and communication technologies, process orientation and advanced planning and it must be performed by using the newest developments in information and communication technology.

The use of all these elements is aimed to the most efficient operation of SCM, without interrupting the physical, financial and information flows. This is why SCM needs to use some advanced planning systems, which are developed with the help of effective software applications.

CONCLUSIONS

In conclusion, the advantages of using the Supply Chain Management are represented by the streaming of flows which led to cost optimization: costs related to stock maintenance, costs related to the circulation of physical flows; costs which involves the disconnection of physical flows. This cost reduction will lead to the improvement of profits to the expense of its own partners within the Supply Chain.

The aim of the supply chain management implies the clients' satisfaction, obtaining of a high performance of the organization, and identification of methods by which the companies continue to learn, innovate and to evolve.

The objectives of the supply chain management are squander reduction, time

compression, responsiveness flexibility and reduction of unit cost of the product.

In order to achieve the full capacity of the supply chain management, integration is necessary not only within the organization, between departments, but also with the external partners.

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