

CHAPTER 6

Building a Strong Supply Chain

INTRODUCTION TO BUSINESS

Learning Objectives

- To define what a supply chain is along with its components and benefits
- To distinguish the types of supply chains
- To identify key performance indicators (KPIs) and sustainability practices in supply chains
- To explore supply chain best practices





What is the supply chain?

- The **supply chain** consists of all the internal and external partners who participate beginning with the raw materials or supplies and ending with the final consumer making use of the product or service.

SUPPLY CHAIN MODEL



- Supply chain management** as the planning and administration of all the activities needed to source and purchase, conversion, and all logistics management activities



Strong Collaboration

- Strong collaboration is needed with internal and external partners
- Supply chain management incorporates managing supply and demand within and across businesses.



The supply chain consists of flows that must be managed and that are everyone's responsibility :

SUPPLY CHAIN FLOWS



Product Flow

Information Flow

Cash Flow



Benefits the Supply Chain Brings

Improves the financial position of its members by:

- Improving overall business efficiency
- Increasing profit leverage across members, decreasing fixed assets, and increasing cash flow
- Reducing costs in areas such as purchasing costs, production costs, and inventory management

Boosts customer service by:

- Leading improvements in consumer service by overseeing how products are shipped, preventing shortages or oversupply, ensuring the right delivery time, and after sales support
- Meeting customer expectations regarding product availability (assortment, timing, and place)



Benefits the Supply Chain Brings (cont.)

Enhances the strategic position by:

- Supporting the control of the manufacturing process
- Enhancing integration across members to improve decision-making
- Providing access to new markets via intermediaries
- Developing relationships

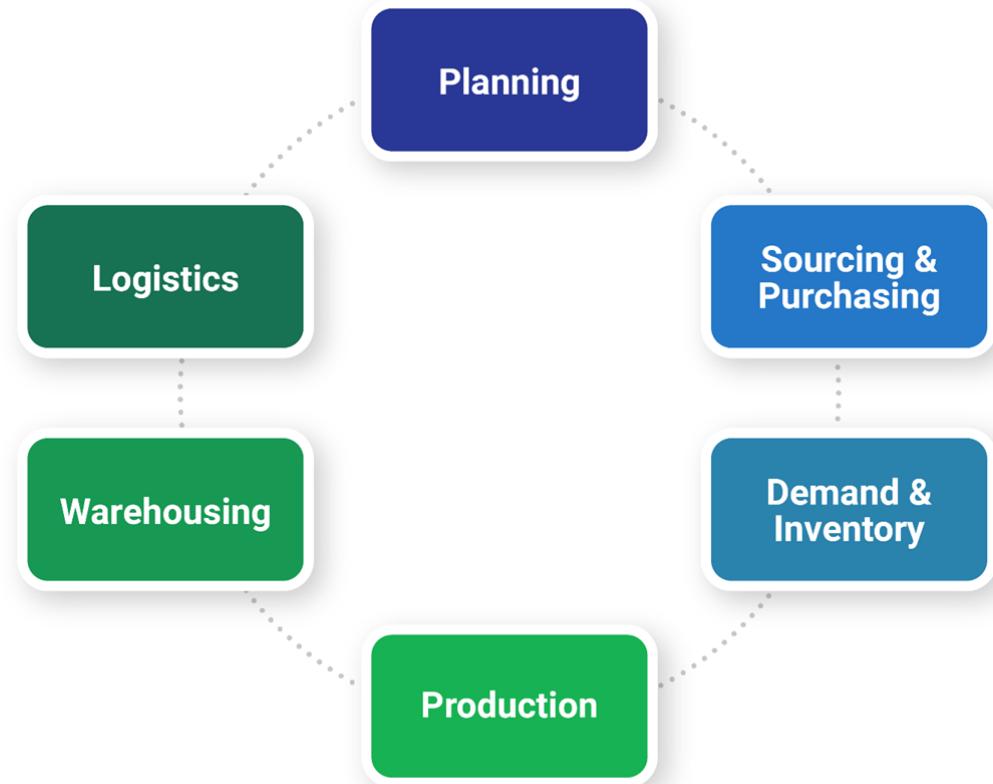
Ensures human survival and improves the quality of life by:

- Helping in sustaining life by dispensing necessities
- Improving human healthcare
- Protecting individuals from climate and extreme events
- Assists with job creation, standards of living, and economic growth



The Supply Chain Components

SUPPLY CHAIN COMPONENTS





Planning

- Starts with the decision whether to manufacture the product internally or externally
- Distribution planning



Sourcing & Purchasing

- Refer to the selection of supplier(s) for a product or service and the buying of such supply
- Complexity in the number of supplies and thus exposes supply chains to risks



Supply Chain Components (cont.)



Demand & Inventory

- Maintaining the right levels of inventory is essential
- Inventory levels should mainly depend on the actual demand for a product
- Accurate projections



Production

- Involves the assembly or manufacture of the product to be sold to consumers
- Central to the supply chain
- Production often relies on marketing to determine purchase intent and repeat purchase among consumers



Supply Chain Components: Warehouse & Transportation



**Warehouse &
Transportation**

- Warehouse refers to the physical place to store a product and such physical place
- Transportation refers to being able to carry and deliver goods as needed from the warehouse to the store, and ultimately the consumer



Supply Chain Components: Logistics



Logistics

- The actual flow of products and services within the supply chain
- Includes:
 - Inbound, outbound and reverse
 - Transportation
 - Warehousing
 - Order fulfillment
- Reverse logistics
 - Return of defective or unwanted products
 - Returns can happen at any point in the supply chain
 - A business can also collect and reuse some part(s) of their distributed goods

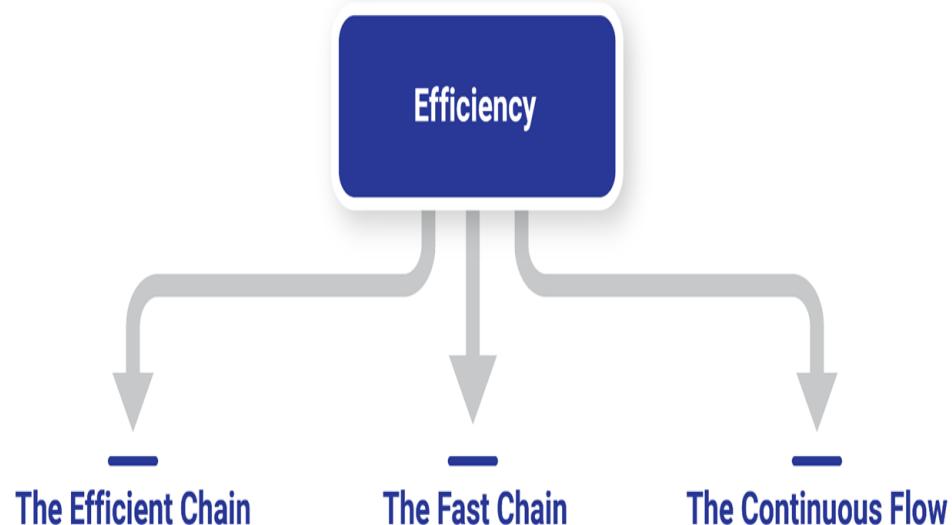


There are six models of supply chains based on efficiency vs. responsiveness

Efficiency Supply Chains

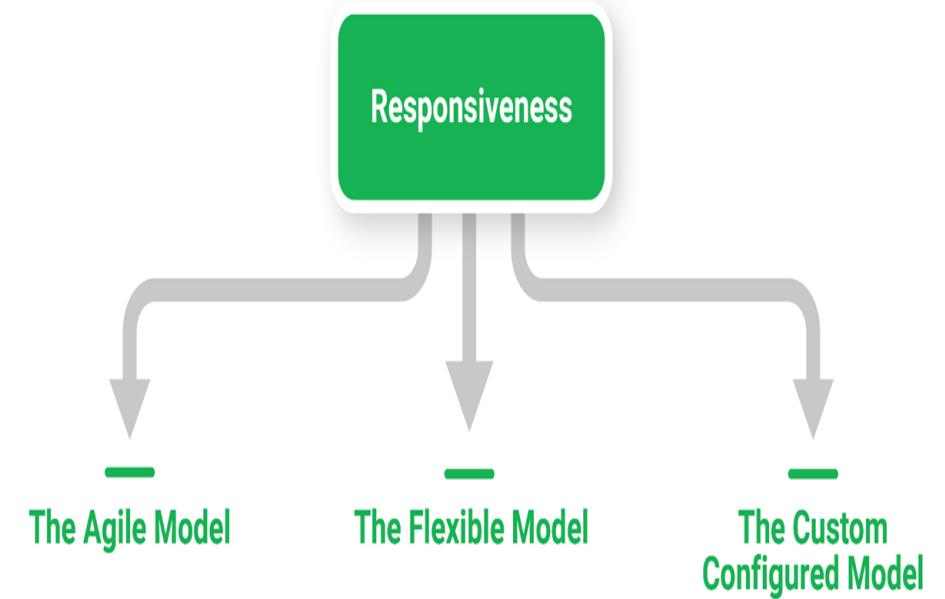


EFFICIENCY SUPPLY CHAINS



Responsive Supply Chains

RESPONSIVE SUPPLY CHAINS



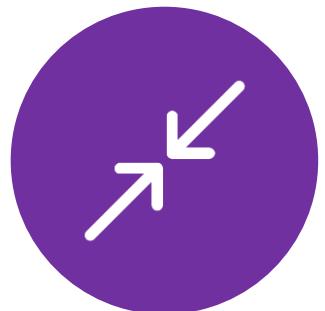
All models of supply chains share the same goals:



Keep costs down,



Improve productivity,



Reduce risks, and



Ultimately satisfy the end consumer.



Potential disruptions for supply chains:



Digital Transformation



Pushback on Globalization



Supplier Infrastructure



Cost of Core Technologies



Climate Change and Sustainability



Consumers/Channels



Disruptive Events



Supply chains KPIs:

Main KPIs

- Operational efficiency gains
- Operational speed and agility
- Cost savings
- Business performance gains

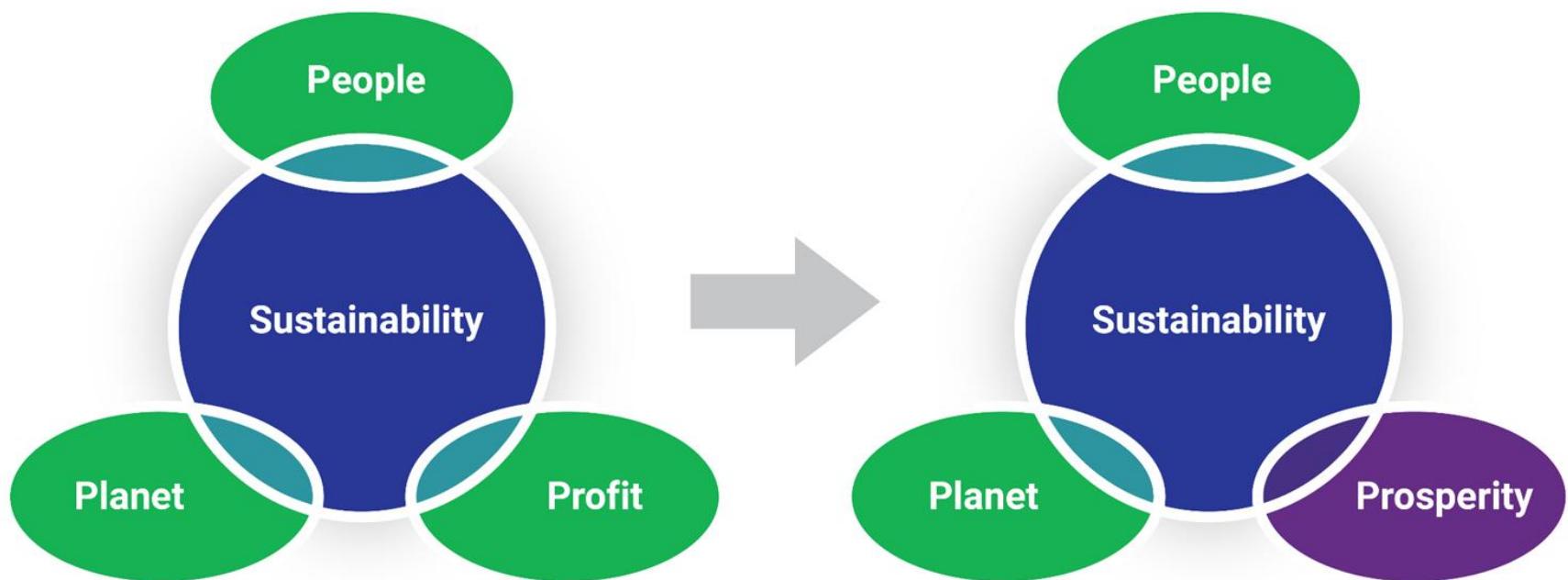




Sustainability in Supply Chains

The Triple Bottom Line (3BL) model :

TRIPLE BOTTOM LINE (3BL) WITH PROSPERITY



Integrity is also needed for sustainability

- Consumers expect businesses to be more transparent regarding their sustainable practices
- Ethical responsibility calls for **integrity**, a strong adherence to values, which in business, is divided into structural integrity and moral integrity.



An example of a sustainable supply chain focused on integrity is Cisco

Supply chain sustainability

A responsibly managed supply chain upholds human rights and promotes worker health and well-being. Cisco works to minimize negative environmental impacts and collaborates to promote healthy ecosystems.



CSR at Cisco homepage



Technology for good



Environmental sustainability

Cisco Refresh

Cisco Refresh is a cost-effective, sustainable way to leverage Cisco products. Products are fully remanufactured and certified. Critical upgrades are completed and all equipment is under standard warranty.

[Learn more](#)

Measurable impact

We have set ambitious goals and committed the necessary resources to make meaningful progress in reducing our environmental impact and accelerating our contributions to a circular economy.

100%

100 percent of new Cisco products and packaging to incorporate circular design principles by FY25

20%

20 percent decrease in the use of virgin plastic by FY25 (FY18 base year)

30%

30 percent absolute reduction in Cisco supply chain-related Scope 3 GHG emissions by FY30 (FY19 base year)



CHECK YOUR UNDERSTANDING



What are the 3 P's of the classic model to address business sustainability, found in the Triple Bottom Line (3BL)?

- People, Planet, Profit
- Positivity, Proactive, Profit
- Practice, Practice, Practice
- Product, Place, and Price

Check My Answer

Assignment 1. for the next week

Individually:

**1. What I've learned from this midterm exam and the past few weeks...
write your own experiences**

Instructions:

- There are no right or wrong answers; only your personal experiences matter. Please try to provide specific examples.
- Your text must be between 300 and 500 words.
- Please save your document using your student number and submit it in the WhatsApp group no later than November 4, 2025, 4:00 PM.

