

Supply chain management (SCM)

What is Supply chain management?

Nowadays, businesses have become increasingly specialized in their respective fields. They efficiently work on their main activities and outsource secondary activities rather than insource them in order to save time and resources. Therefore, a need for a system that effectively manages the relationship between the organization and its supplier exists. For example, if a certain production component is not available due to some mishap in the supplier chain, production will not go as planned leading to a loss in capital and time. This is where Supply Chain Management comes in. Supply Chain Management is the second of the core information systems. The Council of Supply Chain Management Professionals (CSCMP) defines Supply Chain Management that encompasses the planning and managing of all activities involved in sourcing and procurement of materials and activities, conversion, manufacturing operation, and logistics management activities. It also includes the coordination and collaboration with the channel partners, which can be suppliers, intermediaries, 3rd party logistics providers and customers and supporting all levels of planning and control, from long-term strategic planning (such as setting up a supplier-customer network) to execution of daily operations. Supply Chain Management integrates supply and demand management within and across companies. All this assists the organization to compete in the dynamic international market. Unsurprisingly, Supply Chain Management is a natural extension of Enterprise Resource Planning (First of the core information systems).

SCM and ERP

Supply chain management and enterprise resource planning are closely connected. This is because of two things: Firstly, many results provided by ERP are needed as input for the SCM system and vice versa. Secondly, the same functions are sometimes needed in both systems. There is a natural overlap between ERP and SCM functionality. In closely coupled solutions (like SAP SCM and SAP ERP), the SCM system may even invoke functions of the ERP system. It is also worth noting that many methodological and technical shortcomings of Enterprise Resource Planning have been removed or at least mitigated in Supply

Chain Management. These improvements are called Advanced Planning and Scheduling (APS).

Advantages of IT enabled SCM

The introduction of Supply Chain Management systems, especially Information Technology enabled SCM, in organizations has increased efficiency by:

1. Improving operations

This is done by providing better collaboration means between organization members, knowledge sharing means, accurate demand forecasting and many more, subsequently saving the organizations time and resources and helping them gain a competitive advantage.

2. Improving communication between business partners

By helping organizations develop online procurement, share information in real time to optimize work efficiency, provide an effective environment for strong collaboration with partners, and facilitate global interconnectivity.

3. Better inventory management

By only retaining the necessary amount of stock, It means that they can save costs in terms of storage, thefts, transporting goods etc.

4. Increasing globalization

Globalization and Supply Chain Management (SCM) are interconnected. Globalization gives access to new customers and new sources of procurement. SCM allows the effective integration of these new sources, suppliers etc.