
RESPONSIBILITY OF ISSUES AND CHALLENGES IN SUPPLY CHAIN MANAGEMENT

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ABSTRACT

India is becoming a global manufacturing hub. Increasing demand in domestic and international markets is opening a new world of opportunities for the Indian Industry. Increasing competition, due to globalization is making inevitable for the Indian industries to provide cost effective quality output with stringent delivery schedules. Issues in supply of inferior quality, delayed supply, unwarranted cost escalation, etc. would adversely impact the credibility and business potential of the Indian industry. Amongst many difficulties faced by Indian manufacturers, supply chain disruption management is a major issue, which can result in large tangible and non-tangible losses. In current study lot of research has been done to understand what the Supply Chain Management is and how it is affecting organizations, what are different challenges and it can be proved as a tool for improving overall performance in today's global competitive environment..

Key words : Supply chain management, world

INTRODUCTION

The economic growth in every country is depending much on its companies, as we can see they are growing locally as well as global business activities. Going global implies that supply chains are no more local. This is proven when firms spread their operations across the globe sourcing from and selling to different organizations and or people. This fact adds complexity to the supply chain and if this complexity is not properly managed it can result in disruptions and higher costs. Local business might be encountering some issues pertaining to the domestic rules and regulations, socials, economics and political areas. Those issues more or less can be anticipated by the business institutions as they have experienced and familiarized it before, less constrained due to the issues are still under control. As compared to global business, where all factors beyond the boundaries, business operations might be restricted and less powerful players will suffer losses and closing their business operations. A good understanding on each country's policies should be addressed on so that the business can enter into the competition at the same level with the others. The business should not just simply decide to put money into a business activity without prior background checking, if not, the money would not promise even a return in the future.

Supply Chain Management means transforming a company's "supply chain" into an optimally efficient, customer-satisfying process, where the effectiveness of the whole supply chain is more important than effectiveness of each individual department. Previously manufacturers were the drivers of the supply chain - managing the pace at which products were manufactured and distributed. Today, customers are calling the shots, and manufacturers are scrambling to meet customer demands for options/styles/features, quick order fulfillment, and fast delivery. Manufacturing quality – a long-time competitive differentiator - is approaching parity across the board, so meeting customer's specific demands for product delivery has emerged as the next critical opportunity for competitive advantage. Companies that learn how to improve management of their supply chain will become the new success stories in the global market place. Study on Benchmarking shows significant cost differences between organizations that exhibit best-in-class performance and those with average performance.

SUPPLY CHAIN MANAGEMENT

The central idea of supply chain mgmt. is to apply a total system approach to managing the flows of information, materials & services from raw material suppliers through factories & warehouses to the end customer. Recent trends such as outsourcing & mass customization are forcing companies to find flexible ways to meet customer demand. The focus is on optimizing core activities to maximise the speed of response to changes in customer expectations.

Virtually every industry is broadening its product lines to provide the variety of choices that customers want. The challenge is not only to produce so many different products but also to distribute the products to a global customer base. Supply chain mgmt. is important in business today. The term supply chain comes from a picture of how organizations are linked together as viewed from a particular company. Many companies have enjoyed significant success due to unique ways in which they have organize their supply chain. For example, Dell Computers, skips the distribution & retail steps typical of a manufacturing supply chain. However, a good supply chain design for one company may not work for another. The supply chain should be structured to meet the needs of different products & customer groups.

Measures of supply chain efficiency are inventory turnover & weeks of supply. Efficient process should be used for functional products & responsive processes for innovative products. This alignment of supply chain strategy & products characteristics are extremely important to the operation success of a company. Companies that face diverse sourcing, production & distribution, decisions needs to weigh the cost associated with materials, transportation, productions, warehousing & distribution to developed a comprehensive network design to minimize cost.

GLOBAL ECONOMIC SCENARIO

The Economies of the Asian region are growing at fast pace in the global economies. Asia is a host to three economies viz. China, Japan & India and accounting for more than 35% of world GDP. Today Asia's share in the world GDP exceeds that of European Union & the US. Being the fastest growing economies of the world, over past 2 years, china & India contributed 73% to the Asian growth and 38% to the World GDP growth. Asian region has increasingly become a major centre of World Trade, Global capital flows and other Macro-Economic parameters. One of the major strength of Indian Economy is that India will remain one of the youngest Country in the world in the next few decades. This demographic dividend is seen as inevitable advantage provided prerequisites such as skill upgradation & sound governance to realize it are put in place. In terms of business environment, the impressive growth coupled with market orientation of the economy has being a bottom – up – exercised with a very broad based growing entrepreneurial class. These tendencies are perhaps reflection of a punchent for innovation among growing entrepreneurial class in India, imbued with professionalism & seeking to be globally competitive.

ISSUES AND CHALLENGES IN SUPPLY CHAIN MANAGEMENT

(i) Supply Chain Integration : Supply chain management (SCM) executives face unique challenges, with respect to integrating supply chainspecific strategies with the overall corporate business strategy. In recent years, given changing business realities related to globalization, the supply chain has moved up on the chief executive officer (CEO) list of priorities, but it's not always for the right reasons, in many cases, CEOs only pay attention to the supply chain when they want to cut costs or when something is wrong. Since the supply chain essentially moves the lifeblood of the organization, process efficiency on a global scale is essential to optimized business operations. The importance of global integration to the Multi-National Company (MNC) lies in the differential advantage to be gained from the ability to

exploit differences in capital and product markets, to transfer learning and innovation throughout the firm, and manage uncertainty in the economic or political environment in different countries or regions. However, the general understanding of the business environment in most industries is that competition has increased and the conditions under which business is made are more turbulent. Many researches have mentioned a classification of supply chain integration challenges. SC integration challenges can be classified through the challenge of system relationships; the SCM system has two kinds of relationships, which are the relation between sub-systems, and the relationship between SCM system and the business strategies. This classification emphasizes the technical challenges that came from the relation between SCM system and internal business strategy, unfortunately this classification bypass the challenges that the companies may face from external environment.

(ii) Information Sharing : Information sharing in a supply chain faces several hurdles. The first and foremost challenge is that of aligning incentives of different partners. It would be naïve of a partner to think that information sharing and cooperation will automatically increase his or her profit. In fact, each partner is wary of the possibility of other partners abusing information and reaping all the benefits from information sharing. For example, supply chain partners seldom share information that relates to sensitive cost data, e.g. production yield data or purchase price of parts. This is consistent with economists. Finding that a powerful monopolistic or monopsonistic partner can extract all economic profit from his or her partner, but one way of defending a positive profit for the weaker party is to keep the cost hidden and maintain informational superiority. The profit associated with superior information is often called the informational rent. Even when each partner is guaranteed a positive gain in return for information sharing, each partner can play a non-cooperative game and haggle over how much. This may potentially lead to a failure to share information. Thus, trust and cooperation become critical ingredients in a supply chain partnership. On the other hand, trust needs to be rationalized by a relevant economic return. Cooperative game theory offers a starting point to the resolution of the problem, but reality is much more complicated with many additional factors and special considerations. Another concern associated with information sharing is the confidentiality of information shared. Suppose, for example, that a supplier supplies a critical part to two manufacturers who compete in the final product market. Either manufacturer would not share information (like sales data) with the supplier unless it is guaranteed that the information is not leaked to the other manufacturer. But the situation becomes tricky if the supplier and one of the two manufacturers are the same company. Note also that information sharing in certain settings can be a subject of antitrust regulations. Suppose that two retailers regularly share with the supplier their demand projection for the next ten weeks. The projection by one retailer may implicitly signal the plan of a sales/promotion campaign in some future week. When this information is relayed to the other retailer through the supplier, it may be potentially used as a price fixing instrument between the two retailers. For example, the two retailers may take turns lowering the price by the use of forecast signals and avoid cut-throat price competition. This practice may be a subject of scrutiny by the antitrust authorities.

(iii) Supply Chain Network Design : Another aspect that requires more attention is the full integration of forward and reverse activities in SCM. As we can conclude from the surveyed literature, only a few papers attempt this integration and, again, significant simplifications are made. One aspect that has been scarcely considered in (integrated) supply chain planning concerns postponement decisions, which refer to the possibility of not filling customer demands on time. As a result, backorders are generated that incur penalty costs. This issue was explicitly integrated with strategic decisions (Wilhelm et al., 2005). Clearly, more research is needed on this aspect, whose relevance has been raised by SCM. In particular, it is important to consider the impact that it may have on strategic decisions. In addition to these findings, we note that the large majority of location models within SCM is mostly cost-oriented. This somewhat contradicts the fact that SCND decisions involve large monetary sums and investments are usually evaluated based on their return rate. One of the few models addressing this issue was (Sheu, 2015) focusing on maximizing the potential return on facility investment. Moreover, substantial

investments lead to a period of time without profit. Companies may wish to invest under the constraint that a minimum return will be gradually achieved (e.g., at least a pre-defined amount should be earned within a given time limit, (Shapiro, 2016). By considering profit-oriented objective functions, it also makes sense to understand, anticipate and react to customer behaviour in order to maximize profit or revenue. This means bringing revenue management ideas into strategic supply chain planning. The contribution by Mitra, 2007 is the only example we found that considers revenue management for remanufactured products in reverse logistics. Regarding the methodology that has been developed to solve SCND problems, a rich and varied group of available solution techniques can be observed. This aspect along with the continuous development of more computing power makes it possible to handle comprehensive models. Hence, although the incorporation of the various features discussed above would naturally increase the complexity of the resulting models, the possibility of solving real-life problems seems quite promising.

CONCLUSION

In combination, the SCM definition and this new framework moves the SCM philosophy to its next evolutionary stage. The implementation of SCM involves identifying the supply chain members with whom it is critical to link, what processes need to be linked, and what type/ level of integration applies to each process link. The objective of SCM is to create the most value, not simply for the company, but for the whole supply chain network including the end customer. Consequently, supply chain process integration and reengineering should be designed to increase process efficiency and effectiveness for the entire supply chain. It is critical that the benefits derived are equitably distributed.

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