COURSE BOOK



## Global Supply Chain Management

**MWCH01**

### Learning Objectives

###### Introduction **9**



A significant consequence of the intensification of international economic relationships created by so-called “globalization” is reflected in the fact that competitive processes are now being encountered to an ever lesser degree between individual companies but are becoming a more prevalent occurrence between so-called “global value-added chains”.

The **Global Supply Chain Management** course imparts knowledge about the goals and motives behind the development of globally operating value-added networks. Systematic typologies, strategically relevant issues, and configuration options in the area of Supply Chain Management (SCM) are explained and developed in order to convey the magnitude and complexity of the subject. There is also the opportunity to present the particularly pertinent instrumental categories of SCM.

Working from this foundation, you will learn about the modes of action and problem areas associated with cross-company (global) value-added networks during the course, and obtain answers to questions on common strategic elements.



# Unit 1

## Motives and effects of logistical added-value networks

##### STUDY GOALS

After completing this unit, you will know ...

… why Supply Chain Management is becoming increasingly important.

… how Supply Chain Management is defined.

… how Supply Chain Management and pure Logistics Management differ.

... which motives and effects exist in logistical added-value networks in the context of Supply Chain Management

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### Motives and effects of logistical added-value networks

#### Introduction

Increasingly globalized and liberalized markets are experiencing a rapid rise in competitive pressure. Harmonization and deregulation activities are being implemented across the EU and globe, in order to relieve the strain on national budgets when times are tight. A further reason for this increase is that fewer regulations help to promote competition, and companies work more innovatively in order to maintain their market position. These innovations, in turn, result in an increased willingness to invest within companies as well as the creation of new jobs and more efficient working methods.

A parallel increase in customer power is also being experienced, as the opening of new markets offers greater choice and more purchasing alternatives. Product life cycles are becoming increasingly shorter due to rapid technology sequencing and increasing rates of market saturation. New forms of information technology are contributing to the increasing creation of virtual marketplaces, with even small providers selling their products via online shops. Customer demands are also increasing in parallel, which is again attributable to customers being better informed and organized through new media.

The development of global strategies is essential in enabling producers and service providers to meet increasing consumer requirements. In particular, this requires intensive networking, which can be achieved through the creation of intelligent logistics processes. In order to achieve this networking, the activities performed by production and/or sales companies are linked, and suppliers and customers are incorporated into their systems. Cost and quality indicators must be kept up-to-date and remain transparent at all times in these systems, in order to ensure efficient process control.

This calls for a holistic logistics management system that goes beyond the mere optimization of transport routes, and is precisely where Supply Chain Management comes in to play: a basic structure is developed in process form, which not only encompasses the actual transport routes but also covers supply and disposal strategies, and provides a uniform controlling system for all participants in the process chain (Thaler 2011).

Strategies and principles relating to Supply Chain Management were developed by consultants Jones and Houlihan as early as the 1980s (1985), with practical implementation influenced by Oliver and Webber (1992). As in the case of theory and practice, the value system applied to SCM was also shaped in the 1980s and 1990s by numerous consultants, scientists, and managers, predominantly from the USA and England.

Any form of uniform “schooling” has, however, been absent. The definition of Supply Chain Management varies significantly across specialist literature. Towill regards it as “a chain of systems for order processing” (1996, p. 15 et seqq.), while Fisher describes it as “a link to the customer that connects production with end customers, i.e. a sales channel” (1997, p. 105 et seqq.) According to Harrington, SCM is a “map showing the combined flow of material and information”

Motives and effects of logistic added-value networks

(1995, p. 30 et seqq.) Stevens (1989) states that “The scope of the supply chain begins with the source of supply and ends at the point of consumption” (p. 3).

The approach adopted by Ellram and Cooper, which states that SCM describes the linking of value-added processes, has gained wide acceptance (Wildemann 2010). In Germany, the first production companies began to implement Supply Chain Management in the early 1990s.

The importance assigned to SCM in recent years is demonstrated by it becoming the increasing focus of scientific investigations, and the fact that numerous surveys, analyses, and research studies have been, and are being, carried out. Today, Supply Chain Management is an important concept of practical business administration.

#### What does Supply Chain Management mean?

Supply Chain Management means that integrated logistical chains (the flow of money, information, and material) are developed, managed, controlled, and monitored across the entire value-added process, from the extraction of raw material and production activities through to the various refinement stages and delivery to the end consumer. For this reason, Supply Chain Management is also referred to as the theory of added value.

Supply Chain Management means that processes are configured across a multi-level logistics network, which ensure that end customers or points of sale are optimally supplied with goods, products or services. In addition to physical supply, Supply Chain Management also ensures the integration of management processes for the accompanying flow of money and information.

A regular exchange of (planned) data between all participants in the process chain ensures that the procurement, production, and sales plans generated within the different process stages are coordinated on an ongoing basis.