

# **SUPPLY CHAIN MANAGEMENT:**

## A GLOBAL PERSPECTIVE



Nada R. Sanders

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A GLOBAL  
PERSPECTIVE

**Nada R. Sanders**

*Lehigh University*



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## PREFACE

Supply chain management (SCM) is the fastest growing area of business today, and is at the core of success of most leading companies. Knowledge of SCM is necessary to participate in this growing and exciting career field. However, SCM is challenging in scope and complexity. Even today there is a misunderstanding of SCM. Most people assume that SCM is part of logistics and distribution, or purchasing, or perhaps marketing. They do not understand the intricacies and broad reach of this rapidly evolving area of business. This book is designed to provide students with a comprehensive understanding of SCM, key issues involved, and the very latest business thinking. This book is different from other SCM textbooks. It is specifically written as a comprehensive SCM text providing an integrated and global perspective.

Recent trends have made the study of SCM especially challenging. Today's business environment has forced companies to compete in very different ways than just a few years ago. The following is true of today's organizations:

- In addition to competing on traditional dimensions such as quality, time, cost, and customisation, companies must be rapid innovators. They must stay abreast of quickly changing customer demands and have responsive supply chains in place.
- Today's organizations operate in a global environment and are affected by global trade. Many companies serve multiple global markets, with products sourced and produced across many continents. They must plan, design, and manage a complex supply chain network.
- Focus on "green" and sustainability has become prominent. Issues of environmental and social responsibility are becoming critical elements of SCM, spanning concerns such as sourcing, packaging, manufacturing, and distribution.
- E-business, the Internet, and advances in information technology (IT) are enabling supply chain collaboration and coordination. IT system design is an important element of SCM. However, options in IT systems can be overwhelming and costly.

- Unprecedented threats to security are forcing companies to invest in systems to protect products and information throughout every step of the supply chain. Addressing issues of security in supply chain design is a critical aspect of SCM.
- A global recession has created tremendous financial pressures on companies and their supply chains. Companies are being forced to remain competitive and innovative while cutting, or maintaining, costs.

This text addresses SCM within this realistic global business environment, in a complete and comprehensive manner. It is written in an accessible manner enabling students to easily grasp the material, then extend and elevate discussion in the classroom. Each chapter ends with a business case to reinforce the concepts learned. The textbook is intended to provide the foundational concepts for undergraduate and graduate-level classes in SCM, as well as related areas such as operations management and purchasing. In addition, the book is an excellent resource for executive education and training seminars.

## GOALS OF THE BOOK

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### 1. PROVIDE A COMPREHENSIVE FOUNDATION OF SCM

This text is written to provide a comprehensive foundation of SCM, from its broad meaning and strategic implications, to operational concepts and techniques. While there are a few excellent textbooks that provide foundational concepts of SCM, few present these concepts in a comprehensive and integrated manner that is the hallmark of SCM.

The text begins with an introduction to the holistic and integrated nature of SCM. Supply chain strategy is discussed next, as the driver of SCM, followed by the design of the supply chain network. Participation of organizational functions—including marketing, operations, sourcing, and logistics—are discussed, as well as their linkages to SCM. Next, planning and controlling the supply chain is discussed, from forecasting and materials management, to lean and six-sigma. Attention is devoted to topics that are of specific interest to SCM, including collaborative forecasting methods such as CPFR and S&OP. Finally, the text looks at issues of managing the supply chain. This includes managing supply chain relationships, from developing alliances to negotiation strategies. Entire chapters are devoted to the most cutting-edge issues in business today: global and sustainable supply chain management.



## 2. PROVIDE CROSS-FUNCTIONAL AND INTEGRATIVE COVERAGE OF SCM

This text is written to present SCM with an equal and balanced coverage of key business functions, their interactions and their integration. SCM is truly boundary spanning and is intertwined with all organizational functions. Also, SCM is cross-functional in its decision making requirements and needs to be presented as such, rather than as an offshoot of another business function. This text has equal coverage of the relevant business functions, their integration, and their impact on the functionality of SCM.

## 3. PROVIDE UNDERSTANDING OF BUSINESS ISSUES

SCM is intertwined with best business practices. It is at the core of success of leading companies such as Apple, The Limited, Nokia, Wal-Mart, P&G, Amazon, Zara, Starbucks, and others. These companies have achieved world-class status in large part due to a strong focus on SCM. This text is rich in business examples that illustrate SCM best practices and showcase the complexity of SCM business decisions. These examples show SCM to be an exciting area of study, on the cutting edge of business.

# FEATURES

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## 1. CROSS-FUNCTIONAL COVERAGE

SCM is presented as a cross-functional area of business study with equal coverage of functions such as marketing, operations, sourcing, and logistics, and their integration.

## 2. GLOBAL FOCUS

Today's supply chains traverse the globe. This creates numerous challenges, such as designing a global supply network, dealing with international tariffs and foreign government regulation, differences in transportation and technology, managing cross-cultural work teams, and addressing customer issues that arise from cultural expectations. Each chapter has at least one box labeled "*Global Insights*" which provides a summary of a global issue that pertains to the topic at hand and an associated business example.

## 3. MANAGERIAL FOCUS

The text is rich with cutting edge SCM business examples. Each chapter has at least one box labeled '*Supply Chain Leaders Box*' that illustrates the latest business

practices of the topic addressed. Each chapter begins with a current business example. In addition, each chapter ends with a unique case written to address key managerial issues and a strong emphasis on managerial decision making.

#### 4. STRATEGIC FOCUS

SCM is a strategic function. As a result, the text has a strong strategic focus. Each chapter has at least one box labeled “*Managerial Insights Box*” which illustrates current business thought, using established and recognized sources (*HBR*, *Business Week*, *The Wall Street Journal*, *Supply Chain Management Review*, etc.).

#### 5. STRONG PEDAGOGY

The text is written in a readable and accessible manner. Each chapter ends with discussion questions, a case with questions designed to promote managerial thinking and, where appropriate, homework problems and exercises. Icons throughout chapters show focus on cross-functional coverage, global coverage, sustainability, technology, and the service supply chain. Further, the chapters in the text are linked to the overall topic rather than being presented as an assembled compilation of material.

### INSTRUCTOR RESOURCES

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The instructor’s website offers several resources designed to assist professors in preparing lectures and assignments, including:

*Instructor’s Manual:* Includes a suggested course outline, teaching tips and strategies, answers to all end-of-chapter material, additional in-class exercises and more.

*Test Bank:* A comprehensive Test Bank comprised of true/false, multiple-choice, short answer, and essay questions is available on the instructor site. The questions are also available electronically on text support site.

*Power Point Slides:* Full color slides highlight key figures from the text as well as many additional lecture outlines, concepts and diagrams. These provide a versatile opportunity to add high-quality visual support to lectures.

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# Chapter 1

## Introduction To Supply Chain Management

### ■ LEARNING OBJECTIVES

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*After completing this chapter, you should be able to:*

1. Define “supply chain management” and the activities involved.
2. Identify the flows through a supply chain and explain the bullwhip effect.
3. Describe the rise of supply chain management and its global implications.
4. Describe the characteristics of a competitive supply chain.
5. Identify and explain key trends that drive today’s supply chains.

### ■ Chapter Outline

---

#### ■ What Is Supply Chain Management (SCM)?

SCM Activities  
Managing Flows Through the Supply Chain  
The Bullwhip Effect  
Customer Focus  
The Service Supply Chain

#### ■ The Boundary-Spanning Nature of SCM

Intra-Organizational Integration  
Cross-Enterprise Integration  
SCM Versus Logistics

#### ■ The Rise of SCM

#### ■ Characteristics of a Competitive Supply Chain

Responsiveness  
Reliability  
Relationship Management

#### ■ Trends in SCM

Globalization  
Outsourcing  
Technology  
Postponement  
The Lean Supply Chain  
Managing Supply Chain Disruptions  
Supply Chain Security  
Sustainability and the “Green” Supply Chain  
Innovation  
The Financial Supply Chain

#### ■ Careers in SCM and Professional Organizations

#### ■ Chapter Highlights

#### ■ Key Terms

#### ■ Discussion Questions

#### ■ Case Study: McNulty’s Muscular Materials (MMM)