SUPPLY CHAIN MANAGEMENT 101

Answering the question of what Supply Chain Management is, is as simple as breaking down the phrase into its component parts. Supplies are those inputs that a company relies upon to produce the product that will ultimately reach its customers. The chain is the group of suppliers that bring those inputs to a company and the process whereby those inputs are integrated into the company. And finally, management is the coordination and organization of all these inputs and their implementation. So put it all together, and Supply Chain Management is the science and art of improving the processes that bring suppliers of raw materials together and move those materials through the company until they reach the endpoint, the customer.

What SCM Involves

If defining the term takes a full paragraph to cover even in its most basic sense, you can imagine how complex the industry surrounding Supply Chain Management truly is. It involves managers who map out the entire process and look for inefficiencies and others who develop and maintain relationships with suppliers to ensure a steady supply of inputs. It involves the actual process of manufacturing or value add in which those inputs become the products that will be sold as well as "logistics" or the process of getting those value added products to customers. And finally it involves dealing with and compensating for supply chain returns, such as defective products. Supply Chain Management covers every aspect of the business from input to output and as such requires an extensive array of tools and strategies to help managers to coordinate and organize a company.

The Dilemma of SCM Software

One of the most innovative and revolutionary tools in use by managers involved in the supply chain is Supply Chain Management Software. While I have outlined five general sections that make up Supply Chain Management, each of these sections is unique to a particular business. As such, no single product has been developed to handle the software needs of a company from start to finish. As a result, when industry insiders talk about Supply Chain Software, they are really talking about a combination of many different programs that, when applied together, help manage the supply chain. While literally thousands of different products are on the market today, they all fall into one of two broad categories, Supply Chain Planning (SCP) or Supply Chain Execution (SCE) software. Supply Chain Planning software covers those programs which use advanced mathematical algorithms to map out the flow of products through a company and to identify any inefficiencies. The ultimate goal of this type of software is to help reduce faulty products, to speed up the time to market, and to reduce inventory. Supply Chain Execution software is designed to automate different components of the supply chain. For example, Supply Chain Execution Software might update inventory listings in a central directory as soon as inputs are brought in from a supplier or are sold off to the customer. In this way, SCE software eliminates the costly and time consuming task of tabulating the total current supply so as to know when to place the next order.

The Goals of Supply Chain Management

Ultimately the goal of Supply Chain Management is to bring greater efficiency to a company by reducing errors, maintaining steady inputs, and reducing excess inventories. With the growth of the internet, however, it is transitioning into a means of collaboration between companies. By concentrating their efforts on better communication with suppliers and customers, inefficiencies are ironed out not only within the company but in those surrounding it as well. The internet has made the communication between firms necessary for this to take place possible. Consequently, the hope for Supply Chain Management in the future is not only to create a more efficient and profitable business, but to contribute to a more efficient and profitable global marketplace as well.