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Reviews on Supply Chain Management Practices in Firm's Performance

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Abstract

From the extraction of raw materials all the way to the final customer, supply chain management (SCM) integrates crucial business activities such intermediate processing, transportation, and storage. To achieve and maintain competitiveness in today's world, supply chain management is becoming an essential activity. The value of supply chain integration is just now being recognised by a growing number of companies. Customer happiness and company success are two outcomes that cannot be achieved without supply chain management, which has evolved into an integral part of modern businesses. With effective supply chain management, a business may boost profits, delight customers, and reduce operational expenses. Examining the current literature on the topic of supply chain management and its effect on business performance is the primary objective of this article.

Key words

Supply Chain Management, Supply chain management practices, firm's performance.

Introduction

Today, in order to succeed in any business setting, companies must get far more involved in the operations of their suppliers and clients. As competition increases on a worldwide scale, businesses need to pay more attention to the sourcing of materials, the processes of their suppliers, the design and assembly of their products and services, and the transportation and storage of their final items. This is due to the fact that companies need to improve their efficiency in order to provide products and services that customers want to buy. Today's businesses need to collaborate more successfully than ever before for a number of reasons. This is a great moment for businesses looking to expand their clientele, create new goods, and become more competitive.

Stevenson(2002) states that supply chain management is needed for various in any type of firms. They are:

Better outsourcing, Increasing globalization, Increasing importance of E-commerce, Improving operations, Tackling competitive pressures , Generating quality outcomes, Enhancing customer satisfaction, Increasing profits.

Objectives and Importance of Supply Chain Management

The primary objectives : For manufacturing to be both efficient and economical, Providing goods and services on time, Efficient management of stock, Purchasing firms and their clients working together, Adaptability, Quickness to meet fluctuating demands.

Importance : Supply chain management enables businesses to produce as many goods as necessary to satisfy consumer demand. It lowers the cost of product storage and helps retailers cut back on excess inventory. The role of supply chain management is vital. Any organization's ability to meet customer needs and deliver optimal satisfaction is greatly dependent on its supply chain management system. In essence, supply chain management is controlling an organization's flow of products or services.

LiteraureReview

The supply chain is a web of interconnected businesses that, as Christopher (1994) explains, creates value for the end user by means of a series of processes and activities that go from suppliers to consumers.

The supply chain, according to Chopra and Meindl (2001), consists of vendors, producers, distributors, retailers, and end users. Since meeting customer needs is the main reason any supply chain exists and makes money for itself in the process, the customers are the center of attention.

S – Supplier, M- Manufacturer, D- Distributer, R- Retailer, C- Customer,
Flow of Goods / Funds and Information.
Fig.1 Basic Supply Chain

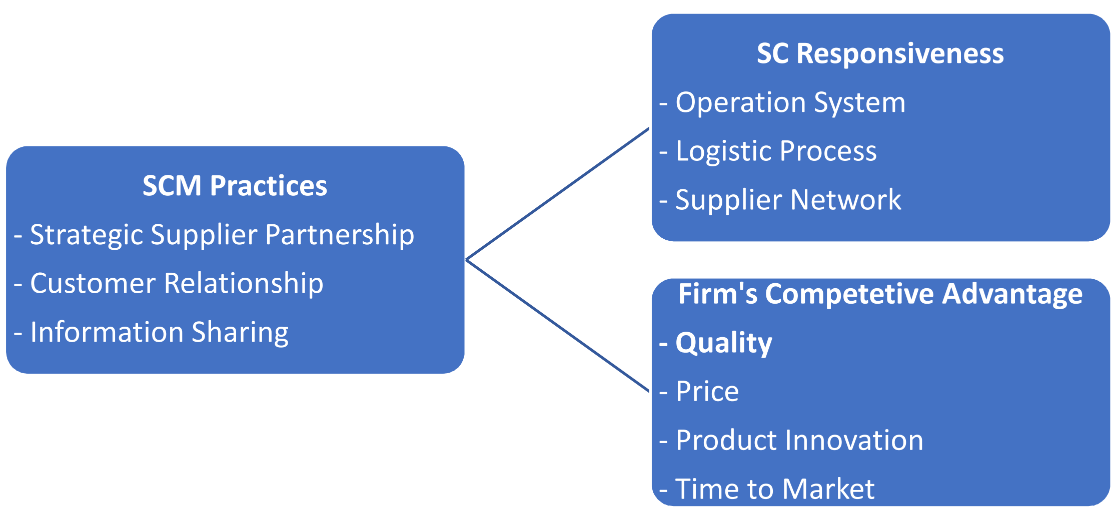
In order to improve a company's long-term success, supply chain management strategies aim to integrate suppliers, manufacturers, distributors, and consumers more effectively (Tseng, 2010).

According to Robert J. Engel, the best practices inthe establishment of a governing council, staffing and aligning the supply chain organization, leveraging technology and procure to pay, defining the strategic sourcing strategy, forming important supplier alliances, controlling total cost of ownership, putting in place processes and controls, controlling compliance and risk, maximizing company-owned inventory, and establishing green initiatives and social responsibility.

Supply Chain Management Practices

Supply chain management practices are an all-encompassing collection of activities used by a company to improve its internal supply chain. The level and quality of information exchange, strategic partnerships with suppliers, customer relationships, outsourcing, and lean practices are essential components of supply chain management.

It is possible to construct the following research strategy from the reviewed literature:



According to Li(et.al) (2005),

Strategic supplier partnership: The bond that forms between a business and its suppliers over time. Its objective is to facilitate the realisation of considerable, long-term advantages for all participating organisations via the use of their distinct strategic and operational strengths.

Customer relationship: The full range of techniques used to handle complaints from customers, establish enduring connections with them, and raise their level of satisfaction.

Level and Quality of Information sharing: How much confidential and essential information is shared with a supply chain partner. It speaks to the veracity, sufficiency, timeliness, and correctness of the information shared.

According to Domberger (1998)the internal production or service transfer of goods and services to an outside supplier. According to Mark, Wilson and Ram (2009), eliminating all time and resource waste in the production process is the goal of lean practices. Lean is a concept that can be applied to work cultures, management ideas, techniques, and methodologies.

A company may review its operations in response to various factors, including economic challenges. One of the main goals for most firms is to maintain high output at low production costs. It is possible for managers and other stakeholders to make decisions that will improve the efficiency of a supply chain. The utilization of readily available means and methods in the workplace guarantees that goods and services reach consumers through supply chain best practices. By implementing supply chain best practices, every stage of the process can run smoothly and deliver goods and services on schedule.

Supply chain management involves several departments within an organisation, as well as external suppliers and members of the internal supply chain team. For supply chain management to succeed, the correct individuals need to use the correct framework and data to make the correct choices. Simplifying these complex supply networks while also reducing risks and overcoming their numerous challenges is no simple feat.

There are five basic steps of supply chain management

- Planning
- Sourcing supplies and materials
- Manufacturing
- Delivery and returns
- And each poses unique challenges and consideration.

There are also four attributes of a supply chain to keep in mind:

- Integration
- Operations
- Purchasing
- Distribution

The entire process of manufacturing and distributing goods or services, from obtaining raw materials to shipping completed goods to clients, is included in the supply chain. Thus, firms can strengthen their working capital position, increase resilience against supply chain risks, and better meet customer expectations by improving supply chain efficiency. Enhancing the efficiency of the supply chain can be achieved through successful supply chain management.

By adjusting each stage of the process to better align with their overall goals, it enables businesses to fine-tune and optimize their supply chains in accordance with particular business objectives. Businesses can create a supply chain that meets their needs and set the foundation for a successful strategy by implementing the ten supply chain management best practices listed below.

- Establish clear objectives
- Adopt supply technology

- Source suppliers strategically
- Build healthy supplier relationships
- Choose the right inventory management approach
- Plan for supply chain risks
- Consider ESG in approach
- Improve demand forecasting
- Profit from opportunitiesfor supply chain finance
- Conduct routine reviews.

Establish clear objectives:Establish specific goals first. Firms can set specific, attainable goals for the entirety of their supply chain management plans. Increasing resistance to external threats, achieving ESG targets, cutting expenses, and guaranteeing that supplies move quickly through the supply chain are a few examples of these goals.

Adopt supply chain management technology: Firms can obtain resources that assist them in achieving their supply chain goals by implementing supply chain management technology. A digital supply chain management platform, for instance, can provide centralized access to solutions like supply chain finance, which they can use to improve their working capital position, while also streamlining supplier management and increasing supply chain visibility.

Source suppliers strategically:Suppliers are at the heart of supply chains. Thus, selecting the appropriate suppliers—a process known as strategic sourcing—is essential to building a robust and effective supply chain that guarantees the accomplishment of corporate goals. Notwithstanding the importance of price and quality of products and services, businesses may also take other factors into account based on their priorities.

These may include the overall capacity and minimum order requirements of the supplier, ESG ratings, termsof payment and credit, andthesupplier's overall financial stability.

Build Healthy supplier relationships: One of the most crucial supply chain best practices is building strong channels of communication with suppliers since it helps the chain run more smoothly. Businesses may improve lines of communication with their suppliers and make sure that their needs and goals are understood by employing a reputable supply relationship management system. Setting priorities for the relationships that matter most to the company can help companies manage supplier relationships more effectively.

Choose the right inventory management approach:Firms must select the best inventory management strategy when putting supply chain management best practices into practice in order to achieve their goals. Additionally, they can make use of inventory management tools like inventory management solutions, which keep an eye on stock levels to ensure maximum productivity.

Plan for supply chain risks: Firms are able to recognize, evaluate, and reduce risks in the supply chain, including those that suppliers may present. Businesses should think about incorporating resilience into their supply chain in addition to taking action to lessen the most severe threats.

Consider ESG in approach: Strategies pertaining to Environmental, Social, and Governance (ESG) are linked to efficiency and resilience. ESG has grown in importance in supply chain operations, with customers choosing to purchase from businesses that have strong ESG credentials. To achieve ESG objectives, businesses can enhance their supply chain management strategy in a number of ways. These include expanding the use of energy from renewable sources, implementing recycling systems for material sourcing and disposal, and expanding low- or zero-emission vehicles.

Improve Demand Forecasting:Firms can estimate their customers' future demand for a product or service by using a process called demand forecasting. Businesses might find it difficult to adapt to shifts in consumer behaviour and market trends in the absence of a precise demand forecast. Consequently, this may result in stockouts, lost revenue, or high carrying costs for inventory. Businesses can enhance the efficiency of their supply chain by improving their capacity to acquire the right components or raw materials in the necessary quantities by improving the precision and scope of their demand forecasting capabilities.

Profit from opportunities for supply chain finance: Firms will frequently have large sums of cash locked up in their supply chain, primarily in the form of unpaid invoices or unpaid customer debt. Dynamic discounting allows suppliers to get paid at any point between the agreed-upon terms of payment and the approval of the invoice; the earlier the payment, the bigger the discount. Firms that want to improve their working capital position should investigate their financing options and think about utilizing the one that best meets their requirements.

Conduct routine reviews :The supply chain can be continuously adjusted to make sure it is running effectively through the regular review of supply chain management best practices, policies, procedures, and processes. Firms can reassess their risk exposures and develop mitigating responses through biannual or annual reviews. This may entail adjusting their tactics to suit a shifting environment, adjusting to meet the needs of new clients, and positively embracing technology advancements. Businesses that adapt to changing consumer demands and keep improving their products will be in a better position to hold onto or grow their market shares.

Conclusion

Based on what was said before, it can be concluded that supply chain management methods have a substantial and positive effect on competitive advantage. In a positive and substantial way, supply chain performance affected competitive advantage. Supply chain management strategies have a substantial and positive effect on the chain's performance. There is an indirect link between competitive advantage and supply chain management techniques; however, supply chain performance may mediate this relationship because of its large direct influence on company success.

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