

BARRIERS AND ENABLERS TO ACHIEVING SUPPLY CHAIN INTEGRATION

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Abstract

Supply chain integration is a completely new framework being adopted by many companies. It has proved to be a far more efficient way of doing business. Customer is given the deserved position and he/she initiates the whole process. Moreover, wastage of inventory and time may also be significantly reduced by adopting this system.

Organizations depend on 3 driving factors; people, process and technology. In order to attain supply chain integration a company has to work in all three areas. Since, it is characterized by partnership it requires strong collaboration and hence trusts, openness and sharing are some of the highlighted enablers of this process.

A coin always has two sides. With enablers we also come across some barriers that hamper the supply chain integration, which are again related to systems (technology), problems with managers (people) and business processes.

Despite all the barriers, company should keep in mind the long term benefits. The advantages may not seem quantifiable at the moment but in long run they'll pay off really well.

E-business—supply chain integration have been frequently supported by execution of internet based models for both front and back end. It has made businesses globally active and now they can operate easily across their web

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of partners in entire world. Businesses have become more aware and take minimum possible time in responding to customer demands. This paper discusses the enablers and barriers and their impact on supply chain integration. By following the models of e-business, business can enjoy low costs, increased efficiency and faster response time.

Business world is getting competitive day by day; to stay in the market you need to be very vigilant and proactive. Creating value and lowering the cost are the two ways that can help you in generating handsome stream of profits. To achieve competitive advantage by being the lower cost providers companies are adopting supply chain management as their methodology. This not only reduces cost but also increases customer satisfaction and makes the firm more efficient as it better utilizes all its sources / factors. The concept of supply chain management is becoming very common from big giants to small firms everyone is adopting it. The question here is what supply chain management actually is:

Aarti Deveshwar and Rupa Rathee suggested that supply chain management is basically a way to get matchless competitive advantage by partnering with distributors and sellers to establish a supply set-up. (Devashwar and Rathee, 2010) In 1998, Christopher (1998) said that Supply Chain Management defines managing the forward and backward relationships with the customers and suppliers to convey better quality at low cost to customer (Martin, 1998).

Supply Chain Management is a very dynamic phenomenon. It is basically reverse of the old practices where the products were supplied to the customers by the manufacturers. Now customers are your boss, the whole process is now customer driven; as they tell suppliers what they want and where they want and when they want. This makes business processes efficient by:

- Removing wastages
- Reducing costs

- Reducing excess inventories.

Since, customer is initiating the demand for products it is assumed that response will be faster and hence dumping inventories in distributors' warehouse will significantly be reduced.

Discussing personal computers without talking about DELL is not possible. Dell has the largest mind share, it is considered synonymous to quality, but HP and IBM are also good makers of PCs. What makes Dell's brand recall so high? All these PCs are made using standard materials and have identical software too; it wouldn't be fair if we say one is better than other. But Dell stands out because of the fact that they can manufacture and transport a customer-configured PC within five working days (Bovel and Martha, 2000).

The main drivers of integration are listed by Handfield and Nichols (1999, p. 5) as:

- The information uprising;
- Increased globalization, which has resulted in more customer centric approaches, the market is now driven by demand
- inter-organizational relationships have emerged

"They describe the three chief fundamentals of an integrated supply chain model as being

- information systems (managing financial flows and flow of information)
- inventory management (managing flow of products and material)
- Supply chain relationship (managing the relationships amongst trading partners)."

Every customer is different and may have different needs. For a

manufacturer it becomes very challenging to not just satisfy but please all its customers. Customers now have become more demanding. They want more for less. Supply chain management is not just about changing a few processes but about changing the dynamics of how business is conducted. It reduces inefficiencies, excess inventories and high costs.

Supply chain integration is basically a win-win situation for all customers, suppliers and manufacturers. Benefits to customers may be:

- Reduces wastage of time from order to delivery
- Complete and accurate orders
- Proper attention
- Customization
- Reduce carrying cost as customer only buys how much is required

Enablers of Supply Chain Collaboration

Supply chain integration is synonymous to getting into a relationship. It is a long term commitment guarded by a very strong bond. It characterizes the idea of mutual understanding and joint consensus. Both the partners agree to face all the good times and hardships together. It requires dedication and loyalty of all people involved. There are a few catalysts that can fasten the process which are:

Trust

Trust is the key factor for any business to operate. There should be trust amongst all functional levels. If people across the teams don't trust each other there'll just be a blame game and nobody will get anything out of it. Having faith on yourself and on your team is very important in order to survive.

Longevity of the relationship

Trust develops with time. Longevity allows you to know each other and also to know each others' style of working so that you may cope with it. In order to be consistent in what you do you should have a long term relationship with your vendors and suppliers

Openness

Partners must be frank and open with each other. They must all be trained to face the brutal facts of reality and must feel free to share them with rest. If one of the partners is very charismatic; it may hinder other partner from being open to him. The organization culture should be flexible so that no one is afraid of being the bearer of the bad news.

Consultant John Champion, vice president of Kurt Salmon Associates, narrates the incident of a merchant who was very keen in spending time, effort and wealth in designing outstanding packaging for the product. When the merchant stopped over at the dealer's distribution centre, he was taken aback to find out that the customer was simply discarding the packaging away. The lesson, as per Champion: "Get together and talk" (Hau and Whang, 2001), (Bowman, 1997, p. 29).

Leadership

Leadership is what derives the organization. To make this integration work there must be a project champion who is able to motivate and take every one along him. Again not too charismatic that people are more concerned about him and not the project.

Technology

Technology is the language of today's business. If you lack in this area, you are no more in the game. Command over advanced technology is a must to survive. Internet can help companies in

evolving their supply chain; in case of Adaptec, the company faced supply chain dispersed across borders. The company is able to communicate in real time from California and assembles well in Japan and Hong Kong. It is able to exchange most complex information and designs with the use of technology (Clinton, Manna, Marco and Morris, 2008).

Benefit sharing

Pain and gain are shared equally amongst the partners. None is superior or inferior. Mutual agreement should be there in all transactions so that no one is to be held responsible for anything good or bad.

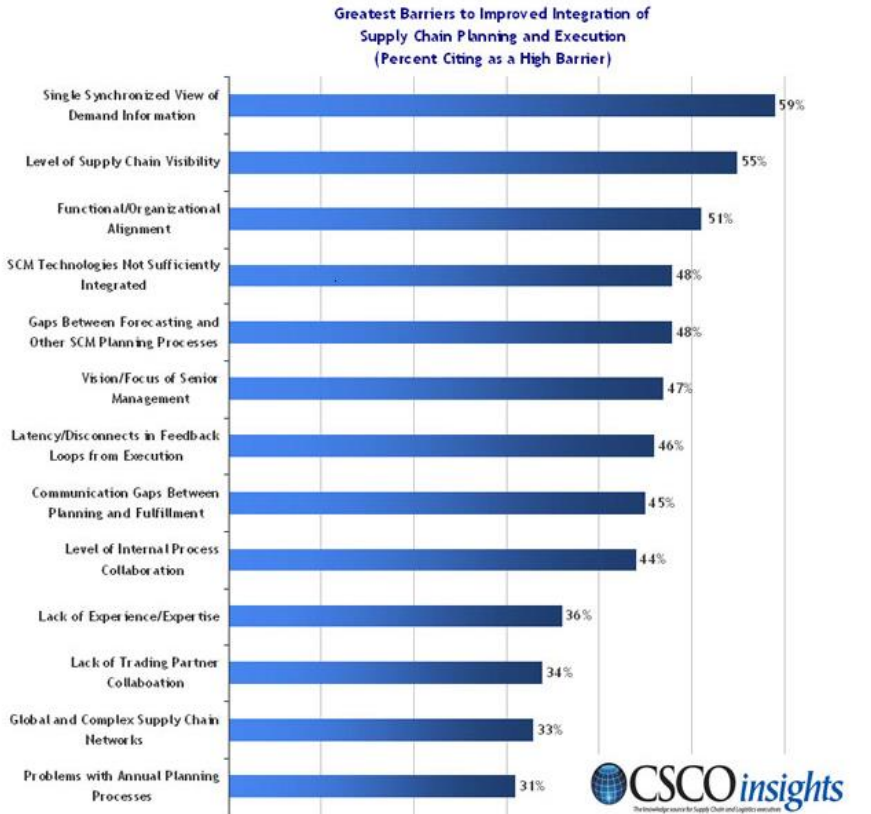
Information Systems

Information system has changed the way work was done it has given it a completely new shape and has made it more efficient. Information system has made the distribution of information amongst supply chain associates probable. Supply chain integration can be impaired because of lack of information sharing. It is impossible to establish coordination and collaboration until and unless everyone has access to the information.

Supply Chain management starts with the customers. If updated information is not available about the inventory and all will hamper company's responsiveness and inventory management. Thus Information system is a very important enabler. Companies now a days are adopting Management information systems to align their processes Like HBL uses Mysis, United Parcel Service has adopted Synchronized commerce.

Stanford University and Accenture (formerly Andersen Consulting), in their research of 100 manufacturers and retailers from FMCG found out that the companies with higher profits than others were the ones who were actively using information sharing systems

(Clinton, Manna, Marco and Morris, 2008).



(Supply Chain News, 2009)

According to a study of almost three hundred supply chain supervisors and executives, it was inquired that what utmost hurdles to supply chain integration can be seen, in a "demand-drive" supply chain planet, firms observed achieving a "coordinated view of demand" as the top challenge, chased closely by the closely related area of improving supply chain visibility.

Human resistance

It's in human nature to resist change. Implementation of supply chain integration is not just an amendment in course but is a transformation of organizational culture. Human Resource often get scared by the idea of changing the working dynamics and become reluctant. People assume that it will affect their jobs and oppose supply chain integration.

Inadequate information systems

The information systems used by organizations are not able to keep the information flowing or may not allow all the stake holders to access updated status of inventory etc. It's not just systems but at times the managers are also unwilling to share information with their associates, resulting in a big loss to business.

Lack of supply chain vision understanding

Most of the times managers are not able to understand the vision as it is or they are not able to communicate it down the line creating confusions and uncertainty.

Betrayal of one of the partners

In supply chain integration there is always a chance betrayal by one of the partners. You can never be 100 percent sure of other partner's loyalty.

Inadequate or ineffective communication between trading partners

Communication is the only tool that can help organizations win this battle. Weak communication amongst the partners makes it difficult for the firm to survive. Misunderstandings and chaos is the result of such situation.

Measurement are not externally focused

The biggest advantage of supply chain integration is customer loyalty, which is difficult to quantify. Thus, it becomes difficult for managers to defend the implementation of supply chain integration as it doesn't impact the profit and loss statement immediately.

Ongoing change management

Implementation of supply chain integration requires proactive approach. Organizations most of the times are reactive. They change when environment changes but ideally one should forecast the change and adopt it before anyone else.

Incentives

The problem with organizations is that they fail to give incentive for combined efforts. People are given incentives for meeting departmental targets for costs or profits. This may result in increasing overall cost which is not in favour of organization as whole.

Ineffective replenishment in response to demand fluctuations

Companies are not able to cope with the fluctuations in customers demand and they panic. This panic results in loss of customer which is a supply chain failure. Companies are supposed to deliver whatever customer wants and whenever they want. Companies are used to of residing in their comfort zone and any abnormal behavior disturbs the company's operations on a large scale.

On evaluating the performance of supply chain, we may identify some of the enablers and barriers in its implementation. In order to avoid the barriers and make the most of enablers it is important to put the procedure, people and technology in position to produce sustainable competitive benefit. It gives company a clear picture of what is required and makes the firm better able to handle changes.

Successful supply chain integration will result in high customer satisfaction and loyalty and will eventually reduce the bundle of complaints that you get every day.

E-business has been an influential and convincing pillar that has made supply chain integration across industries possible. It has allowed many of the basic concepts of supply chain to be put in practice more effectively than before. The concepts of sharing information, collaborating with more than one party at a time and joint performance measures have been practically made possible. The Internet has permitted businesses to adopt extremely groundbreaking ways that speed up the extensive acceptance of basic supply chain standards.

In the years to come, we will witness a blast of B 2 B functions of the Internet as farsighted corporations explore new avenues for e-business. Many businesses have by now discovered plenty prospects in e-business. Such progressions have speed up the progression towards supply chain integration. Companies that adopt e-business practices to achieve supply chain integration will definitely get fruitful results in near future.

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