

Global Supply Chain Management

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Abstract—This paper rises the concept of Global Supply Chain Management (GSCM) that is an essential element to operational efficiency. As we may know SCM can be applied to customer satisfaction and company success, as well as within cultural evolution; societal settings, including medical missions; and other kinds of emergencies; and it can help improve quality of life. Because of the vital role SCM plays within organizations, employers seek employees with an abundance of SCM skills and knowledge.

The world is one big supply chain. Supply chain management touches major issues, including global expansion and sourcing; the rapid growth of multinational corporations and strategic partnerships; fluctuating gas prices and environmental concerns, each of these issues immediately affects corporate strategy and bottom line. And because of this reasons SCM is one of the most critical business discipline in the world.

Global supply chain management is directly linked to the rise of globalization. And there is

nothing very new about globalization, though, a concept that basically refers to the practice of sourcing, manufacturing, transporting and distributing products outside of your native country.

A global supply chain is made up of the interrelated organizations, resources, and processes that create and deliver products and services to end customers.

1. Introduction

The best companies around the world are discovering a powerful new source of competitive advantage. It's called supply-chain management and it encompasses all of those integrated activities that bring product to market and create satisfied customers.

18th century industrialization brought many changes in the society and business world.

Manufactures made people's life was easier with everyday innovations and improvement. Since industrialization, everything started improving through transition. Villages started transforming into the towns; former towns became developed centers of culture,

production and sales. An agrarian or mostly agrarian country has transformed into an industrial country with the new society structures. Production was started and manufacturers were choosing and imposing the products to the customers. Customers often did not have a choice and they had basic needs which manufacturers recognized. This type of production is known as product-focused production, where produced good would be sold in the end of the production life-cycle. Customer needs and requirements such as better quality, design, and longer lifetime were not included mostly because they were not educated, did not know what they really want and did not have rights in decision making.

Finally, appearance of the Internet made the atmosphere of "global village" with decreasing the distance and time for trading the goods, people and information. Globalization made the customers and companies united and they have more power and more influence on each other. In addition to that, customers realized they have more rights in the business chain and created the association which is protecting them in case of mistreatments from producer's side. Clients' needs are changing and they are becoming more important to businesses as differentiators and this has to be recognized by companies which will lose their "part of market's cookie" if they do not identify real needs of clients.

In modern time market became the crowded place where competitors are hard to win and often unfair and unprofessional. This can affect other participants and customers, so the market is really sensitive on every change. In order to make and retain the position on the market, companies have to provide the product/service customer wants and eventually make him loyal. In addition, customers want more value from products/services which is adding pressure on the companies to confirm their existence on the market. Their needs can be different depending on the product/service but mostly they are shown as need for improving of quality of product/service, for being important part in production's lifecycle.

However, other participants in SCM want more benefits for themselves as well. They have various needs but common ones are reducing costs, better quality, reducing time in the whole supply chain, effective usage of resources. Integration of all using systems within the organization is imperative for

gaining listed benefits, as well as integration with other participants' systems. In this way the chain will operate without problems, everything will be optimized and all operations will go smoothly.

Nowadays, when speaking about gaining competitive advantage most of the strategies companies are implementing with focus on optimizing supply chain. Managing the whole procedure in an optimized way, where all operations are set in order to have optimized output. Only in that way, having the as much as better output in the end of every operation, companies can have optimized end-product. It is not only end-product which is optimized, but also operations of other participants' have to be optimized for having the benefits.

Key participants in supply chain management are suppliers, manufacturers and distributors. In modern time, diverging challenges are focusing on the innovations, quality and reducing costs; if company defines the strategy involving all of these characteristics, it will be in advantage in comparison to other competitors on the market.

2. Supply Chain

Supply chains encompass the companies and the business activities needed to design, make, deliver, and use a product or service. Businesses depend on their supply chains to provide them with what they need to survive and thrive. Every business fits into one or more supply chains and has a role to play in each of them.

2.1. Definitions of SCM

Supply Chain Management is a business system of enterprise strategies, business processes and information technologies for improving the planning, execution and collaboration of material, information, financial and workforce flows in the supply chain.

➤ **Supply Chain Planning** — Supply chain planning includes demand forecasting, inventory simulation, manufacturing planning and transportation scheduling.

➤ **Supply Chain Execution** — Supply chain execution is the process of carrying out of supply chain plan.

➤ **Supply Chain Collaboration** — Successful implementation of a supply chain management system improves the efficiency of collaboration between suppliers, manufacturers and distributors - the collaboration of material flows, information flows and financial flows.¹

The Council of Supply Chain Management Professionals (CSCMP) defines supply chain management as: "The planning and management of all activities involved in sourcing and procurement, conversion and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be

suppliers, intermediaries, third-party service providers and customers."²

2.2. Supply Chain processes and participants

This concept reviews Supply Chain Management and its boundaries in terms of business functions. It also examines current practices, trends and issues in supply chain management, as well as the critical success factors of SCM and some business evidence.

Some of the participants of supply chain management are:

I. Supplier's — a party that supplies goods or services, supplier may be distinguished

from a contractor or subcontractor, who commonly adds specialized input to

deliverables. Also called vendor.

II. Manufacturer — Entity that makes a good through a process involving raw

materials, components, or assemblies.

III. Distributor — an entity that buys noncompeting products or product lines, warehouses them, and resells them to retailers or direct to the end users or customers.

IV. Retailer — a business or person that sells goods to the consumer, as opposed to a

wholesaler or supplier, who normally sell their goods to another business.

V. Consumer — a purchaser of a good or service in retail, an end user, and not necessarily a purchaser, in the distribution chain of a good or service.³

SCM is a process of managing in a strategic way the movement and storage of the parts,

materials, and finished products from suppliers, through the manufacturing process till it is delivered customers to or end users.

2.1 7 Principles of SCM

To help managers decide how to proceed, some of the experts revisited the supply chain initiatives undertaken by the most successful manufacturers and distilled from their experience seven fundamental principles of supply chain management.⁴

Principle 1: Segment customers based on the service needs of distinct groups and adapt the supply chain to serve these segments profitably.

² Joel D. Wisner, Keah-Choon Tan, G. Keong Leong, *Principles of Supply Chain Management*, 2012, 2009 South-

³ <http://blog.scmglobe.com/?p=415>

⁴ http://www.supplychain247.com/paper/the_7_principles_of_supply_chain_management

¹ Web page Sys Optima: <http://www.sysoptima.com/scm/>

Principle 2: Customize the logistics network to the service requirements and profitability of customer segments.

Principle 3: Listen to market signals and align demand planning accordingly across the supply chain, ensuring consistent forecasts and optimal resource allocation.

Principle 4: Differentiate product closer to the customer and speed conversion across the supply chain.

Principle 5: Manage sources of supply strategically to reduce the total cost of owning materials

and services.

Principle 6: Develop a supply chain-wide technology strategy that supports multiple levels of decision making and gives a clear view of the flow of products, services, and information.

Principle 7: Adopt channel-spanning performance measures to gauge collective success in reaching the end-user effectively and efficiently.

The companies which implement these seven principles of SCM will have a significant change.

It is the best prescription to ensure success and minimize resistance is extensive, visible and communication. By removing the managerial obstacles that present the greatest barriers to

success we defend the cause and link the change with the business strategy.

2.3. SCM conceptual components

The fact is every supply chain solution is based on these three conceptual components:

Supply Chain Configuration, Supply Chain Relationship and Supply Chain Coordination.

➤ **Supply Chain Configuration** is also known as Supply chain Architecture related to projecting supply chain in all its participating stakeholders. Including how wide or narrow is the extent of vertical integration, how big the supply base for Original Equipment Manufacturer OEM and how much OEM's operations are outsourced, the question of design, etc.

➤ **Supply Chain Relationship** is about internal relationship across supply chain. The key relationship is between OEM and first tier customers and suppliers. The type and level of the relationship is determinate by the inter-organizational exchange. If participants are exchanging only the volume and price of transactions the relationship is not so deep and may be shallow. But, in other hand if they are exchanging their vision, investment planning, process and financial information it regards to close relationship. The decision on supply chain relationship is both strategic and operational.

➤ **Supply Chain Coordination** is about the internal operational coordination within the supply chain. It refers to the coordination of continuous material flows from the suppliers to the buyers and to the end-customer in Just in Time principle. Inventory management, production capacity, forecasting, manufacturing scheduling have influence on the coordination of all activities in the supply chain.⁵

3. Global supply chain

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nothing very new about globalization, though, a concept that basically refers to the practice of

sourcing, manufacturing, transporting and distributing products outside of your native country.

A global supply chain is made up of the interrelated organizations, resources, and processes

that create and deliver products and services to end customers.

Its modern application predates the rise of the Internet by a good 40 years, beginning in the early 1950s when container shipping was introduced, making it possible to quickly, efficiently and economically move entire container loads onto ocean vessels at ports of call throughout the world. As the world has gotten flatter and supply chains have gotten longer, the need for companies to follow best practices in global supply chain management has intensified.⁶

Global supply chain management trend is evolving as new technologies emerge. Instead of vendors mailing their products and assuring its delivery, companies are now able to track the products exact location through GPS tracking devices. These devices are essential for GSCM.

Individual companies no longer compete as autonomous entities but as supply chain networks.

In global SCM we have three distinct qualities:

1. Agile enough to readily react to sudden

changes in demand or supply.

2. Adapt over time as market structures and environment conditions change.

3. Align the interest of all members of the supply-chain network in order to

optimize performance.

⁵ Dr Dawei Lu, *Fundamentals of Supply Chain Management*, Dr Dawei Lu & Ventus Publishing Aps, 2011, 14,15th page

⁶https://www.researchgate.net/publication/282818693_GLOBAL_SUPPLY_CHAIN_MANAGEMENT

Processes as production planning, distribution, purchasing, materials management, sales forecasting and customer service are critical to the success of manufacturers, wholesalers, or service providers alike. With the shift from “push” to “pull”, SCM has changed –the integration of e-commerce has produced distribution flexibility, greater cost efficiency, better customer service, and the ability to track and monitor shipments. The moment a product is purchased; inventory levels are updated to reflect the sale. A third trend affecting global supply chain management is the lowered barriers of economic trade. The General Agreement on Tariffs and Trade (GATT) enabled companies to buy products from other countries for lower

costs.⁷

It is difficult integrating the SCM and choosing the right suppliers. The companies do not only

have to consider quality and price, but they also have to make sure that organizations are ready to cooperate to benefit the group. Goals, managerial styles and objectives must fit very well between all companies that are involved. Also another important point is that power has to be distributed to all parts of supply chain or the business will not have benefits from the advantages of GSCM. GSC are often one of the first methods used for Supply chain cost

reduction activities.⁸

• **Conclusions:**

Future plans for GSCM

1. Service chains will become more important than product chains.

2. Companies will need to fully report corporate externalities.

3. Supply chain must be designed to serve the “base of the pyramid”.

4. Knowledge work and workers will become global in nature.

5. SCM will have a standard certification process similar to that for CPAs.

6. Product clock speeds will determine the number and nature of the supply chains.

7. Micro segmentation will be the key to success.

8. Technology to support SCM will primarily be “on tap.”

9. Leaders will leverage social media in a closed loop feedback process.

10. Artificial intelligence will be embedded in mainstream supply chain activities.

Modern time of the high developed technologies is bringing the changing environment where all participants on the market need to act fast in case they want to retain the same position. Those changes are imposing the way of doing business, new approaches and methodologies that have to be implemented. Organizations are seeking for the new methods for optimizing their businesses in order to deliver more value to the customer with reduced costs and time with better products' quality. In addition, organizations are integrating their systems with their partners' systems with purpose of having the flow of information, materials, and resources without any problems. Organizations cannot function without integration thus they will not have the proper activities, processes and communication within the supply chain.

Supply chain management is the key strategy for creating the value for the end user, with optimizing the business of all participants in the supply chain. Optimal supply chain includes the flow of the materials, information and finance which are going smoothly through the chain.

Changing environment imposes the changes in the strategies; if companies want to remain on the market and to expand they have to be flexible and to manage the changes. Also, if they want to gain competitive advantage companies are changing strategies in order to have optimized supply chain which makes the higher value delivered to the customer. With higher value customer will be more satisfied which will make him to trust the company and in one point of time make him loyal buyer.

⁷ <https://www.highbeam.com/doc/1G1-305083124.html>

⁸ https://saylordotorg.github.io/text_fundamentals-of-global-strategy/s11-global-supply-chainmanagement.html