Abstract. This presentation looks at the evolution and definition of the supply chain concept along with the need for new skills, knowledge, and responsibilities for the supply professional. These are highlighted within the article. There are clear definitions provided and strong arguments for the birth of the supply chain professional. Strategic thinking and sourcing are acknowledged for their tremendous impact on the organization’s bottom line. However, argument is again made that these concepts in their present form are not sufficient to meet the challenges of supply chain management. Companies with the most successful supply chains recognize that their supply professionals must be able to meet the rapid changes of the global economy with a broader breadth of knowledge in other functional areas and enhanced leadership and communication skills. Strategic thinking and sourcing are given a new look, and examples are applied to supply chain management.

Definitions. Materials management is the integrated approach to managing materials and the people, and resources involved in the management of those materials both in a product and service environment. It focuses on pulling together the purchasing, planning and scheduling, forecasting, transporting, warehousing, receiving, shipping, inventory control, and customer service departments under one responsible authority such as a materials manager. Materials management stresses making material decisions that have greatest positive impact on the management of those materials and resources not on what is best for one of the materials departments as listed above.

Supply management is the identification, access, positioning, and management of resources and organization needs or may potentially need in the attainment of its strategic objectives.

Strategic thinking is the ability to see the big picture, to make supply decisions that have the best overall impact, to align supply strategies to business strategies, to select the most promising integrated solution, to adapt quickly to change, and to perform as a total business person. It is moving away from a day-to-day way of thinking to working with the big picture, futuristic, across boundaries, proactive, and aligning supply management with the current and future needs of the organization.

Strategic sourcing is a process including a clear understanding of the organization, its needs, goals, objectives, and challenges. Second, strategic sourcing requires a thorough understanding of resources, materials, and services purchased by the organization. Third, it demands a game plan for managing these areas to support the organization today, tomorrow, and down the road. Strategic sourcing requires knowledge of the marketplace, internal customers, supply base, global information, economics, business conditions, logistics, costs, etc.
Supply chain management encompasses 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 such as suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. It is a total systems approach to facilitate coordination internally and with supply chain partners, often using enhanced communication and information technologies.

**Evolution.** Prior to the early 1960’s, functions within an organization for the most part focused their energies, resources, and manpower on meeting the department’s goals and objectives with little thought across departmental boundaries. Such silo management caused heavy inventories, miscommunications, self-centered goals and objectives, poor customer service, and lack of joint long-term goal focus.

In the early 1960’s the term, materials management, was introduced. Slowly over the next thirty years, organizations began to pull all or some of their materials departments together under one manager. Subsequently, these organizations saw great improvements in inventory levels, customer service, and communication ultimately improving the bottom line.

Later, the strategic sourcing concept arrived and built onto materials management initiatives by tying supply, inventory, and logistics decisions to the organization’s business strategies. Strategic sourcing emphasized a thorough understanding of both direct and indirect spend, global markets, business conditions, etc. and the planning for ongoing availability of goods and services in the light of buying challenges.

In the early 90’s, supply chain management arrived highlighting the importance of not only the materials functions but other functions within the organization as well. Supply chain focuses on breaking down functional silos to create integrated processes within the total organization and across to other organizations.

The question for supply professionals to consider today is, “Are the strategic thinking and sourcing that we have implemented within our supply departments enough to support our supply chains of today and of the future?”

**The Supply Chain Professional.** It is not enough to be an effective supply manager today as proven by the evolution of the materials management concept. As organizations adopted materials management in the seventies and eighties, purchasing professionals found themselves interacting closely with other materials departments in determining trade-offs and best overall buying decisions. The successful buyer needed to understand inventory, transportation, warehousing, customer service, planning and scheduling. Supply learned that its decisions had either a negative or positive impact on another department. The supply manager now must grow into a supply chain professional in order to bring strategic thinking to the organizations varied supply chains. The strategic thinking of yesterday even with its heavy impact on the bottom line is simply not enough to meet the challenges of new national and global supply chains.
The Roles, Responsibilities, and Skill Sets of the Supply Chain Professional. A SCM professional should have experience in multiple supply chain functions and must be able to lead the design, implementation, and management of cross-functional supply chain solutions. These solutions may be internal but generally extend outside of the enterprise and involve multiple tiers of suppliers and customers.

These solutions require the integration of far more than the materials management functions as noted above. The SCM professional must be able to integrate and coordinate multiple processes including:

- Product/service development launch
- Supplier relationship collaboration including tier management
- Manufacturing customization
- Demand planning responsiveness
- Order fulfillment/service delivery
- Customer relationship collaboration
- Life cycle support
- Reverse logistics
- Product life cycle management
- Lean and Six Sigma concepts

The trade-offs used in materials management have expanded to include balancing customer service and quality with total supply chain costs. Total cost of ownership used in the past to determine the true costs of doing business with a supplier were based on unit price plus all supplier non-performance criteria costs. Now, TCO encompasses the total supply chain including additional costs incurred anywhere up-stream or down-stream.

The alignment of business strategies to supply strategies highlighted in the strategic sourcing of yore has grown to include innovative, end-to-end supply chain solutions and decisions that will need to be implemented on a broad business scale across the enterprise and on a global scale.

The supply chain professional is capable of disseminating knowledge that will help all supply chain partners both internally and externally more effectively design and manage their own supply chains and SCM architecture.

The professional must be able to analyze the business performance of the supply chain not just the supply function and make necessary adjustments to facilitate sustainable competitive advantage.

The supply chain professional must move from functional or materials management expert to that of cross-functional and cross organizational manager in the alignment and integration of the company’s overall business strategies with supply chain strategies.

This will require broader managerial capabilities such as strong people skills, social skills, coordination, change management, communication, decision-making skills, problem-solving skills, time management, negotiation, project management, and cultural skills. Skill sets and
knowledge have been broken down into five areas: functional, technical, leadership, global management, and experience and credibility.

The functional skill set asks that the professional be a subject-matter expert in some of the areas of supply management and have as well very strong procurement, demand/supply planning, manufacturing, global logistics, and customer fulfillment skills. They require substantial hands-on operational and managerial experience.

Technically, it is important for the professional to have dealt with the challenges of technology selection, implementation, and applications. They should understand the relationship between supply chain processes and execution management solutions.

A SCM leader must be able to lead projects involving customers, partners, and/or competitors while effectively interacting with both internal and external executives. The goal of the SCM professional is to manage in complex, matrixed business environments so that resources are managed and integrated effectively.

In today’s boundary-spanning supply chain environment, the SCM professional must have global planning and operations experience either through at least two overseas assignments or through heavy participation in and responsibility for global planning and operations.

The SCM professional must possess sufficient knowledge, breadth, and experience to evaluate the competitive environment, to conceptualize strategy, to assess and organize solutions, and to implement change both in the organization and with supply chain partners.

The supply professional must definitely move on up to grow into the supply chain professional.

**Strategic Sourcing.** In a study done by Calyptus in 2004, strategic sourcing efforts for supply chain success must focus on training and development, fully deployed category strategies, fully developed and deployed e-procurement, management of indirect spend decision making, contract compliance for indirect purchases, properly developed market analysis, fully integrated cross-functional involvement, total cost implementation, market-rationalized pricing, and supply chain integration.

Strategic sourcing is about minimizing costs throughout the supply chain, shared risks, and shared ideas. It means looking at forecasting, order processing, lean management, order administration, scheduling, inside sales/account management, storage, inventory, transportation, customs, currency, special financing costs, and raw-material hedging.

Strategic sourcing is about aligning the particular supply chain, not just the availability of a material, to meet the organization’s business strategy. It is planning availability and quality not only at the tier one level but throughout all tiers. It is about determining the most efficient place to hold inventory and in what form within the supply chain and the synchronization of each step of the supply chain so that everything moves in harmony with no build-up or down-time in the supply chain. It is creating a changing portfolio with costs of approved suppliers, inventory warehousing, manufacturing, transportation channels and modes, and customer delivery anywhere in the world so that a decision to reroute can be made in seconds.
Strategic sourcing is not focusing and measuring a chain such as inventory levels or a particular cycle time. Rather it is ensuring that the entire supply chain moves without bumps and hiccups.

Strategic sourcing includes not only an understanding of the mission, objectives, goals, objectives, and challenges of the organization so important in today’s strategic sourcing model but also a thorough understanding of the five stages of supply chain organizational evolution and where the organization and/or a particular supply chain is at any time on the spectrum.

Strategic sourcing is now about managing several supply chains simultaneously.

**Strategic Thinking.** Strategic thinking today takes the organizational big picture and brings the whole supply chain to the table in meeting the goals and objectives. It calls for a thorough understanding of the what, where, when, who, how, and why of every supply chain one participates in. It is the ability to instantly see the trade-offs in a supply chain decision. If one area goes down, what other areas will go up and how much. Where’s the best overall value?

The strategic thinker is capable of breaking down a complex topic to gain buy-in and understanding as well as have a clear vision of how they see the supply chain working including the physical movement of materials, the financial support system, the informational segment, and the relational segment. They see what can work together and fit well. They do not see functions or silos; they see processes.
The strategic thinker concentrates on putting the puzzle pieces together through the ability to size up situations and people. They have expanded their resource base by stepping out of the organization and thinking of their playground as the extended enterprise. Strategic thinkers keep their eye on the results and make changes as needed such as material suppliers, transportation modes/channels, and manufacturing sites at a moment’s notice.

Strategic sourcing is not just about segmenting materials and services to ensure ongoing supply to the organization at the least ultimate cost and with minimal inventory. It got bigger. It now brings those same principles to bear on the supply chain.

REFERENCES:


ISM Dictionary