

The Importance of Supply Chain Management

Zhang Wei

Wu Xiang

School of Accounting

Central University of Finance and Economic Beijing 100081

At present, the business community talking about a particular topic is supply chain management, whether a large multinational enterprise groups or micro-companies, pay a high degree of attention to supply chain, especially in some state-owned enterprises, in the context of the financial crisis, proposed economic development need to change, everyone wants to refocus again up the supply chain. In fact, early in the last century, although at that time there is no clear definition of supply chain management and control concept, but some companies had been intentionally or unintentionally, the enterprise supply chain of control, which reflects the supply chain is important.

Familiar to everyone, Ford Model T production, swept the world, directly changed the automotive industry production model , but also to achieve the old Ford's dream that each worker can afford the car ; beginning of the 1960s , Japan's Toyota Motor executive Lean Production (JIT), the pursuit of rationalization of production equalization, through the process of transformation, help Toyota out of the stagflation of the 1970s the global economic difficulties , and successfully entered the U.S. market ; late 90s of last century , the Haier Group in order to the international market , cope with global competition , but also to cure the "big company disease " problem, gradually improve Haier began as a link in the supply chain business process reengineering model, to achieve its organizational structure and management of integrated innovation innovations that help Haier has made remarkable achievements ; known world famous Nike company does not own all the products manufactured , but all outsourced to other manufacturers out of manufacturing , Nike has taken in the production of a virtual strategy , they are only responsible for the design and marketing , by means of a good inventory control system and system of overseas sales , Nike worldwide has made remarkable achievements. There are many similar examples , including IBM, Nissan, Apple , McDonald's and so on.

These successful companies are a big issue in the supply chain, but specific to the different businesses also showed very less consistent characteristics. For example, Chery Automobile Company production base is surrounded by many to provide spare parts manufacturers, Changshu, Jiangsu Bosideng company's production plant in the vicinity there are also a large number of textile, dyeing, weaving enterprises, and above said Nike's outsourcing of production business is basically a distant and China and Malaysia . So, what is the supply chain? In the enterprise development process which it plays a role ? Companies spend great efforts to supply chain management and control of its practical significance in what ?

Enterprise supply chain management and control refers to the entire supply chain system for planning, coordination, operation, control and optimization of the various activities and processes, and its goal is to correct products required by customers(Right Product)at the right time(Right Time),in the right quantity(Right Quantity),right quality(Right Quality)and the correct state(Right Status)to the correct location(Right Place) - "6R",and to minimize the total cost. In the management process, focusing on the core business, requires good control two aspects:(1)to achieve the company's information flow, logistics, capital flow control, (2)make purchases of raw materials, intermediate products manufacturing and sales continuous management activities, that is suppliers, manufacturers, distributors, retailers, until the end users together into an overall functional chain structure.

We are talking about the supply chain is not only a supplier connected to the user's logistics chain,information chain, capital chain, but a value-added chain, materials in the supply chain due to processing, packaging, transport and other processes to add value, through the combination of dynamic processes, to obtain efficiency, to the relevant corporate revenue. Supply chain management are important because of the following points:

(1) The implementation of supply chain management is a "ambition" entrepreneurs' inevitable choice. 1776, in Adam Smith's « Wealth of Nations », the first time a detailed illustration of the importance and significance of the division of labor, from the production increasingly specialized division of labor is increasingly becoming the mainstream of society. In the social production environment, it can be said without which a business can be completely divorced from the other social subjects while operating independently, there is, as the market internationalization and information technology, today's inter-firm linkages, closer than ever, which is why companies across the original "enterprise boundaries" in supply chain management and control of the root causes. Therefore, enterprises should develop, we must pay attention to the management and control of the supply chain, who should attach importance to the management and control of the supply chain, who grab the opportunity, those who focus on long-term development, entrepreneurial bosses, should have a clear understanding.

(2) The implementation of supply chain management can reduce costs, reduce the transaction costs. Economics study found that the development of enterprises can be divided into three basic stages: factor-driven stage, efficiency-driven stage, innovation-driven stage. The so-called factor-driven stage, is in the early market economy, social product scarcity, when the entrepreneur invested, the organization of production personnel can achieve the established goals, is called money, powerful output. In the international experience, the first industrial revolution, the social demand continues to heat up, people's desire for consumption rising, product demand, economics is defined as the "buyer's market", the company's focus on the production sector. China's reform and opening up for a long period of time, too, relatively favorable corporate environmental, social lack of supplies, the market demand, companies worry about sales, at this stage, the main task is to organize entrepreneurs invest an appropriate proportion of the elements of the enterprise's primary questions focused on how the production areas. And as more elements of resources devoted to production areas to "fame" when market competition intensifies, companies entering into the second phase of the corresponding - efficiency-driven stage, his time not every vendor input factors of production are able to earn one pour, but rather that part of the management of enterprises have become the market of high efficiency of the lucky ones. The same elements to the market, the different institutional arrangements, in different combinations will produce the same effect. It is also important where management, in the past, we emphasize cost control within the enterprise, but this is actually the supply chain management and control of a link, assuming a corporate cost savings in existing already done the ultimate, then it is not possible then there conservation point of it? Can the existing basis and then improve the quality point of it? Supply chain management is a good point, the entire process of looking into the product, the enterprise still has much to offer in terms of cost control, we put raw material suppliers, retailers and other stakeholders people organize themselves, we work together, for the whole industry chain re-planning, corporate purchasing, warehousing, processing, production, inventory, distribution and other processes reengineering, exchanges and cooperation between enterprises, increase mutual trust, reduce transaction costs and achieve $1 + 1 + 1 > 3$ effect, to achieve not only the enterprise cost reduction, but also reduce the cost of the whole industry chain, and ultimately help consumers, increasing consumer surplus. To ensure that enterprises in the fierce competition, to stand out.

(3) The implementation of supply chain management and control can facilitate information sharing, enable enterprises to maintain a high degree of market sensitivity. China's market economy development today, we should have recognized the role of information in the market, especially in the 21st century, in the computer network technology, driven by the information industry has seen the development of rocket, an important reason why information in the market occupied a very important role, but the previous techniques can't provide a wealth of information, can't solve the asymmetric information, the lack of problems, and by means of network information technology, information can be explosive spread, so just reminders cooked fuss surrounding the information in the enterprise.

In the traditional production process, the enterprise communication between various departments is attacking a discount, market research, procurement, production, sales and after-sales information between each unit whether to implement shared? Circulation of information within the enterprise whether there is an obstacle? Needless to say, stakeholders and external corporate communications person is smooth?

Strengthen supply chain management is to achieve full attention to market information, based on the perspective of the whole supply chain, companies will get more valuable information, corporate decision-making will no longer be confined to their own amount of information, but always the entire supply chain to maintain a high degree of attention, thereby enhancing market sense, so that the market "trouble" can have a rapid response, and enhance the efficiency and effectiveness of corporate decision-making, in the fierce competitive market, the real business done "react quickly, hit more accurately" to achieve long-term development. Of course, through the supply chain management and control, people can discover the potential business opportunities on the market, on the other hand is to prevent market uncertainty, enhance risk of smell.

(4)The implementation of supply chain management and control can respond effectively to market uncertainty.

In a market economy, the company's survival is very low, it is estimated that only about 5%, if in a wider time window of 10 years, 100 years to observe the enterprise, then the survival rate will be smaller. Today the so-called century-old was a gimmick nothing more that can really after eighty years is rare. Companies such "short-lived", a very important reason is that the market is filled with too much uncertainty: the needs of buyers preferences, competitor behavior, social and institutional changes, technological invention and commercialization mode and so on. All of these are unable to accurately predict. The next time we are not sure consumers will like what style would prefer the kind of taste; we can not grasp the actions taken by competitors; Even the most advanced high-tech is not necessarily get the market to buy it, the bankrupt of Motorola's Iridium program is a best explanation. In the last century, when a British candy company sell well, very popular in the market, which in turn increase the horsepower to expand production, and when they put the product into the market again when the market suddenly found wrong, through the survey found that this was not the reason the market does not buy candy flavors, packaging nor other aspects of a problem, nor is competition reasons, but because was the development of British Telecom, the children switch the spend from the candy to telephone communication, unfortunately, "gates of fire, adverse impacts to fish", people keep track of risks.

Uncertainty in the face of market risk, how do companies deal with it? A reliable option is to strengthen the management and control of the supply chain and stakeholder communication between people, information sharing and exchange, supply chain coordination between the good, you can improve the ability of enterprises to cope with risk, the enterprise is a series of crises incident caused, in other words there is signs and dynamic process, rather than overnight emergencies. With supply chain management and control system, companies can have a wider source of information, so that foresight, therefore, institutionalized and standardized supply chain management and control is to improve the business risk early warning capability, enhance resilience of the important part. Establish and implement robust supply chain of control on the construction of a modern enterprise system is important.

(5)The implementation of supply chain management and control is the inevitable requirement of corporate social responsibility.

Someone asked, with the enterprise development, what is the highest level of the state? It can be said that when an enterprise to become an organizational, that is roughly equivalent to our communities, as indispensable in our lives, when our daily lives without it, it is a successful business, like the United States Microsoft, promote technological progress in the world, it is their contribution to society is self-evident that we are dependent on him is also very obvious. This can be seen as the business development and growth, it will hire more workers, purchase more raw materials, for more people to provide products and services, then the enterprises in obtaining social recognition and huge returns at the same time, will also be taking on more responsibilities and obligations. The behavior of enterprises not only have an impact within the enterprise, but indeed affect the whole society. This has prompted companies to pay more attention to protect the interests of the parties to assume their social responsibility.

In a market economy, enterprises provide product or service, not just their own, beyond the control of the consumer product or service consumption experience all aspects of the impact will be. From raw materials to the final consume, which links are not defective, if there any flaws, the consequences would be disastrous. In 2008, Chinese dairy industry vicious outbreak of the melamine incident is a typical case, first of all, to give consumers a painful injury, the country fell ill after consuming Sanlu milk powder for infants to nearly 7,000 cases, 158 of them occurred had acute renal failure, and another several deaths.

Secondly, with 60 years of history of the country well-known enterprises Sanlu company, which has almost become synonymous with our milk company quietly closed down in the incident. In addition, the cause of the whole crisis of confidence in the dairy industry, Mengniu, Yili, Guangming these three domestic dairy giant responsible person recognized by the "problem milk powder" incident only 2008 total losses of more than \$ 250 million. Restore consumer confidence dairy enterprises, there is still a long way to go, which caused the loss of the dairy industry is incalculable. The incident, though, is because some farmers covet small profit, selfishly adding melamine to milk caused, but farmers also the victim of this incident, dairy problems, the company's stock increased dramatically milk, milk farmers have nowhere to sell, there are many places farmers dumping milk, low-cost slaughtered cows for sale "unwise". Mengniu Group chairman NiuGensheng in public, when asked to "save ten million innocent farmers" banner. Carefully studying them, there are many victims, for example, in the capital market to buy small business stock investors, corporate creditors, local governments, and the resulting unemployed factory workers, dealers losses are not a small number.

From the above case study, we can see that supply chain management and control on the importance of the modern enterprise, the company Sanlu and other dairy farmers added melamine to milk the behavior of turning a blind eye, eventually turns into a big mistake. In other words, the company purchased raw materials of inferior quality, better follow-up of production processes, and ultimately will not be able to provide consumers with quality products and services, and the same token, pre-processes, companies are conscientious, but also produced a quality products, sellers do not link "to force", this time, the company's efforts are also to be discounted it. With the expansion of business scale, managers should recognize the same boat and other stakeholders of the situation, the enterprise implementation of supply chain management and control, can help managers fully understand, control of the production status of enterprise products, can help enterprises to establish and promote their own brand, shaping their socially responsible a good image, and thus the core competitiveness of enterprises increased steadily, to achieve the overall supply chain harmonious sustainable development.

So, in summary, supply chain management and control is a value-added supply chain management, supply chain management is a systematic, integrated management philosophy, its core meaning is to enable companies to fully understand the customer and market demand, with suppliers and other partners in the business to keep pace, resource sharing and integration, coordinated support all enterprise collaborative supply chain operations and improve the overall competitiveness of the supply chain, enhance the sensitivity to market risk and effectively meet customer needs of functional systems, build quality brand resources, and ultimately achieve long-term sustainable development of enterprises.

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