

## Supply Chain Management – Is It Really Dead?

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**Abstract.** A few of the recently published articles along with web blogs have raised serious doubts about the validity of the traditional Supply Chain Management (SCM) Model. These articles and web blogs claim that the SCM, particularly the traditional one, is dead as it is no longer applicable to the Global E-based Economy. In addition, SCM is still to show overall benefits. This author agrees with both of these contentions, but at the same time strongly believe that the SCM Model is based on the solid underlying theory of valued-added methodology and if applied properly it would yield substantial benefits to all parties involved in the SCM – from Suppliers of the raw materials to the manufactures to the Users of the End-Products. A careful examination of the traditional SCM leads to the conclusion that there should be separate models for tangible and intangible product. In addition the current SCM is too complex –difficult to understand and apply in practice. For this reason, it is suggested that the SCM model should be broken down into small user friendly modules so that each module is a value-added proposition.

**Keywords:** Supply Chain Management (SCM), E-Based Global Economy, End-products, Tangible & Intangible Product, Value Added, KISS Principle.

### 1. Introduction

A recently published article “The Death of the Supply Chain” in the IndustryWeek.com (March 2009) by Dr. Andrew Salzman, Chief Marketing Officer with E2OPEN, Inc., has raised serious doubts about the validity and the future of the Supply Chain Management, particularly the traditional one. Similar comments have appeared in the HP Blogs (<http://h30507.www3.hp.com>) by the several professional including the one from Dr. Kalia –the authors of this paper. Supply Chain Management (SCM) involves management of all interconnected business decisions from suppliers of raw materials to work-in process to finished goods and their distribution to the end-users, from point of origin to the point of consumption. There are several definitions of SCM – all conveying the same meaning. However, there is one interesting step is missing from these definition, which relates to the disposal of the items after they are no longer in use. We believe that the SCM system need to address this very important aspect of the business as it directly relates to the environmental pollution. For this reason, I suggest that the SCM definition should address all the business decisions from origin to consumption to disposal of the used goods.

In the beginning it was the Purchasing Department that took care of the suppliers and developing some sort of relationship with them. In 1982 Keith Oliver, Strategy Consultant with the firm Booz Allen Hamilton, coined the word SCM. Since then this topic has become one of the important topics in various Production/Operations Management texts.

### 2. Traditional Supply Chain Model

The modern technology and terrorists activities have thrown a Monkey Wrench in the traditional SCM model that advocates developing a good relationship with the suppliers of raw materials and suppliers of outsourced components in order to produce quality goods and services. It is believed that the traditional

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SCM model is static and linear while the modern Global Economic is dynamic and non-linear. There is a clear cut time gap between the speeds of Supply and Demand. While the demand is almost instantaneous, speed of the supply is very slow. In addition, terrorist activities can disrupt the supply chain when we least expect it. The other problem with the SCM model is that it is fine for tangible product, but it may or may not be suitable for a variety of intangible product. In case of intangible product, the speed of supply and demand is more or less equal, but in case of tangible product this is not true. There is a substantial gap between the speeds of Supply and Demand.

### **3. Conceptual Supply Chain Model for Modern Economy**

Currently this author is working to develop two separate conceptual models: One for Tangible Product and One for Intangible product. The conceptual outline for Tangible product includes the fundamental believe that the producers of these products must address the management of all steps involved in the origin, development, marketing, and disposal of these products so that these products are not only of high quality, but also does not pollute our environment. The question of terrorist activities and other disruptions in production can be easily addressed by applying the Portfolio Theory. There should be more than one supplier for the same item and there should be more than one production facility for the same facility, preferably located in different geographic locations.

In case of Intangible product, the modern advanced technology has become quite sophisticated as demand and supply are more or less moving at the same speed. However, there are complex problems with the system, namely hackers. Apparently, a new system of Data Encryption must be developed that is unbreakable. Will it ever happen – This is a question that is open to discussion.

### **4. Conclusions**

SCM is a good solid concept that is designed to add value at each step of the system, but it is too complex. As a result many managers in the industry are not comfortable using it, because it is difficult to understand and apply in practice. According to the KISS (Keep it Simple and Stupid) principle, the SCM system should be easy to understand and use, in other words, it should be user friendly. The KISS principle is going to be the key to the ultimate success of the SCM. This would require that the SCM system be broken down into small modules that are user friendly so that each module adds value.

The other problem is that the financial benefits of the SCM are yet to be proven. However, Georgia Tech Research News (December 12, 2000) comments on a research study done to measure the impact of Glitches in Supply on the Stock Prices indicated that the Internal and External (supplier) related glitches caused about 8.30% and 12.00 %, respectively drop in stock prices. These drops in stock prices may or may not be fully attributed to the supply chain glitches for the stock prices often go up and down due to several reasons, sometimes even without any reason.

### **5. Acknowledgements**

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### **6. Recommendations**

1. The current SCM definition should be modified to include the disposal of used products, particularly the electronic items that include hazardous materials.
2. The SCM model is too complex as a result many managers in industry fail to understand its significance and are afraid to use. For this reason, we suggest that it should be broken down separate modules each representing a step in the system that would add value.

### **7. References**

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