

SUPPLY CHAIN MANAGEMENT

LESSON 10: SUPPLY CHAIN COORDINATION

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Chapter Description

- **Aims**

- To familiarize students on how coordination in a supply chain increase a business performance and success.

- **Expected Outcomes**

- Students should be able to:
 - Understand what is process integration
 - Elaborate the Bullwhip effect
 - Discuss on how SC be affected by lack of coordination
 - Explain the challenges in coordinating SC

- **References**

- Chopra, Sunil, and Peter Meindl. (2016) Supply Chain Management: Strategy, Planning, & Operation. 6th. Ed. Upper Saddle River, NJ: Prentice Hall.

Chapter Outline

10.1 What is Process Integration

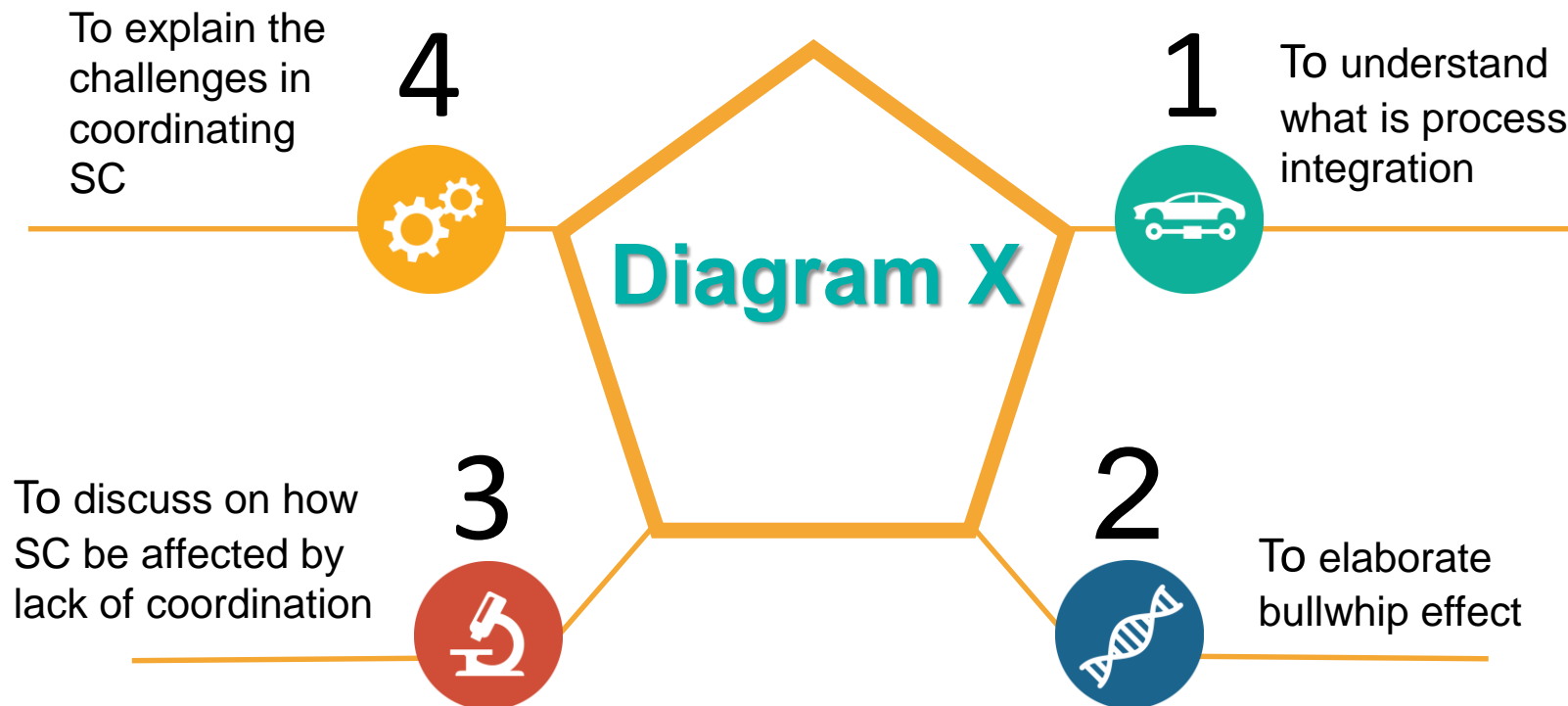
10.2 The Bullwhip Effect

10.3 SC Performance: Effect of Lack in Coordination

10.4 Challenges in Coordinating SC



LEARNING OUTCOMES



Process Integration

Definition

- Coordinate & share the information + resources in managing a process

Process integration is often a difficult task & requires

- Training
- Willing & competent partners
- Trust
- Change in organizational culture

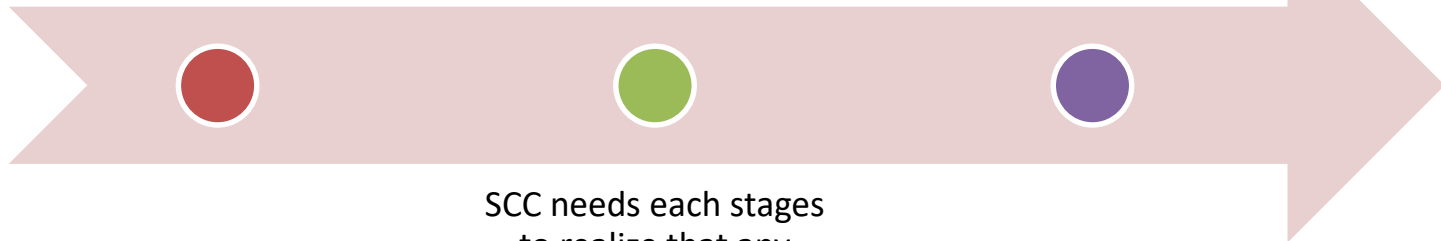


Bullwhip Effect: Lack of SC Coordination (SCC)

When all stages of SC were coordinated appropriately and accurately, SC process will be efficient

Lack of SCC resulted from:

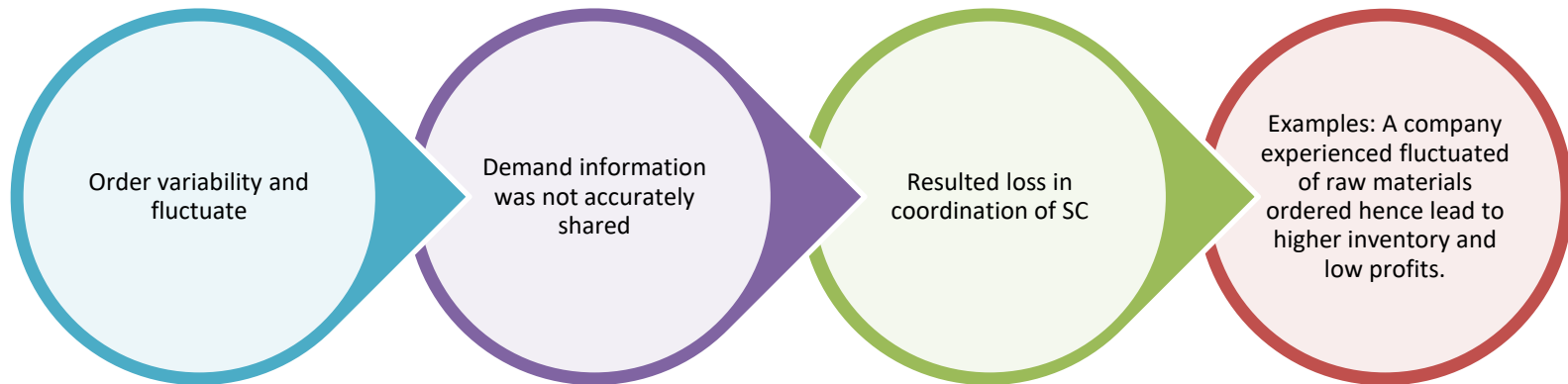
- Conflict exists in the objectives among all stages
- Distortion of information between the stages



SCC needs each stages to realize that any actions on one stage will effect the others



What is the Bullwhip Effect?



The Effect of Lack of Coordination on SC Performance

Incur costs in manufacturing process

Incur cost in inventory management

Increase the replenishment lead time

Incur costs in transportation

Incur labor cost : shipping + receiving

Low product availability

Deteriorates the relationships between SC

Lower don profits



SCC: Challenges

Incentive Challenges

- If a firm offer an incentive on different SC stages, it will create inconsistency and effects the profits in SC

Information Processing Challenges

- If different information was transferred from one party to another, it will lead increased variability in order processing

Operational Challenges

- It happens when the information flows are distorted and orders processing might be inaccurate

Pricing Challenges

- It occurs when pricing policies changes thus increase variability in order processing

Behavioral Challenges

- It is more on how one party react internally and externally which will effect the concept of trust significantly



Conclusion of The Chapter



- **Conclusion #1**
 - Integration process in SC is important as it will coordinate, share and manage the information in driving the success of SCC.
- **Conclusion #2**
 - Bullwhip effect resulted from the variability exist throughout the orders in SC which finally will effect the profit.
- **Conclusion #3**
 - Lack of coordination will definitely effect the entire SC process through conflict of objectives and information distortion
- **Conclusion #4**
 - Incentive, information, operating, pricing and behavioural are among the challenges in coordinating a SC.