

SUPPLY CHAIN MANAGEMENT AS A CHALLENGE FOR A SMALL, FAST GROWING BUSINESS

MENADŽMENT OPSKRBNOG LANCA KAO IZAZOV ZA MALA BRZO RASTUĆA PODUZEĆA

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Abstract: *In challenging circumstances of globalization and of changing environment, the willingness to cooperate rather than to compete may result in new business models, such as a supply chain. Supply chain management is defined as the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders. Internet has created opportunities to access and share information all across the supply chain. It provides common communication protocol and standards for system inter-operability, enabling reliable and low-cost inter-business connectivity. There are challenges for small, fast growing business to take advantages of Internet and new business models, such as supply chain and supply chain management to perform competitive advantage and effectiveness.*

Key words: *Globalization, Supply Chain Management, Internet, Competitive Advantage, Effectiveness, Fast Growing Business*

Sažetak: *U izazovnim uvjetima globalizacije i promjenama u okruženju, spremnost na suradnju radije nego na natjecanje može rezultirati novim poslovnim modelima, poput opskrbnih lanaca. Menadžment opskrbnim lancima definiran je kao spajanje ključnih poslovnih procesa od krajnjeg korisnika do dobavljača koji opskrbljuju proizvodima, uslugama i informacijama od važnosti kupcima i ostalim nositeljima interesa. Internet je stvorio mogućnosti pristupa i dijeljenja informacija u cijelom opskrbnom lancu. On osigurava zajednički komunikacijski protokol i standarde za funkcionalnu povezanost sustava, te omogućuje jeftiniju međuposlovnu povezanost. Pred malim brzo rastućim poduzećima je izazov da prihvate prednosti interneta i novih poslovnih modela, poput opskrbnih lanaca i menadžmenta opskrbnog lanca kako bi ostvarili konkurentne prednosti i postigli željene rezultate.*

Ključne riječi: *globalizacija, menadžment opskrbnog lanca, internet, konkurentna prednost, brzo rastuća poduzeća*



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1. Introduction

Traditionally, most organizations have viewed themselves as entities that exist independently from others and indeed need to compete with them in order to survive. Nowadays, in challenging circumstances of globalization and of changing environment, the willingness to cooperate rather than to compete may result in new business models, such as outsourcing and supply chains. Organizations are now focusing on their core business, the things they do really well and where they have a differential advantage. Everything else is outsourced, t. i. procured outside the organization. This trend has many implications for logistics management, which is primarily concerned with optimizing flows within the organization, as well as supply chain management, which is concerned with integrating and coordinating relations and flows all across the key processes of the supply chain members, and is supported by using ICT all through the supply chain (Bublic, et al., 2006).

2. Supply Chain Management

Supply chain management is defined as the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders. It enables organizations to gain competitive advantage through the implementation of cross-functional processes and high-performance business relationships (SMC, 2008). Successful supply chain management requires integrating business processes with key members of the supply chain (Christopher, 2004).

2.1. Key business processes

The value of having standard business processes in place is that managers from different organizations in the supply chain can use a common language and can link-up their firms' processes with other members of the supply chain. There are eight key business processes that are both cross-functional and cross-firm in nature.

- Customer relationship management provides the structure of how the relationship with customers will be developed and maintained. The goal is to segment customers based on their value over time and increase customer loyalty by providing customized products and services.
- Supplier relationship management is the process that defines how a company interacts with its suppliers. This is a mirror image of customer relationship management. Long-term relationships are developed with a small core group of suppliers.
- Customer service management is the organization's face to the customer. Customer service provides the customer with real-time information on promised shipping dates and product availability through interfaces with the firm's functions such as manufacturing and logistics.
- The order fulfillment process includes all activities necessary to define customer needs and to design a network and a process that permits to meet customer needs, minimizing the total delivery cost, as well as filling customer orders.

- Demand management balances the customers' needs with the capabilities of the supply chain. It includes synchronizing forecasting, supply and demand, increasing flexibility, and reducing demand variability.
- Manufacturing flow management includes all activities necessary to move products through the plants and to obtain, implement and manage manufacturing flexibility in the supply chain.
- Product development and commercialization provides the structure for developing and bringing to market products jointly with customers and suppliers.
- Returns management is process by which activities associated with returns, reverse logistics, gate keeping, and avoidance are managed within the organization and across key members of the supply chain.

2.2. Partnerships in the Supply Chain

Partnering provides a way to leverage the unique skills and expertise of each partner and may also "lock-out" competitors. It is important to ensure that scarce resources are dedicated only to those relationships, which will truly benefit from a partnership.

2.3. Performance in the Supply Chain

A well-crafted system of supply chain metrics can increase the chances for success by aligning processes across multiple firms, targeting the most profitable market segments, and obtaining a competitive advantage through differentiated services and lower costs (SMC, 2008).

3. Supply Chain Management and Internet Technologies

Internet is having a significant impact on the way companies are conducting business. Internet has created opportunities to access and share information all across the supply chain in a faster and more reliable way. It provides common communication protocol and standards for system inter-operability, enabling reliable and low-cost inter-business connectivity. This flow of information leads to the improvement of productivity, the increase of efficiency and the achievement of better collaboration between the supply chain partners. However, to take full advantage of the Internet, business must restructure their internal and external processes across the supply chain and improve their collaboration (Gimenez & Lourenco, 2004).

4. Supply Chain Management as a Challenge for a Fast Growing Business

Small and medium size enterprises are expected to be the main providers of employment and growth and the source of many business ideas in the United Europe, as well as in New Comers. In Lisbon, the European Union has set itself a goal to become the most competitive and dynamic economy in the world, based on knowledge and capable of a viable economic growth, of providing an increasing number of high-quality jobs, as well as of a stronger social cohesion

4.1. SMEs in Croatia

It is now widely accepted that SMEs sector can play a key role in the process of transition. The main areas in which the sector contributes are job creation, innovation and the creation of competition. According to the statistics, the total number of Entrepreneurs at the end of 2006 was 186.244: 441 large, 1.480 medium-sized, 76.588 small and 107.735 crafts, employing total 1.124.561 employees: 27,2% by large, 15,3% by medium-sized, 34,5% by small and 23,0% by crafts. At the end of the fiscal year 2006 small and medium size enterprises, craft sector excluded) participated in the Profit before Tax with 54%. (HGK, 2008)

4.2. Dynamic Growth

There are four basic challenges of the dynamic growth: the revenue growth at least 1/3 per year within past 5 years, growth of the number of employees at least 3 times within past 5 years, growth of owner's equity, retained earnings and other equity at least 3 times within past 5 years and growth of the market value of the firm at least 10 times within past 5 years. (Ministarstvo gospodarstva, 1999). In Croatia, it is considered as the basic shallange the revenue growth at least 30% per year within past 3 years (Business.hr, 2008). The winner of the 2005 competition of the fastest growing enterprises, run by Business.hr, was Kostel promet, Pregrada, the producer of seat and headrest covers for the automotive production, and who also won the third position in the 2006 competition, North-Western region of Croatia. Table 1 illustrates the growth cycle of Kostel promet for the period 2001 – 2006.

Description	Year					
	2001	2002	2003	2004	2005	2006
Revenue (000 HRK)	203	2.964	8.914	36.140	67.468	102.913
Number of Employees	22	48	128	138	250	290
Fixed Assets (000 HRK)	167	938	5.019	4.386	7.413	8.983
Total Assets (000 HRK)	347	1.064	6.986	14.167	18.605	27.073

Table 1. Growth Cycle 2001 – 2006

4.3. Supply Chain Management as a Challenge for Kostel promet

In order to become a supply chain member, organizations require their suppliers to standardize processes. Kostel promet implemented ISO 9001 in 2005 in order to assure customers that the company has a good Quality Management System in place. It led to internal effectiveness and productivity benefits: better operations, improved performance and improved profitability. The next step is the implementation of ISO/TS16949. The aim of ISO/TS16949 is the development of a quality management system that provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the supply chain. ISO/TS16949 applies to the

design/development, production and, when relevant, installation and servicing of automotive-related products. The implementation of ISO/TS16949 is expected in Fall 2008. The very next challenge is the ISO 28000 series of standards on supply chain security management systems. The standards address potential security issues at all stages of the supply process, thus targeting threats such as terrorism, fraud and piracy. Further, the key business processes and the supply chain network structure including managed process links, monitored process links, non-managed process links and non-member process links are to be defined.

5. Conclusion

Supply chain management requires integrating business processes with key members of the supply chain in order to gain competitive advantage through the implementation of cross-functional processes and high-performance business relationships. It is certainly a challenge for any fast growing business. There are eight key business processes that have to be defined, as well as the supply chain network structure including managed process links, monitored process links, non-managed process links and non-member process links. The customer relationship management and supplier relationship management processes will form the critical linkages of the Kostel promet d.o.o. supply chain. To take full advantage of the Internet, the flow of information will lead to the improvement of productivity, the increase of efficiency and the achievement of better collaboration between the supply chain partners.

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