ABSTRACT

We are not only witnessing a high economic volatility, economic turbulence, recession but also an unstable customer demand, complexities in production, unanticipated delays in the chain of processes.

This has made supply chain management under high pressure to be more responsive, efficient, customer oriented, innovative, which helps in reducing the cost. To be competitive in the market, organisations have realised to improve profitability of the business by reducing the cost especially through supply chain management rather than increasing the price of goods and services and remain uncompetitive in the market.

Supply Chain Management is a process of linking raw material transformation to the ultimate product to be consumed by the consumer. It contributes in adding value to it with support of various functions in making it efficient and effective in operations. It ultimately results in reduction of cost, wastages, improves quality etc.

This paper is a brief beginning to know how conflicts in supply chain management occur, how they are to be resolved and how to minimize these conflicts which indeed is a cost of delay, funds, quality, wastages, unhealthy environment etc.

Keywords: Economic Volatility, Economic Turbulence, Conflict, Supply Chain Management, Collaboration, Key performance Indicator, Dyadic, Holistic.

1. INTRODUCTION

In broader term supply chain management stands on goods/services, information and funds. Coordination is a very vital word in supply chain management. In 1970’s coordination was more by default among supply chain partners, 1980’s was Material Resource Planning (MRP) and a improved version MRP-II. 1990’s witnessed Enterprise Resource Planning (ERP) and by 2000’s Collaborative Planning Forecasting and Replenishment (CPFR) was in. This shift of better coordination is to minimize conflicts and wastages.
Supply Chain is witnessing changes due to globalisation, shift in customer demand pattern, shorter product life cycle, proliferation of product variety, demand driven than push, time based competition etc. This complex environment has a constant threat of aligning internal and external partners in supply chain management which indeed is a challenge

2. OBJECTIVE AND SCOPE

Objective and Scope of Conflicts in Supply Chain Management are given below:

- To achieve ultimate organization goal even though at internal and external level in the organization objective, key performance indicator may differ and be a cause of conflict.

- To synchronize various business activities and processes in order to achieve optimization of resources, reduce wastages, conflicts etc.

- To be able to resolve grievance handling of various conflicts among supply chain partners.

- To be able to have a friendly, sound, congenial work place environment in order to keep organization healthy and sound.

- To be able to be proactive in inculcating various total quality management philosophies like “Quality Circle”, “5 Whys” technique etc to bring prevention better than the cure in resolving conflicts.

3. CONFLICTS IN SUPPLY CHAIN MANAGEMENT

Conflicts are bound to take birth especially in today’s business which has become more dynamic, agile and complex.

Conflict usually arises in supply chain management due to disagreement of thoughts, business processes, objectives, and goals etc which are not aligned within the organization which finally results in conflicts of interest. Conflicts in supply chain management are not uncommon. Constant conflict resolution strategies will combat hindrances from conflicts and in fact turn them into facilitation in improving productivity, reducing cost, improving customer satisfaction, building better team etc.

Conflicts in supply chain management commonly occur as it exists in day-to-day operation in management. Key performance indicator of one department may not be taken as key performance indicator of the other. In fact, key performance indicator of one department may adversely affect the objective of another department.

Conflicts needs to be resolved as soon as possible otherwise it may increase unnecessary cost in supply chain coupled with drop in the level of customer service.

In today’s world where organizations make constant analysis of reducing cost in supply chain, improving business process slashing down seemingly unproductive activities so that the product and services become competitive in market and the saving can be diverted into advertising and marketing activities to boost sales. There is an immense scope to make supply chain leaner.
Some of the conflicts in supply chain which interface with other internal and external departments are as follows:

3.1. Conflicts in Supply Chain with Category Department

Key performance indicator of supply chain management is aimed at to increase service level to the store. Unavailability of goods in planned buying takes a heavy toll on Service level, now to protect service level the organization needs to buy from the local vendor as it seriously thwarts on usually buying at a much higher price and also will be compromising on standardization of the product. Market buy makes traceability of the product almost impossible. Category department discourages to buy from local market because obviously it is more costly than the planned buying and impacts their objective of increasing profits.

Key performance indicator of supply chain management on reducing push to stores impacts in creating forecast error of variability in ordering pattern by stores. Category department takes advantage of volume turnover in a time frame and yields quick sales. Owing to high variability of ordering pattern supply chain analyst has a difficult task to do a realistic forecast. Wrong forecast will adversely impact service level, days on hand inventory, increased chances of stale date.

Category department is braced for spot deals, may yield cheaper cost in procurement, increase business and profitability but it also impacts day to day operation of distribution centre in reshuffling, re-planning, rescheduling, overtime etc.

Due to constraints of storage and temperature zones, space limitation, distribution centre has to rework storage, staging, slotting etc. When category department commits spot deals, surplus material seriously hampers inbound and outbound movement at distribution centre level.

Supply chain management is the custodian of goods and manage inventory whereas ownership of goods lies with the category management at distribution level. So category department’s target is to increase, develop, and experiment business. So they push stock at store level resulting in variability of demand.

Supply chain procures as per the final projection determined by category department against a special advertisement on a weekly flyer. Sometimes when the advertisement has inaccurate projection it impacts service level, days on hand inventory, increase market buys, increased stale date.

3.2. Conflicts in Supply Chain with Quality Assurance Department

Key performance indicator of supply chain management is to reduce “days on hand inventory” that is high turnover of the inventory at distribution level which ensures freshness of goods whereas category department sometimes goes for spot deals and spot buying where in they buy goods from the vendor at a much cheaper and competitive price with the advantage of higher profit from regular planned buying. Spot buying invites extra inventory at the distribution centre thereby increase in “days on hand inventory”.

Key performance indicator of supply chain management is meant to reduce stale date cost, low days on hand inventory and effective forecast will make stale date redundant but category management takes advantage of
commitment of availability of product from the vendor especially when the product is anticipated to be in short supply. Category department directs the quality department to be lenient in quality check and stick to the modicum of overall goods quality standard.

Category management implements availability strategy. Once accepted by quality department at the distribution centre level the product starts breaking fast than the expected time, product not holding well to reach customer in expected quality, resulting in staledating product at distribution centre level.

3.3. Conflicts in Supply Chain with Distribution Department

The foremost key performance indicator of supply chain management is to maximize service level, reduce days on hand inventory, and reduce staledate. On time delivery contributes in achieving key performance indicators of supply chain management, but due to uncontrollable variables like shortage of trucks and driving bottlenecks. Delay in trucks also disturbs the scheduling of inbounds at distribution centre level.

To protect the service level sometimes rush loads are required but rush loads can only be effective if transport department can arrange trucks on time and usually it rides on a team of drivers. Objective on transport department is to minimize the cost of transportation, so there is a conflict with supply chain.

Supply chain management likes to buy what they require. Conversely transport department does not want to transport less than truck load so unnecessarily inventory is added to get economies of truck load in the transport operation, so there is a conflict of interest.

Delay in on time arrival delivery impacts the scheduling of distribution centre which make unnecessary cost of overtime to labour, delay at staging, picking and outbound movement to stores. It may also impact the planning of inventory at store level.

On time delivery may also not be possible due to no show of truck at the vendor facility or delay in loading from the vendor side may also impact delay in arrival of truck resulting in adverse impact on service level. Key performance indicators of supply chain management can be affected by delays on delivery at the distribution centre. Key performance indicators of supply chain management and objective of transport department sometimes are not aligned with each other.

Key performance indicators of supply chain management and objective of distribution centre may also differ like supply chain management focuses on improving service level, reduction in staledate, avoiding excess inventory of spot deals if plans are not proper to liquidate stock. Usually distribution centers have storage constraints which may impact key performance indicators of supply chain management.

Sometimes target stock level at distribution centre may vary due to miscalculation in demand forecast by the analyst. High level of inventory at distribution centre may have constraints of space, storage, outbound/inbound scheduling plan. Same way rush loads due to unanticipated demand needs priority in appointment at distribution centre level which sometimes disturbs the planned schedules of inbounds.
3.4. Conflict in Supply Chain with Customer Service Department

Supply chain interface with customer service department may also be impacted by un-alignment of key performance indicators of supply chain management and objective of customer service departments. For example, ordering error from store and rush desk ordering may impact service level.

Unavailability of a particular product which is in demand brings “bullwhip effect” which increases ordering pattern by stores which ultimately invites forecast error for the supply chain department.

Shortages and anticipated scarcity of goods should be well communicated to the stores so that stores do not order unrealistically, same way push strategy by category team should be well communicated to the supply chain, customer service and stores so that all departments plan the flow of goods effectively.

Supply chain management’s interaction with external vendors also impacts key performance indicators which bring conflict between supply chain management and vendors.

Supply chain management likes to increase service level, decrease days on hand inventory, reduction in staledate, whereas vendor’s objective is to push goods as committed by the customers as soon as possible which impacts days on hand inventory of supply chain management. Another face of the coin is that vendor is unable to fulfill committed order resulting drop in service level. Late loading by vendor also results in delay in delivery impacting objective and key performance indicators of the organization. Error in shipment by vendor also impacts the key performance indicators of supply chain management. Quality shipped by the vendor also immensely impacts the demand. Inferior quality shipped by the vendor compared to competitor’s quality drops the demand which miscalculates demand forecast ultimately.

4. RECOMMENDATIONS AND SUGGESTIONS

Strategies to counteract conflict in supply chain management can be minimized if not eliminated by the following ways:

- Effective communication up and down stream in supply chain management.
- Sharing of information, aligning key performance indicators, objectives of each department with the organization goals and objectives resulting in improving customer service and reduce cost of supply chain.
- Regular meetings to solve and resolve issues and chalk strategies to fulfill objectives/goals.
- Grievances handling and quick remedies.
- Team building exercises to understand group dynamics in the organization.
- Regular job rotation by employees to gain multi department awareness.
- Training and development to manage human resource effectively.
- To bring forth demand driven planning based on real time demand and realistic projection of demand.
• Building an adaptive supply chain with prompt planning with an integrated execution.

• To synchronize supply chain with business goals by integrating sales and operation planning with corporate business planning.

• Group presentations which enable the core team to make strategic decisions.

• Vendor managed inventory and collaborative planning forecast replenishment model to be implemented.

• Flexible, quick decision, empowerment to the employees so that any disagreement among departments or partners can be resolved quickly.

• Root cause analysis should be implemented for understanding day to day operations (Hindrances and Facilitations).

• Shared responsibility and accountability.

• Introduction to enterprise resource planning, technology focused from top to bottom.

• Sales and operations meeting on a regular basis.

• To have an effective plan especially at time of push strategy.

5. CONCLUSIONS

Well said and done organizations tend to be more supply chain efficient which make situations and operations complex and congested with numerous controllable and uncontrollable variables like interfacing, multiple tier in supply chain, trade winds moving from developed countries to emerging developing countries. Operations are now boundary less (Global) therefore conflicts is bound to arise.

The success lies in how efficiently top management empowers its managers in resolving conflicts and focus on ultimate goal of organization to reduce cost and improve profits. Finally a Dyadic, holistic, collaborative approach with supply chain partners and an integrative approach within organization move one step forward in hand in hand for a win-win situation.

6. FUTURE SCOPE

Conflicts in Supply Chain Management is unavoidable due to complexities of culture, technological change, global characteristic of operations, cost cutting initiative, change management, lack of visibility, low in responsiveness etc but can be minimized to a certain extend by various integrated and co-ordinate efforts. Key performance indicators should be aligning with the objective of the organization or else it will bind to bring differences among the managers. Adoption of total quality management has given spurt to move ahead in achieving the organization goals through a collaborative approach internally as well as externally.

One of the scopes of this research is to induct Quality Circle at the workplace. Philosophy of quality circle helps in bringing positive attitude; improve interpersonal and public relationship with prompt handling of grievances.
With gaining perfection and professionalism in Supply Chain field complex conflicting situations and issue go hand in hand.

7. REFERENCES