

# Chapter 5

## Organizational Performance through Dairy Supply Chain Management Practices: A Winning Approach

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### **ABSTRACT**

*Organizational implementing supply chain management (SCM) has obtained improved performance. Cost savings, increased revenues and the reduction of defects in products are some of the main advantages of introducing dairy supply chain management. These are also mentioned as long-term goals of the supply chain. Business profitability is closely associated with market and business shares. Based on the long-term goals of the SCM, the organizational performance measures are identified as financial and market performance and customer satisfaction. In the context of SCM, the financial and market performance factor is operational zed in terms of market share, return of total assets, annual sales growth (Tan et al, 1999). The research paper attempts to find out the relationship between the dairy supply chain management (DSCM) practices and organizational performance. Various practices of DSCM through extensive literature review is taken into account i.e. Information and Communication Technology Practices, Supplier Relationship Practices, Supply Chain Manufacturing Practices, Inventory management system, Warehousing Management System, Transportation Management System, Customer Relationship Management for establishing the relationship with organizational performance. The aim of this study is to recommend these findings to companies which are still at the infancy stage when it comes to dairy supply chain management and integration with customers and suppliers.*

### **1. INTRODUCTION**

#### **1.1. Dairy Supply Chain Management and Organizational Performance**

The supply chain is not a business function, it is a network of companies and supply chain management is the implementation of cross-functional relationship with key customers and suppliers in the network. It is a new business model necessary for an organization's success and every function needs to be involved.

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## ***Organizational Performance through Dairy Supply Chain Management Practices***

In today's environment, there is an added pressure to be more socially and environmentally responsible and there are risks which need to be mitigated and managed. Then, there is the complexity created by ever increasing customer requirements and expectations, globalization, the pressure on cost and the availability and access to resources. On the top of management is expected to improve profitability, increase revenue growth and capture and protect larger market share. In order to succeed, management must recognize that the ultimate success of an organization depends on the ability to integrate the company's network of business relationships in a mutually beneficial way. The management of the network of relationships is supply chain management. Successful supply chain management requires cross-functional integration within the firm and across the network of firms that comprise the supply chain. It focuses on the improvements in performance that result from better management of key relationships. By understanding the supply chain management processes and how they should be implemented, management will better understand the value of more integrated supply chains and how the integration will lead to increased shareholder value and a sustainable competitive advantage. Organizational performance comprises the actual output or results of an organization as measured against its anticipated outputs or goals and objectives. According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.) and (c) shareholder return (total shareholder return, economic value added, etc). The term organizational performance is broader. Specialists in many fields are concerned with organizational performance including strategic planners, operations, and finance, legal and organizational development. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as:

- Financial performance (e.g. shareholder return).
- Customer service.
- Social responsibility (e.g. corporate citizenship, community outreach).
- Employee stewardship.

This paper mainly encompasses those parameters of organizational performance which are related with DSCM practices. The study included various performance parameters for improving organizational performance such as Procurement cost, Manufacturing cost, Inventory carrying cost, Distribution cost, Transportation cost, Order fulfillment cycle time, Inventory turnover (no. of times), One time delivery (%), Frequency of stock out, Product rejection rate, Backorder, Cash-to cash cycle time, Sales growth, profit margin, Return on investment (ROI), lead time, delivery speed, delivery performance etc.

### **1.2. Indian Dairy Scenario**

Dairying in India has come a long way. From being written off as a basket case a few decades back, India has emerged today as the largest milk producer in the world with an annual production of 130 million tonnes (2012). More than 70 percent of our milk producers are small marginal farmers, the animals are low yielding, non-descript ones, and, land holdings are small. The future of India dairy industry will can be only build on quality and quality alone. The Indian dairy industry must have the latest modern technology for milk processing and product manufacturer. One must define the standards necessary to achieve and maintain world class quality. Indian dairying must address itself to issues of productivity,

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