

Chapter 48

Supply Chain Management (SCM) and Recession Recovery

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ABSTRACT

The challenges presented by recent changes in the business environment have sharpened the focus on the need for robust approaches to supply chain improvement. For most companies around the world, resources have been reduced, inventory drained, technology spending curtailed, and core processes scaled back in order to adjust to the current reality of reduced demand. So, this paper mainly concentrates on giving some tips based on recession recovery strategies. Firstly, this paper discussed the supply chain management trends in and up to 2015, then general concept of recession and the relation between recession and supply chain management system, then some fatal mistakes of recession recovery according to the supply chain experts and recession and recovery related literature reviews are summarized to identify ultimately the recession recovery strategies for the manufacturer. The paper ended with some supply chain management related predictions, tips for reducing supply chain barriers. Moreover, a brief section of this paper also here highlights the supply-chain infrastructure helpful for recession recovery that is one of the important factors for the reason of cost-reduction, resource planning and maintenance etc. in today's supply chain management and related environment.

INTRODUCTION

Research Background

Global economic turbulence and geo-political factors are increasingly positioning supply chain management (SCM) as a key agenda item in boardrooms across the world. Recent media stories exposing slave wages, child labor, and questionable supplier management tactics by some companies are examples of the added socio-economic challenges companies have to contend with in their supply pipelines.

Undoubtedly, SCM capability will remain a critical concern for senior executives in 2015 and beyond; not least, because SCM is a vital element of many organizations' value chains.

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Supply chain professionals face a myriad of issues in managing supply pipelines effectively. Some are traditional problems, like good IT systems capability. Others reflect the evolution of SCM in a more globalized world. The jet engine, the internet, and falling telecommunications costs have combined to create a global village, a new playing field which offers many new opportunities and challenges. Supply chain professionals must keep abreast of these trends (Sigi Osagie, 2015).

Supply Chain organizations and operations have had to lower down and dramatically cut costs – and that often meant staff downsizing, as well as other means. Inventories have often been cut to the bone – in some cases, at the cost of sales. Consumer electronic retail giant. It is being advised to the salespersons and analysts that more products in the quarter if suppliers had provided more inventory. Empty shelves and pegs at retail were common occurrences. Clearly, the recession has forced most companies to re-look at how they do much of what they do, and drive even more improvements to survive the downturn. Many have found that they can get by with lower inventory levels – perhaps permanently. Reduction in SKU counts are common in recessions. Retailers, in fact, on average have aggressive plans to drop SKU counts – and likely their number of suppliers. Overall, leading retailers may reduce total SKU counts by as much as possible in the upcoming years, some experts are predicting.

For most companies around the world, resources have been reduced, inventory drained, technology spending curtailed, and core processes scaled back in order to adjust to the current reality of reduced demand. In an uncertain recovery, supply chain operations need to be more scalable and flexible as they anticipate economic recovery and increase capacity. Moreover, this can be easier to achieve coming out of a severe recession.

Purpose

In an unstable international environment, its the time to rethink about the manufacturing and logistics principles that companies uses. This will lead to strategies that are much more flexible because they are based on different models for organization, coordination, flows, production planning, and supply chain (Malindžák et al., 2011). That way, companies can brave themselves for these new challenges in a highly cost-effective way. So, in order to react to these challenges, companies have to prepare themselves to respond quickly. There are specific goals that companies must keep in mind to successfully survive the recession.

Therefore, the purpose of this paper is to discuss opportunities that the businesses have to grow their operations in a more scalable way with a higher level of investment in variable cost resources and assets. The paper ended with some supply chain management related predictions, tips for reducing supply chain barriers along with a complete theoretical and logical discussion focusing on the recession recovery strategies that can be adopted by any product manufacturer with an establishment of a real-time model or may be simulated with the empirical results to validate the strategies, so that further suggestions can be added for any real-life scenario. Moreover, a brief section of this paper also here highlights the supply-chain infrastructure helpful for recession recovery that is one of the important factors for the reason of cost-reduction, resource planning and maintenance etc. in today's supply chain management and related environment.

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