

## Chapter 4

# Towards a Unified Definition of Supply Chain Management: The Four Fundamentals

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### ABSTRACT

*A wide range of definitions of supply chain management (SCM) have been developed over the last three decades. The philosophy of SCM is based firmly on a recognition that it is only by working in a more integrated manner that competitive advantage can be maximised. However, for this to become a reality the development of common definitions and understandings between supply chain partners is a critical success factor. The corollary of this is that a lack of definitional consistency and a common understanding is an inhibitor to the successful adoption of SCM thinking in practice. This paper reviews a number of definitions of SCM, as well as discussions and analyses of such definitions. This leads to the central point posited in the paper – the need for a ‘unified definition’. Such a definitional construct, labelled the Four Fundamentals of SCM, is proposed with the core of the paper providing a narrative description of this construct based on a wide range of literature.*

### INTRODUCTION

Since its introduction by management consultants in the early 1980s (Oliver & Webber, 1982), a plethora of supply chain management (SCM) definitions have been developed. There is evidence of differences in emphasis and approach between different industrial sectors, geographical areas and functional backgrounds (Sweeney, 2007). Furthermore, a variety of associated terminolo-

gies have also been developed which has added to the complexity. As noted by Ross (1998), this can limit management’s understanding of the SCM concept and the practical effectiveness of its application. Nonetheless, SCM has risen to prominence in recent years in both academic and commercial circles. However, there is still no universally accepted definition of what SCM is (and, indeed, is not). As pointed out in a widely cited article by Mentzer et al. (2001):

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*Despite the popularity of the term Supply Chain Management, both in academia and practice, there remains considerable confusion as to its meaning. Some authors describe SCM in operations terms involving flow of products and materials, some view it as a management philosophy, and some view it as a management process (p. 2).*

Given that the notion of intra-firm and inter-firm integration and alignment is central to SCM, there is increasing recognition among scholars and practitioners of the need for common definitions. For example, Mentzer et al. (2001) made the point that without a clear understanding of SCM, wide application of SCM in practice cannot be expected. From a research perspective, there are clear potential benefits associated with viewing the large body extant SCM literature, as well as emerging research findings, through the prism of a unified definitional construct.

Following this introduction, the next section reviews a number of widely cited definitions of SCM. This leads to the central point posited by the author in this paper – the need for a ‘unified definition’. Such a definitional construct, labelled the Four Fundamentals of SCM, is proposed by the author with the core of the paper providing a narrative description of this construct based on a wide range of literature. Finally, some suggestions for further work are identified and some conclusions drawn.

## **SCM DEFINITIONS**

Given the large number of definitions that have been developed over the years an exhaustive list and/or detailed descriptions of existing definitions of SCM is beyond the scope of this paper. However, this section provides an overview of some of the widely cited definitions, as well as of discussions and analyses of such definitions, and draws some conclusions from a synthesis of these.

The selected definitions have also been chosen to be representative of the themes and concepts expressed across the wider body of definitions.

### **Defining SCM (Mentzer et al., 2001)**

Mentzer et al. (2001) provide a comprehensive overview of the more important of these definitions and, based on their analysis, provide a definition of their own. From this representative sample of SCM definitions, Mentzer et al. suggested that three definition categories can be identified. Firstly, many authors define SCM as a management philosophy. In this context, SCM adopts a systems approach to viewing the supply chain as a whole, from the supplier to the ultimate customer. A chain-wide collaborative approach, driven by a strong customer focus, aims to synchronise intra-firm and inter-firm capabilities. Secondly, many authors consider SCM as a set of activities to implement a management philosophy. Seven activities are proposed, based on the earlier research, which appear necessary in the successful implementation of the philosophy:

1. Integrated behaviour in customer and supplier firms
2. Mutually sharing information
3. Mutually sharing risks and rewards
4. Cooperation among supply chain members
5. The same goal and the same focus on serving customers
6. Integration of processes
7. Partnerships to build and maintain long-term relationships

Each of these activities relates to various aspects of inter-firm relationship managements. Thirdly, Mentzer et al. (2001) note that many authors have focused on SCM as a set of management processes. In this context, a process is defined as, “a specific ordering of work activities across time and place, with a beginning, an end,

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