

6 Core Pillars of Supply Chain Management

By David Rogers

Supply chain management has become more complex in recent years, especially so since the outbreak of the novel coronavirus. New supply chain management styles have emerged as well as new trends, technologies, and vast improvements.

However, there are certain parts of supply chain management that are tried and true – aspects that will not change over time because they are the fundamentals upon which supply chain management was built.

These are called the Core Pillars of Supply Chain Management.

[According to Robert Handfield, Ph.D.](#) at NC State University, there are two core ideas that supply chain management is based on:

1. “Practically every product that reaches an end user represents the cumulative effort of multiple organisations. These organisations are referred to collectively as the ‘supply chain.’”
2. “While supply chains have existed for a long time, most organisations have only paid attention to what was happening within their ‘four walls.’ Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer. The result was disjointed and ineffective supply chains.”

Those core ideas birthed the supply chain management industry that we have today. Within the supply chain management industry, there are additional core ideas that allow supply chain management companies to do their jobs to the best of their abilities.

The Core Pillars of Supply Chain Management that are defined in the next section have slightly shifted in recent years. Advances in technology, customer needs, and industry initiatives have prompted such shifts.

Here are the 6 Core Pillars of Supply Chain Management that define management’s view on which questions need to be asked, what information needs to be collected, and how information should be shared.

6 Core Pillars of Supply Chain Management

1. Multi-Company Collaboration

Previously, we saw more cross-functional integration in supply chain management. Supply chain management used to be more focused on integrating within respective companies.

Today, we are seeing that supply chain managers are prioritising integration across companies. This increases coordination and improves supply.

There are three forms of multi-company collaboration that are seen in supply chain management today:

- Private initiatives led by brand companies that dominate their industries.
- Public or industry-level initiatives where brand companies within the same industry unite to solve customer pain points.
- Semi-public or shared initiatives in which many companies across different industries create cost benefits through uniting their efforts.

In order to increase the coordination of activities across companies and internal functions and supply what markets demand, we must lower supply chain-related costs.

2. Market Mediation

Market mediation refers to the focus of matching how much product is supplied through the chain to what is demanded from the market.

In supply chain management, market mediation might look like marking down prices when there is a surplus of product. This markdown can help compensate for excess supply and decreased sales (demand) and offer a quick response to unpredictable demand.

This pillar has shifted from physical efficiency, which was used when supplying a functional product with a predictable demand. The shift came about because the physical efficiency model relies on a perfect match between supply and demand – something that is difficult to come across in today's unpredictable world.

3. Demand Focus

We have seen an incredible change in supply chain & logistics over the last few decades. Previously, logistics were a purely operational function that made sure the products were made and sent to customers. Today, logistics is a supply chain function that operates independently to soften the impact of poor demand planning on performance and sales.

This shift resulted in advanced planning processes, such as analytics demand planning. Supply chain managers no longer need as much insight into their supply – they need more insight into what the demand looks like. As a result supply chains will be in a better position to mitigate the [bullwhip effect](#) and avoid being left with too much or too little product at the end of the supply chain.

4. Product Design Influence

We used to see supply chains filled with products designed by a single company. Today, it's becoming more common that product design has many outside influencers. Companies are increasing supply chain collaboration by incorporating different perspectives from their

partners into their product design. This creates significant changes in the way supply chains are structured.

Marketing, Engineers and designers want their products to have components that will instill customer loyalty. Therefore, they will make sure their products have top of the line features. Although this will result in a great product, it can affect the affordability of a product. This can be mitigated by working with “[diamond suppliers](#),” or suppliers that offer product designing and engineering services as well as manufacturing.

5. Business Model Innovation

While supply chain managers used to put a heavy focus on cost reduction, new technologies like blockchain, robotics, and the internet of things make business model innovation crucial for success. Business model innovation combined with new market approaches will allow a supply chain to better address market need, and therefore see an increase in revenue and overall business.

In turn, every organisation that operates within a supply chain will be able to benefit from these innovations, as well. It's important to note that innovation does not only occur with the adoption of the latest technologies. The best way for business model innovation to occur is to ensure that members within the supply chain are collaborating with one another.

6. Customised Offerings

Customised offerings focus on providing tailored services to customers on an ongoing basis. This allows companies to give their customers what they need, want, and deserve while strengthening customer relationships. Investing in customised offerings is paramount for businesses in all industries.

Unfortunately, the problem with customised offerings is that they are usually much more expensive to produce than standard products are. For supply chains to have success with this, managers must integrate ERP, CRM, and SCM systems into the supply chain. By doing so, they will successfully create customised sales opportunities that increase revenue, optimise resource allocation, and maximise profits.

Final Thoughts

Although the world is quickly changing, there are certain constants that we can rely on. Right now, these Pillars of Supply Chain Management are 6 things that supply chain managers and organisations can rely on to find success.

It will benefit your organisation to take a look into your supply chain from end to end and make sure you are following the pillars laid out in this article. Otherwise, you may fail to meet the specific needs of consumers today.

Let [Insync Supply Chain Management](#) help you get your supply chain into shape. Give us a call today to learn more about our services.