



## **Chapter VI**

# **Integration of Global Supply Chain Management with Small and Medium Suppliers**

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## **Abstract**

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*The purpose of this chapter is to develop a conceptual insight and an integrated framework to global supply chain management through strategic aspects of business philosophy as it pertains to the small- to mid-sized supplier. Primary consideration is given to characteristics of the integrated supply chain and the necessity of adaptation in managing the supply chain in order to attain competitive advantage. A review of the current literature and an analysis of the supply chain in changing global markets emphasize the relative importance of strategically managing the supply chain process given the limited resources of the small- to mid-sized firm. It is argued that*

*managing the supply chain through the development of market specific strategies allows the small to mid-sized firm to be anticipatory as opposed to being reactive in its strategic planning, which can greatly benefit customer satisfaction levels and thus enhance the performance of the firm.*

## **Introduction**

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Supply chain management (SCM) as a strategy for competitive advantage has gained prominence in both large and small organizations. An understanding of the supply chain management concept from the perspective of suppliers and, in particular, small and medium enterprises (SMEs) is crucial to the study of vertical integration of global SCM. This understanding will better formulate internal business strategies of suppliers by supporting both the objectives of the supply chain and their own businesses. About 80% of the supply chain members are SMEs, and a major impact and savings may well be found with the SMEs within the supply chain (Smeltzer, 2002). By taking advantage of their position and criticality in the supply chain, SMEs can add value and contribute to the vertical integration essential in the supply chain. This creates advantages not just for themselves, but also for other members within their supply chain.

By some definitions, a supply chain is a network of facilities that performs the functions of procurement of material, transformation of material to intermediate and finished products, and distribution of finished products to customers (Lee & Billington, 1995). The supply opportunity analysis technique (SOAT) moves away from a reactive to a proactive mode by taking (determining) the suppliers' perspective (Bhattacharya, Coleman, & Brace, 1995). When customers demand customized products, products often become increasingly complex. In addition, the development and manufacturing of such products demand even greater resources that need to be shared by the supply chain members. In addition, the development and manufacturing of such products by the original equipment manufacturing (OEM) partners require supply chain members to increasingly share available resources as virtual partners (Rota, Thierry, & Bel, 2002). To the suppliers, these virtual partnerships can provide both opportunities of growth and threats of becoming obsolete from the supply chain. A supplier is usually involved with multiple customers and therefore in several supply chains. The supplier receives both firm orders and forecast orders. To be successful, the supplier needs to negotiate these firm orders and the forecast orders with its suppliers. To deliver customized products with short delivery times and high due-date observance, to plan for the supplier's own raw material requirements, it is important for the customer to effectively share information (Rota et al., 2002).

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