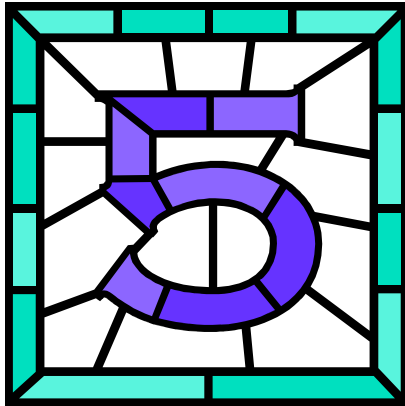


*Management, above all, is a practice where art, science, and craft meet.*

**Henry Mintzberg**

## Module Six: Five Stages of Supply Chain Management

The supply chain has three levels of management. It also has five stages in which goods, services, or products cycle through the pipeline. Supply chain managers need an understanding of these stages to effectively plan and to assist with determining critical paths in the operation of a chain's firm. The five stages are:



1. Plan
2. Source
3. Make
4. Deliver
5. Return

### Plan

The plan is the strategy used in supply chain management. Planning helps managers to determine where to allocate funds and efforts for the firm's facilities, materials, and services. In particular, future construction or production requires competent planning to acquire raw materials or components that may be in demand or limited supply. The actual planning process should begin from information obtained from forecasts: sales, production and economic. The supply manager should use these forecasts to estimate material needs and then break the estimates down into monthly, quarterly or industry specific time period. The estimates should be related directly to trends and materials and adjusted accordingly. Another way to plan is to base materials on the analysis of a buyer or special project.



## Source



Source relates to how the firm chooses as supplier. Sourcing is another term for purchasing. Successful sourcing in a supply chain should be driven by a strategic policy instead of tactical approach. A strategic approach allows the supply chain manager to develop a 'road map' with the supplier in providing the necessary materials and products. Strategic sourcing has five stages:

1. Discovery – finding potential suppliers
2. Evaluation –determining who to do business with
3. Selection – choosing the right supplier(s) through competitive bidding, negotiation or both
4. Development – Two way effort to refine relationships and cultivate optimal supply chain service
5. Management – Ongoing analysis and supervision of the supplier's ability to meet negotiated responsibilities

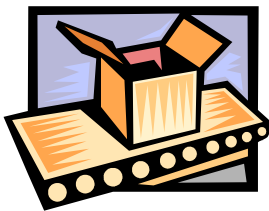
## Make



Make is the manufacturing step. In this stage, the decision of whether to make or buy is always a critical step in any organization. This strategic decision can influence the entire operations of business. On a tactical level, whether to make depends usually on two factors: the total cost of ownership and the ability to produce the item. This stage involves the most metrics. In the past, large companies traditionally would opt for making products in house, which they branded. Now, outsourcing has

become the trend for many large corporations. The key question is how much value will making a product add as a percentage of final product or service cost?

## Deliver



Deliver is the stage in which the supplier provides the agreed upon goods or services. Some people also call this step the logistics step because it is where decisions are made about how to coordinate receipt of items by the customer, how to warehouse products, how to select transporters for shipments and invoice customers for payment. At this point, customer satisfaction greatly depends on the efficiency and reliability of the delivery system. This stage is

where the supplier's performance is heavily evaluated—(Did they deliver?). Delivery systems can vary from firm to firm, but in supply chains an integrated system works the best. In some cases, multiple departments within one firm may even be involved.

## Return



products.

Return is a complex part supply chain management because it deals with how to return defective items or goods. The problem is that companies have varied policies and integrating within a chain's network can be quite challenging. Suppliers have to create a responsive and flexible system for receiving defective or excess products back from their customers in the supply chain. Moreover, supply chain managers must be proactive and diligent when supporting customers who have problems with

## Case Study



All Clean laundering company recently acquired a municipal contract to for cleaning uniforms. This contract will now account for about 20% of the laundering company's business. Besides cleaning uniforms, All Clean also sells and launders commercial linens and floor mats. In the next, three years the municipality plans to increase its personnel by at least 10%.