

## A POINT OF VIEW

# Supply Management: What's in a Name? Or, Do We Know Who We Are?

### AUTHOR

Ralph G. Kauffman

is associate professor of management and coordinator of the Purchasing and Supply Management Program at the University of Houston-Downtown in Houston.

This article provides a conceptual basis from which to view some alternative perspectives of supply management. These approaches highlight the fractious nature of the purchasing/supply/logistics fields.

### SUMMARY

Additionally, the article includes a proposal for a potentially unifying framework of the strategic components used by practitioners and researchers in supply and related fields.

### INTRODUCTION

Having entered a new era of terminology with the National Association of Purchasing Management (NAPM) name change to the Institute for Supply Management™ (ISM), perhaps it is timely to consider the meaning and implications of this change for related professions. There is no unanimity among practitioners and researchers on what the profession should be called. Some say purchasing, others claim to be in supply management, procurement, supply chain management, logistics, materials management, distribution, or simply, supply. A scan of texts and the ISM *Glossary of Key Purchasing and Supply Terms* reveals that there is not agreement even on the definitions of these terms. A sampling of them includes the following:

**Purchasing:** "A major function of an organization that is responsible for acquisition of required materials, services, and equipment." *ISM Glossary of Key Purchasing and Supply Terms*

**Purchasing:** "The process of buying: learning of the need, locating and selecting a supplier, negotiating price and other pertinent terms, and following up to ensure delivery." (Leenders, Fearon, Flynn, and Johnson 2002)

**Procurement:** "A somewhat broader term (than purchasing) and includes purchasing, stores, traffic, receiving, incoming inspection, and salvage." (Leenders, Fearon, Flynn, and Johnson 2002)

**Supply:** "The identification, acquisition, access, positioning, and management of resources the organization needs or potentially needs, in the attainment of its strategic objectives." (Cavinato 2001)

**Materials Management:** "A coordinating function responsible for planning and controlling materials flow. Its objectives are as follows: Maximize the use of the firm's resources, provide the required level of customer service. One department responsible for the flow of materials, from supplier through production to consumer." (Arnold 2001)

**Materials Management:** "Is concerned with the inbound movement and storage of raw materials." (Coyle, Bardi, and Novack 2000)

**Logistics:** "The entire process of materials and products moving into, through, and out of a firm." (Johnson, Wood, Wardlow, and Murphy 1999)

**Logistics:** "The process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from the point or origin to the point of consumption for the purpose of conforming to customer requirements." (Council of Logistics Management)

**Logistics:** "Logistics has metamorphosed into the concept of supply chain management (SCM), which in turn has come to implicate every element of the value-added chain." (Coughlin, Anderson, Stern, and El-Ansary 2001)

**Supply Chain:** A third-party logistics company executive: "A lot of people are talking about supply chains today, but there are so many definitions that often people within the firm are on different pages with what they are talking about, and our customers are totally confused. When people are working with different definitions of a supply chain, it can make it very difficult for firms to work together toward the concept of supply chain management." (Mentzer 2001)

**Supply Chain Management:** "An expanded version of the logistics process. Whereas logistics has traditionally focused its attention on coordinating the product, the information movement, and the flow activities of an individual firm, supply chain management is concerned

with coordinating the product, information, cash movement, and flow activities in a logistics channel environment." (Coyle, Bardi, and Novack 2000)

**Supply-Chain Management:** "A somewhat larger concept than logistics, because it deals with managing both the flow of materials and the relationships among channel intermediaries from the point of origin of raw materials through to the final consumer. As such, supply-chain management must link logistics more directly with the user's total communications network and with the firm's engineering staff." (Johnson, Wood, Wardlow, and Murphy 1999)

**Supply Chain Management:** "Akin to a paradigm; that is, a set of common values, beliefs, and tools that unites a group of people engaged in related tasks." (Coughlin, Anderson, Stern, and El-Ansary 2001)

**Supply Chain Management:** "An organizing concept that starts with customer service and argues that this results from the cumulative efforts of the entire channel." (Sautter, Maltz, and Boberg 1999)

"Terms such as purchasing, procurement, supply, supply-chain, materiel, materials management, sourcing, and logistics are used almost interchangeably. No agreement exists on the definition of each of these terms, and managers in public and private institutions may have identical responsibilities but substantially different titles." (Leenders, Fearon, Flynn, and Johnson 2002)

Figure 1

RELATIONSHIP OF PURCHASING, MATERIALS MANAGEMENT, LOGISTICS, SUPPLY MANAGEMENT, SUPPLY CHAIN MANAGEMENT

The titles below indicate common department names used in business organizations. The relationships shown are not exact and vary among organizations but represent common/frequent concepts that are presented. There is no universally accepted terminology used in these areas, therefore others may describe this process using somewhat different terms or may differently define some of the terms used here.

Original "Silo" Functions

Functional Combinations and Their Typical Scope

Customer Order Management  
Outbound Warehousing/Storage/Inventory Mgt.  
Outbound Transportation

Distribution

Outbound Logistics

Inbound Transportation  
Inbound Warehousing/Storage/Inventory Mgt.  
Purchasing

Inbound Logistics

Logistics

Supply Chain Management

Supply Management

Materials Management

While there is no agreement on the exact definition and scope of supply, professionals at all levels do agree that supply is a series of linked relationships that add value at various levels. This common thread appears to connect some of the definitions discussed previously.

In an attempt to capture the overall sense of some of these and other definitions, Figure 1 is presented as a conceptual depiction of the scope of these definitions and of what has happened in organizations in recent years as individual "silo" functions have been reorganized into areas of broader responsibility.

### THE PROBLEM/OPPORTUNITY/CHALLENGE

Both definition and perception are problems for those practicing and researching in the supply/supply chain/logistics/purchasing/etc. fields. Perceptual confusion is evident in conversations with educators, practicing supply professionals, other business functions, and students considering careers in the field. The thrust of the challenge should focus on providing shape and form to the supply discipline through stronger conceptualizations and thoughtful research.

Another situation that could be problematic, given the current nature of our professions, is that as the supply or supply chain management concept has been adopted by more organizations and promoted by management consultants, other professions that are concerned with parts of the supply chain or affected by supply chain activities are attempting to claim supply chain management as their own. For example, marketing, production management, and other fields have in recent years conducted conferences and other activities featuring supply chain management. This overlap in interest in SCM is both a challenge and an opportunity. It provides a challenge to traditional purchasers to move conceptually and research-wise to delimit the parameters of the supply discipline. From the perspective of opportunity, the interest of other fields in SCM signals a chance to engage in synergistic research that expands the capacities of all to better understand and practice the phenomenon known as SCM. Joint efforts may reduce the barriers across the various areas and thus promote a more substantive, integrative, and focused research agenda.

### OBJECTIVE

The objective of this article is to propose a unifying concept for the supply management professions and to additionally propose a set of unifying strategic elements for those professions. The basis for this is as follows:

All of the persons who are engaged in activity related to supply management, regardless of what it is called, are involved in some aspect of strategy that is related to "the identification, acquisition, access, positioning, and management of resources that an organization needs or potentially needs in the attainment of its strategic objectives." (Cavinato 2001). This definition seems to be sufficiently broad to encompass all segments

of our professions. The aspect of strategy that these persons are involved in may be: determination of what strategies to apply, implementation of strategy, or evaluation and continuous improvement of strategy. If strategy can be accepted as a unifying concept, then what this article is proposing is that the supply profession determine a set of basic strategic elements that are necessary in every conceivable supply situation and that these be institutionalized to the extent possible so that the perception and communications barriers that now exist can be reduced. Furthermore, the article proposes a set of elements that will result in some form of unifying concept(s) that can largely be agreed upon and that can form the basis for unified communication concerning our professions.

### DEVELOPMENT OF A UNIFYING PROPOSAL

When confronted by the results of the ambiguity of SCM's identity, the communications success and relatively high profile enjoyed by the marketing profession emerges as a basis of comparison. While the reasons for that are not within the scope of this article, nevertheless the marketing profession does not seem to have suffered from the same nomenclature ambiguity that the supply profession has experienced. Prior to about the 1940s, it was known mainly as "sales." Since then, the sales term has survived as a subset of marketing, but marketing has developed and evolved as a comprehensive and strategic term. The key word is "strategic." This perception of marketing as a strategic activity has probably given more credence to the marketing process of meeting the requirements of customers and potential customers as a mainstream strategic activity than any other factor. What has undoubtedly helped to establish marketing as strategic, has been the extensive agreement in that profession that there are certain basic factors that constitute marketing strategy and that the overall function of marketing is to determine the best combination of them for particular supplier-customer situations. While there has been some disagreement over the years, basically, determining the appropriate combination of the strategic elements of product, price, promotion, and place (McCarthy 1960) has survived as the core of marketing strategy. Some authors have tried to add more variables, but these four elements of strategy are so basic and essential to providing customer satisfaction that most of the additions that have been proposed can be subsumed by the traditional variables.

### Supply Strategy

The foregoing discussion of marketing is not meant to imply that supply management is not perceived as a strategic activity. The evidence of supply's emergence is well documented. However, it is not always perceived that way and what it does is not well understood by many persons. In the literature, determination of supply strategy has been presented in several ways. One approach is to

first identify corporate strategy in order to ensure that supply strategy is in support of it, then consider various constraints and challenges to supply strategy (e.g., social issues, economic trends, risk), and finally consider strategy areas and components and select the most appropriate strategy combinations (Leenders, Fearon, Flynn, and Johnson 2002). Another approach is to segment the supply market using tools such as a spend analysis matrix and then determine the best strategies for each segment (Carter 2000).

What is not generally covered by the literature is identification of what, *at the core*, are the *basic* strategic elements that are applied in any definition or aspect of supply management. One way to look at supply management is that it exists to match the marketing and supply management strategies of the upstream supply chain with the conversion, marketing, and supply management strategies of its own organization and the supply management and marketing strategies of the downstream supply chain. The greater the extent of alignment and congruence of all these strategies, the more successful the organization. This seems to fit with at least one definition of supply chain management: "the systemic, strategic coordination of the traditional business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole" (Mentzer 2001).

Figure 2 visually depicts the concept that indicates just a segment of a supply chain starting with a tier-one supplier, going to the buying company, then to a tier-one customer. Under the supplier are the four basic marketing strategy elements: product, price, place, and promotion. Under the buyer are three columns: buyer, converter, and supplier, indicating that the buyer's company overall plays three key roles. It buys, converts what it buys into something a customer wants, and is a supplier to the customer. The customer is depicted as a buyer, but if it is not the end consumer, it would also have the same three roles as the buyer. It follows that when the buyer is also the supplier, it uses the same four strategic marketing elements as its supplier does: product, price, place, and promotion.

### A Unifying Proposal

The question is: What are the strategic elements that the buyer uses in organizing and managing the supply chain? The following are offered for consideration: product, cost, relationship, and access. Reasons for considering these four interdependent variables are detailed below.

**Product:** If an organization needs anything to operate (material or service) that it cannot produce completely by itself, it must obtain some type of product or products. Nearly all definitions of supply strategy include the identification and selection of a product. From both supplier and buyer viewpoints, "product" must be very

Figure 2

#### SUPPLY CHAIN ROLES AND MARKETING STRATEGY ELEMENTS

Supplier Co.		Buyer Co.		Customer Co.	
Supplier (Marketing) Strategy Elements	Buyer Strategy Elements	Converter Strategy Elements	Supplier (Marketing) Strategy Elements	Buyer Strategy Elements	
Product			Product		
Price			Price		
Promotion			Promotion		
Place			Place		

Figure 3

#### SUPPLY CHAIN ROLES, AND ELEMENTS OF MARKETING STRATEGY AND SUPPLY STRATEGY

Supplier Co.		Buyer Co.		Customer Co.	
Supplier (Marketing) Strategy Elements	Buyer Strategy Elements	Converter Strategy Elements	Supplier (Marketing) Strategy Elements	Buyer Strategy Elements	
Product	Product		Product	Product	
Price	Cost		Price	Cost	
Promotion	Relationship		Promotion	Relationship	
Place	Access		Place	Access	

broadly defined to include anything that is provided by the supplier either as a physical item, a service, a combination of physical items and services, either separately or in combination with other items and services as well as materials. Quality considerations would be included in the product category of strategic elements.

**Cost:** To be competitive, a supply chain must be cost-competitive, which is different from price concerns. While most suppliers are aware that buyers use tools such as total cost of ownership to compare and evaluate products, some may not be fully aware of the implications of evaluating cost rather than price. Cost efficiencies are often included or implied as characteristic of supply chain management. (e.g., Ellram 1994).

**Relationship:** Relationships encompass the full range of approaches to dealing among supply chain members including partnerships and alliances, small value purchase programs, procurement cards, and spot market purchases. Also included are strategies such as Just-In-Time, supplier stocking, systems contracting, and other arrangements to reduce inventory. All aspects of how one entity in the supply chain relates to others is included in relationship strategy elements.

**Access:** The best combination of product, cost, and relationship are of no value if the required access to the product is not available. One definition of access is "gaining use or potential use of something of value"

(Cavinato 2001). Access strategy elements would include both legal access and physical location access of product or service availability.

Figure 3 indicates how these four strategic elements fit in the segment of the supply chain depicted in Figure 2.

Agreement on a set of strategic elements enables supply management to become known not as an ill-defined group with little-understood responsibilities, but as the group that:

- Determines what flows in supply chains (product)
- Is responsible for achieving the lowest costs throughout the supply chain consistent with achieving organizational objectives (cost)
- Determines and implements the appropriate relationships throughout the supply chain to achieve organizational objectives (relationships)
- Provides the necessary access, both legal and physical, to the materials and services that are required to achieve organizational objectives (access)

#### RESULTS/BENEFITS OF AGREEMENT ON STRATEGIC ELEMENTS FOR SUPPLY MANAGEMENT

Agreement on a set of strategic elements provides the following benefits to our profession:

- Improved communication of what we do for management and others
- Improved understanding of what we do by management, other professions, and the general public
- Improved ability to market what we do to management, other professions, and the general public

- Improved teaching and research of supply management subjects as a result of having a unifying framework
- Improved ability to defend our profession against attempts to claim our "territory" by other professions

#### REFERENCES

- Arnold, J.R.T. *Introduction to Materials Management*, 4th ed., Prentice Hall, 2001.
- Carter, J.R. "Development of Supply Strategies." In J.L. Cavinato and R.G. Kauffman (Eds.), *The Purchasing Handbook*, McGraw-Hill, 2000.
- Cavinato, J.L. *Supply Management*, monograph, Institute for Supply Management", 2001.
- Coughlin, A.T., E. Anderson, L.W. Stern, and A.I. El-Ansary. *Marketing Channels*, 6th ed., Prentice Hall, 2001.
- Coyle, J.J., E.J. Bardi, and R.A. Novack. *Transportation*, 5th ed., South-Western, 2000.
- Ellram, L.M. "The What of Supply Chain Management," *NAPM Insights*, March 1994.
- ISM *Glossary of Key Purchasing and Supply Terms*, Institute for Supply Management", [www.ism.ws](http://www.ism.ws).
- Johnson, J.C., D.F. Wood, D.L. Wardlow, and P.R. Murphy, Jr. *Contemporary Logistics*, Prentice Hall, 1999.
- Leenders, M.R., H.E. Fearon, A.E. Flynn, and F.P. Johnson. *Purchasing and Supply Management*, 12th ed., McGraw-Hill Irwin, 2002.
- McCarthy, E.J. *Basic Marketing: A Managerial Approach*, Irwin, 1960.
- Mentzer, J.T. (Ed.). *Supply Chain Management*, Sage Publications, Thousand Oaks, CA, 2001.
- Sautter, E.T., A. Maltz, and K. Boberg. "A Customer Service Course: Bringing Marketing and Logistics Together," *Journal of Marketing Education*, August 21, 1999.
- What It's All About*. Council of Logistics Management, Oak Brook, IL, 1993.

## Where Theory Meets Practice

### 12th Annual IPSERA Conference

Budapest, Hungary

14-16 April, 2003

**Organized by:** IPSERA (International Purchasing and Supply Education and Research Association)  
**Hosted by:** BUESPA (Budapest University of Economic Sciences and Public Administration)  
HALPIM (Hungarian Association of Logistics, Purchasing and Inventory Management)

**For more information:** [www.ipsera2003.org](http://www.ipsera2003.org)