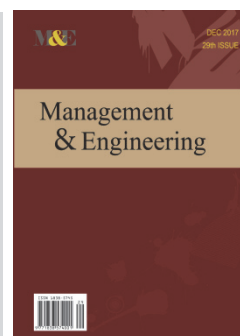




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# Working Capital Management from the Perspective of Supply Chain

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### KEYWORDS

Supply Chain Management,  
Working Capital  
Management,  
Payable Account,  
Stock Management

### ABSTRACT

With the development of economy and society, there is nothing more important than the financial management in business management. As one part of financial management, working capital management is not slighting but cannot draw attention of people as well. Besides, it is inevitable for company to develop in several different regions. Supply chain management, as a competitive edge, can provide with strong support. In the end, competitions among companies will develop into competitions of supply chain. On the basis of several clear and definite concepts such as supply chain, supply chain management, working capital and contents of working capital management, the effects of supply chain management making to working capital management show on four aspects of management such as payable account, stock, receivable account and cash holdings, and there will be some suggestions of management strategies given combining with characteristics of every part. It would be better to draw attention of people to working capital management and supply chain management through the thesis, and to change the working capital management mode of the company to enhance the ability of risk response and market competition.

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# 1 Introduction

## 1.1 The background

1.1.1 The importance of working capital management is not taken seriously

As one of the main contents of financial management, working capital management involves all aspects of the daily operation of enterprises. As the driving force of the whole enterprise, working capital will play a key role in the supply, production and sale of enterprises. The capital flow involved is the key to maintain the capital chain of enterprises. The enterprise assets involved in production are enterprise production Development, and create a source of profits. Therefore, the management of working capital is necessary. However, compared with the long-term financial policies, the short-term financial policies of enterprises have not been paid enough attention. Although long-term financial policies such as capital structure policy, capital budget policy and dividend policy are of great significance to the long-term development of the company, Short-term financial policies are valued and implemented to ensure that companies have the opportunity to implement long-term financial policies. At the same time, in the actual operation of the enterprise, the enterprise capital management is not given enough attention, many companies do not have a clear working capital policy, which is caused by our financial management level is a key factor. The fact that working capital management by experience can not improve management efficiency, but shackles the development of enterprises, only the scientific working capital management policy can stand the test of practice. Compared with the United States, developed countries, working capital management in China has not been enough attention, which is not consistent with its importance.

1.1.2 Supply chain management has become a competitive weapon

Supply chain management as an emerging field, its increasing importance. Under the global supply chain goal, the supply chain

development trend is: full use of modern information technology, network technology, the use of third-party logistics strength, full integration of information flow, logistics, capital flow. Combined with the rapid development of information technology, supply chain management to a unified platform for the development of information in the enterprise-centric information platform, will be the suppliers and customers into the management of information platform and information platform to achieve Information sharing, the suppliers, business and customers to form an "iron triangle" to achieve timely and effective communication of information. On the basis of information sharing, the timeliness of information will be particularly important, which will directly affect the production and operation of enterprises, thereby affecting the enterprise's capital flow. At this stage, enterprises for the supply chain management did not give enough attention, it cannot be through the supply chain management to optimize the enterprise's working capital management. In the supply and marketing of enterprises for the three major aspects, supply chain management and working capital management has a common goal, that is, to maximize the value, embodied in the maximization of profits. Second, the information is not enough strength, not timely and effective feedback of information; Finally, is a problem on the understanding - the first is the lack of attention to the enterprise. There is no once and for all management strategy, enterprises should advance with the times, ongoing management development and innovation. Regardless of the size of the enterprise, if you want to achieve the goal of maximizing business value, you need to purchase, production, distribution system planning and management, reduce costs, improve efficiency, maintain good relations with suppliers and meet customer needs, so that supply chain management becomes a competitive weapon.

## 1.2 The purpose of the study

Because supply chain management is very

important in enterprise working capital management, neither supply chain management nor enterprise working capital management has paid enough attention to. The content and function of supply chain management and enterprise working capital management are not well understood. There are many misunderstandings and blind spots. This paper analyzes the role of supply chain management in corporate working capital management through accounts payable, inventory, accounts receivable and cash holdings. The paper puts forward some suggestions on the problems in supply chain management which are related to each part, and arouse people's attention to supply chain management and enterprise working capital management, so as to enhance the management efficiency and standardize the management policies of the enterprises. Cross - regional development.

### 1.3 Research ideas

A simple supply chain contains only three stakeholders, suppliers, enterprises and customers. In the process of the flow of goods from the supplier to the customer, the flow of funds from the customer to the supplier, and information in the three main flow between the two-way. In view of this, this article from the physical point of view, that is, inventory management, cash flow perspective, namely, accounts payable management, accounts receivable management and cash holdings, respectively, discussed in all aspects of the supply chain problems to be listed, and Recommendations for management strategies. Finally, summarize the conclusions and give the main management recommendations and prospects.

## 2 The Relationship Between Supply Chain and Working Capital

### 2.1 The supply chain

In the "national standard logistics terminology

of the People's Republic of China", the supply chain is defined as: "supply chain, the production and circulation process involves the product or service provided to the end-user upstream and downstream enterprises formed by the network structure. "Can be seen that the scope of supply chain, including not only the traditional manufacturing enterprise products, but also the growing development of the physical form of the service. At the same time, the supply chain covers all participants from the initial supplier to the end customer, connecting a series of stakeholders with an invisible chain.

### 2.2 Working capital

#### 2.2.1 The concept of working capital

General working capital, also known as total working capital, refers to a company invested in the current assets of the funds, including accounts receivable, inventory, other receivables, notes payable, notes in advance, accrued expenses, other payables occupied funds. The working capital in the narrow sense refers to the difference between the current assets and current liabilities of an enterprise at a certain point in time.

#### 2.2.2 The content of working capital management

Working capital management is mainly to solve two problems, the first is how to determine the best holdings of short-term assets; the second is how to raise short-term funds. In particular, these two issues related to the management of each of the short-term assets and the management of each of the short-term liabilities. Therefore, in essence, working capital management, including short-term assets and short-term liabilities of the various projects, reflecting the short-term financial activities of the company's summary. Through the analysis of working capital, we can understand short-term assets liquidity, short-term assets liquidity and short-term solvency.

### 2.3 The impact of supply chain on working capital management

With the development of supply chain, enterprises from only concerned about the interests of their own development for the suppliers and customers into the management system, and create win-win situation. Suppliers and customers are enterprises in the course of business along the direction of the supply chain extension. Supply chain management is the product flow, information flow, capital flow management. In a complex supply network, timely and accurate grasp of the information flow is very important, the problem needs to rely on the supply chain to solve. If the flow of information is smooth, fast, you can let the "supplier to become an organic extension of the company" can be "the most effective way to complete the value-added products and services," through the "most economical and quick way to move goods from A To B ". Supply chain management can effectively reduce the total cost of products and services, regulate product flow, information flow and capital flow management, improve operational efficiency and management efficiency, lay the foundation for long-term development of enterprises, cross-regional development is not Ignored content.

The supply chain involves the physical flow and the capital flow in the working capital management of the enterprise. It is the goal of realizing the working capital management - the management part which must pay attention to maintaining the appropriate solvency ability and the ideal profitability. The impact of supply chain management on enterprise working capital management is embodied in four aspects: accounts payable management, inventory management, accounts receivable management and cash holding quantity management. In the management of accounts payable, the most important thing is to strengthen the management of suppliers, the suppliers into the enterprise information platform for management, the establishment of electronic suppliers of files, optimize the enterprise for suppliers of options to improve the accounts payable Management efficiency. In the aspect of

inventory management, supply chain management can optimize the management of inventory from the point of view of logistics, and feedback the information of inventory in each state in time, which is convenient for enterprises to calculate and analyze the cost of inventory, and provide necessary for reducing cost. Technical Support. In the accounts receivable, the enterprise as a creditor cannot timely, full recovery of the risk of supply chain management for customer management also attaches great importance to the customer into the information platform for management, not only to enhance customer satisfaction and reduce business Risk, but also to achieve a win-win situation. Finally, for cash holdings, the supply chain management will suppliers, business and customers together into management areas, to maintain a win-win situation, to ensure the smooth flow of capital enterprises. Therefore, supply chain management is not only a means but also a technical support for enterprise working capital management. The effectiveness of supply chain management is directly reflected by the indicators of enterprise working capital management, and finally embodied in the realization of enterprise value.

### **3 The Supply Chain Perspective of Working Capital Management Problems and Strategies**

In the current era, the enterprise management boundary is no longer confined to its internal, from the perspective of the overall supply chain to adjust and optimize the relevant policies of enterprises, is to obtain competitive advantage, access to long-term development of the inevitable choice. As the core link of business management of the working capital management, should naturally adapt to the concept of supply chain management. However, from the perspective of the supply chain, there are still many problems in the management of working capital. The working capital of enterprises mainly includes accounts payable,

inventory, accounts receivable and cash, and the management of these projects has a tendency to depart from the supply chain management concept, and needs to adopt appropriate methods to correct them.

### **3.1 The accounts payable management problems and strategies**

The relationship between suppliers and enterprises is the supply relationship, suppliers for enterprises to provide production or services needed materials, enterprises pay the corresponding consideration in exchange for the need for the kind. The consideration to be exchanged may be an enterprise's existing assets, or credited as liabilities, namely accounts payable. The formation of accounts payable means that companies can use the supplier's funds unconditionally for a certain period of time, thus solving the short-term shortage of funds. And suppliers in order to promote sales, increase market share and other reasons are willing to credit sales of goods sold to enterprises, which is a harmonious situation. However, at this stage, in the management of accounts payable, companies only consider their own interests, that the longer the arrears of accounts payable, the more favorable to their own, and even the length of time to obtain commercial credit as an important basis for purchasing decisions. As a result, suppliers due to lack of funds cannot be well developed, thus affecting the stability of their own raw materials and spare parts supply. Through the following measures can improve the management level of accounts payable, improve the operation of the supply chain, and ultimately enable enterprises to benefit.

#### **3.1.1 Enterprises should pay attention to the management of accounts payable**

One of the problems in the management of accounts payable at present is attitudinal problem. The management of accounts payable is not paid enough attention. Attention to the problem is due to the importance of corporate leadership level. In the leadership should pay attention to the accounts payable, the

development of relevant systems and norms, and in the implementation process to be monitored, and pay attention to payables management and supplier relationship management strategy. When measuring the criteria for managing supplier relationships, it should be analyzed in conjunction with accounts payable. On one hand, pay attention to whether the credit policy given by the supplier is favorable to the enterprise and the enterprise should calculate the corresponding opportunity cost separately when making the decision whether to make repayment within the discount period given by the supplier. When the enterprise borrows the interest Value is higher than the enterprise in the discount period can get discount value, the enterprise should be in the repayment period as long as possible occupy the supplier's funds until the last minute to be repaid, as far as possible to make full use of. On the other hand, enterprises should also consider the situation with the supplier in the case of tight supply of funds in the case of the company's financial resources, the company should pay the highest possible discounts; As the main stakeholders, companies should repay as soon as possible to help suppliers tide over the crisis, not only from their own considerations and damage to the interests of suppliers, so that not only will damage suppliers, but also detrimental to the enterprise's long-term development of.

#### **3.1.2 The management of accounts payable should avoid confusion**

In the actual operation of enterprises, there will be problems in the management of accounts payable chaos. Firstly, the enterprise should be in accordance with the types of suppliers were set up accounts payable accounts, and the sum of the amount of accounts payable, respectively; secondly, for each new form of accounts payable, the enterprise should ask the relevant aspects of the repayment of the supplier Policies, such as cash discounts; Finally, companies should be combined with the debt period, the amount of arrears and the actual situation of the rational planning of repayment

plan and timely cancellation of relevant documents, record the accounts, the aggregate amount, and within the enterprise and Both the business and the supplier conduct regular reconciliations. Enterprises in the management of accounts payable should not only follow the relevant accounting system, but also pay attention to internal control, in order to avoid the management of accounts payable due to poor management of long-term occupation of the problem of supplier funds. The management of accounts payable is actually reflected in the enterprise to protect their own reputation.

### 3.1.3 Enterprises should strengthen supplier management

Enterprises in the production and operation of the process in addition to attention should be paid to their own production quality problems, but also from the production of the source put the quality of raw materials, in order to buy to meet the quality requirements, the lowest possible cost of raw materials, companies should pay attention to suppliers of the choice, which involves the management of the supplier. Enterprises in the development process, in order to long-term development considerations, should attach importance to the choice of suppliers, the need to use information technology means to establish a supplier information system, collect, collate information on suppliers, the establishment of databases, the relevant information classification. It can achieve the purpose of showing the importance of the supplier, the credit rating and the aging analysis of the accounts payable so as to not only timely and effectively reflect the real-time situation of the accounts payable, but also facilitate the enterprises in the future purchasing activities, effectively select the best partners, and seek the best economic benefits. In considering the relationship between enterprises and suppliers, the interests of suppliers should be taken into account, the supplier as part of the business, in making the relevant purchasing decisions and accounts payable decisions, suppliers and enterprises from the joint Interests to consider, to seek a

win-win situation.

## 3.2 Inventory management problems and strategies

Inventory management is a very important part of supply chain management, and the direct effect of inventory management is the reduction of production costs. In the inventory management, it should be noted that part of the standardized management, clear responsibility and inventory order design issues. At present, many enterprises of inventory management or confined within the enterprise, and did not consider upstream and downstream supply chain and enterprise docking. This has resulted in a variety of corporate inventories, high management costs, logistics efficiency loss, which in terms of speed and cost in a passive position. Adopting the inventory management method which is compatible with the supply chain concept can make the enterprise obtain the advantage of cost and speed, and obtain the relative superiority in efficiency. Specific measures are as follows:

### 3.2.1 Inventory management should be standardized

Inventory management is a need to pay great attention to standardized management of the content. In the management of inventory design, the storage and use of inventory should be clear and orderly. For example, for the classification of inventory characteristics of the standard, for each stock to be a unique number, and in accordance with the order of the number of inventory storage arrangements. In this process, also need to pay attention to the production needs and the similar degree of inventory of reasonable arrangements, if several kinds of inventory is closely related to production, should be stored near; if the nature of several similar inventory, such as are screws. But the specific specifications are different, should be stored in focus, and in strict accordance with the standard size to large size or reverse order. At the same time, for the inventory with the same nature, in the enterprise product design, from the beginning of the design should pay

attention to the innovation and collection to reduce the types of parts required, as far as possible the extent of the application of parts, not only can reduce the parts Number, easy to manage; the same time, in the procurement to facilitate the formation of economies of scale, to suppliers for lower prices and further reduce costs.

### 3.2.2 Inventory management should pay attention to clear responsibilities

In the implementation of the inventory management process, should pay attention to many details. The overarching problem is that responsibility should be clear, and the responsibility for the management of each inventory should be assigned to the individual and a clear accountability system should be established. For each of the inventory of storage and requisition, must have the relevant receipt and receipt of documents, the responsible person should be carefully reviewed after the documents according to the inventory number of the rapid positioning, neatly placed or orderly access to the corresponding inventory, And the warehousing or the use of inventory of the number, quantity, time and the owner clearly recorded in the inventory of the relevant daily details of the record. For the use of information management of enterprises, inventory status should be noted that the timely update and entry, after each state should have the appropriate person in charge, will be clear and specific responsibilities to the individual who can avoid management confusion and reduce management problems The unnecessary consumption, the most important thing is to avoid a lot of human resources spent looking for inventory of the location. Clearly promote the responsibility of the implementation of standardized inventory management, greatly improving the operational efficiency of enterprises to avoid unnecessary consumption, cost savings.

### 3.2.3 Reasonable to develop procurement plans

Procurement plans directly affect the production and operation of enterprises. Enterprises want to improve production

efficiency, speed up the flow of funds to enhance the company's inventory turnover, it is necessary to develop a reasonable procurement plan, the inventory of good management to shorten the company's inventory turnover. In the development of procurement plans, enterprises in order to avoid risks, often in the actual demand on the basis of the number of more than set some inventory, if the company's procurement plan is not reasonable, will lead to inventory backlog, a long backlog will lead to inventory, The short shelf-life of some types of inventories, such as foodstuffs, can lead to inventory failure and waste. Therefore, enterprises should attach importance to the development and implementation of procurement plans, the best way is to establish inventory turnover information platform for information management, so not only to improve efficiency, but also more intuitive to find problems, to solve the problem, the best The supplier can also be included in the management system, increase the consultation and cooperation with suppliers to develop a reasonable procurement plan. At the same time, the present stage of the customer requirements of diversified, personalized trend, enterprises in order to meet customer needs tend to choose to hoard inventories, resulting in higher costs and warehouse management pressure. This issue involves the management of customer relationships. Enterprises in the sales process, to communicate with customers, the establishment of long-term cooperative relations, good communication can help companies understand customer needs, help enterprises understand the stability of customer demand preferences, so in advance to deal with, and will not be taken by surprise, but also to a certain extent, reduce the risk of inventory due to risk, reduce costs and the pressure on the Treasury management.

Enterprises in the inventory management objectives for the "zero backlog, zero inventory", at this stage, this is a direction of efforts, in addition to the relevant virtual service industry, the current production-oriented enterprises cannot fully achieve this goal. However, in order

to achieve this goal, enterprises need to reduce transaction costs by means of e-commerce, establish the optimal batch model and minimize the cost of ordering; establish a good supply relationship with suppliers and establish a harmonious supply relationship with customers. Coordination of supply and demand; continue to pay attention to the formulation and implementation of procurement plans, and constantly revised and improved procurement plans.

### **3.3 The accounts receivable management problems and strategies**

The relationship between business and customer relationship for the sale. In order to promote sales, increase market share, and customers to establish a good relationship, companies are willing to provide customers with credit opportunities. Just as with accounts payable management, companies need to manage accounts receivable in order to adapt to the needs of supply chain management, and thus get the proper income. At present, enterprises for the management of accounts receivable still stuck in the traditional concept. When suppliers are well-funded, they are willing to provide credit to suppliers because of the low risk of bad debts in receivables, and when suppliers are under-funded, they are reluctant to provide credit to suppliers, so receivables appear the risk of bad debts is high. However, from the perspective of supply chain, this approach will undoubtedly reduce the use of the entire supply chain funds efficiency, distorting the supply chain, resource allocation. In order to make accounts receivable management consistent with the concept of supply chain management, can take the following measures:

3.3.1 Enterprises should pay attention to the management of accounts receivable

Enterprises in the accounts receivable when the enterprise has the debt, always on the risk of lack of awareness of accounts receivable, not able to give sufficient attention to accounts receivable. In the absence of customer credit review conditions, it will greatly increase the

accounts receivable in full, on time to recover the risk. In response to this problem, enterprises should first strengthen the customer in the sales phase of the credit review, choose a good reputation, the right customers for long-term cooperation in order to establish a stable sales channels. At the same time, enterprises should establish accounts receivable book, the timely registration of accounts receivable, the receivables will soon reach the collection period, the customer should be reminded. In the recovery of accounts receivable, you need to consider the customer's financial situation. If the customer due to temporary cash flow problem, lack of funds, may be appropriate to extend the recovery period of accounts receivable. Accounts receivable generation and recovery, can be seen as the supply chain within the capital transactions, so the capital of the enterprise members can adjust the situation, to achieve win-win situation.

3.3.2 Enterprises should improve the accounts receivable management system

The enterprise shall improve the relevant management system of accounts receivable. The accounts receivable shall set up detailed accounts according to the clients and establish bad debt provision for accounts receivable, so as to reflect the enterprises' awareness of risk management of accounts receivable. Enterprises should establish information platform, the system of the accounts receivable management, timely check the status of accounts receivable, to avoid the receivables receivable period is over, the enterprise has not yet found the situation; the customer into Management system, the use of information technology means to collect customer information and management, suppliers, enterprises, customers on the public platform to achieve information sharing, by the enterprise to do the connection point, the suppliers and customers linked to better meet Customer needs, and suppliers for better cooperation. Enterprises should choose the appropriate settlement, to encourage customers to actively repayment, shortening the accounts receivable cycle.



3.3.3 The enterprise shall manage the accounts receivable in combination with the accounts payable

Enterprises in the management of accounts receivable, should be linked with the accounts payable, so that the turnover rate of the two quite. If the accounts receivable turnover faster than the accounts payable, it is likely to cause financial strain, on the contrary, it is likely to result in stranded funds, should be invested as much as possible to obtain more benefits. The management of accounts receivable and accounts payable is actually with the management of customers and suppliers, in dealing with the relationship between suppliers and customers, the most important thing is to maintain the efficient operation of information flow, customers and suppliers to contact up, participate in enterprise-related management, to be able to maximize profits and enhance customer satisfaction. To make enterprise and suppliers, enterprise and customer' s win-win situation becoming the enterprise, suppliers and customer three parts win-win situation.

### **3.4 The cash holdings of the existing problems and strategies**

Reasonable holding of cash, can improve the efficiency of the use of funds, but also to maintain the healthy operation of the supply chain. However, in determining their own cash holdings, companies often do not consider the whole supply chain from the perspective of cooperation between member companies and the whole supply chain cash demand. In the case of fewer cash suppliers and customers, if the company's cash is less, the external impact will result in paralysis of the entire supply chain. While in other member companies cash more cases, excessive cash holdings of enterprises will result in waste.

Therefore, the member companies in the supply chain should negotiate, from the perspective of the entire supply chain to determine the best level of cash holdings and the establishment of a dynamic cash cooperation mechanism to achieve a reasonable

flow of cash to maintain the entire supply chain of capital utilization efficiency and safety. In determining the optimal amount of cash in the process of business, the need to purchase plans, sales, accounts payable and accounts receivable management combined to consider. In the development of procurement plans need to be based on the information platform to estimate the required payment, and by asking suppliers to obtain relatively accurate data, combined with the company's current cash holdings, whether there is about to expire accounts receivable as well as the form of payment on the price, make rational decisions.

## **4 Case Analysis**

### **4.1 Background introduction**

Rolls-Royce's case illustrates the impact of supply chain management on corporate working capital management. Rolls-Royce is one of the world's largest engine manufacturers, a century-old shop in UK, as well as the European largest aircraft engine business, serving the aviation, energy, defense and shipbuilding and other industries. Rolls-Royce produced the most famous products are military and civilian engines, military engines in the world and civil engine manufacturers ranked second in the production and service facilities, a wide range of over 50 countries around the world And regions. In 2011, its turnover reached 11.1 billion 24 million pounds, EBIT 1.186 billion pounds, net profit of 848 million pounds, the global employees of 40,000 people in 2012, Rolls-Royce Group Basic income reached 12.2 billion pounds, the basic profit of up to 1.4 billion pounds. Rolls-Royce engine performance, the global market share increased year by year, especially aircraft engines, market share in the world ranking second only to GE (General Electric). However, the inefficient supply chain hindered the development of Rolls-Royce. In response to changes in market demand, Rolls-Royce powerless. At the same time, delivery time is too long, the inventory backlog is also excessive consumption of Rolls-Royce a

lot of money. Rolls-Royce stock was close to 3 billion pounds, inventory turnover rate of only 3.4 times per year. In contrast, the rival General Electric's space engine department inventory turnover rate is 8 times. Only a stock, Rolls-Royce more than General Electric backlog of funds 2.1 billion pounds a year interest is 250 million pounds of light. In 2000, Rolls-Royce launched a "40-day engine plan" to solve the inventory problem brought by the supply chain, as the name suggests, is an engine from the customer to get the goods, only 40 days. From 260 days to 40 days, this is a huge leap. But only the goal is not enough, in order to achieve this goal, the need to make supply chain management to achieve a substantial increase. From the product flow and information flow, Rolls-Royce improves these two major areas.

## 4.2 Management measures

### 4.2.1 Product flow management

In terms of product stream management, Rolls-Royce advocates the standardization and lean manufacturing of designs. In the beginning of the engine design, they tried to simplify the engine needed parts, in order to reduce the part number, at the time of purchase to achieve economies of scale purposes. At the same time, they also streamline the production process and the number of direct suppliers, which helps to focus on procurement, enhance the economies of scale. In this way, they can get higher delivery conditions from suppliers, prices and services. In production assembly, compared to the original disorder and messy, Rolls-Royce to strengthen the importance of the production process management, the implementation of lean production, and procurement, transportation, systems integration, shipping and other departments to coordinate the operation, Greatly reducing the production cycle, improve the on-time delivery rate.

### 4.2.2 Information flow management

In terms of information flow, Rolls-Royce launched SAP (Enterprise Management Solution Software) as a supply chain management system, will be for the production and marketing

departments together, information sharing, in order to work together against common goals, to avoid the information communication the resulting misunderstanding and waste. At the same time, Rolls-Royce suppliers will also be included in the management system, suppliers in the Rolls-Royce order management center to enter the delivery date and quantity, so Rolls-Royce Arrange their production plans. Rolls-Royce will also take delivery to suppliers according to the delivery date, the use of economies of scale to further reduce costs. When parts are received from the supplier, the parts are under 24-hour monitoring. Rolls-Royce utilizes a hand-held, real-time tracking system to manage parts in real-time, knowing the number and location of the parts in order to enhance Logistics transparency, improve accuracy and reduce the error rate of purpose.

### 4.2.3 Capital Flow Management

As the flow of products and information flows improve, so does the flow of capital. The standardization of the product reduces the variety of materials required, resulting in a reduction in inventory and a reduction in capital requirements. Shortening the production cycle means that the goods can be delivered to customers more quickly to recover the money to improve the flow of funds. Improvements in information flow result in improved accuracy of the information and increased accuracy of the notes, which can reduce audit validation of the payment process, making the process of payment more smooth and convenient, this can reduce the Rolls-Royce Administrative pressure, but also can enhance the supplier's money recovery rate, do both.

### 4.2.4 Cost management and mutual benefit and win-win situation

The content above shows that after the innovation of supply chain management, Rolls-Royce has improved the waste of inventory backlog. The following, still to Rolls-Royce, for example, to illustrate the supply chain management to reduce costs and win-win situation.

Supply chain management is a long-term

process that takes time and money. Rolls-Royce has invested £5.5 billion annually to improve the supply chain, and it plans to raise the investment to £8 billion over the next five years. We have reason to believe that the benefits of supply chain management will be much higher than its initial investment. Prior to the reform, Rolls-Royce had a network of suppliers in more than 70 countries and more than 8,000 suppliers. Rolls-Royce will reduce costs by reducing the number of parts needed, streamlining production processes, reducing the number of direct suppliers, and pursuing economies of scale. In the management of suppliers, Rolls-Royce from a large number of suppliers in the selection of outstanding suppliers, suppliers and enterprises to achieve the common goal of mutual benefit and win-win situation. In 2012, Rolls-Royce became the outstanding supplier of Rolls-Royce. Cheng Fa technology to improve production efficiency, process and reduce costs, and Rolls-Royce to establish and long-term cooperative relations, and achieved a win-win situation.

## 5 Conclusion and Implications

In today's rapid economic development, globalization is not only a trend, but the ongoing journey. As an indispensable management content of cross-regional development, the importance of supply chain management cannot be ignored. Every enterprise that carries out supply chain management is striving for building global supply chain. Supply chain management for the impact of the same cannot be ignored. From the perspective of supply chain, the management of enterprise working capital mainly manages the inventory, account receivable, accounts payable and cash holding from the perspective of supply chain management, so as to achieve the goal of reducing cost and maintaining good supply and marketing relationship. The importance of the supply chain is self-evident, but many companies have not yet paid attention to supply chain management. In the enterprise working

capital management, should gradually improve their supply chain management, supply chain management attention, but cannot be too hasty, after all, supply chain management involves many details of the operation and management of enterprises, while the larger, not easy to carry out the whole of the management and control, companies need to invest money and time for long-term improvement and management. For a long time, supply chain management theory and practice focus on the logistics and information level, and generally overlooked one of the cash flow management or supply chain financial management, should be given sufficient attention.

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