

## WHY SUPPLY CHAIN MANAGEMENT IS SO RELEVANT IN THIS ERA OF GLOBALIZATION?

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### **Abstract**

Supply chain industry is a core tenet of logistics and globalization. With the escalating efforts to improve the supply chain management processes, it has become an intrinsic aspect of every modern organization towards remaining competitive and profitable. Therefore, this study will examine the relevance and significance of supply chain management in the era of globalization. According to the results, the goal of supply chain management is to ensure that products and services are delivered to the target audience efficiently. In addition, the paper found that supply chain remains a predominant driver towards achieving lower costs, market efficiency, better trade policies, and agile systems. The paper concludes that globalizations has resulted in advantages and disadvantages and recommended that more strategies be devised mostly at the country level to suit the international companies.

**Keywords:** "Global Demand," "Logistics," "Globalization," "Supply Chain Management"

### **Introduction**

The growth of the supply chain or logistics has previously been related to the growing global integration of various sectors of the economy. This trend was identified in the 1960s as a significant area for future improved efficiency due to the extremely fractured nature of the system (Asian et al., 2020). Notably, during the late 1970s and early 1980s, the activities of supply management and increased delivery were separated into two independent roles linked to logistics (Asian et al., 2020). Later, in the 1990s, as a result of globalization-induced functional convergence and the birth of logistics in the truest sense, all aspects of distribution chain management started to be managed from a single viewpoint (Shih, 2020).

The globalization process comprises expanding the geographic area of economic activity carried out by transnational corporations. As a result of the current economic changes, businesses have realized that it is critical to engage in the worldwide market and emerging markets (Asian et al., 2020). In today's world, businesses that lack concrete supply chain frameworks are necessitated to hire logistic firms and experts that have effective supply chain networks and short delivery timelines.

Over the past 25 years, the role of procurement within companies has changed dramatically from that simply buying goods and services to overseeing an integrated set of management functions (Asian et al., 2020). Procurement has crept into every aspect of management, from category management to managing supplier relationships, contracts and payments, and strategy. According to Shih (2020), as companies look beyond short-term costs and the scope of procurement-related issues has grown, procurement professionals are paying more attention not just to what they spend on goods and services but to the broader costs of operating, maintaining, and replacing the items and resources they purchase over time.

With the advent of logistics, a more comprehensive global integration has become feasible only with the increased adoption of digitalization (Juneja, 2018). This enables the continuous control and monitoring of data, financial, and cargo movements. Besides, this provides a new dimension of manufacturing and distribution infrastructures. In addition, the management of supply chains has evolved into a complicated series of actions aimed at capturing value and increasing productivity (Russell & Taylor, 2019). In recent years, the increasing automation of supply chain operations has been the driving force behind the development of both physical transport and goods management. Notably, this automation is especially evident in regional warehouses that have seen a significant push towards automated processes in areas like storage, handling of materials, and packaging. In the future, autonomous delivery vans may become a possibility.

The early manifestations of logistics architecture were high rack storage, which was eventually automated, and the internal transportation of parcels by flat robots. Initially, logistics consisted mostly of the relatively autonomous operations of providing, storing, manufacturing, and distribution (Waters, 2019). With the new structure and management concepts especially during the COVID 19 era, businesses adopted a more integrated strategy, allowing them to meet the impending need for flexibility without incurring additional expenses (Mollenkopf et al., 2020). Concurrently, several companies took advantage of these new industrial possibilities in emerging countries through external expertise. As production grew more dispersed, the tasks associated with its administration were centralized. As a result of increased demand in distribution, spatial fragmentation developed.

To this effect, multinationals are compelled to develop or strengthen their supply chain models to leverage the benefits linked to globalization. Juneja (2018) postulated that supply chain management plays an instrumental role in increasing the interconnectedness of firms. Therefore, companies need to understand the significance of implementing effective supply chain processes in this era of globalization.

### **Literature Review**

The concept of supply chain management has evolved into an entirely new dimension due to globalization. Vidrová (2020) defined the supply chain as the pathway that connects consumers and producers. Supply chain activities ensure that final products reach the targeted consumers. This way, efficient supply chain management offers a range of benefits as firms embrace changes that arise from globalization. First, supply chain management propels multilateral trade among large corporations by offering a range of marketplaces. Supply chain management offers a mix of

efficient transportation planning, inventory control, and freight movement throughout the value chains. When it comes to exporting their products, most businesses choose third-party logistics providers (3PLs) (Glushkova et al., 2019). As a result, many firms that specialize in supply chain management are springing up across the globe.

Importantly, the integration of supply chain management ensures that companies with a global presence benefit from cost-reduction strategies (Asian et al., 2020). Through economies of scale, firms have access to different suppliers with relatively cheap products or services offered by other countries. Furthermore, supply chain networks are also geared towards significantly reducing the underlying transportation costs. Firms can cut down these costs by creating hubs that boost the usage of transportation equipment. The supply chain allows companies to expand into new markets resulting in dynamic relationships and interconnectedness (Asian et al., 2020). Developed countries that are faced with high costs of labor and raw materials have shifted their focus to developing countries; these states offer affordable workforces and a surplus of raw materials. This way, outsourcing is one of the most significant factors contributing to the increasing relevance of supply chain management in a globalized economy.

In the present day, companies are necessitated to portray agility and efficient logistics. Supply chain management can be used as a tool to navigate the complexity arising from globalization. Globalization has resulted in an unstable and fluctuating demand for many things (Glushkova et al., 2019). For example, crude oil supply and demand are not determined by a single cause. This is dependent on a variety of global variables, including speculation, conflicts, sanctions, environment, spot pricing, market swings, future estimates, and the quality and availability of traditional and non-traditional supplies (Min et al., 2018). As a result, forecasting demand for products and services is challenging and enterprises are forced to hire supply chain companies and experts to meet the proliferating demand. Therefore, it is evident that the supply chain smoothens the flow of end products, raw materials, information, and cash.

Nevertheless, the time of globalization has resulted in the introduction of new work possibilities (Saleheen et al., 2018). Globally, the supply management industry has created a significant number of high-wage jobs and represents a potential growth opportunity for the US economy. A huge number of recent graduates and executives are attracted to the supply chain area due to the new opportunities available. As well, supply chain management has aided in reducing international volatility. The need for supply management has risen due to the volatility and unpredictability involved with today's worldwide economy (Agrawal & Narain, 2018). For instance, civil unrest might increase the price of natural resources such as oil, creating an imbalance in the procurement balance. Due to the volatility of supply and demand for products and commodities, businesses need adaptability in their supply chain operations, which can be delivered only by skilled logistic management consultants. Globally operating organizations must prioritize fixing logistical challenges to compete in the global market (Nguyen et al., 2018). To stay competitive and ahead of the competition, a business must simplify its supply chains and become more adaptable.

Likewise, supply management increases income for all participants (Saleheen et al., 2018). If the manufacturing firm or a 3rd logistics company manages the supply chain successfully, it results in

a rise in revenues both for the manufacturer and the shipping company involved. This supply chain management function will enable the manufacturer to transport its products to the intended location globally in an efficient manner, resulting in increased user satisfaction, on-time payouts, growing consumer goodwill, and an increased opportunity to acquire additional business (Vidrová, 2020). It is important to mention that efficient supply chain management ensures the production of quality products; suppliers are expected to provide products that meet the defined specifications and functionality. Therefore, globalized supply management benefits a chain management organization by enabling quicker deliveries, on-time payments, reduced turnaround time, minimal wastage, and increased production.

Lastly, the benefits and possibilities associated with the current global supply chains result in businesses' reduced risks (Asian et al., 2020). Predominant market factors such as global political risks, market volatility, harbor delays, changing markets, supply chain, and course of business operations are becoming neutralized since nations are coming together to normalize this situation. Asian et al., (2020) estimated that companies manage to increase revenues by up to 5% yearly despite the supply chain disruptions. The implementation of supply chain strategies enables companies to collaborate with multiple suppliers mitigating the occurrence of any possible risks. Therefore, multinational firms can focus on improving their responsive rates, flexibility, supply networks, and inventory as approaches to minimizing the occurrence of risks.

### **Methodology**

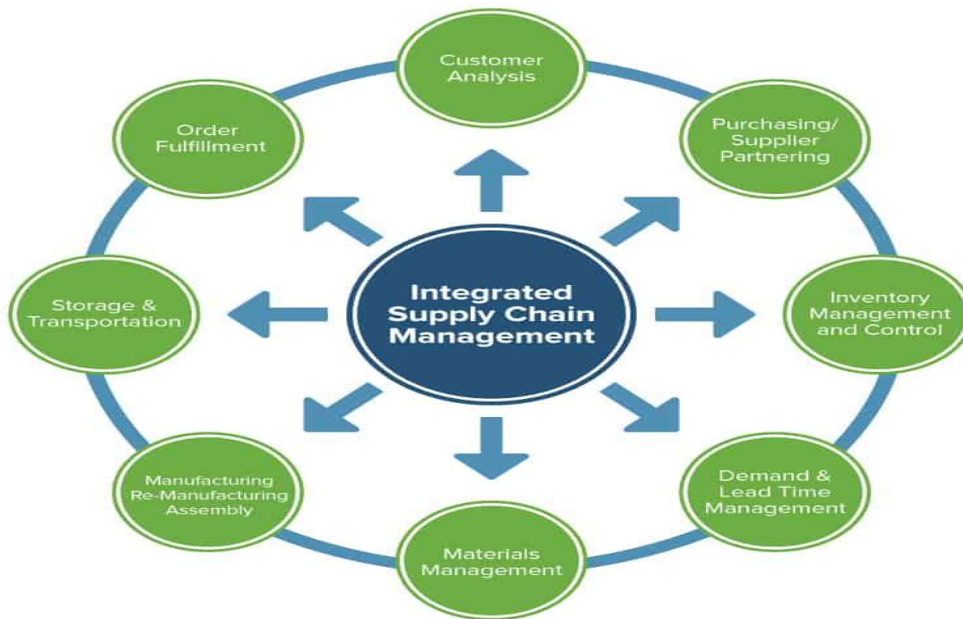
To locate pertinent data, a comprehensive literature search was conducted across three databases (see Table 1). The search was limited (using a keyword filter) to articles published between 2012 and 2022. Additionally, the whole list of publications discovered during the first search was utilized to locate other relevant studies. To gather the relevant sources, Google Scholar, Science direct, and SAGE journals were used to compile the works of literature. The following keywords will be used, "global demand," "logistics," "globalization," and "supply chain management," I discovered relevant articles. To narrow the field of research to those that are really relevant for final review, exclusion and inclusion criteria were devised. Publications were considered for inclusion if they discussed globalization, Supply chain and Logistics. Google scholar returned a total of 26 publications from the first search, including 25 from science direct and 10 from SAGE journals.

<b>Databases</b>	<b>The Results from the Search</b>	<b>Retrieved papers</b>	<b>Papers included in this study</b>
Google Scholar	26	20	10
Science Direct	25	21	12
SAGE Journals	10	8	9
<b>Total</b>	<b>61</b>	<b>49</b>	<b>31</b>

**Table 1: Results of a preliminary literature search in databases.**

## Results

Since the 1980s, businesses have been trying a different approach to offshore procurement, motivated by the promises of reduced raw material, production, and production costs and the need to reach growing markets (Saeed & Kersten, 2019). This led to Globalization which has two dimensions: geographical and qualitative. The latter is being used to characterize the expanded geographic reach of global firms' operations, as well as the increasing placement and dispersal of their production plants. In comparison to previous decades, supply networks have become more global, concurrently more significant and interconnected, and hence more intertwined as shown in *Figure 1*. This aspect of globalization is considered its qualitative component. In addition, new opportunities for improving supply networks fall within the qualitative dimension.



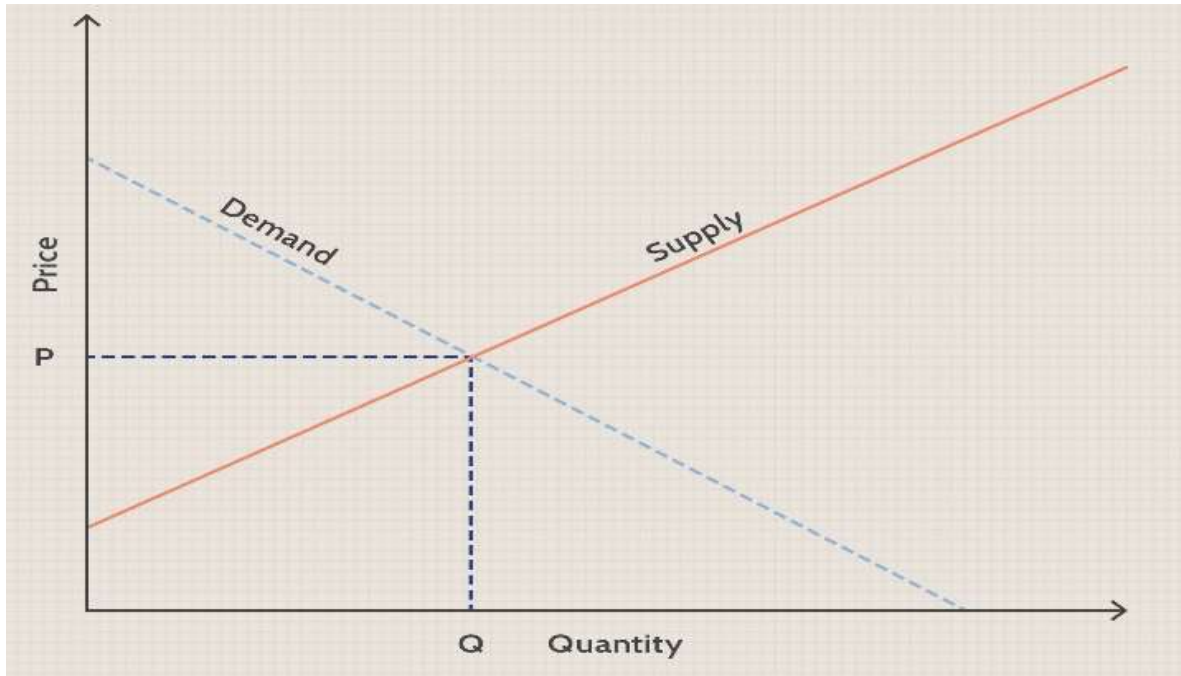
**Figure 1: An integrated Supply Chain Management Framework**

(Source: Vidrova, 2020)

Although both aspects are vitally important to logistics, the qualitative factor is increasingly dominating international logistics operations. There are four groupings of drivers of the global economy: marketplace, cost, government, and competitiveness. These characteristics might be seen as descriptors of the continuing process of globalization. Therefore, effective global supply chain management requires an initial comprehension of each driver's operation. Each component has the potential to directly impact the supply network and allow certain globalization possibilities.

### Improved market efficiency

According to Saeed & Kersten (2019), one important supply chain management is improved market efficiency which increases supply as shown in *Figure 2*. To produce scale economies, this typically has led to large production cycles and centralized manufacturing and distribution facilities (Saeed & Kersten, 2019). On the other hand, it is not anymore necessary to construct distributed manufacturing plants that have a great deal of surplus capacity and account for a variety of local security measures since fewer, bigger, centralized production units are needed.



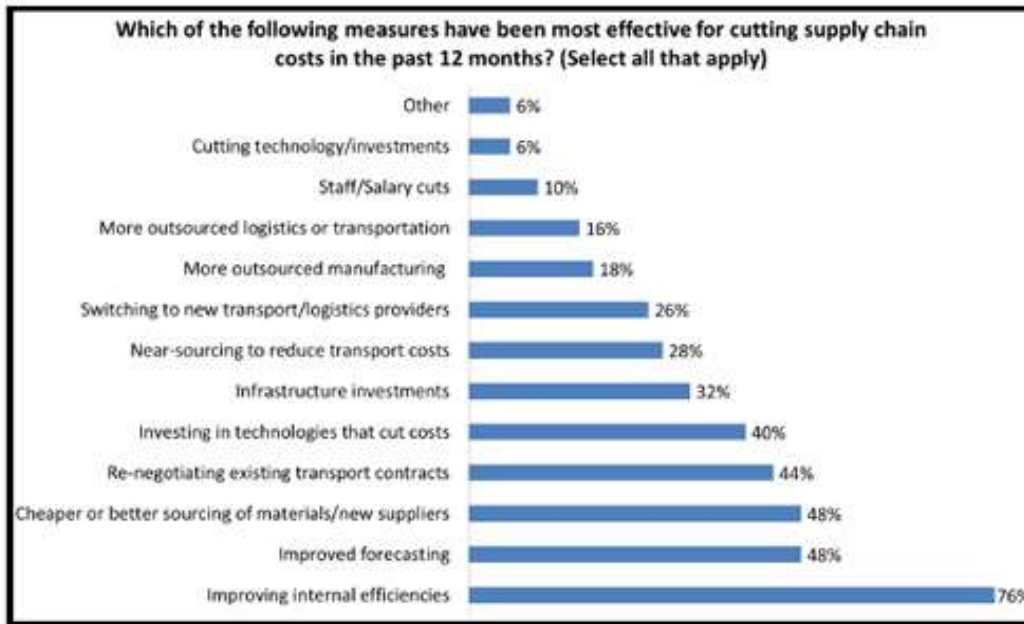
**Figure 2: The formula of calculating Efficiency**

(Source: Zimon et al., 2020)

Channel globalization is an additional component of the market driving the importance of supply chain management. The synchronized or coordinated procurement of products or services is a common feature of global consumers. Here, global corporations work with a small number of contracted service providers including distributor associates (Zimon et al., 2020). This supply chain corporations to handle shipping, storage, as well as other associated activities more efficiently at a lower cost than manufacturers, wholesalers, merchants, or consumers.

### **Reduce costs**

In addition to greater productivity on the market side, there are indeed cost-related benefits. On these cost determinants, worldwide scale reductions are the most obvious as shown in *Figure 3* (Yingfei et al., 2020). In addition, regionally concentrated manufacturing processes for global distribution need sophisticated logistical operations that reduce operating costs. Globalization, sourcing efficiency, attractive logistics, and disparities in nation prices (including currency rates), high product infrastructure costs, and rapid technological change are key to the logistic chain's concentration (Kot, 2018). Notably, global sourcing entails locating, analyzing, bargaining, and structuring supply across several regions in order to decrease costs, optimize performance, and minimize risks. One significance is that global sourcing emphasizes the upstream supply chain and refers to a company's geographically scattered vendor locations (Van Weele, 2018).



**Figure 3: How supply chain has cut global logistic costs.**

(Source: Yingfei et al., 2020)

Consequently, businesses are no longer restricted to local vendors and are free to choose their suppliers globally (Kot, 2018). This means that Businesses are pushed to improve their worldwide sourcing in order to capitalize on possibilities and combat competitors. According to Jacobs (2018), even though supply chain utilizes the same set of operations as domestic sourcing, the majority of them are unprepared for the task; there is also increased complexity. They must enhance the capabilities of their buying departments to undertake procurement strategies efficiently.

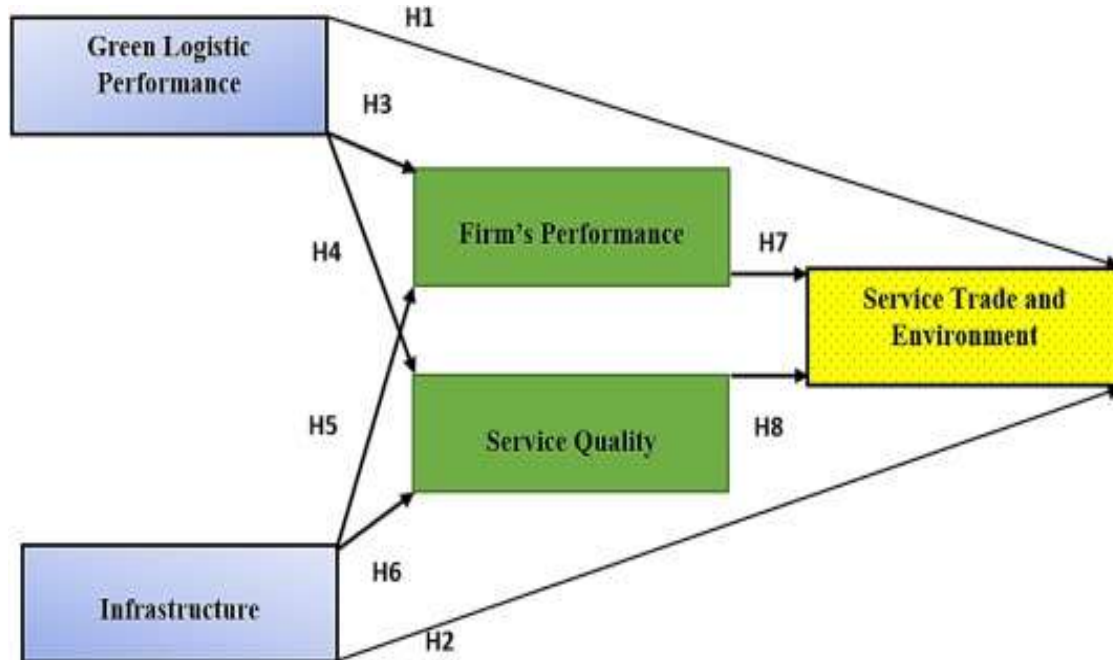
Shipping, procuring, transportation, servicing, storage, inventory control, etc. are examples of favorable logistics (Zimon et al., 2020). The capacity to internationalize activities is substantially enhanced by the logistics industry's rising performance as a result of technical advancement. Variations in national prices are a further factor promoting globalization. In order to increase the overall competitive edge of the distribution chain, supply chain management can take advantage of procurement chances such as low-cost labor forces and greater accessibility to cheap raw materials in a number of countries (Jacobs, 2018). Nevertheless, costly markets with large profit margins in other nations are procurement opportunities that may be used to boost the revenue of the supply chain.

### **Favorable trade policies**

State regulations are a significant factor in globalization. Regulatory factors include favorable economic policies, similar technological standards, popular advertising restrictions, government-owned rivals and consumers, and local governmental concerns (Tien et al., 2019). These important, favorable exchange policies, have encouraged international commerce without question. For instance, the World Trade Organization pact has significantly promoted global commerce by



linking different trade sectors as shown in the *Figure 4*. Such agreements enable global collaboration and encourage businesses to expand their local supply chains into other nations. According to Heizer (2020), without these regulations, the globalization of corporate supply chain operations would not have taken place.



**Figure 4: Trade sectors which are affected by global foreign trade policies**

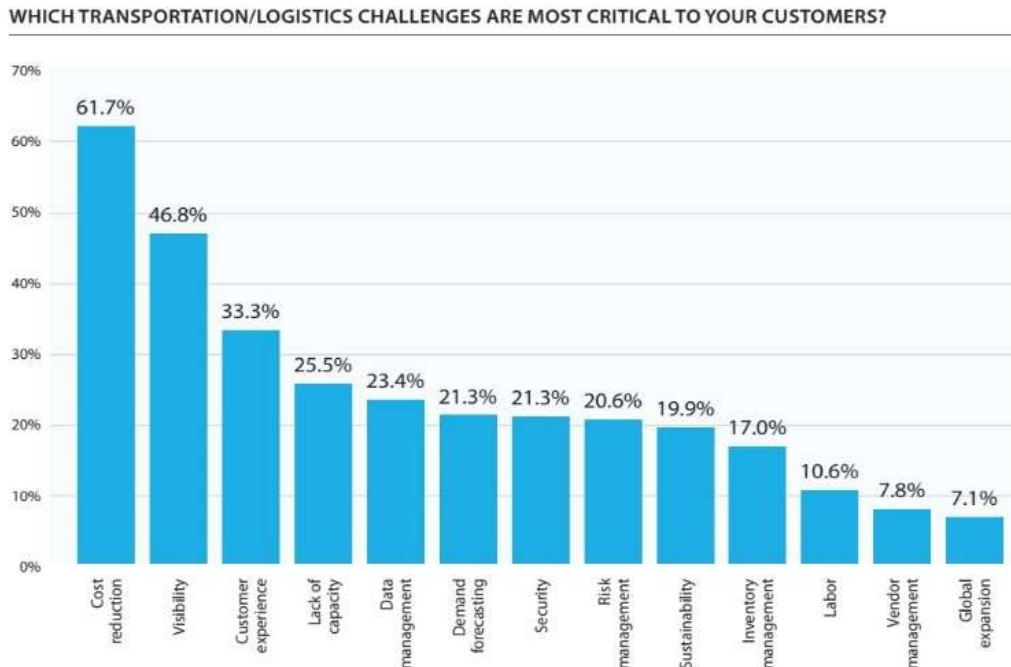
(Source: Tien et al., 2019)

Moreover, the interoperability of technological standards is also of great significance. This pertains to the openness and interoperability of data systems, which seem to be significant aspects of any product's movement. For example, the Global Trade Item Number (GTIN) is a component of a worldwide item numbering system used in Radio Frequency Identification (RFID) technology to trace items traveling across logistics services (Heizer, 2020). This means the supply chain management has developed a single worldwide standard for products and monitoring data, so that individuals in various firms and nations throughout the globe may access the data without having to convert it from one style to another.

### **Challenges faced by Supply Chain management**

On the other hand, as a result of globalization, international logistics management is a significant concern for most companies worldwide. This phenomenon is primarily driven by a decrease in the price of raw materials, a decrease in procurement dangers, and an increase in earnings, among others as shown in *Figure 5*. In order to take advantage of agreements on tariffs and trade compromises, cheaper labor costs, equity subsidization, and lower logistics costs in foreign markets, companies may establish factories abroad (Yingfei et al., 2020). Additionally, easy expansion of international marketplaces and nearness to clients results in improved organizational effectiveness. Conversely, a closer relationships with its suppliers can result in increased dependability.





**Figure 5: Supply chain management challenges in Globalization.**

(Source: Yingfei et al., 2020)

Some considerations must be taken when handling a global supply chain. The organization must first determine its overall outsourcing strategy. However, business owners may prefer keeping certain aspects of the supply chain closer to their home country because of whatever justification. According to Sato et al. (2020), strategic sourcing seems to be a major determinant that must be implemented into a worldwide logistics network. This can be very challenging to compare bids from numerous global providers. Rather than considering many of the other factors, businesses typically opt for the lowest price. However, due to the multi-criteria essence of this choice, distributor selection can be made more difficult by the impact of a myriad of criteria (Kilubi & Rogers, 2018). In addition, businesses must specify the amount of supply chain partners they will employ. Very few suppliers could result in lower product cost, capacity centralization and markdowns, lowered logistics activities costs, organized procurement, an enhanced buyer-supplier product development partnership, and consequently, enhanced consumer service and market penetration. Nevertheless, a small number of competitors could cause issues if a single vendor becomes unable to supply as anticipated, particularly in the context of a sustainable supply chain strategy. Ultimately, businesses that prefer to outsource their industrial production may face more challenges (Gurtu & Johnny, 2021). More factors such as quantity of products and location of plants can pose complicated logistical challenges.

### Conclusion

Supply chain management has been major importance to local and global logistics. However, strategists and business experts are developing a universal supply chain formula that can be implemented to all businesses irrespective of location. This supply chain should adapt to help market needs in a manner that facilitates the commercial plan of the organization. Besides,

depending on business objectives, supply networks differ between companies that are in the same global place. A company's business plan begins with the demands of the clients it now services or will service. Therefore, a supply chain must provide the optimal blend of efficiency and responsiveness based on the requirements of its consumers.

However, a globalized supply chain network ensures that different partners or stakeholders across the globe successfully coordinate the movement of products and resources from source to the ultimate destination. In today's global environment, supply chain processes and activities need to be enhanced and developed to meet the demands of businesses and consumers. While the globalization era offers new opportunities and challenges, supply networks enable firms to navigate this new normalcy.

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