

# **PRACTITIONER PERSPECTIVES ON SUPPLY CHAIN MANAGEMENT AND LOGISTICS: A STUDY FROM THE UNITED KINGDOM**

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## **Introduction**

A plethora of supply chain management (SCM) and logistics definitions have been developed over the years (Stock and Boyer, 2009). The fact that many definitions exist may limit management's understanding of the concept and the practical effectiveness of its application (Ross, 1998). Researchers note a great deal of confusion regarding exactly what SCM involves, lack of consensus on SCM definition, and highlight the necessity for clear definitional constructs (Croom et al., 2000; Mentzer et al., 2001; Kathawala and Abdou, 2003; Lambert, 2004; Burgess et al., 2006). There is less debate in the extant literature about the meaning of the word logistics. Nonetheless, given that one of the principal antecedents of SCM is the field of logistics, this paper explores practitioner perspectives in relation to both (i.e. SCM and logistics). It does so with particular reference to the relationship between the two terms.

Following this introduction, the authors' literature review provides an overview of the evolution of SCM and logistics and the relationship between them. Then the rationale of the current study is explained and the authors' specific objectives are set out. Next, the methodology employed by the authors is described. Then authors discuss the key messages from the research highlighting some of the main limitations and contributions of the paper.

## **Literature Review**

### **Evolution and definitions of supply chain management**

The term SCM was originally introduced by management consultants in the early 1980s (Oliver and Webber, 1992). Since then a plethora of SCM definitions were developed. These were subject to comprehensive reviews (Bechtel and Jayaram, 1997; Mentzer et al., 2001) with a work by Stock and Bowyer (2009) examining 173 definitions of SCM that have appeared in the literature.

Certain definitions – for example that of the Council of Supply Chain Management Professionals (CSCMP) – are widely cited in the literature. It defines SCM as follows (CSCMP, 2013):

Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, SCM integrates supply and demand management within and across companies.

This definition by CSCMP is the working definition of SCM adopted in this paper.

### **Evolution and definitions of logistics**

Clearly, one of the principal antecedents of SCM is the field of logistics. Dictionary definitions of logistics tend to emphasise its military context (Lummus et al., 2001). Over time the application of

logistics has moved into the mainstream business arena and numerous definitions of business logistics have been proposed. Most refer to the physical movement and storage of materials. The CSCMP definition of logistics is that used in this paper (CSCMP 2013):

that part of Supply Chain Management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements.

This definition explicitly places logistics as a subset of SCM. However, other authors have noted different approaches to this in practice. The next subsection explores different perspectives on the relationship between SCM and logistics.

### The relationship between SCM and logistics

There are a number of different schools of thought regarding relationship between SCM and logistics. Larson and Halldorsson (2004) identified four conceptual perspectives on SCM versus logistics. Schematic representation of the perspectives contained in their paper is shown in Figure 1.

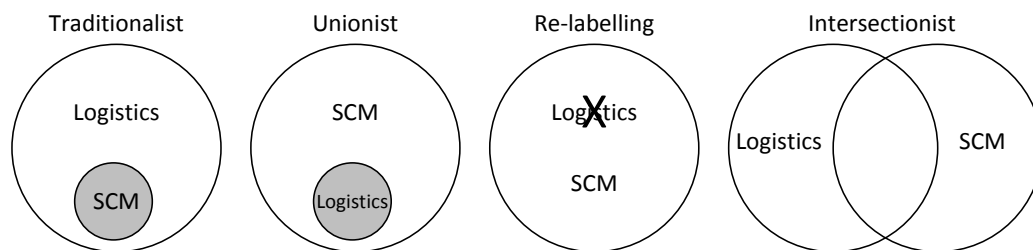


Figure 1: Perspectives on SCM versus Logistics. Source: Larson and Halldorsson (2004, p. 19)

The traditionalist school positions SCM in logistics. The re-labelling perspective simply renames logistics to SCM. The unionist perspective treats logistics as a part of SCM. Finally, the intersectionist perspective is described as follows by Larson and Halldorsson (2004, p. 21):

The intersection concept suggests SCM is not the union of logistics, marketing, operations management, purchasing and other functional areas. Rather, it includes strategic, integrative elements from all of these disciplines.

While each of these approaches is valid in its own way, a scan of other literature indicates that the unionist view is the most widely adopted by scholars. The empirical evidence of Lummus et al. (2001) suggests a similar perspective amongst practitioners.

### Divergence of theory and practice

Confusion and ambiguity in relation to definitional constructs in SCM and logistics fields may be related to the lack of a robust theoretical foundation (Fawcett and Waller, 2011) and raises questions about the divergence between theory and practice.

At present there is certainly no universally agreed upon unified theory of SCM (Halldorsson et al. 2007). This may be due to the fact that the development of the SCM field has been largely practitioner-led, with theory largely following practice (Lambert and Cooper, 2000; Voss et al., 2002). The comprehensive literature review of Chen and Paulraj (2004, p. 150) noted that “practitioners are

far from mastering SCM". Some authors have noted that turning the SCM ideas into practice is not easy and that it has so far received more lip service than accomplishment, except in a few leading edge companies (Leenders et al., 2002).

In short, there is evidence to suggest that there are "substantial gaps between theory and practice" (Storey et al., 2006, p. 769). This raises important questions concerning the impact of SCM theory in practice. The focus of this paper is on gaining deep and rich insights into practice, particularly in relation to the fundamental issue of how practitioners define the key terms and phrases.

### **Development of research objectives**

To gain some insights into the use of the phrase 'supply chain management' and the term 'logistics', the authors conducted interviews with managers from two third party logistics providers (3PLs)/distributors, two retailers and two manufacturers. This approach adopts the lesson of Geertz (1973, p. 5) who stated that "if you want to understand what a science is, you should look in the first instance not at its theories or its findings ...you should look at what the practitioners do". It also responds to the many calls in the literature for the generation of deep and rich insights into phenomena associated with the adoption of SCM and logistics practices through the use of more qualitative research designs (see, for example: Mangan et al., 2004; Guinpero et al., 2008; Stock et al., 2010). This work is to a large extent a replication of the work of Lummus et al. (2001). As such it reflects calls for more replication studies (Neuliep 1991, Evanschitzky et al., 2007).

Although this research adopts a similar approach it also refines Lummus et al. (2001) unclear methodology. Their paper lacked a detailed description of the methodological approach thus making exact replication impossible. Therefore, authors propose a refined replication with a clearly defined methodology.

Based on the above the specific objectives of this research study are:

1. To develop new insights into the use in practice of the phrase 'supply chain management' and the term 'logistics'; and,
2. To compare practitioner perspectives regarding both with the body of academic knowledge;

### **Methodology**

#### **Data collection**

As noted above, the interview sample comprised two 3PLs/distributors, two retailers and two manufacturers, all based in the United Kingdom. The first 3PL (denoted further as 3PL1) carries out a range of warehousing, freight forwarding and other logistics services for customers in a number of sectors. The second (3PL2) carries out similar activities but with a focus on the automotive sector. The first retailer (RET1) is a major high street department store which sells a wide range of products. The second (RET2) is a small online retailer which specialises in the sale of gift sets. The first manufacturer (MAN1) is a large producer of engines for aerospace, marine, and energy industries. The second (MAN2) is a large producer of electrical equipment. This sample of companies handles a wide variety of product groups thus enabling the authors to generate a breadth of perspectives.

Individual respondents were senior managers with responsibility for supply chain and logistics management issues. Each was sent a copy of the following three questions to consider for their upcoming interview:

- How do you define supply chain (SC)?
- How do you define logistics?
- How are these areas (i.e SC and logistics) related?

The research then involved carrying out focussed (i.e. semi-structured) interviews with each respondent. Interviews were recorded and transcribed.

### Data analysis

Regarding interview transcript analysis, Easterby-Smith et al. (2008) describe two approaches: content analysis and grounded analysis. The overall approach in this study involved a combination of both methods, thus integrating their strengths and mitigating their shortcomings. The transcript analysis employed by the authors (as shown in Figure 2) involved four main stages in distilling the raw transcript data into information that was analysed based on comparing and contrasting the main issues set out by respondents.

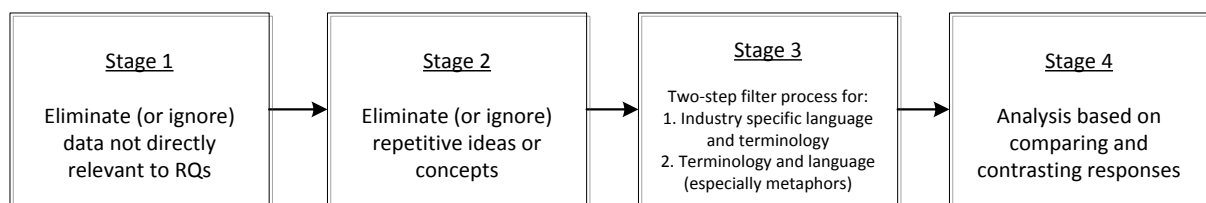


Figure 2: Transcript Analysis Process

The results are summarised in Table 1 and indicate the use of a variety of emphases and approaches amongst practitioners.

### Discussion of results

#### Supply chain

Half of the respondents regarded the SC as a network of companies with RET2 making specific use of the word 'network'. MAN1 described the SC as a network using phrases: "mixture of companies" and "chain of companies", and 3PL1 stated that "everybody's supply chain is linked". MAN2 pointed out that SC "touches all the functions" of the business and provided a comprehensive list of examples. 3PL2 stated that SC is about adding more value to the business and it extends to areas like tax management and efficiency improvement. RET1's orientation is based on the logic of a classic 'buy-make-move-sell' network (see, for example, New, 1997).

Finally, just one respondent makes specific reference to the overall objectives of SCM. 3PL2 suggested that "lowest cost of the supply chain is not only about the lowest cost of the transport but also how to add more value to the business".

#### Logistics

Most respondents consider logistics to be concerned primarily with the movement and storage of products. MAN1 and MAN2 specifically use the word 'logistics' as a synonym for physical distribution

Firm	How do you define supply chain?	How do you define logistics?	How are these areas related?
MAN1	The supply chain is about cooperation between companies. Supply chain is a mixture of companies from the first tier of suppliers who are providing raw materials; they pass them on to the next company who are processing the materials into the next stage, and so on. It is a chain of companies which are cooperating together to deliver a final product to the customer.	Logistics is a primary method of transporting the goods within the supply chain. For example transferring product on a truck, ship, plane, etc. Logistics is about transporting products between companies.	There is a dependency between the two. Supply chain would not be able to operate without logistics. Companies would not be able to transfer products between each other without transport. The logistics would not exist without transportation. There must be a good cooperation between supply chain and logistics for the company to be successful, cut the costs, and be efficient.
MAN2	Supply chain is the only function that covers of the other different functions and it touches all the functions. When we think of supply chain we think of supply and demand, end customer, manufacturing, and suppliers. Supply chain is all around, getting your raw materials from your supplier, to manufacturing, then from operations getting the finished goods to your end customer. Supply chain touches all the company functions under indirect procurement (indirects): recruitment, marketing, finance and accounting, new product development. Supply chain deals with issues of network design, materials management, inventory management, product life cycle management, forecasting, choosing location for operations. Lastly, supply chain includes logistics, warehousing, supplier relationship management, supplier performance management (KPIs), sourcing, and excellence centres.	Logistics is about the physical movement of the goods. Definition of logistics varies from company to company. At some companies logistics includes: freight, warehousing, and customer services. In some companies the customer services does not fall under logistics. Key piece is freight, which is all about movement of goods, be it raw material, be it finished goods, be it semi-finished goods, goods that go from point A to B. Logistics includes freight management, logistics supplier management, and warehousing.	Supply chain is encompassing all the different functions while logistics is about moving goods from your suppliers, through your operations, manufacturing, warehousing, to the end customer. Logistics is a subset of the supply chain and one of the pillars of the supply chain.
3PL1	The supply chain starts from the moment an order is placed with the factory, manufacturer, or a vendor. Some people misinterpret the supply chain just to be the transportation part but it actually involves every movement. The factories themselves have their own supply chain so it is not just about your supply chain as an end buyer or a consignee it is also about the factory making sure they've got the product to do the manufacturing and the tools and equipment and also the resources. Everybody's supply chain is linked.	Logistics is about making sure that things get to somewhere on time. For example, a factory organised their supply chain, they've made the product and it is ready then it will leave the factory. This is where the logistics then starts. They've got to move that product from A to B. Logistics makes sure that the product got to the DC on time to get to your end consumer or your customers.	To me supply chain and logistics is pretty much the same thing apart from that supply chain is looking at a broader scale because it is a point of actual logistics. The logistics compliments the supply chain. People see that the physically cargo is ready to leave the factory but I don't think they actually look back how everything is intertwined. If you have a logistics company who move your product, they are part of the logistics in your supply chain, but overall supply chain is actually much bigger.
3PL2	Supply chain management is about planning for getting the delivery on time at the lowest cost and that's what we aim to do. The lowest cost of the supply chain is not only about the lowest cost of the transport but also how to add more value to the business. It would be also about managing the factory, managing the flows as well, managing taxes, managing efficiency and the articulation between all the actors to limit the redundancy in the coordination.	Logistics is part of the supply chain. Logistics is about moving flows and about making process efficient. I would say logistics is more about process. Supply chain management will be more about business management than logistics.	Supply chain management is more global, logistics can be part of the supply chain management. When you speak about supply chain management it is the integration and being able to integrate all logistics. Supply chain management is about integration and logistics about moving flows.
RET1	Supply chain in its purest macro form is a process of taking something, a product or raw material, from its origin or its manufacture point to a finished good product or service and delivering it to the end customer.	Logistics is a component of the supply chain. Logistics is the process in which you move a product from one location to another. The point of logistics is to make sure that you deliver on time, in full, with zero defects. In the macro view of the supply chain: buy, make, move, sell, logistics is the move element. Logistics answers the question: How do I move something from one location to the other, as efficiently, as quickly, and as cost effective as possible?	I think they are naturally related, because logistics is a function of the supply chain. In a supply chain you have a number of components of which logistics is one. If that doesn't work efficiently or cost effectively then these two impacts. If you can't make your supply chain work, and naturally the relationship with the logistics work, the ultimate failure is to the customer, and this is very dangerous for the retailer.
RET2	Supply chain is a network of companies from suppliers of raw materials, manufacturers, to retailers and end consumers. In between there are supply chain activities such as: freight forwarding, shipping, custom's clearance, distribution and warehousing, transportation.	Dictionary definition of logistics refers to it as a business or military practice of management skills in a defined and ordered fashion. It is about a logical sequence, dealing with flows in the supply chain in a logical way. Logistics is a physical part of supply chain.	Logistics is the essence of supply chain management. Supply chain management adds to logistics all the peripheral services that that companies require, so they can focus on their core business. Supply chain management is like a packaging, the veneer that we the customer sees over the top. The individual logistics is down to the nut and bolt activity that takes place whether that be in on the warehouse floor, whether that is a tracking element, whether it is a point A to point B container delivery by a shipping line.

Table 1: Observations of Practitioner Respondents

management. MAN2 pointed out to a broader view with activities such as customer services and logistics supplier management regarded as part of logistics. 3PL1 focused on logistics as a process that moves “goods from A to B”, and 3PL2 broadened it by speaking about moving the flows.

Interestingly, RET2 made explicit reference to the management skills needed in logistics and brought up the military definitions of logistics. In other words, the key focus of most interviewees is on the forward movement of materials through the SC, as well as on storage of physical product. None of the respondents alluded to reverse logistics. RET1 and 3PL2 mentioned the issue of efficiency in logistics process. According to RET1 the crucial issue of logistics is to move things “as efficiently, as quickly, and as cost effectively as possible”.

The paper of Lummus et al. (2001) concluded that logistics is generally viewed as within one company. This internal view is not evident in the comments of the interviewees, as for example MAN1 states: “Logistics is about transporting products between companies”.

### The relationship between the supply chain and logistics

Most respondents regard logistics as a ‘subset’ of the SCM. This is in line with the ‘unionist’ perspective of Larson and Halldorsson (2004) that was found by Lummus et al. (2001) in their study. Describing their view MAN2 calls logistics “one of the pillars of the supply chain”, RET1 uses word “function”, and RET2 speaks about it as the “essence” of SCM. 3PL2 points out that “supply chain management is about integration and logistics is about moving the flows”.

A majority of the respondents speak of logistics as the 'nut and bolt' activity of SCM, which takes place while transferring products between companies. Similarly, MAN1 regards that "supply chain would not be able to operate without logistics" and MAN2 describes logistics as the operational aspect of SCM. These views are in line with the 'intersectionist' perspective of Larson and Halldorsson (2004).

Finally, 3PL 1 suggests that SCM and logistics are 'pretty much the same thing'. Just one of the six interviewees adopts an approach that is in line with the 're-labelling' perspective of Larson and Halldorsson (2004).

### **Comparison with Lummus et al. (2001)**

Given the limitations of both the current study and that of Lummus et al. (2001), the resultant problems with generalisability make it difficult to make direct comparisons. Nonetheless, this refined replication study highlights a number of points.

Firstly, Lummus et al. (2001, p. 429) concluded that "there is general agreement on what logistics entails". A similar comment can be made in relation to the current study with respondents regarding logistics as being concerned with the movement and storage of materials. The concept of logistics being concerned with the operational execution of SCM is a recurring theme across both studies.

Secondly, in relation to SCM there is less convergence of opinion both between and within the two studies. Diversity of opinion as to what SCM entails is evident across all 12 respondents (i.e. six in the current and six in the earlier study). However, there appears to be a somewhat stronger emphasis in the current study on external integration aspects of SCM. This could be an indication of progress in this area since the work of Lummus et al. (2001).

Finally, comparative analysis of the two studies reveals that practitioner perspectives have not progressed significantly over the last decade and/or that major geographical differences exist. However, larger scale surveys of opinion would be needed for hypotheses about such differences to be deductively tested.

### **Research limitations and future work**

In reflecting on the validity and reliability of this research, the four qualitative criteria recommended by Lincoln and Guba (1985) have been adopted – credibility, transferability, dependability and confirmability. The credibility criterion involves establishing that the results of qualitative research are credible from the perspective of the participants in the research. Whilst there is room for improvement in this area in the research described in this paper, this issue was addressed to some extent by inviting interviewees to comment on summaries of the research findings. The small sample used in the current research is not intended to be definitive and transferability is difficult. However, use of the focussed interview methodology enabled some potentially useful contributions to be developed inductively. The process of continuously relating the empirical findings back to the literature helped in this regard. The next stage of the work is to empirically test these findings using a larger survey of firms. Dependability emphasizes the need for the researcher to account for the changing context within which research occurs. In this regard, the authors fully documented the whole focused interview process, from design through to analysis and feedback. Confirmability refers

to the degree to which the results could be confirmed by others. Future work should build on the findings of this research using a combined inductive/deductive approach based on methodological triangulation.

### **Conclusions**

The first objective of the research described in this paper was to develop new insights into the use of the phrase 'supply chain management' and the term 'logistics' in practice. To this end, the views of practitioners in manufacturing, third party logistics and retail have been solicited through a series of focussed interviews based on the template of Lummus et al. (2001). The findings suggest that there is variation between practitioners particularly in relation to what SCM is specifically concerned with. Rather than indicate a divergence between theory and practice, this variation mirrors to a large extent the differing orientations and emphases evident in the many theoretical definitions that have been proposed in recent decades. This provides some insights into the second objective of this piece of research and opens up some potentially fruitful avenues for future research.

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