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Perspectives on Supply Chain Management and Logistics Definitions

Edward Sweeney, NITL

Background

There has been much debate about the difference between *supply chain management* (SCM) and *logistics*. For example, earlier this year the US-based Council of Logistics Management (CLM) changed its name to the Council of Supply Chain Management Professionals (CSCMP)¹. Similarly, NITL has the words “transport” and “logistics” in its name but is often referred to as Ireland’s “SCM centre of excellence”. A common feature of many definitions of logistics is that they focus primarily on the management of material flows within a supply chain. Furthermore, they often regard logistics as one component element of the broader field of SCM. However, whilst this might be the most common approach to defining logistics and relating it to SCM, it is worth noting that there are a number of different schools of thought. As noted by Lummus *et. al.* (2001), ‘What is not always clear is how logistics differs from ...supply chain management’. Similarly, Larson and Halldorsson (2004) point out that, ‘there is lack of agreement on how SCM is related to logistics’.

Relating Logistics to SCM

Larson and Halldorsson (2004) identify four conceptual perspectives on SCM versus logistics:

- traditionalist,
- re-labeling;
- unionist; and,
- intersectionist.

A schematic representation of the perspectives contained in their paper is shown in Figure 1 (below).

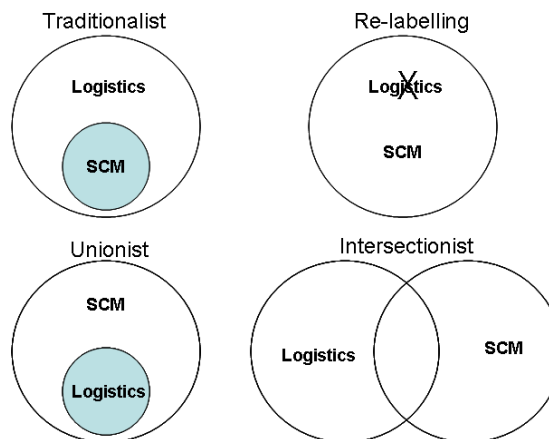


Figure 1 - Perspectives on SCM versus Logistics (source: Larson and Halldorsson, 2004)

The *traditionalist* school positions SCM in logistics, i.e. SCM is just one small part of logistics. The *re-labeling* perspective simply renames logistics: what was logistics is now

¹ It was known as the National Council of Physical Distribution Management (NCPDM) from its inception in 1963 until 1985.

SCM! The unionist perspective treats logistics as a part of SCM: SCM completely subsumes logistics. Finally, the intersectionist perspective is described as follows by Larson and Halldorsson (2004):

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. For instance, in the purchasing area, negotiating a long-term arrangement is a strategic element and transmitting a purchase order is tactical. The supply chain manager would be involved in the negotiations, but not the purchase order transmission. Similarly, in the logistics area, hiring a third-party logistics (3PL) provider is a strategic decision, while picking and packing in the warehouse are tactical. At the intersection, SCM co-ordinates crossfunctional efforts across multiple firms. SCM is strategic, not tactical.

Concluding Comments

Whilst each of these approaches is valid in its own way, the author's research 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. Based on a small sample of manufacturers, retailers and 3PLs they conclude that:

Logistics is generally viewed as within one company, although it manages flows between the company and its suppliers and customers. Supply chain management includes the logistical flows, the customer order management and production processes and the information flows necessary to monitor all the activities at the supply chain nodes.

In short, their evidence suggests that logistics is largely viewed as effectively a subset of SCM.

References

- Larson, P.D. and Halldorsson, A. (2004) 'Logistics Versus Supply Chain Management: An International Survey' *International Journal of Logistics: Research and Applications* Vol. 7, No. 1,
- Lummus R.R., Krumwiede D.W. and Vokurka R.J. (2001) 'The Relationship of Logistics to Supply Chain Management: developing a common industry definition' *Industrial Management & Data Systems*, Vol. 101, No. 8, 426-32.

Logistics and the *Four Fundamentals* of SCM

NITL's *Four Fundamentals* could be regarded as "unionist intersectionist". It is unionist in that it does view logistics as one element of the wider SCM field. Logistics, with its primary focus on the effective and efficient movement and storage of materials, plays a critical role as part of *Fundamental Three*. Nonetheless, the strategic and integrative role assigned to SCM by the intersectionist perspective is in line with the *Four Fundamentals*, in particular *Fundamental Two*. The concept of using SCM as a source of strategic leverage is in line with this view. This relates directly back to the need for clear SCM objectives – as articulated in *Fundamental One* – which link directly with the overall corporate mission and objectives of an organisation.