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Strong supply chain to curb price spirals

SUMAN SAHA

WHILE many economists think agriculture is the main pillar of the economy, many do not know how the whole process from producers to consumers works in the sector. Supply chain plays a pivotal role in the process although it is not widely recognised as such.

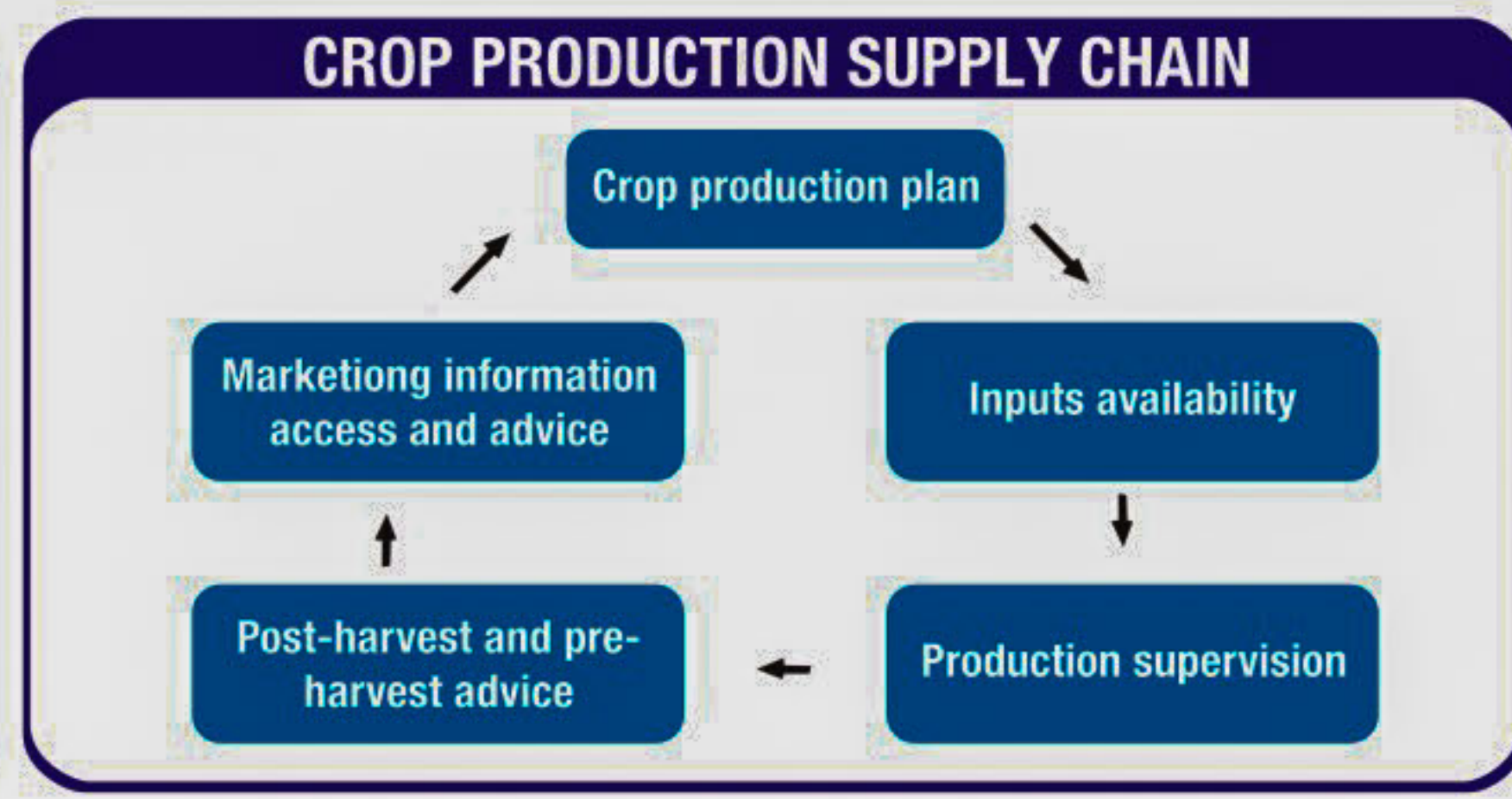
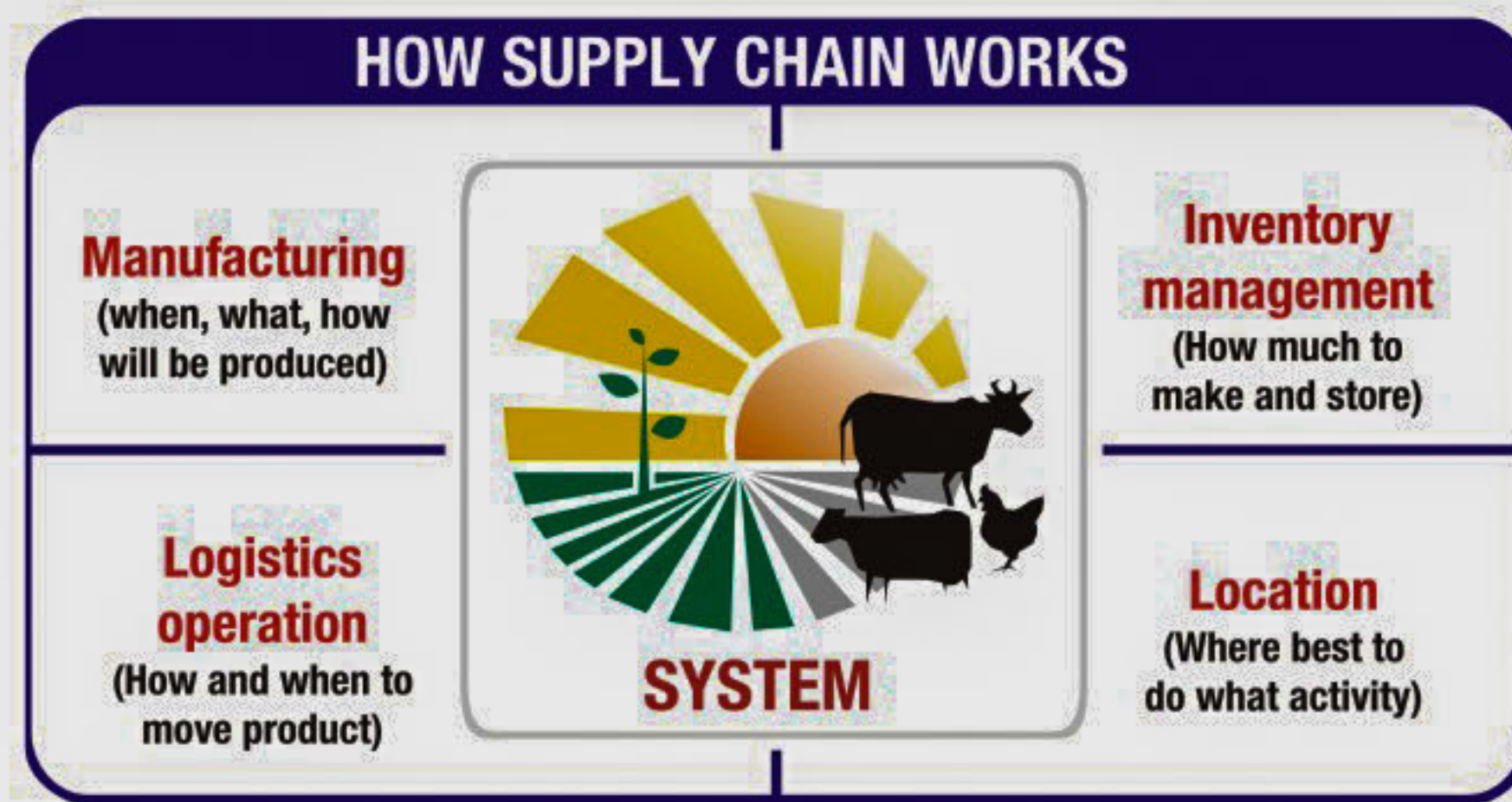
Experts say a country's food security is largely dependent on proper supply chain management in the agricultural sector. There are many challenges to be addressed in the sector for introducing good supply chain management in Bangladesh.

Prior to the liberation war in 1971, Bangladesh economy was fully driven by agriculture. After the war, the country focused on the growth of the services and manufacturing sectors. Although the services sector is dominating the economic activities now, still a huge working force is engaged in the agriculture sector that contributes nearly 23 percent to the national economy.

"Effective agriculture supply chain management is a key factor to ensuring efficiency and productivity as a high number of workers are involved in the process," said Reza Md Shehab, head of agro business at Rahimafrooz (BD) Ltd.

Proper production plan, quality seed and other inputs, efficient marketing and proper logistics can ensure food security and make Bangladesh a self-sufficient nation, he added.

Supply chain management is a system of organisations, people, technology, activities, information and resources involved in moving a product or service from a supplier to a



customer. It is a combination of strategic and operational function of planning, sourcing, production and logistic activities.

Shehab, who served Grameenphone as head of supply chain, said: "Food crop supply chain starts with the strategic planning of crop production. This plan can be based on crop rotation, demand, storage capacity, input availability and quality production."

Apparently the growers are rather inefficient in planning due to inadequate information availability or a lack of access to information and cooperation from different agencies that are engaged in the agriculture sector at the field level, he added.

"We need to present a clear picture to the grower through all media and relevant organisations about the demand and supply situation of the country."

To make it happen, the whole country needs to be divided into zones or districts or upzilas. The agriculture field officers posted at the thana level can be the key agents or the managers of a successful agriculture supply

chain, he added.

They can change the agricultural scenario of the country by increasing the productivity through proper planning, ensuring timely input distribution, supervision of production and helping farmers with market information, said Shehab.

The agro supply chain experts say the country's agro sector is also facing a couple of challenges that need to be resolved to ensure food security. "These challenges mainly lie in appropriate planning and efficient execution," said Nilufer Hye Karim, head of agri-biotech division of Rural Services Foundation, a non-government organisation.

Right planning, coordination with the government and non-government agencies at the field level and availability of agro inputs in the world market are the major challenges to manage the agro supply chains efficiently, said Nilufer Karim.

Supply chain efficiency in the agriculture sector is essential because it will ensure food security and the right price of foods to the end consumers, says MS Islam, former director gen-

eral of Bangladesh Rice Research Institute (BRRI).

The major challenge in agro supply efficiency is proper planning, considering all driving factors and availability of resources including human, said Islam.

Shehab, who also worked for Shell Bangladesh as manufacturing and supply officer, said: "In the context of our country, most of the challenges are in planning and execution of the supply chain. In some cases we have a nice plan but poor execution and vice versa."

The availability of agriculture inputs -- seeds, fertiliser, pesticide and irrigation -- is a big challenge for the growers because interruption in supply chain delays the delivery of inputs to the growers. As a result, production of crop is hampered, as our production is wholly natural and season dependent, he added.

To ensure proper distribution, the country needs to remove the unnecessary middlemen who are involved in the distribution process without adding any value to the end-consumers, said Shehab. "If we can get rid of the middlemen, the price of

the agro products can be reduced by around 25 percent."

Nilufer Karim, who is a former director of BRRI, said: "Timely supply of quality inputs can be met with joint efforts of the public-private sectors. The government should increase its allocation and improve supply of quality seed, fertiliser and safe pesticide."

To encourage private initiatives the investment climate in agro business such as government regulations, taxation policy and import-export guidelines must be made friendly, she added.

"Constraint on storage facility at pre and post harvest period is another challenge for production, resulting in high wastage and a significantly high cost of production. The cases of potato and rice are good examples in this regard," said Shehab of Rahimafrooz.

"We should decentralise the storage facilities and ensure smooth supply of agro inputs because these are vital for minimising loss and wastage and preventing price hike."

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At the heart of managing demand and supply

An expert explains how better supply chain management can edge out competitors

SUMAN SAHA

Ejazur Rahman, managing director of Mind Mapper Ltd, the country's one of the leading management consultancy firms, boasts a career in several supply chain roles, possessing both national and international exposure. Prior to starting up consultancy, he served as supply chain director at Coats Bangladesh during 2007-2009 and headed the supply chain department at Coats Sri Lanka during 2004-2007.

Rahman, also the chief executive officer of International Supply Chain Education Alliance Bangladesh, has developed expertise in designing and managing supply chain and operational efficiency. He recently shared his views with The Daily Star on how an organisation can implement SCM effectively and how to popularise the concept of SCM in Bangladesh.

What is supply chain management (SCM)?

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

How does SCM enhance the competitiveness of a firm?

The most important factor for success in a business is to align all its functional strategies with the competitive strategy. Supply chain management helps the business to understand customers' need in a better way, understand the capability of its extended supply chain that includes the capability of the firm and its chain partners, and then achieve the strategic fit.

Through appropriate supply chain configuration when a firm achieves its strategic fit between its competitive and supply chain strategy, it enhances its competitiveness in achieving the two dimensions of supply chain excellence -- efficiency (cost advantage: lowering end-to-end delivered cost) and responsiveness (value advantage: creating superior customer value through enhanced service).

Why should a company need to transform its supply chain activities into value chains?

One of the biggest steps in modern management is to focus on providing the utmost value in the eyes of the customers. Value chain analysis describes the activities that take place in a business and relates them to the competitive strength of the business.

Value chain activities can be categorised into two types -- primary activities (logistics, manufacturing, marketing and sales, and service) and support activities (infrastructure, human resource management, development and procurement). These activities are integrating functions that expand across the traditional functions of the firm. Competitive advantage is gained



Ejazur Rahman

from the way the firms organise and perform these activities within the value chain.

To gain a competitive advantage, a company must deliver value to its customers by performing these activities more efficiently than its competitors or by performing the activities in a unique way that creates greater differentiation from others.

Organisations should look at each activity in their value chain and assess whether they have a real competitive advantage in the activity. In case they do not do it, they should consider outsourcing the activity to a supply chain partner who can provide that value advantage. Outsourcing aims at extending the value chain beyond the boundaries of the business. In other words, the supply chain is transformed into value chain. Value is created not just by the focal firm in a network, by all the partners that participate in that value chain.

How can an organisation implement SCM effectively?

SCM begins and ends with customers. So, firstly we have to learn our customer needs and configure supply chain capabilities accordingly. Once the customer group and their needs are identified, organisation has to develop a competitive strategy that would clearly define how the business wants to satisfy its customer needs.

In line with its competitive strategy, the business then needs to

define its product development, marketing and sales strategy. And finally, the business will define its supply chain strategy that will clearly outline the nature of material procurement, transportation of materials, manufacture of the product or creation of service and distribution of product. These whole activities will be the job at a strategic level.

At the planning stage, organisation should define its supply chain policies, that include inventory policies, subcontracting and backup locations, timing and size of the market promotions.

At the operational level, firms should confirm its capabilities to ensure that the supply chain plans can be executed on a daily basis combining its internal value chain and the capabilities of its supply chain partners. Involvement of these three stages -- strategy, planning and operational -- should create cost and value advantage for the business and make the organisation competitive to deliver high value.

What factors should a supply chain professional consider to make a strong bond with its supply chain partners?

Effective coordination and trust based relationship among partners is the key to supply chain success. To achieve strong bond resulting from effective coordination, supply chain professionals should focus on the following:

- Obtain top management commitment to coordinate with supply chain partners
- Devote resources for coordination
- Align incentives and goals for all partners
- Improve productivity by reducing duplication or through effective efforts at appropriate stages
- Design effective conflict resolution mechanisms
- Focus on effective communication at all stages in supply chain
- Use technology to improve connectivity in supply chain
- Share the benefits of coordination equitably among the partners

What are the ways to popularise the concept of supply chain in Bangladesh?

Developing appropriate concept is a crucial starting move for businesses in Bangladesh. More knowledge sharing, understanding the tools and techniques of successful implementation of SCM and transferring best practices should become top agendas for all professional organisations, including consultants, training institutes, education providers such as universities, NGOs and donor organisations.

This is perhaps the high time that the government heavily encourages and invites local and foreign assistance in implementing SCM as compliance in every business.

Business organisations that are yet to implement SCM should at least start arranging dialogue with capable individuals and organisations that could help them demonstrate the benefits of SCM.

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