



## TenStep Supplemental Paper

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### Need for a New Supply Chain Framework

Traditionally, breakthrough concepts like TQM and BPR have been seen as more applicable for big companies. The Internet, however, offers SMEs a level playing field in the sense that it allows them to take advantage of the possible opportunities as much as large companies. Success on the Net requires innovative business models because entry and trading barriers are almost nonexistent and competition can take any form.

#### Traditional frameworks

The potential opportunities may not be realized if the SMEs continue to operate within traditional frameworks. In most SMEs, the supply chain is input-oriented, aimed at sourcing raw materials, components and other services required for the production process. Therefore, the linear model dominates the supply chain structure with exclusive relationships with the players.

The fact that companies are looking for partnerships and complex arrangements necessitates modifications to the traditional framework in which supply chains operated. The linear model, under these circumstances, may not offer the flexibility required.

- In order to provide end-to-end services, companies are tying up with various service providers (an e-tailer and a third party logistic service provider)
- The nature and scope of monetary transactions have changed significantly
- New regulations on copyrights, taxation governing commercial transactions, the need for a new contractual law and online dispute settlement procedures

#### Need for a new model

A new model, which not just modifies the structure but also allows for more dynamic relationships, is required. The resulting internal structures will be difficult to map and will be required to undergo a continuous process of evolution depending on the evolving business environment.

In the resultant supply chain, the relationships cannot be considered exclusive, as either participant may move out depending on his strategic direction. The relationship between players will be based on mutual benefit, and interdependency levels will be high.

#### The associated risks

With the help of the Internet, SMEs will be able to locate suppliers from diverse locations and can cater to a new market segment that was once inaccessible. This necessarily means the enterprise will be open to more competition. E-nabling the supply chain will mean greater dependence on technology, which increases the risk (courtesy the relative resource limitations).