

Supply Chain Management

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Introduction

This report outlines the supply chain management (SCM) and purchasing function of Cruise International, Inc. (CII). The report examines the applicability of SCM in a service operation such as CII and evaluated the potential advantages of partnering with suppliers. The report also discusses the potential conflicts of interest and ethical issues facing the purchasing function in the cruise line industry.

Business overview

CII is a company that operates cruise ships globally. The company's mission is to provide its clients, both guests and travel agents, by providing high-quality services both onboard and shore-side. The company is committed to treating its employees with respect and providing them with safe working conditions. It also recognizes the importance of making a reasonable profit for its parent company and stockholders.

1. Essential concepts of SCM and to what extent SCM is applicable to a service operation

SCM is the strategic management and supervision of all actions concerned in the production and delivery of goods and services, from the source of raw materials and components to the distribution of finished goods to end-users (Stadtler, 2015). It encompasses all the actions concerned in the planning, procurement, production, transportation, storage, and distribution of goods and services, as well as the management of relationships with suppliers and customers. The goal of supply chain management is to maximize efficiency, decrease costs, and enhance customer satisfaction by ensuring that the right goods are delivered to the right place at the correct time (Toorajipour et al., 2021).

There are several essential concepts in supply chain management that are critical to its effective implementation. These include:

- Demand forecasting: The process of estimating future demand for goods and services to inform production and inventory management decisions.
- Inventory management: The practice of balancing inventory levels to meet demand while minimize transport costs and the risk of stockouts (Stadtler, 2015).

- Logistics: The procedure of planning, implementing, and controlling the movement of goods and services from suppliers to customers.
- Procurement: The process of acquiring goods and services from suppliers, including supplier selection, negotiation, and contract management.
- Supplier management: The practice of building and maintaining positive relationships with suppliers to ensure the timely delivery of high-quality goods and services.
- Continuous improvement: The practice of constantly seeking ways to improve processes, reduces costs, and enhances quality throughout the supply chain. This involves recognising areas for development, implementing changes, and monitoring the results to ensure that they are effective (Stadtler, 2015). Continuous improvement is a key component of supply chain management, as it helps businesses to adapt to changing market conditions and stay competitive in rapidly evolving business surroundings.

In the case of CII, SCM involves overseeing the flow of goods and services from supplier to the company's cruise ships and then to customers. The company needs to ensure that it has sufficient supplies of food, beverages, fuel, and other resources to meet the needs of its customers on board the cruise ships (Sodh & Tang, 2021). It also includes managing the flow of information between various stakeholders, such as travel agents, suppliers, and customers, to ensure that there is clear communication throughout the supply chain.

Effective SCM can help CII achieve various objectives such as reducing costs, improving quality, and enhancing customer satisfaction. For instance, by optimizing the supply chain, CII can reduce the cost of acquiring and storing inventory, which can help the company maintain reasonable fares for its customers (Toorajipour et al., 2021). Similarly, by ensuring that suppliers provide high-quality goods and services, the company can enhance the overall quality of its offerings, which can lead to increased customer satisfaction and loyalty. SCM is highly relevant to service operations such as CII as it helps manage the flow of resources and information across the supply chain, thereby improving operational efficiency, reducing costs, and enhancing customer satisfaction.

2. Evaluate how partnering with some of the suppliers could benefit CII and issues when developing partnerships?

Partnering in supply chain management is crucial for businesses to achieve a competitive edge and long-term success. Partnering allows companies to create relationships with suppliers, customers, and other stakeholders, leading to increased collaboration, communication, and trust. This, in turn, promotes transparency, efficiency, and innovation throughout the supply chain (Toorajipour et al., 2021). Through partnering, businesses can streamline their operations, reduce costs, and improve product quality and delivery times. Partnerships can also lead to joint problem-solving, risk-sharing, and mutual benefit. By working closely with suppliers, companies can gain access to their expertise, resources, and networks, which can help them to stay ahead of market trends and stay competitive. In summary, partnering is a strategic approach to supply chain management that fosters collaboration, trust, and mutual benefit, leading to a more efficient and effective supply chain (Sodh & Tang, 2021).

Partnering with suppliers can benefit CII in several ways:

- **Cost savings:** Partnering with suppliers can help CII negotiate better prices, volume discounts, and favourable payment terms. This can help reduce procurement costs and improve profitability (Zekhnini et al., 2020).
- **Improved quality:** Developing close relationships with suppliers can lead to better communication and collaboration, which can lead to improvements in product and service quality. By working together, CII and its suppliers can develop better products and services that meet customer needs and expectations.
- **Increased efficiency:** By partnering with suppliers, CII can streamline its supply chain, reduce lead times, and improve delivery times. This can help reduce inventory costs and improve customer satisfaction.
- **Innovation:** Working closely with suppliers can lead to innovative ideas and solutions that can help CII differentiate itself in the marketplace. Suppliers may have unique expertise, technologies, or resources that can help CII develop new products and services or improve existing ones (Pettit et al., 2019).

- Risk reduction: Partnering with suppliers can help CII manage risks in its supply chain. By working closely with suppliers, CII can develop contingency plans and alternative sourcing strategies to reduce the impact of supply chain disruptions.

When developing partnerships in the supply chain, CII must consider several critical issues. Firstly, it is essential to ensure that the partner's goals and values align with those of the organization. CII should seek partners who share their vision and values, as this will enhance the likelihood of a successful partnership (Pettit et al., 2019).

Secondly, CII should evaluate the potential partner's capabilities and assess their ability to meet their supply chain needs. This includes evaluating their financial stability, production capacity, and ability to meet quality and delivery requirements. Thirdly, CII must consider the potential partner's location and logistical capabilities. Partnerships with suppliers located closer to CII's ports of call could significantly reduce transportation costs and lead times, enhancing the company's overall supply chain efficiency (Hugos, 2018).

Fourthly, CII should also consider the potential partner's reputation and the risk of associating with a supplier who may be involved in unethical or illegal activities. CII must ensure that its partners comply with all relevant regulations and laws to avoid damaging its own reputation.

Finally, CII should ensure that the partnership agreement includes clear performance metrics and dispute resolution mechanisms. This will enable the company to monitor the partnership's progress and quickly resolve any issues that may arise. By carefully considering these issues, CII can develop successful partnerships with suppliers that can significantly enhance its supply chain efficiency and overall performance (Zekhnini et al., 2020).

3. Potential conflicts of interest or ethical issues facing the purchasing function.

The purchasing function plays a vital role in the SCM of the cruise line industry. It involves acquiring goods and services needed for the smooth operation of the business. While purchasing is essential, there are potential conflicts of interest facing this function (Hugos, 2018). For example, one main conflict in the purchasing function is the potential for favouritism towards certain suppliers. In the cruise line industry, suppliers provide critical goods and services

such as food, fuel, and maintenance services. It is possible for the purchasing department to give preference to suppliers with whom they have a personal relationship or financial interest (Min et al., 2019). This could result in the company paying more for goods or services, lower quality, or delivery delays. The potential negative impact on CII could be loss of revenue, customer dissatisfaction, and damage to the company's reputation.

Another conflict of interest that can arise in purchasing is bribery or kickbacks from suppliers. This happens when a supplier offers a purchasing agent or decision-maker a financial incentive or personal gain to influence the purchasing decision in their favour. This unethical behaviour can lead to a supplier who may not have the best quality, delivery times, or price. This could harm CII's bottom line and reputation, and they could even face legal consequences (Hugos, 2018).

One ethical issue that may arise in purchasing is the issue of sustainability. Cruise lines require significant amounts of energy and resources to operate, such as fuel, food, and water (Lambert & Cooper, 2000). A purchasing agent's decision to purchase goods that are not sustainable, such as non-renewable energy or unethically sourced seafood can harm the environment and potentially hurt the company's reputation in the eyes of the environmentally conscious consumer. Ethical dilemmas related to sustainability must be considered, and purchasing decisions should be aligned with CII's sustainability goals and values (Min et al., 2019).

Another potential issue in purchasing is the issue of supplier diversity. Supplier diversity refers to the practice of actively seeking out and doing business with suppliers. Although supplier diversity is an essential part of a company's corporate social responsibility, purchasing decisions should not be made based solely on a supplier's diversity status (Lambert & Cooper, 2000). Suppliers must meet the company's quality and delivery standards, and their pricing must be competitive. Any lack of supplier diversity can cause negative publicity and harm the company's reputation.

Purchasing is a critical function in SCM for the cruise line industry, and potential conflicts of interest and ethical issues must be managed to avoid negative consequences. CII should have a well-established code of conduct, policies, and procedures that emphasize

transparency and ethical behaviour for the purchasing function (Hugos, 2018). Purchasing agents should be trained to identify and avoid potential conflicts of interest, bribery, and kickbacks. Sustainability and supplier diversity should also be key considerations in purchasing decisions, while not compromising on the company's standards of quality, pricing, and delivery. By being mindful of these issues, CII can achieve a positive reputation, reduce risks and costs, and meet the needs of its customers and stakeholders.

Conclusion

In conclusion, SCM is applicable in service operations such as CII, and partnering with suppliers can provide numerous benefits, including cost reduction, increased efficiency, and improved quality. However, there are several issues that CII should consider when developing partnerships, such as compatibility and trust. The purchasing function in the cruise line industry faces various ethical and conflict of interest issues, including the potential for preferential treatment, kickbacks, and bribery. It is crucial for the concerned organisation to address these issues and implement policies and procedures to ensure ethical and fair practices. By adopting a responsible and transparent approach to SCM and purchasing, it can enhance its reputation, improve customer satisfaction, and achieve long-term success.

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