



EVALUATING WHETHER SUPPLY CHAIN MANAGEMENT IS COST BURDEN OR STRATEGIC ADVANTAGE FOR ORGANIZATIONS

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Abstract: SCM (Supply Chain Management) has transitioned from a strictly operational role to a quid essential domain for organizational competitiveness. Businesses in the global marketplace today need to lower costs but also need to build resilience, agility, and customer satisfaction. By drawing on peer-reviewed literature, practitioner insights, and selected case studies, this study explores whether SCM is a cost liability or a strategic asset. On the one hand, SCM is often associated with increasing logistics costs, compliance issues, and capital blocked in inventory. In contrast, companies like Amazon and Toyota show how digitally enabled, lean supply chains provide sustainable competitive advantage through efficiency, agility, and innovation. Through secondary research and comparative analysis of cost metrics versus strategic outcomes, this paper demonstrates that organizations that view SCM as strategic investment consistently outperform organizations that approach it to simply minimize costs.

The study suggests that SCM is not a burden by nature; on the contrary, it has a strategic value that is influenced by managerial orientation and strategic alignment. SCM thus transforms itself from a cost center into a critical repository of competitive advantage for organizations when powered collaboratively with the use of predictive analytics as well as digital technologies in an era that is perpetually marked by uncertainty and disruption.

Keywords: Supply Chain Management, Cost Burden, Strategic Advantage, Organizational Performance, Competitive Advantage, Digital Transformation.

1. Introduction

Challenges of SCM In an era of massive VUCA (Volatility, Uncertainty, Complexity and Ambiguity) changes at global level, Supply Chain Management (SCM) has evolved as a strategic activity in organizations. Historically seen as a back-office cost center, SCM involves planning, executing, and monitoring material, information, and financial flows across suppliers, production facilities, and distribution channels and includes the end customer. The focus has typically been on efficiency, in particular cost efficiency lower logistics costs, lower inventory carrying costs and reduced procurement overheads. But with increasing customer demands, geopolitical volatility and

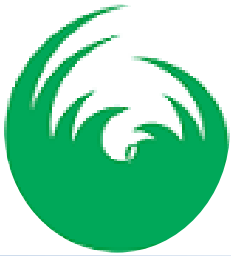
technological disruption, the strategic importance of supply chain capabilities has been put back in the spotlight. However, despite this development, a debate persists about whether SCM is a necessary evil where firms must bear cost, or is it a competitive tool for sustainable competitive advantage. Supply is not an end itself Many organizations continue to view supply chain functions as a reactive cost center, yet others are investing in SCM strategically for resiliency, velocity, and differentiation. The vagueness of SCM's value proposition highlights the importance of deliberating its desirability.

The goal of this research is to evaluate the twofold contribution of SCM using empirical and theoretical insight which show SCM as both a financial burden and a strategic enabler. The study also investigates the scenarios

Pharmacology and Alternate Medicine Academic Journal

An official Publication of Center for International Research Development

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in which SCM evolves from a cost- to a value-adding function. This article helps managers who are trying to change their firm's competitive strategy redefine the value of SCM by connecting it with the broad array of the company's practices and performance.

2. Literature Review

Ever since this debate regarding Supply Chain Management (SCM) started in the business world, there have been two parties; one that say it is a burden of cost for organization and another says there is a strategic advantage for the organizations. Historically, most organizations have viewed SCM primarily as a cost-reduction function. Cost-cutting initiatives were the center stage for cost across the spectrum of procurement, transportation, warehousing & distribution. Since then, many early studies like (Ellram & Siferd, 1998; Ferrin & Plank, 2002) have revealed that the total cost of ownership (TCO) in supply chain management extends well beyond the purchase costs of materials. It contains non-visible expenses such as defects in quality, compliance costs, delays, spoiled-products, and risk management too. Inefficiencies creep in when disparate departments work in silos and suppliers and logistics partners have poor communication. These inefficiencies arguably add to the cost of holding stocks of inventory and transport costs, turning the process into a cost-center as opposed to a value-center.

Well, this problem is aptly explained by the concept of the TCO (Total Cost of Ownership). It draws attention on every phase of a product's life whether sourcing, manufacturing, delivery, and disposal bills pile up. If the supplier delays or there is a poor coordination during transportation it may not only becomes a loss of money but also it can spoil a business and the customer may get angry. This kind of approach is common in traditional organizations where supply chain decisions are made in a reactive manner aimed at solving short-term problems rather than long term business sustainability issues. Due to limited visibility of data and no planning for the future, these businesses end up having to pay more money handling crisis situations. All of it leads to SCM being

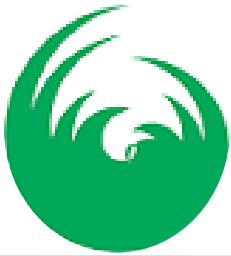
classified as a “necessary cost center” and not a strategic driver of performance and growth.

But recent research and practices message a whole different tale. SCM in Modern Organizations For many contemporary organizations, SCM is far less a cost than it is a competitive advantage. Supply chains can be one of the business engines of success when accompanied with the right strategy, technology, and partnerships According to Christopher and Peck (2004), resilient supply chains based on visibility, flexibility, and collaboration can transform disruptive events into opportunities. For example during a worldwide crisis or abrupt market amends, the organizations which have agile and connected supply next work brings notice and become competitive.

This argument is further reinforced by lean production principles. Shah and Ward (2007) associated the relationship between supply chains with the elimination of waste and enhancement of process through information visibility across the entities of the supply chain. Help your company do more with less be lean with your resources and ensure faster deliveries with better quality. With this approach, we are shifting the focus from cutting costs to creating value; and that it is possible to be both efficient and innovative!

Digitalization has taken the strategic nature of SCM one step further. Employing big data, AI, and digital twins enables firms to forecast market patterns, engage in more accurate demand planning, and react to challenges in real time. Thereby, as consistent with Kache and Seuring (2017) and Ivanov and Dolgui (2020), it is suggested that data-driven SCM enables smarter decision-making that helps firms assertively balance cost control against the provision of greater service (directional impact, emphasis added). Supply chains in this era can not only avoid becoming reactive but can also be a major driver of intelligent technologies, ensuring organizations remain ahead of the competition.

The other game changer is collaboration and long-term partnerships. Companies are not looking at suppliers as just transaction partners anymore rather as strategic partners based on a foundation of trust, transparency, and mutual benefit. As businesses and suppliers collaborate on



solutions, align forecasts, and share innovations with each other, the whole network becomes more resilient and efficient. This gives a win-win situation by minimizing costs and developing durable growth chain-wise.

SCM nowadays is not just moving goods from one point to another. It is all about combining people, processes, and technology to provide value to customers and stakeholders. A company that spends on digital innovation, data insights and key supplier relationships finds its supply chain becoming a strategic differentiator instead of an economic burden.

In the end, SCM can be a liability or an asset depending on how an organization manages it. Those treating it purely as a cost to do as little of as possible too often find themselves tied up in knots with the inefficiencies and interruptions that course through their businesses. In contrast, those that view it as a long-term investment a vehicle for building resilience, adaptability, and customer trust often earn lasting competitive advantages. In the fast-changing world of today, supply chains have evolved from a back-end function to the backbone of organizational strategy, and the key to sustainable success

3. Methodology

This is a qualitative, secondary research study based on peer-reviewed journals, industry reports, and case studies on companies like Amazon and Toyota. This design, which prioritizes breadth of insight over primary data collection, is optimal for both the cost and strategic evaluations of SCM.

Using a comparative framework, evidence was organized per theme:

1. SCM as cost, toward logistics, inventory, and compliance costs;
2. SCM as value, towards resilience, lean and digital transformation.

These two categories allowed for a systematic comparison of the way organizations view and implement supply chain practices. Our analysis was then steered towards the TCO and RBV theories that the findings fit within and were grounded strategies. Below **Figure** highlights the share of logistics, inventory, and compliance costs across sectors such as pharma, retail, and automotive.

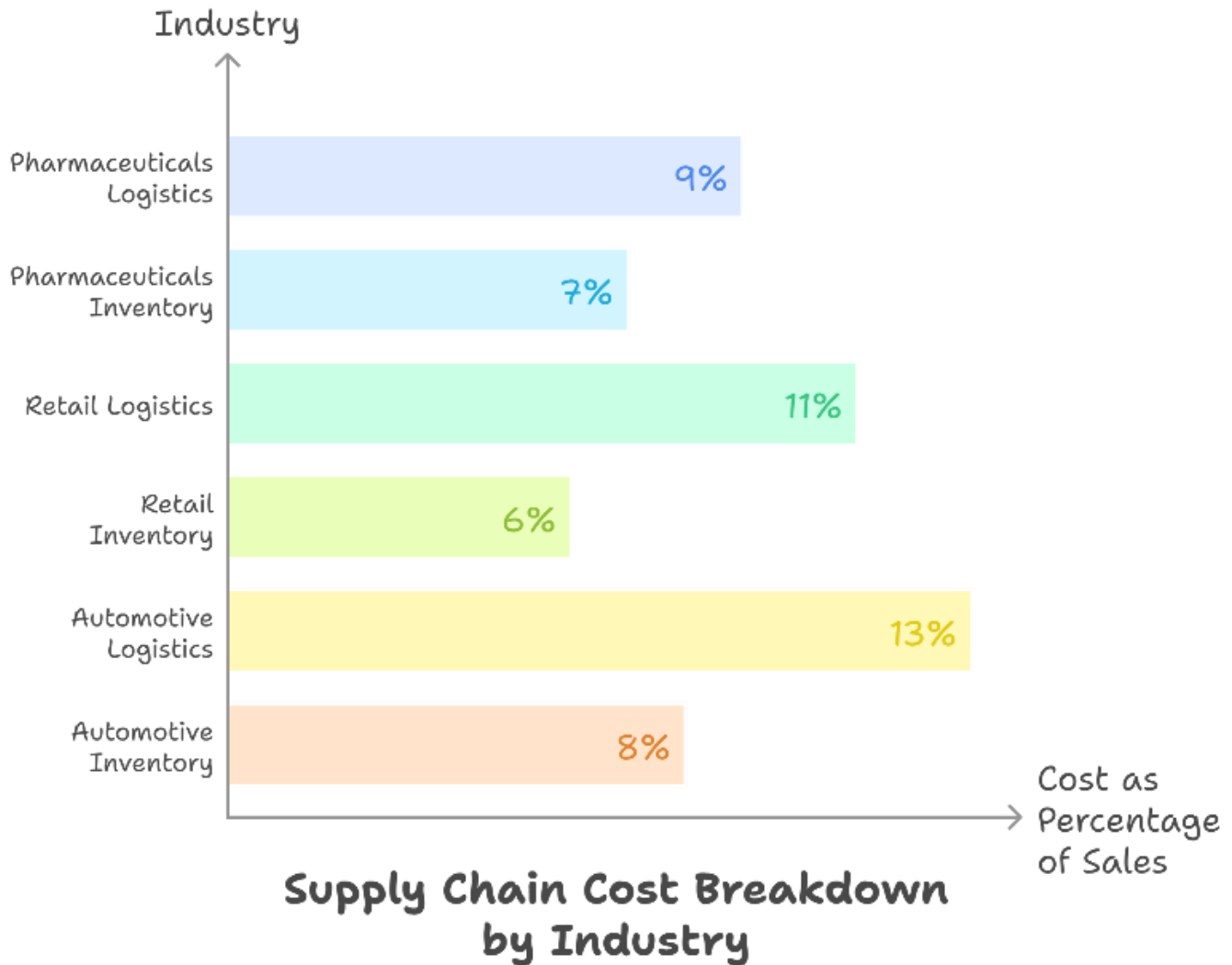


Figure 1. SCM Cost Breakdown by Industry

Source: Adapted from Deloitte (2021), McKinsey (2022).

4. Analysis and Discussion

SCM as a Cost Burden

Many organizations have slowly begun to see Supply Chain Management (SCM) not as a strategic asset but

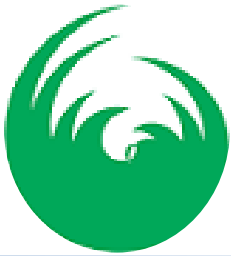
rather an increasing cost center over the years. In this context, SCM tends to be viewed as a balance-sheet (liability), particularly in industries that are subject to highly-adverse & regulatory environments, frequent disruptions & changes & unstable global dynamics. There

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are three main areas where supply chain costs accrue: logistics operations, warehousing and inventory management, and compliance with ever-evolving standards. If handled inappropriately, each of these cost areas produces levels of pressure that can erode and eat into profitability.

One of its main contributors is the rising logistics operating costs. High fixed and variable costs are caused by the long distance required for transport, increasing fuel prices, driver shortages, and the need for multi-modal transport systems. For global companies, just one local disruption a port strike, a spike in fuel prices, or a customs hold can drive their costs up by millions of dollars.

Warehousing introduces an additional level of complexity to this problem. Excess stock arises when demand forecasts fail and supply is delayed, leading to increased carrying costs and blocked working capital for the company. This will lock up those funds which affect liquidity and reduce flexibility towards investing in innovation or other opportunities.

There are also compliance and risk management costs, also invisible but real. This has led to numerous safety, environmental, and labor regulations that modern supply chains must follow. Maintaining these standards requires ongoing expenditures in audits, certifications, and documentation systems. Although these are important for ethical and legal operation, they also raise the cost of doing business, especially where chains cross many countries jostling with their individual regulatory frameworks.

An illustrative case study would be the pharmaceutical industry, especially the fixings during and after the COVID-19 pandemic. This burden on pharmaceutical manufacturers and distributors meant that they had to keep extremely high safety stocks of essential medicines in order keep supplies uninterrupted. At the same time, air freight prices soared, as there was just not enough cargo space available and many international options were restricted. Evolving international health regulations required additional compliance and storage infrastructure to preserve quality. Hence, this created the opposite scenario wherein the supply chain itself turned out to be a large cost center as opposed to being efficient. While the

demand for healthcare products grew, costs for logistics and compliance grew even quicker than revenues, and profitability suffered. In extremely volatile economic contexts, we see multi-national companies become physical capacity holders with little to no visibility into their own physical inventories in markets illustrating how supply chains can flip from an efficiency enabler to a low-value asset. By reacting to adversity (from shutting down plant capacity) rather than preemptively mitigating risk (increased visibility) this case exemplifies exactly why, especially in times of volatility, supply chains can go from the strategic driver we all want it to be, and to a bottom-line killer.

SCM as a Competitive Weapon

Rather than being dictated by the conventional focus on costs, many organizations and researchers now seem to see SCM as a battleground of strategy an essential part of organizational resilience, innovation, and long-term competitiveness. A strategically designed and managed supply chain does more than move goods, it adds value at every level of an organization. It increases more reliable responsiveness, lowers ambiguity, and accelerates collaborative innovation. The supply chain is no longer a backend function but the backbone of strategic success in a digital global economy.

It derives from three intertwined levers that make up this strategic strength — lean management, digital transformation, and collaborative partnerships. Lean and Just-in-Time (JIT) practices are centered on waste elimination, redundancy reduction, and process flow improvement. Organizations attain optimum control on natural resources and remarkably eliminate operational wastage, by producing only what is required, exactly when it is required. This level of efficiency does not only cut the cost but also helps in building agility to help businesses pivot quickly with changing demand of the customers.

Digital technology, the second lever, has fundamentally changed how supply chains work today. From artificial intelligence, to predictive analytics, to blockchain traceability, to IoT monitoring systems, the tools are available to empower managers to make decisions faster



and more accurately. With the help of predictive analytics, businesses can anticipate changes in demand even before they occur, and AI-powered solutions can help find the best routes and inventory levels, almost in real-time. Transparency and trust seem to be at risk between a network of suppliers, but thanks to blockchain, that is not a trouble anymore, while the internet of things keeps a real-time control and view over the products the entire time through any means of delivery imaginable. Such technologies make the supply chain not reactive and intelligent ecosystem that predicts, adapts, and evolves.

The third, is a collaborative supplier networks, underpinned by mutual faith & value generation. Instead of a transactional relationship, modern organizations foster long-term partnership on joint planning, shared performance scorecards, and exchange of innovation. Such collaboration enables swift decision-making, quicker solutions to problems, and co-evolution. Suppliers and manufacturers become joint strategic allies to turn the entire network into a competitive entity as one unit as opposed to acting individually.

The actual examples show this change vividly. Amazon, for example, has transformed supply chain efficiency by leveraging predictive analytics, robotic warehouses, and AI-driven logistics systems. It provides the company the ability to handle sharply fluctuating demand, shorten delivery lead times, and delight customers worldwide while keeping operating expenses in check. Or think of Toyota's lean supply chain model, which will show you

how extensive supplier collaboration and Just in Time manufacturing bring about a perfect balance of cost-efficiency and innovation. Toyota takes long-term supplier relationships that guarantee reliability, quality, and technology progress into a source of sustainable competitive advantage.

Each of these examples, reveal a single obvious truth when organizations see SCM as a cost, rather than as a strategic investment, it will turn into their greatest weapon. It is really an execution and point of view thing. A company with the attitude that its supply chain is simply a cost, cannot do any better than with little visibility, leading to inefficiencies as well. However, the re-imagining of that same supply chain as a strategic system fueled with lean thinking, digital intelligence, and collaborative relationships becomes the kind of sustainable advantage that can sustain growth and innovation for the long term.

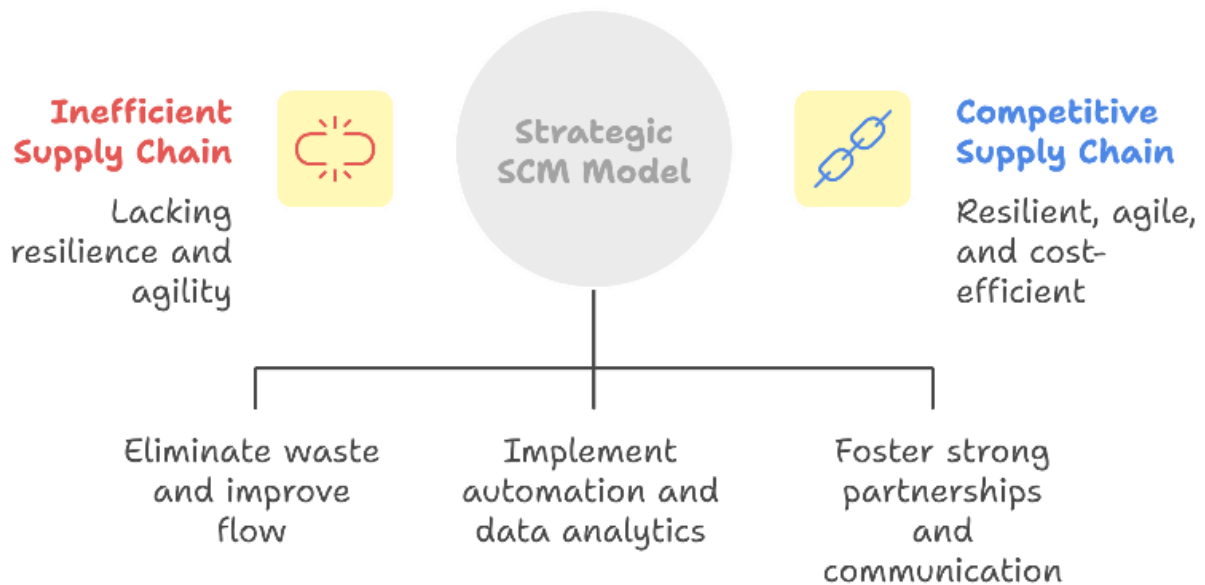
Maybe the real argument of whether SCM is simply a cost or a strategic advantage is less to do with the system, and more the decisions that an organization chooses to make around it. The supply chain, despite its obvious challenges, is not a liability, but will serve as a bedrock of competitive advantage in such a rapidly evolving environment, for those that take a future-minded, technology-led, and partnership-focused approach.

As shown in Figure 2, a well-integrated SCM system enhances resilience, reduces costs, and improves customer satisfaction

Figure 2. Strategic SCM Model



Achieving Supply Chain Excellence



4.3 Comparative Evaluation

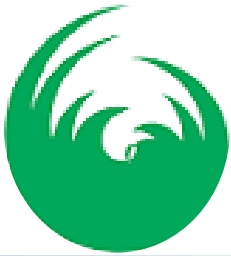
The evidence indicates that SCM works on both scales: as overhead when the focus is solely on cost regime and as opportunity when integrated into strategic perspective. It is a trade-off of minimizing costs in the short term versus gaining strategic aims in the long run.

SCM is seen as expensive by managers in the short term due to capital lock-in, short term regulatory pressure and

logistic volatility. Yet organizations making sustained investments in lean systems, digital transformation and partnerships outperform their peers on a sustainable basis. This transition reinforces a wider lesson: that SCM is neither a curse nor a blessing; it is a function of the choices managers make about available resources and how they align SCM capability with competitive strategy.

Table 2. Comparative View – Cost Burden vs. Strategic Advantage

Dimension	Key Insights
Cost Impact	<p>Cost-burden view: Rising logistics, inventory, and compliance expenses.</p> <p>Strategic-advantage view: Reduced costs through lean practices and optimization.</p>



Resilience	Cost-burden view: Vulnerable to disruptions and delays. Strategic-advantage view: Enhanced flexibility and risk management.
Technology	Cost-burden view: Seen as an additional expense. Strategic-advantage view: Viewed as an enabler of efficiency and visibility.
Competitive Position	Cost-burden view: Neutral or weak; reactive to change. Strategic-advantage view: Strong differentiator; proactive and innovation-driven.

5. Findings

The decomposition uncovers several noteworthy features of SCM as both a resource-based and market-based capability.

Cost Burden of SCM: For heavily regulated and disruption-prone industries like pharma and automotive, SCM often comes down to being a cost center. This surge in logistics expenditures, inventory holding expenses, and compliance duties escalates the cost of operations. These pressures divest long-term profitability when organizations take a narrow, tactical cost-minimization view.

SCM as a Source of Competitive Advantage: Companies that focus on lean processes, digital technologies, and collaborative supplier partnerships consistently outperform their competitors. Amazon and Toyota are case evidence that predictive analytics, automation, and supplier integration transform SCM into a strategic capability, increasing agility, resilience, and customer value.

Immediate vs Sustainable: The results highlight a critical trade-off between short-term cost savings and long-term

competitive ability. Radical austerity can provide short-term respite but tends to erode agility and resilience. Supply chains stand on the ground of long-term strategic investments that build stability, differentiation, and leadership.

As a conclusion, it that SCM plays two roles where the managerial orientation is most conducive in the context of strategic alignment. By conceiving supply chains merely as cost centers, organizations lose the opportunity of higher efficiency, while firms that push SCM deeper in their strategies are capable of building sustainable competitive advantage.

6. Recommendations

This reinforces the reason and finds why SCM is no longer a cost center and should be transformed from a reactive nature to a proactive and strategic one. Three broad recommendations are suggested:

Embrace Digitalization: Enterprises must try predictive analytics, AI-based demand forecasting, blockchain traceability, and IoT-enabled visibility. Logistics and inventory costs are usually one of the significant expenses, as illustrated in figure 1. This can be achieved through Digital adoption that reduces the inefficiencies, optimize



the routes and demand planning to strike the right balance between cost and service performance.

Cultivating Partnerships with Suppliers: Joint planning, visibility into scorecards, and longer-term contracts with the supplier are essential. Findings from strategic exemplars demonstrate that supplier integration mitigates disruptions and enhances resilience in their supply chains, from cost-spending to value-creating supply chains.

Counter Short-Term Focus on Cost: A key balancing act for managers is to avoid over-focusing on short-term cost savings. Supply chains should be assessed in the dimensions of finance (cost-to-serve, total cost of ownership) as well as strategy (flexibility, customer satisfaction) instead of focusing solely on the latter. As shown in Table 2, this balanced view allows firms to maximize efficiency and competitiveness.

Simply, organizations should embrace digital transformation and collaborative strategies but with an overall perspective on cost versus value resulting in defining SCM as an entity that is viable for long-term business sustainability.

7. Conclusion

The findings of this study indicate that SCM is neither a cost burden as a matter of course nor a strategic advantage. Instead, its purpose relates to how it is aligned to organizational strategy and the intentions of management. High-level Perspectives on Cost SCM often is characterized as a financial liability (set at the fertility impact level) in approaches that emphasize short-term cost control, whereas substantial investment in lean practices, digital technologies, and supplier collaboration recasts the supply chain as a strategic capability essential to the competitiveness of organizations.

One of the major takeaways is that supply chains mature along a dual trajectory — companies that continue to perceive SCM as a cost Centre through an operational lens remain an easy target for inefficiencies and hawkish threats to business continuity, while firms that incorporate SCM

into their strategic architecture gain a competitive edge marked by resiliency and brand goodwill.

Future research opportunities will include more substantial empirical research that examines the financial implications of manufacturing and supply technologies like generative AI, autonomous logistics, and green supply chains. In addition, cross-industry comparison may provide further insight into how contextual factors influence the avoidance of cost burden and the development of strategic advantage.

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