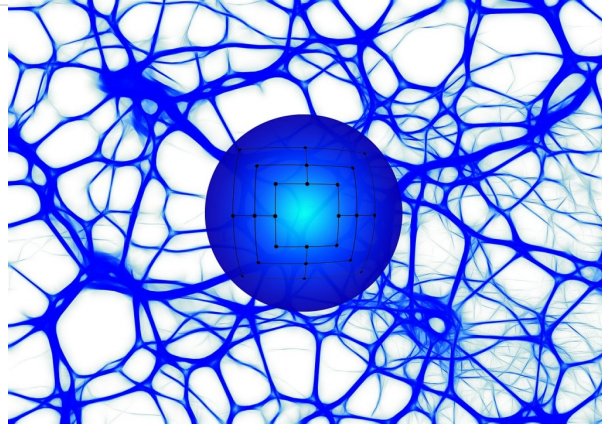


4.8: Integrated Supply Chain Management and the Distribution Strategy



As the importance of managing the supply chain well has increased, companies have acknowledged that they must manage the supply chain as a complete system and treat it as an integrated function. When an organization takes an integrated approach, it is recognizing that it cannot manage each part of the supply chain as an independent function, but instead needs to understand and manage the connections and interdependencies.

Within the supply chain organization, this means that sourcing, demand planning, inventory planning, warehousing, logistics, and order-fulfillment functions must work together. The rise of supply chain software tools that bring this data and information together in one place is just one indicator of an increasingly integrated focus. Also, many organizations previously had these functions spread between different organizations with little opportunity to interact. Today, most large organizations have an integrated supply chain function with a common management team and common objectives.

Beyond the work occurring within the supply chain organization, there are important connections to marketing, finance, and manufacturing. Marketing plays a direct role in creating the demand forecast and defining the product and delivery expectations for customers. These must be reviewed with the supply chain team so that everyone knows what needs to be achieved, and when that isn't possible, adjustments can be made and communicated to customers early. The integration with finance is necessary to ensure that investments are budgeted correctly and inventory is accounted for accurately. Manufacturing is often most heavily affected by decisions and requirements of the supply chain team, as they are counting on having an adequate supply and must meet delivery time lines to keep customer commitments.

As with many complex organizational challenges, this integration works best when there are clear objectives that are set across the organizations, a common view of the data (which identify opportunities for improved performance), and clear, frequent communication about potential issues and needs. This enables all of the organizations to focus on delivering value to customers and achieving the company mission.

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