Interview

Why do you think supply chain management is often considered only at the level of logistics?

It starts with leadership. It’s frustrating, but corporate leaders who move up the ranks come from a certain mindset, such as finance, marketing or operations. This means that they are only able to look at supply chain management from one perspective. It’s important that business leaders surround themselves with people who understand the other sides, so that they can synthesize these views into a broader perspective.

Supply chain management: everybody’s business?

Often viewed in a silo, the supply chain is crucial to a company’s operations. Nada R. Sanders, author of *Supply chain management: a value network approach*, explains what companies can do to integrate it into their broader business functions.

Why do you think supply chain management is often considered only at the level of logistics?

It starts with leadership. It’s frustrating, but corporate leaders who move up the ranks come from a certain mindset, such as finance, marketing or operations.
Why is it a mistake to view the supply chain as separate? Because it can lead to profitability, lower costs and greater agility. It’s also about survival. Any company that does not pay attention to its supply chain management may not survive, and it certainly won’t prosper.

What can companies do to integrate supply chain management into their operations? Your strategy doesn’t need to be complicated. First, examine three things: your physical network (what does it look like?), your relationships (what are you outsourcing?) and your IT resources. Then, in the supply chain itself, four strategies need to come together: distribution, procurement/purchasing, operations and logistics.

Which companies are doing this well? Nike has faced challenges in terms of forecasting. Because of the number of innovative products it has, it never knows exactly which products are going to hit which customer group. It has to have suppliers with enough capacity to switch quickly: for example, we planned for shoe A, but shoe B is the real seller. When strong sales are occurring, you need to ramp up production.

Agility is essential. Clothes retailer Zara has a vertically integrated supply chain and has been creative from an operations standpoint: in store, you see the same, or similar, fabrics cut in many different ways. So, while the retailer doesn’t have to manufacture too much of anything, customers walk into its shops and see a lot of inventory.

What are the key lessons when it comes to tackling supply chain issues? Broad-based thinking is important, but is often lacking. What works for a large company in one domain might not work for a small company in another. It will depend on what the competition is, where you are in your life cycle and whether you are selling a commodity or luxury goods. There is often a lack of connection between distribution (typically in the marketing domain), purchasing (the buying function) and operations. Having all three of those communicating in real time gives you a chance of success.