



GROENEWOUT

‘Supply chain is a combination of logistics, finance and commerce’

Trend: The supply chain has increasingly become a topic of discussion at board level, which means that companies are making plans that straddle the borders of their business units. The challenge is to be willing to work together and to have faith in the fact that an integral strategy will benefit the entire organization.

“Within distribution-related logistics projects we’re seeing a shift towards goods flow management,” says Alain Beerens, Managing Consultant & Partner at Groenewout. “In the past the discussion was much more focused on the ideal size or location of new warehouses, for example. Managing the flow of goods is about matters such as the inventory level and its impact on the cash flow.”

In his opinion, this means that the logistics discipline has moved higher up the organizational hierarchy over the years. “We’re increasingly coming across companies where the supply chain discipline is represented at board level. In that case, the responsibility is not limited to the operational logistics costs and customer service, but also includes financial issues such as the amount of capital tied up in stock and supplier payment terms. The supply chain is a combination of logistics, finance and commerce.”

Borders

Meanwhile, Beerens notes that companies are increasingly looking beyond the borders of their business units. “For example, they want to make a good integral forecast by implementing concepts such as sales & operations planning (S&OP) or integrated business planning (IBP). By taking an integral approach, it’s possible to reduce inefficiencies and hence to optimize the entire chain.”

“Whereas physical optimization, such as of the logistics footprint, used to be the final destination, it’s now merely a starting point. The next step is to roll out a coordinated logistics management approach for the network of warehouses. In other words: how will you handle forecasting? How will you translate that into a European manufacturing plan? How will you then turn that European manufacturing plan into a plan for the local facilities? How much stock should they hold? How will the available inventory be allocated in the case of stock shortages? All of these issues and processes must be supported by a significant organizational and IT component.”

Collaboration

According to Beerens, a readiness to work together is essential to logistics success. “The growing need to be willing to collaborate has enabled logistics to secure an ever-higher position for itself within the hierarchical organization. If you want to optimize the situation beyond the borders of business units and country organizations, it must be supported at the very highest level of management. For example, someone will need to be able to overrule an individual country organization if it places its own interests before those of the company as a whole or if the commercial interests are given too much priority.”

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“The supply chain must therefore have a very high standing within the organization and be able to rise above the various stakeholders and their individual interests – that’s very important. And because people will have to relinquish certain privileges, they must come to realize that the integral strategy will be beneficial for everyone within the organization.”

To illustrate his point, Beerens describes an example in which the inventory planning is optimized throughout the entire chain. “That could conceivably mean that a number of chain partners are allocated less stock, which could create dissatisfaction at first. After all, if you are a local sales organization you will of course want to claim as much inventory as possible to sell. The same applies for cost allocation; everyone must have faith in the fact that they will all benefit in the end and that no one will be confronted with higher costs as a result. Only then can you work with a truly integral supply chain strategy.”

This interview was first published in the June 2015 edition of Supply Chain Magazine. [Click here](#) to read the Dutch version of the interview.