Chapter 2
From Integration to Alignment: Challenges and Solutions

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ABSTRACT

Supply chain integration in its various forms has been talked about in the literature for nearly two decades. But the impediments to improved integration have been difficult to overcome, and progress has therefore been painfully slow. This chapter examines three of the most powerful obstacles to integration: terminology/definitions; organization design; and, systems/IT; and traces developments in these areas since the mid-1990s.

INTRODUCTION

There have been a lot of changes in the jargon in the four decades since the term physical distribution management (PDM) burst on the scene in an article by Robert Neuschel (Neuschel, 1967). Definitional issues have plagued this space as different schools of thinking want to have their terminology universally accepted.

I come from the school that has resisted changing terminology as the related concepts developed over time, because I thought we should avoid yet more jargon on top of that which already exists. In my view we just need to keep redefining what goes inside the various terms, and more recently this has meant a particular focus on the ‘supply chain’.

However, despite my efforts and those of like-minded individuals, we have failed to have the term ‘supply chain’ recognized as having both revenue and cost reduction dimensions; most business managers still think of it in cost-down terms, much as they did with its forerunner, ‘logistics’. And despite years of trying to get executives to understand that there is a big difference between
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‘logistics’ and ‘supply chain’, few have changed their mental model to factor in the potential riches that ‘supply chain’ end-to-end thinking can bring.

And as for including human behaviour and relationships, the business world is still largely in denial. Something has to change and maybe that is the way we need to present the full idea of the supply chain to top management- we simply have to get it accepted as a multi-disciplinary term, not of one functional specialism.

The term ‘supply chain management’ was originally coined by the consulting house Booz Allen & Hamilton circa 1982. It never was a good term anyway, because it immediately conjured up in one’s mind the ‘supply’ side of the enterprise. The ‘chain’ descriptor didn’t help either, as it implies we are dealing with linear chains or strings of enterprises, when in fact the real world involves 3-dimensional arrays of enterprises. Indeed, our future world, whether we like it or not, is moving inexorably towards a ‘network of networks’, and we had better get on board with that reality.

Over the last decade, various commentators have broken ranks in search of more meaningful terminology. For example, value chain; demand-chain; demand-networks. I raised this at a ‘thought leadership’ forum in Sydney in February 2010, and the term which ultimately emerged from the debate was ‘value networks’. However, although it is probably too early to move straight to this vernacular, I forecast that it will become widely adopted within 10 years. Why? Because the term ‘value networks’ beautifully encompasses everything we want in scope; supply-side supply chains; demand-side supply chains; and the idea that enterprises have many supply chains (or pathways) flowing through them. It also allows us to explain the concept of ‘alignment’ and describe the dynamism involved as combinations of different supply chain configurations mix and match to form aligned ‘value networks’.

By ultimately embracing ‘value networks’ as the accepted vernacular in the future we automatically include all parties on the supply-side, all parties on the demand-side, and all parties in between, e.g., service-providers. When that happens we will have finally cracked the terminology and definitional problems that has bedevilled us for decades and been one of the primary inhibitors to the development of this relatively new sub-field of management science. We still have to overcome other impediments to end-to-end integration, and we will address these later in the chapter.

In this chapter I will refer to other components such as supply chains (plural); supply chain configurations; and ‘hybrid’ supply chains, but the over-arching albeit subliminal concept will be ‘value networks’ because this is the end-game. That’s where I am heading in the future. What about you?

**ORGANIZATIONAL DESIGN**

In the end, supply chains are driven by people in various guises; customers, suppliers, third parties, and employees inside the enterprise, and everyone must fit into some type of organization structure. And herein lays the second big problem that has held back the development of supply chain thinking for decades—organizational design.

Unfortunately, we seem to have become wedded to the conventional functional silo design, whose origins date back as far as the Industrial Revolution. And over the years this functional design, with its emphasis on specialisms, has served us well, but that all stopped abruptly with the onset of the Internet in the early 1990s and the corresponding convergence of a plethora of new software applications. Consumers and businesses alike are now demanding responsiveness that was unheard of two decades ago. Hence, the organizational designs we became so comfortable with over time are now clearly outmoded. And the fact they still remain is a statement about how slow we as humans are to adapt; and how unwilling we are to accept reality, and look for creative solutions.
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