**READING: HOW IMPORTANT IS THE INTERNAL SUPPLY CHAIN?**

Source: Rebecca Radford | June 5, 2017 | www.allthingssupplychain.com/how-important-is-the-internal-supply-chain/

**Directions**

*Read the article and then write an informative paper that describes how the internal and external supply chains are interrelated and how they are different. Paper must be typed in MS Word and include a graphic illustrating the relationship between the two supply chains. Include any sources you used at the end of the paper in APA style.*

**Grading**

*Assignment is worth* ***100 points*** *and will be graded using the Informative Essay Rubric****.***

What exactly is the internal supply chain? Without sounding painstakingly obvious, it refers to the chain of activities within a company, specifically, purchasing, production, sales and distribution. The internal supply chain has a significant impact on a company’s success; operations need to run smoothly in order to create a harmonized working environment and an efficient workflow.

There is so much focus on the external supply chain that internal processes can often be left behind. The external supply chain refers to the network of activities outside of a company such as transportation, and the environmental factors, which can have a direct or indirect effect on operations e.g. supplier failure, changes in laws and natural disasters. These external activities are usually deemed to have a greater impact on the supply chain. This blog will highlight the important factors of the internal supply chain and the threats within this particular area that can affect an entire company structure.

**Importance of the internal supply chain**

It is important to recognize that the internal supply chain has a massive impact on the final product and its ultimate delivery to the consumer. Understandably, a company would not be able to produce a product without the raw materials from its suppliers (external); however, the internal goings-on determine whether a final product is ready and good enough to sell. In-depth planning is one of the main factors influencing the success of the internal supply chain, determining how to market a product and ensuring the production process is on time. This leads to optimized operations, which in turn leads to success. The optimization of the internal supply chain helps ensure on-time production, happy employees through comprehensive management and an improved ability to effectively deal with unforeseen circumstances.

**Threats to the internal supply chain**

After discussing the importance of the internal supply chain, we must now analyze the threats that are experienced in this particular area. These significant threats will highlight the effort undertaken to secure reliable internal operations. The following examples will emphasize the magnitude that failure in the internal supply chain can have upon the success of a company and its consumers, and how threats can create strength within this area.

***Fluctuating customer demand***

A change in customer demand can deeply affect the internal supply chain; whether demand is increasing or decreasing, both have an impact on production. This means companies must be prepared to deal with extra or low demand through effective demand planning. It consists of exploring possibilities to meet demand if there happens to be a significant change; this includes renting space to store an overflow of stock or even having extra suppliers on hold if there is a lack of raw materials. If demand is not met, it affects customer satisfaction, so it is imperative for the internal supply chain to deal with this as soon as possible. A decrease in customer satisfaction will decrease demand, and therefore negatively impact a company’s profits.

In this instance, however, this threat can help a company effectively deal with change and optimize its contingency planning capabilities to avoid such situations.

***Machine breakdowns***

One of the potential risks within the internal supply chain is a machine breakdown. This halts manufacturing and wastes time, as well as money, due to a failure in production. It means a company cannot physically produce a product and leads to unplanned downtime. This is a common threat to the internal supply chain. An example can be taken from Toyota on April 22, 2017, when a machine broke down at one of its manufacturing plants, halting most of its production for little over a week.

This potential threat emphasizes the need for companies to be more aware of the condition of their machinery. Through machine learning, a company can monitor its operating conditions and allow optimization of machine activities throughout the internal supply chain. It also helps target manufacturing problems, avoiding subsequent quality and quantity issues.

***Change of technology***

Another potential threat to the internal supply chain is technological change, regarding the change of computer systems such as new software programs and updates as well as new equipment. This can be seen as threatening to the internal supply chain, especially to employees, if they feel that new robots will replace them in specific tasks, or if it is hard to come to terms with working alongside the new technology. It could lead to the creation of extra costs to fund training and various workshops.

However, digitalization is a trend that is consistently emerging throughout the entire supply chain. Even though technology can be a threat to the internal supply chain, it can also help to optimize operations, once imbedded into the culture of the company.

**Closing thoughts**

The argument of which is more important- the internal or external supply chain- is still open for debate. This blog highlights why the internal supply chain should not be overlooked and how it could be considered to have an equal weighting and influence when compared to the external supply chain. Threats, such as the ones mentioned, strengthen the internal supply chain and prove its worth to the success of the company.

Do you think the internal supply chain should be considered more important than the external?