

Three Steps to Improve Supply Chain Management

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Information is a powerful dimension that these companies should fully employ to gain a distinct advantage by coupling the necessary inventory and operational processes with customer service, order entry, and financial management processes.

In the past decade, volumes have been written about the value of supply chain visibility and execution systems. It's hard to argue with the concept. When everyone's systems are working together to fulfill orders perfectly, execute on-time shipments, and provide early alerts to problems, life is good.

But creating a perfectly meshed supply chain is easier said than done. Very few supply chain communities are made up entirely of companies with best-in-class supply chain applications. The strategic investment required to integrate diverse systems and scattered data resources while developing the necessary technical expertise can be daunting.

Enabling collaboration, preserving system and data integrity, and ensuring security are critical. Most distribution center and warehousing solutions are deployed in-house, close to the activities and people they support. While that makes complete sense for operations on the ground, an in-house system can impede collaboration when multiple supply chain participants are involved. To serve the multitudes of potential participants, a more flexible and accessible solution is required.

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To fill this gap, many companies have turned to on-demand supply chain solutions. By outsourcing to a cloud-based supply chain vendor, companies can realize a long list of benefits, including lower up-front costs, faster implementation time, and immediate connection with new or existing communities of trading partners.

But before implementing an on-demand system, three critical steps must be taken.

Step 1. Overcome diverse technical competencies between participants in a supply chain community.

Problem: It's rare that a single operator can own all or even most of the processes between the client and the retailer or end-customer. Even the simplest operations may engage dozens of providers, and suppliers and each client (supply chain) can represent a different group of players with different needs.

Perhaps the greatest challenge is that most IT departments have their hands full managing internal systems, with little time — or expertise — to spare for the complexities of supply chain management. That makes implementing collaboration and visibility tools from the ground up an overwhelming challenge. The time and capital required to acquire and implement systems are expensive and long-term. Finding an experienced staff is even more of a challenge. Therefore, electronic interaction and online execution is typically reserved for clients who demand it, if they are provided at all.

Solution: Cloud solutions enable broader adoption of these typically sophisticated capabilities. By providing a hardware and software platform in conjunction with a technical staff with deep domain experience, the time and expense of selecting, buying, training and implementing are greatly reduced.

While overcoming these diverse technical competencies can be challenging, the benefits are significant. When logistics enterprises can establish electronic links in the supply chain, a “magnetic IT bond” is formed that extends a company's reach both technically and operationally. Finally, because cloud solutions become an extension of existing business systems, they typically deliver a much faster return on investment and create economies of scale moving forward.

Step 2. Perform logistics activities in a connected supply chain.

Problem: No enterprise can afford to bear the costs of inefficient supply chain arrangements. Efficiency of supply chains is ensured by paying close attention to selecting the right indices that reflect the health of business operations. In the end, the logistics provider remains responsible for execution. That entails knowing what to do, what is expected and when to do it. Visibility simply isn't possible until a supply chain works.

Solution: The starting point for efficiency is creating the informational and operational processes necessary to execute orders, shipments, receipts and payments. Mapping the various documents traded by the different participants to

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execute transactions is a challenge that can be met with a well-managed system. Setting up the system so that each transaction adheres to business rules is an even more critical challenge that must be addressed.

The system should keep precise track of each stock-keeping unit so that inventory replenishment is facilitated, inactive inventory and retail handling expenses are reduced, stock-outs are minimized, and performance cycle times are optimized. By meeting the demands of a constantly changing business environment, logistics enterprises enhance their value to both clients and partners.

Step 3. Analyze and monitor supply chain data through dashboards and visibility tools.

Problem: Without solid, well-thought-out business rules to manage the relationships among systems, inefficiency is certain, and logistical chaos may result. Business rules are essential for more accurate assessments when monitoring activity and inventory, measuring efficiencies, ensuring proper alignment of resources and applying performance metrics.

Solution: Progressive supply chain management enterprises provide exception alerts, shipment and order status visibility, performance dashboards and flexible reporting. Once established, these analytic and performance monitoring tools enable the exploration and analysis of supply chain data from nearly any perspective. Dashboards can be configured to provide periodic, scheduled analysis of current supply chain status, including on-time shipment, short order reports, inventory turns and more.

Visibility is an invaluable byproduct of supply chain partner collaboration. As logistics companies become more sophisticated in their use of powerful supply chain technologies, visibility becomes another demonstrable value.

Summary

A collaborative logistics technology gap exists because of the cost and complexity of integrating disparate systems among companies at all levels in the supply chain. In an industry based primarily on physical movement of inventory, information is a powerful dimension that these companies should fully employ to gain a distinct advantage by coupling the necessary inventory and operational processes with customer service, order entry, and financial management processes.

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