



Supply Chain Visibility Solutions Pave the Way for Continual Performance Improvement **By Kari Dwyer, May, 2010**

Summary

As competitive pressures become more intense across the global supply chain industry, companies must seek new ways in which to increase efficiencies within the supply chain. In order to do this, cross-functional supply chain visibility solutions become a critical partner in identifying areas for strategic and tactical performance improvements. For supply chain visibility solutions to be effective, actionable data must be easily accessible and acted upon. Companies that invest in supply chain visibility solutions as an integral part of their continual performance improvement initiatives will be able to react most quickly to the demands of their adaptive supply chains and will secure substantial cost savings.

Introduction

Continual performance improvement is not a small undertaking; it is a way of life for companies seeking to remain competitive. In fact, the term "continual" guarantees an ongoing effort in refining operations. Supply chain visibility solutions provide a powerful avenue in contributing to performance improvement goals by providing statistics and measurements of supply chain processes and operations.

The ability to view Key Performance Indicators (KPIs), metrics, and trends does not provide much value unless the underlying detail behind the numbers is also available. Obtaining actionable data is critical in order to make effective strategic and tactical decisions. Through the availability of actionable data, supply chain visibility solutions become an invaluable asset in providing continual performance improvement.

Actionable Data Drives Effective Change

Actionable data is the precursor for effective change. Making arbitrary or uninformed decisions in attempts to secure a specific improvement is not cost efficient, and is unlikely to produce successful results. Isolating the root causes for specific performance measurements and providing a tactical approach to resolving them is the fastest, most effective way to gain performance improvements.

Information becomes actionable once the data can be analyzed in such a way that a decision can be made to affect a desired outcome. In the supply chain, actionable data drives strategic and tactical decisions aimed at increasing efficiencies, thus reducing costs. Knowing that Vendor Compliance averaged 98% last quarter is not actionable in the truest form. The ability to view each vendor and their overall compliance history provides information that can be acted upon. For example, if one vendor has a compliance rating of 92%, then specific actions can be taken

with that vendor to determine any underlying issues with meeting the desired compliance standards.

Companies that do not currently have visibility into actionable data may not be aware of substantial efficiencies that could be gained by even minor adjustments. Knowledge of pertinent information is essential to effecting change that will lead to cost savings. On the other hand, many operations have plentiful supplies of granular data, but do not have a usable method to identify what data is important. It is easy to overlook exceptions in a supply chain process when the data is hidden among information that is currently as expected.

For companies who perform well in certain areas of the supply chain, complacency may be reached when quarter after quarter, a supply chain averages about 98.6% in on-time deliveries. While in some industries that is a good average, there is still room for improvement. The ability to view the underlying data beneath the numbers could reveal very surprising information. As the saying goes, "one bad apple can spoil the bunch." It is possible that upon further review, a handful of suppliers contributed the most to the decline of specific performance measurements. Once the information is made available, further actions can be taken as needed that will lead to noticeable performance improvements. Whether changes are made in a process or addressing an exception real-time, actionable data is the predecessor for implementing effective change.

Visibility Solutions Deliver Actionable Data

Actionable data is most effective when the right data is presented to the right people, at the right time, and in the right method. One effective and powerful way to receive actionable data is made possible through supply chain visibility solutions. Visibility solutions have the infrastructure in place to prominently display data that needs attention whether through alerts, dashboards, reports, emails, hand held devices, or text pages, and direct the information to the right people.

Visibility solutions allow the presentation of higher level metrics with the ability to drill into the supporting detail, often through multiple layers, to get to the detail that drives action. Robust visibility solutions build metrics from the bottom up, using the most granular level of detail available to build a solid foundation as a basis for all higher level metrics. This solid foundation gives credibility to the higher level metrics since all numbers can be justified through the analysis of lower level data.

For the majority of supply chains, corporate level metrics and performance numbers are often comprised of results from different systems. The ability to drill into the detail information originating from disparate systems is important in understanding all of the factors that contributed to performance measurements. Cross-functional supply chain visibility solutions expand the potential for improvement by exposing weaknesses in specific areas of the supply chain, often at collaboration points. In the measurement of the Perfect Order Fulfillment Rate, information from different segments in the supply chain such as manufacturing, distribution, transportation, and even the end user experience is aggregated and compiled into an overall performance measurement. The information needed to understand how each area of the supply chain affected the performance measurement should be accessible to analyze the cause and effect relationships behind the metrics.

An example is illustrated below by showing an enterprise level view of performance measurements for Perfect Order Fulfillment:

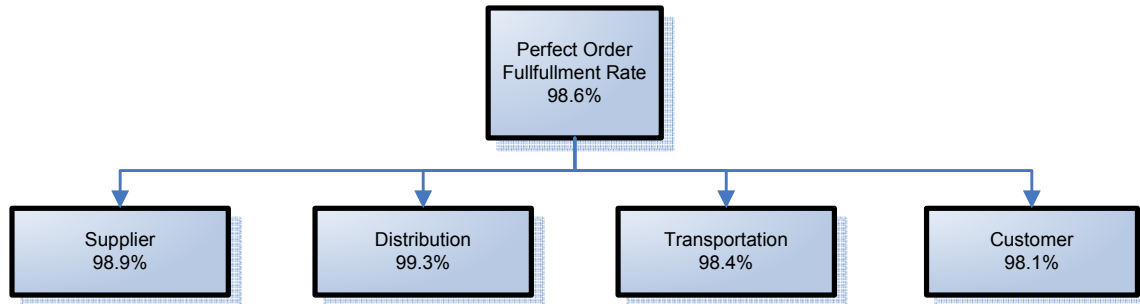


Figure 1 – Perfect Order Fulfillment Rate Analysis Across Sectors

Accessing supporting information for “Distribution” displays all Distribution Centers and the performance numbers comprising the high level performance percentage. Further analysis on the lower performing areas can lead to the identification of problem areas as demonstrated in Figure 2.

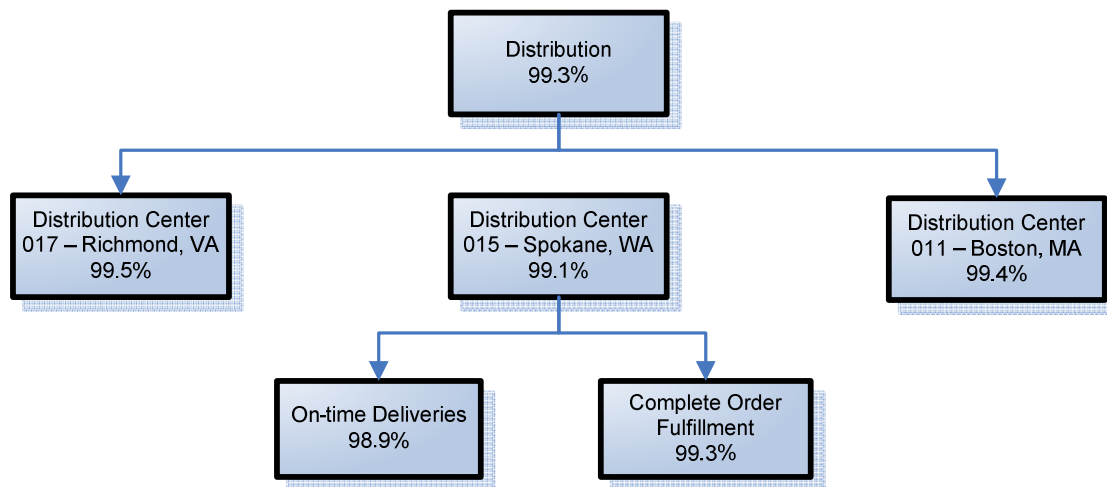


Figure 2 – Distribution Center Analysis

Analysis of the metrics on a lower performing Distribution Center, as shown above, provides information that On-time Delivery performance is lower than average, and could be leading to a lower percentage for Complete Order Fulfillment. Further analysis into supplier on-time performance could identify specific suppliers that are not regularly complying with corporate on-time delivery performance requirements. By taking action with specific suppliers, on-time delivery performance could be improved also leading to improvement further down the supply chain process.

A supply chain executive equipped with this information would be able to isolate areas within the supply chain that are producing the greatest impact to the overall performance. In addition, goals would likely be established for performance improvements for areas within the supply chain that are causing the largest impact. Within a specific cross-functional area of the supply chain, the ability to view the lower level detail will aid in understanding and prioritizing the specific actions needed for improvement.

When quarterly or annual performance targets are published, supply chain visibility solutions can be used to provide a solid plan in order to achieve performance improvements. If a supply chain executive sets a performance improvement for Perfect Order Fulfillment to increase from 98% to 99% for the year, strategic and tactical planning can start immediately using a visibility tool to

analyze areas for improvement. In addition, areas that are the highest performers can be recognized to determine if specific processes are in place that are leading to increased performance measurements. Oftentimes, sectors of the supply chain that perform well in one area should be explored so that beneficial processes can be propagated throughout the supply chain. Once specific tasks are identified, acting upon the information will provide improvement, and the visibility tool can be used to close the loop by monitoring the execution of the changes.

Using supply chain visibility to provide trending and forecasting for upcoming conditions promotes a proactive approach in preventing possible demand related issues. Continual performance improvements could be reached by lowering the probability that bottlenecks within the supply chain will occur based on historical trends and forecasting. Many supply chains experience seasonal volume peaks that can be anticipated more accurately with the availability of historical information. Visibility into future demand can refine performance improvements even further by preventing situations that lead to inefficiencies.

Supply chain visibility solutions allow for informed decision making through the visibility of information across the total supply chain. Continual performance improvements are made possible by isolating specific areas for improvement, setting goals, and monitoring the effect of implemented changes across the supply chain through cross-functional visibility solutions where the information is built from actionable data.

Continual Improvement Happens in Real-time

The inclusion of supply chain visibility solutions within corporate continual improvement initiatives provides a powerful addition to assess where a company is, and more importantly, where it is going. Objective truth can be found in the reporting of historical information and trends. However, the greatest opportunity for affecting performance measurements is the ability to react on a real-time, day-to-day basis. While some performance measurements may be positively affected through process changes, many operational issues arise on a daily basis that, as a whole, contributes significantly to performance measurements. Preventing or reacting quickly to exceptions within the supply chain provides a significant opportunity to increase efficiencies, and reduce cost. Real-time monitoring of the supply chain using a visibility tool provides a convenient, accessible way to stay on top of the current conditions and to provide intervention when needed.

One scenario of an operational situation that occurs on a daily basis is shorted orders. In distribution centers, the optimal sequence of events needed to ship full orders can often be disrupted due to a variety of reasons within a facility. By increasing real-time visibility into conditions that will cause shorted orders, appropriate actions can be taken proactively to avoid the probability of shipping an incomplete order. As a result, continual performance improvement increases over time through a higher percentage of full orders shipped. Taking this example even further, cross-functional supply chain visibility solutions can monitor for possible shorted orders long before the product is received in a distribution center. By monitoring the status of expected shipments into a distribution center, possible delays would be known in advance and reported so that appropriate actions can be taken.

Companies that have incorporated supply chain visibility solutions are already recognizing the benefits that real-time visibility provides, and are expanding the use of visibility tools within daily operations. Alerting for exception conditions in a text message, email, or phone call proves to be an effective way of reacting quickly to conditions that have already occurred, or to prevent situations before they arise. A strong synergy exists between real-time visibility and continual performance improvements through the proactive ability to prevent, or quickly react to the ever-changing demands and conditions experienced on a day-to-day, real-time basis.

Summary

Leaders in the supply chain industry remain leaders not by maintaining the status quo, but by widening the gap between their company performance and that of their competitors. Successful execution of continual performance improvement initiatives reinforces internal processes and provides incremental performance gains to further strengthen supply chain efficiencies.

Supply chain visibility solutions are an integral partner in achieving continual performance improvement initiatives. Actionable information is critical in increasing the effectiveness of supply chain visibility solutions and should be the basis of strategic and tactical decisions that drive change.

Companies that have adopted supply chain visibility solutions as part of their daily operations recognize the reality that their operations should be flexible enough to adapt to the changing demands of their supply chain. Proactive notification of conditions on a real-time basis leads to increased efficiencies. In addition, supply chain visibility solutions excel at the aggregation of information from disparate systems to provide the ability to analyze key components that comprise a performance measurement. Accurate information leads to the educated determination of root cause relationships required to implement successful change.

Continual performance improvement is a day-to-day objective that will never be complete as long as competitive pressures exist. Companies that continue to invest in supply chain visibility solutions as an integral part of their continual performance improvement initiatives will reap the benefits of increased efficiencies that will provide a dramatic impact to the bottom line and widen the gap for the competition.

About the Author:

Kari Dwyer has worked in the supply chain industry for over 15 years, and has been working to increase visibility throughout the supply chain. As a member of the Supply Chain Council, Kari is dedicated in her pursuit to maximizing value of existing supply chain systems through leveraging technology and integration to increase standardization across the supply chain.

About Blue Sky Technologies:

Blue Sky Technologies, Inc. is a supply chain visibility software company that provides customers with targeted executive decision dashboards, such as its flagship product, Insight™. The company's solutions are web-based and configurable to serve the needs of multiple individuals within a company's various levels of supply chain responsibilities. Blue Sky Technologies offers integrated, prepackaged supply-chain software and quality service offerings to clients to enhance their customers' competitive advantage in the marketplace. For more information, visit www.blueskytech.com.

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