

SUPPLY CHAIN SOURCING

Mitigate Risk & Optimize Performance

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Supply chains are under significant pressure. This pressure stems from the ongoing impact of the pandemic and the economic/financial disruptions the epidemic has wreaked on entire economies, industries, markets, and society in general. For many organizations, this means rapid change and adaptation to the new environment will be critical for future success. Many of our clients have already seen that their current supply chain structures and strategies are no longer fit for purpose, given the challenges of a changing world. How and where we source materials, components, and products need entirely new strategies with a new set of risk assumptions and models that better define ramifications (costs) of specific point disruptions.

Over the past few years, businesses have been innovating supply chain models and structures to minimize cost, lead time, risk, and inventories on a global scale. The primary goals of any supply chain executive are to help address the four fundamental drivers of the supply chain function for any business;

(i) what (particular SKU or product category, (ii) how much; (iii) when; (iv) and where.

Companies plot out global demand to model the four drivers by utilizing sales forecasts, market expectations, and economic data tempered with financial, labor, or capability constraints. The outputs are unique in every company even though they may have competing or similar products, primarily due to the execution and effectiveness of strategies, processes, culture, values, and risk recognition/acceptance thresholds. Estimated demand is then used by the supply chain to essentially work backward to fulfill end stocking points with a product (what), a quantity (how much), at a specific time (when), at a particular location (where). For example, if the requirement is for 100,000 300 ml bottles of blue colored hand sanitizer (specific SKU) in Merida, Yucatan, Mexico for September, it is the responsibility of supply chain (Procurement) to source, supply and fulfills that planned demand, in compliance with the defined total cost of ownership criteria.

STRATEGIC SOURCING PROCESS *(often done centrally)*



INTEGRATED SOURCING PROGRAMS TO DRIVE SUSTAINABLE RESULTS



SUPPLIER ID. & QUALIFICATION

- Supply market analysis
- Supplier search
- Qualification / on-site audits

Short list of qualified suppliers

SOURCING

- Differentiated bid strategies
- Fact-based negotiation
- Contracting

Selected Supplier(s)

CONTRACT IMPLEMENTATION

- Plan the implementation
- Manage to full production ramp-up
- Identify supplier performance metrics

Implemented contracts

SUPPLIER INTEGRATION

- Production process qualification
- Quality & delivery assured
- Order-to-delivery process defined

Supplier Integrated to Supply Check

FULFILLMENT

- Optimized logistical solution
- Inventory locations
- Freight sourcing

Products delivered to own sites

SUPPLIER DEVELOPMENT

- Assessment of capability gaps
- Lean management program, “6 Sigma”
- Workshops & training

Continuously improving suppliers

CAPABILITY DEVELOPMENT

- Organization design
- Staffing, training
- System implementation

Sustainable results - every time!

CAPABILITY ASSESSMENT

- Review of total spend portfolio
- Country profiling
- Total cost of ownership modeling

Plan of what to source where

This typical view of sourcing will continue in our “new world,” however, we see more emphasis on risk identification, quantification, and mitigation scenarios. In complex product businesses (auto manufacturing, electronics, specialty chemicals, et al.) there already exists experience with interwoven, multinational, multi-layered supply chains. The new differentiator will be to “perceive” the risks that you have not experienced before and developed an understanding of how they may disrupt your business.



STRATEGY & PROCESS

Implement strategies and processes for performance and compliance controlling.

Complex supply chains have raw materials, intermediates and components coming from many supply points around the globe destined for, potentially, multiple manufacturing or warehousing locations.

Attempting to calculate the supply and financial impact of these complex supply chains can be an excruciating, painful, and time-consuming exercise. There is a myriad of potential reason codes for failures at any source point or logistics path, which amplifies the ripple effects throughout the supply chain.

Regardless, it is a necessary step in identifying, monitoring, and managing risk:

- Where can the supply chain fall down?
- Why will it fall down?
- How long could the disruption last?
- What steps can I take to mitigate this from happening?

- If it does happen, what steps do I take to recover rapidly while optimizing any potential negative impacts on time and cost?

This enhanced model of the supply chain, strategies, policies, and plans mobilize at the right time to minimize detrimental effects in Performance Management. Your supplier management program must:

- Reflect the identification and root cause of failure points through reporting and KPIs (key performance indicators)
- Be rigorous in its design, implementation, and practice
- Require compliance contractually and through practices
- Outline continuous feedback, coaching, and corrective action practices

The takeaway here is that you need to identify as early as possible when a supply point is potentially heading for failure to activate mitigation policies and actions. These actions may range from starting to engage backup/alternate sources for suppliers that are not unique to those critical suppliers for whom your mitigation actions are full ‘Supplier Development.’ [Supplier Development is a topic of a different program where companies have a significant stake in a supplier’s success and are willing to invest in their success by providing them coaching/consulting.]

This discussion in no way implies that the everyday goal of continuous improvement and optimization fall by the wayside or take a back seat to the new requirements of disruption management. These enhanced strategies, policies, and practices need to be integrated into “normal” business processes for effective management.

Audere Partners supports clients in identifying, developing, and implanting innovative and daring approaches across all elements of the supply chain utilizing proven methodologies, best sourcing practices, and integrating cutting edge IT/A.I. where applicable. Sourcing strategies and practices implemented from a ‘people-behavior’ perspective to deliver genuinely sustainable results. Let us help you build a more robust, more flexible supply chain to handle all forms of potential disruptions.



ARE YOU READY TO TURN YOUR POTENTIAL INTO REALITY?

Feel free to call Jim Harris at (+1) 561-951-4129, or visit auderepartners.com to get started.