

Supply Chain: Beyond Necessary Evil

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"You can't expect to meet the challenges of today with yesterday's tools and expect to be in business tomorrow."

- Nelson Jackson

For some businesses, the traditional opinion of transportation and logistics has been little more than that of a *necessary evil*; one of those (*sigh*) unavoidable cost factors that add operational costs and erode profit.

As a result of this perspective, it's simple to understand why the dominating approach to the supply chain function - and we use the term *approach* generously here -- has focused on cost-cutting.

Yet while we may clearly *understand* why this perspective exists and how it came to be, that doesn't change the basic fact that it's flat out *wrong*.

As writer William Hoppman notes (Logistics & Technology March/06), CEOs are *slowly* awakening to the bottom-line realization that the supply chain function *is* a core part of the strategic scorecard; as integral as sales, marketing, human resources, and finance. They're grasping that the supply chain is in fact a *profit center*; one that can actually drive improved bottom-line performance, rather than be tolerated as a costly, necessary evil.

Of course, old habits aren't the only things that die hard; old perspectives can linger around for *years* after they've expired.

Viewing the supply chain as a *profit center* still remains a challenge for many CEOs and their ranks; not because the economic wisdom is being debated, but because it requires a *paradigm shift*. Indeed, viewing the supply chain as a *cost center* has very deep grooves; grooves that, in many cases, have embedded themselves into corporate culture. For example, the strategic, *profit generating* role of a Supply Chain Executive is often fraught with misunderstandings, and such executives often find themselves on the outside, looking in; responding, rather than informing.

At ICC, we understand that forward-thinking business leaders *want* to transform their supply chain into a profit generator...but that achieving this goal can be challenging for a multitude of reasons; and not all of them easy to measure. That's why we work with our clients - and within their *unique* business culture - to usher this paradigm change. We collaboratively develop clear, practical, and measurable steps that do more than simply polish up the supply chain's undeserved (yet understandable) image. We enable the latent *profit power* in our clients' supply chain.

"Lost: Your Money. Reward Offered. Inquire."

Different things give organizations that *rush* of adrenaline; that indescribable boost that makes all of their hard work worth while.

At ICC, our "rush" of satisfaction comes from something a little bit different. We *love* saving our clients money through our auditing services; especially when it's money that they didn't even *know* they had!

And lately, we've been enjoying ourselves *quite a bit*; almost as much as delighted - and *richer* - clients.

For example, we recently obtained for our client a refund of \$35,709.79; it was billed *in error* for packages that were never shipped. Or there's the \$4,812.83 we recovered for a client who was due a late delivery refund.

At ICC, our comprehensive audit services *constantly* uncover funds that belong to our clients.

Call us today to find out how our skills can help you find *your* money today!



Shippers Often Lose Thousands of their OWN Dollars due to Un-audited Carrier Errors

Harmonizing Procurement and Supply Chain

"You cannot manage what you cannot measure."

This bit of sage business advice is quite popular these days; and for good reason. Whether it's measuring input costs, or *developing* tools to measure qualitative customer feedback, successful businesses are striving to measure what's going on so that they can *manage* what's going on (and, of course, so that they can ultimately *profit* from what's going on!).

However, as relevant as this business wisdom remains, a problem has emerged; one that businesses are obliged to solve sooner, rather than later. It's this: while it's true that you cannot manage what you cannot measure, it's *also* true that different business functions will measure things *differently*; and herein lies the problem.

One of the clearest - and indeed, *costliest* - forums in which this problem emerges is when it comes to purchasing transportation and logistics services.

As logistics consultant Marc Huijen observes (Supply & Demand Chain Executive, Feb-Mar/06), the procurement decision-makers - often led by a Chief Procurement Officer - focus on *value*. As a result, they tend to benchmark and measure transportation and logistics vendors in terms of cost. However, the logistics decision-makers - often led by a Supply Chain executive - typically benchmark and measure performance in terms of *fulfilling customer expectations*.



Measuring a Logistics and Transportation Partner often takes More than One Tool

In other words: while the procurement people typically use a cost-based measuring tool, the supply chain people typically use a customer satisfaction-based measuring tool.

Unfortunately - though predictably -- conflict between these dual benchmark visions, and by extension, between these dual business functions, is virtually *inevitable*. And the result is often wasted cost, low levels of service, and dissatisfied (and often confrontational!) internal business units.

To make matters even more confusing, finding the cause of this conflict can be exhaustive, expensive, and ultimately *pointless*. Why? Because both divisions - procurement and supply chain - are *doing what they're supposed to do*; that is, they're using the measuring tools at their disposal to do the best job that they can. Neither one is necessarily doing something wrong; they're simply not functioning together.

While it's true that you cannot manage what you cannot measure, it's also true that different business functions will measure things differently; and herein lies the problem.

However, this confusion *doesn't* mean that this problem is not solvable; on the contrary, it is *extremely* solvable, provided that the right direction and approach is present; one that *connects* procurement with supply chain, and enables them to *compliment* each other, rather than undermine.

At ICC, we've helped numerous clients select the most effective logistics and transportation partner (or, in many cases, *partners*); a solution that harmonizes *both* procurement and supply chain measurement tools. We coordinate effective knowledge management, develop appropriate benchmark tools, and implement clear - and productive -- performance metrics so that costs are reduced *and* service is improved. Indeed, we've amazed many clients who simply didn't think that achieving both of these goals within a single, coordinated solution was possible!