SUPPLY CHAIN MANAGEMENT

ASSESSMENT
Supply Chain Management Assessment

Supply Chain Management – from demand planning to production planning to inventory management to schedule execution – is at the heart of any manufacturing business’s ability to supply its customers while making a profit. Done well, supply chain management makes an enormous contribution to a company’s bottom line; done poorly, it can ultimately put a company out of business, not only through excessive costs but also through such poor customer service that the customer base is lost.

It is essential that the operations at different stages of the supply chain be well integrated to provide for smooth operations. In addition, supply chain systems and processes need to support constantly changing business conditions.

The first step to improving the supply chain is to gauge the current status, identify strengths and weaknesses, compare supply chain operations with the best in class, and prepare a program for improvement. Arkieva’s Supply Chain Management Assessment is a proven methodology for doing just that.

We believe that Arkieva is uniquely qualified to help in assessing the supply chain because of 1) the prior operational experience of our consultants in running world-class S&OP processes in Fortune 500 process industries and 2) our consulting experience in vertically integrated process companies like Sunsweet, Momentive, Gates and others.

What the Assessment Entails

Our proposal to assess the health of the supply chain will focus on four major areas:

1. The level of coordination between different operations from forecasting to manufacturing to order fulfillment, as well as the effectiveness of the current supply chain planning operations
2. A comparison of the operations with best in class operations to determine areas of improvement
3. An assessment of the Information Technology (IT) systems currently being used to support the operations, to identify specific gaps and improvement potential
4. Business process changes and organizational needs to support a best in class supply chain operation

To accomplish this, we conduct structured interviews with a wide range of supply chain and management personnel within the business.

Benefits Identification

Companies have realized significant benefits by instituting systems and processes to improve supply chain management. Part of the assessment will identify the potential benefits that can be captured by supply chain planning improvements.

These benefits are derived from improved computer systems as well as more streamlined work processes. While actual benefits may vary, the vast majority of companies that have implemented improvement programs have achieved documented savings in-line with those outlined below.
<table>
<thead>
<tr>
<th></th>
<th>Median</th>
<th>Best in Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service Level</td>
<td>80%</td>
<td>98%</td>
</tr>
<tr>
<td>Cash Flow Cycle Time</td>
<td>91 Days</td>
<td>33 Days</td>
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<tr>
<td>Supply Chain Costs</td>
<td>11% of Sales</td>
<td>4% of Sales</td>
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**Quantitative Improvement Areas:**

// **Increased throughput (1-5%):** Increased throughput is generally achieved because of better planning that results in more stable production schedules and linking production with distribution. This is significant because these improvements can be achieved without any additional capital investment.

// **Increased Sales (2-4%):** Increased sales are achieved by better inventory positioning. Studies have shown that up to 4% increased sales can be obtained if product is available when requested. Improvements in forecasting and inventory management can lead to better availability of product, which in turn results in improved sales.

// **Reduced Inventory (5–20%):** Reductions in inventory are achieved by improvements in forecasting, planning, and scheduling. Approximately 40% of the reductions are normally in finished goods, with the rest in raw material and work-in-process.

// **Decreased Operating Costs (1-2%):** These results come from reduced transition costs, better sequencing, and reduced energy costs.

**Qualitative Improvement Areas:**

// Better Quality through reductions in number and severity of product changes.

// More effective use of planner’s time achieved by eliminating non-value added work like compiling data and responding to crises.

**Deliverables:**

// A report describing the current operations, a comparison with best in class, potential improvement areas, potential benefits, and future state operations.

// A specific plan to improve the supply chain. This plan will cover organization, business process changes, and IT systems upgrades in suggested chronological order.

// If, within the first few days of the assessment, the business can provide a data feed of 24 months’ historical demand at the line-item level, Arkieva will deliver a database which will allow the business to slice and dice its demand data to analyze variability, look at various trends and groupings, and examine potential data “cleanliness” problems.
ABOUT US

Since 1993, Arkieva tools have been used in more than 200 unique applications around the globe, and most of our clients leverage Arkieva software to support collaborative planning teams in North America, Europe, and in Asia.