

Something for Everyone ... the true value of management information.

By Jim Davidson

Most of us would be hard pressed to imagine what our work environments would be without a computer sitting within arm's reach. With the stroke of a key, we can access a virtual mountain of data to help us function. Buried in that mountain are inevitably those "pearls of wisdom" that can add invaluable perspective to the management team within companies large and small. However, like gems of another sort, most often the beauty is in the eye of the beholder. What may seem like critical information to a warehouse manager may seem trivial to a sales manager. Or a stack of financial reports may not yield the operational data needed to craft the next phase of a company's expansion.

Over the next couple of issues I'd like to delve into both the process and the importance of supply chain information on various enterprise centers within a business. We'll look at the value of supply chain information regardless of whether the information is for senior management, accounting, marketing, and manufacturing or for warehousing staff. The needs may be different, the sources may vary and the reports themselves often need to be tailored ... but the impact can be profound. And whether your company is interested in growing profits, cutting losses or even more critical, in corporate survival, you can only manage what you know ... and you only know what the information tells you. Anything else is "guessing" and that makes the future tentative at best. *I would like to see this revised/re-stated. I will attempt to provide further input on this.*

Most of us remember the Lewis Carroll's children's classic, Alice's Adventures in Wonderland, when Alice asked the grinning Cheshire Cat, "*Would you tell me, please, which way I ought to go from here?*"

The Cat replied, "*That depends a good deal on where you want to get to.*"

"*I don't much care where?*" said Alice.

"*Then it doesn't matter which way you go,*" said the Cat.

"*— so long as I go somewhere,*" Alice added as an explanation.

"*Oh, you're sure to do that...*" said the Cat, "*if only you walk long enough.*"

Taking a lesson from Alice's adventure, the first and ultimately most important step in gathering supply chain management data is to know the purpose for which we're harvesting information. Added to what we stated previously, you can't manage what you don't know ... logically it follows that you can't improve what you can't measure. Combined these factors lay out the process ... *what information do we need to manage the business, where do we find it, and how do we measure it.*

Before jumping into a sea of computer-generated reports and thrashing around looking for insights, we need to set the baseline. Key performance indicators vary from one sector of business to the next. However, regardless of the sector of commerce in which your company may be involved, there is a fundamental need to set Benchmarks, standards for expectations. Your goal may be cutting transportation costs, optimizing inventory levels or improving customer service performance with quicker turnaround on filling orders.

Dollars alone don't reflect the only cost. Do you know your transit times? Do you know if your freight is always on time? If you're repeatedly depending on expedited service to ensure that critical second day delivery ... is it always on time. In other words, are you always getting the service for which you are paying? How do you reconcile the cost of a carrier's non-conformance in either dollars and/or customer confidence?

It's easy to understand why benchmarks might vary by industry or by customer. However, it's equally important to understand how they might vary within your company as well. It's more than simply accepting that accounting deals in dollars and manufacturing deals in kilos or meters. How do we set benchmarks that use universally acceptable common denominators, particularly in today's economy where growth is often by acquisition? One operating division, functioning

profitably, may be using an altogether different legacy system than another equally profitable division to run their business. Rather than upset the system that is working, the question is how to establish the metrics to zero in and measure cost savings and improved performance?

Often when we are at the starting gate on a new project, we begin with the IT staff... after all, they run the computers that contain the bulk of the information we're looking for. Reasonable assumption, however, all of the supply chain information is not in the system. Staff and managers from the warehouse, from operations, sales support or accounting all have grist to add to the mill.

From a broader perspective, your company may have inventory being held throughout the supply chain. Each partner throughout the distribution network may be forced to incur or absorb the cost associated with it. From the simple cost of the warehouse space itself, to the cost of financing the inventory, to just the wear and tear on packaging and its impact on the product's shelf appeal ... it all adds cost. Big box retailers have certainly pushed all of us to rethink our concept of supply chain management. With each transaction ringing through an electronic cash register, information races through an electronic web and triggers responses all the way back to suppliers. Although what appear to be pennies falling through the cracks here and there, it's easy to assume that on balance the process is efficient and perhaps even lean and THAT is an issue.

Across North America everyday cash registers are ringing ... over and over. Factoring those millions of transactions hour-by-hour means those pennies are adding up to lost dollars, millions of them. Now here's the challenge. Take a look at your supply chain management. Whether your manufacturing and/or distributing cans of soup and electric drills ... building products or automotive components ... do you know what your shipping costs are on each and every unit you distribute? Do you know what it costs to hold inventory on every unit you make for an extra day? Do you know the difference between selling a single unit to your largest customer in Seattle compared to the cost of selling it to your smallest customer in Peterborough? More important, do know what the impact of that spread has on your bottom line? If you did know that detail how would it affect how your senior management team runs your company, how your operations determines production schedules, how your logistics manager sets inventory levels, how your sales manager targets new clients or how your marketing manager sets pricing?

Over the next few issues of Logistics Quarterly, we'll take a practical look at supply chain information ... *what information do you need to manage the business, where do we find it, and how do we measure it.* Perhaps even more important we'll present computer generated report that demonstrate the information that may be lurking somewhere in your legacy system ... waiting to be liberated as a critical management tool.