

Focus on the fundamentals



Author **Peter Jones**

Disruptive technologies have their place, but there is much to be gained by focusing on the fundamentals in supply chain operations.

Common technology themes such as big data, blockchain, artificial intelligence, drones and robotics have dominated supply chain and logistics conference agendas around the world for the last five years or so. In 2018, a survey conducted by MediaPost, a global resource for media, marketing and advertising professionals, revealed 'blockchain' was voted as the most overrated word of the year. Are these technologies merely buzzwords, or do they have real potential to transform the supply chain sector?

While many disruptive technologies are interesting and some of the advances impressive, if technology is adopted without having first optimised the fundamentals within an operation, you will end up with a very expensive suboptimal outcome. Should this be discovered later, it will far more complex to fix, because the optimisation post-implementation requires

changes to your new and expensive technologies, as well as the operation.

It is important not to be fooled by technology advocates claiming that the operation will be optimised during specification and rollout. It may improve from where you started, but it will not be optimised. The operation will be compromised to fit the solution. Furthermore, in the supply chain we are still underutilising some of the technology that was invented more than 20 years ago.

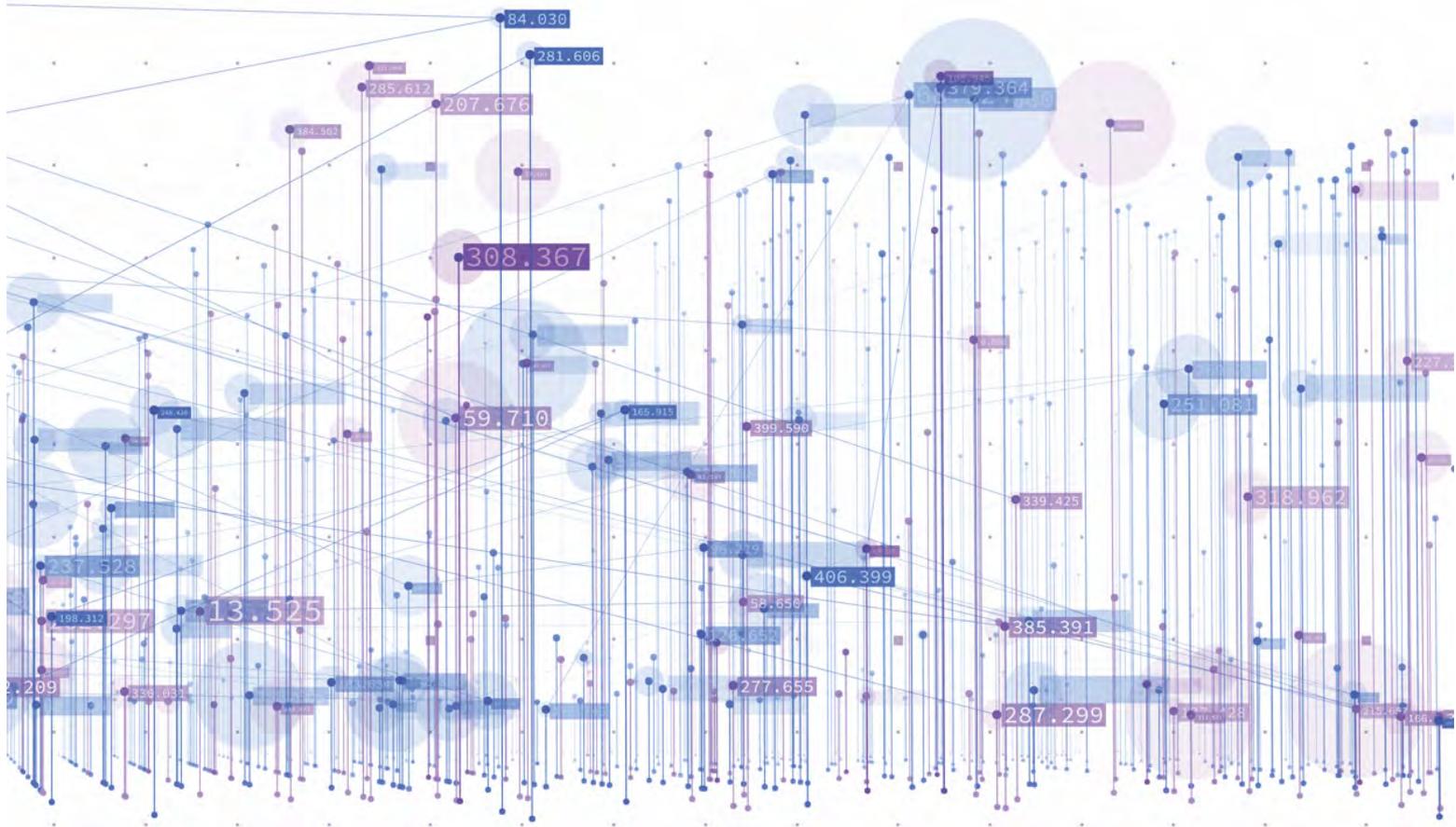
Barcodes are a good example here. Invented in 1948, the potential of the barcode is still yet to be fully realised in many businesses and across significant, otherwise sophisticated supply chains. Furthermore, RFID was the buzzword of the 1990s and 2000s, but despite its proven capabilities it is no longer at the forefront of supply chain thinking.

Big data is one of the newer examples. You will have seen claims such as 'data is the new oil', but while its undoubtedly valuable to have access to more information, does this high-level data help us make good decisions in the supply chain?

If we obsess over big data, we miss some major opportunities in the micro view. When referring to Mercedes F1 team lead, Toto Wolff's micro understanding of Lewis Hamilton's 2015 British Grand Prix Formula 1 race, big data would not have been much use to him. His mission was to find out how and why Lewis Hamilton lost a tenth of a second and this attention to detail led to the Mercedes F1 team being the highest performing team in F1 racing for a decade.

Dr Ed Frazelle, friend of Prological, and President and CEO, supply chain analytics and consulting firm RightChain, says the fundamentals of supply chain are to: 'have the right product, in the right place, at the right time, for the right cost'. I could not agree more. I also have my own simplified understanding of supply chain: do not touch the product, do not move it and do not stop it. Every time one of these things happens, you add time and cost.

Ed Frazelle and I also agree that there is no such thing as the perfect supply chain. The best supply chain practitioners understand this, and they focus on the sweet spot of



compromise to promote the best outcomes. While every supply chain is similar, each business will have a very different sweet spot. Therefore, to get your supply chain right – which is an outcome of reducing the ‘touching, moving and stopping’ – we recommend you keep an eye on disruptive technologies, and acquire and implement to your business’s benefits, but always, always keep focusing on the fundamentals.

These are:

- **Warehouse operations:** receiving, replenishment, picking, staging and despatch; getting this right is as fundamental as it comes and is always a place of significant opportunity
- **Sales and operations planning:** ensure a robust process involving finance, sales, operations supported by strong analytics
- **Distribution and replenishment planning (DRP):** ensure a robust process involving sales, operations supported by strong analytics
- **Barcodes:** every time something is touched, moved or stopped, it ought to be scanned using a barcode
- **Warehouse management system (WMS):** a modern WMS integrated with your enterprise resource planning system



^ In supply chain, we are still underutilising some of the technology introduced 20 years ago

facilitates stock control and visibility from purchase order on supplier through to the inbound process, receiving through to customer despatch

- **Freight management system (FMS):** a modern and integrated FMS will save money and time in your warehouse operation, allows for timely and accurate freight expenditure management, reporting and removes the need for estimated accruals; these systems are also the enablers linking despatch (WMS) of orders to customer service, transport providers and end-customers

- **Freight execution strategy (domestic and international):** designed for your business, minimising the cost of your network, simplifying your DRP complexity and optimising your market opportunities
- **Continuous improvement:** all aspects of supply chain should be in a mode of constant continuous improvement and each key area fully reviewed at every three to five years
- **Data:** there are two data files that must be 100% accurate to be operating a robust and efficient supply chain, the customer master file and the product master file, including dimensional details by SKU

Technology is essential if businesses are going to maintain globally competitive businesses, but technology will not eliminate suboptimal processes. Getting the basics right will assist in turning your supply chain into a distinctive competency with competitive advantage. ☹

Peter Jones
 Founder and Managing Director,
 Prological Consulting.

www.prologicalconsulting.com