

How To Optimize Dynamic Supply Chain Performance



Optiera, Inc.

Strategy + Sourcing + Teamwork

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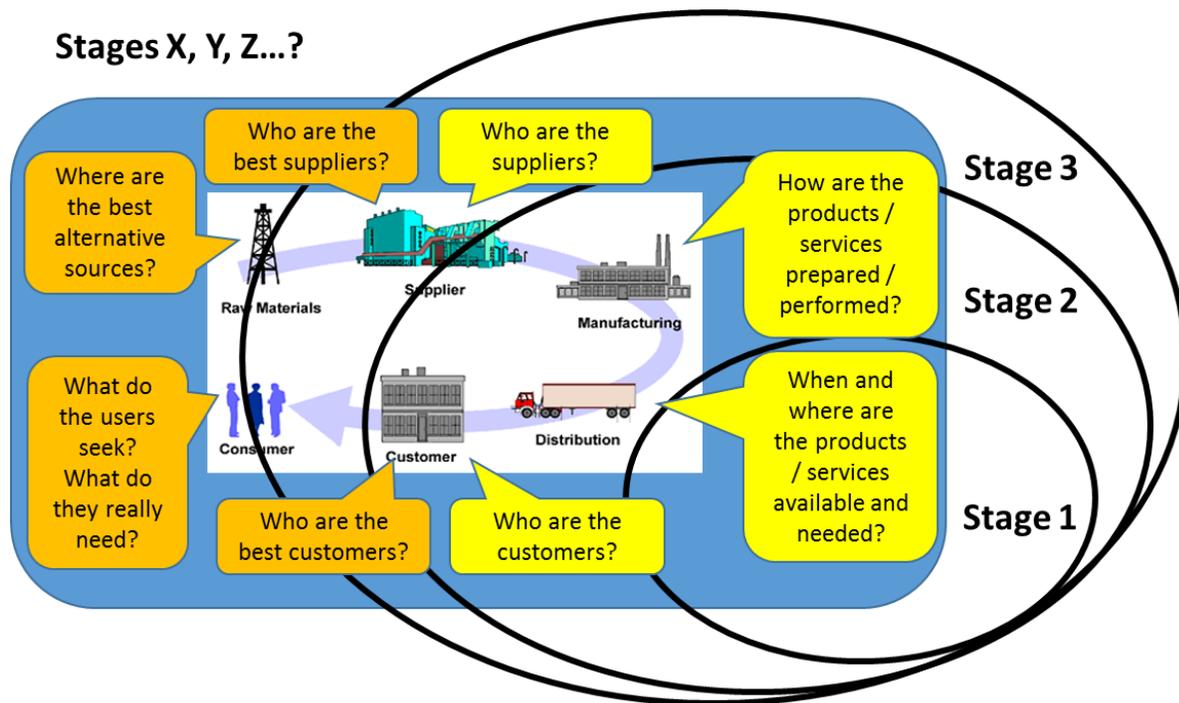
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Supply chain optimization is one of the most neglected aspects of management. Advanced management offers opportunities to generate substantial and sustainable performance improvements.

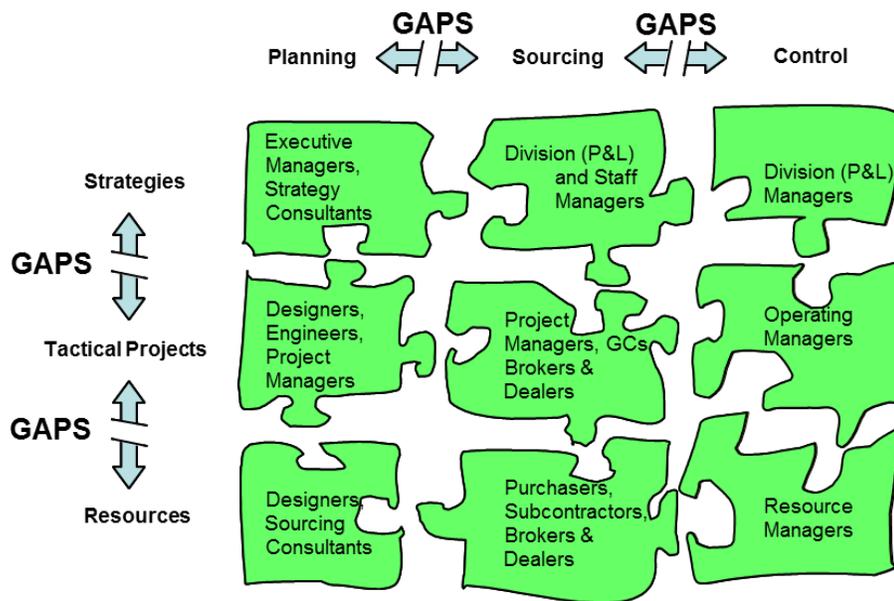
Prevailing understandings of supply chains have evolved from simple distribution logistics to include earlier and later stages of product and service life cycles. However, supply chain performance and its optimization offer significant additional improvement opportunities.



Advanced supply chain performance measures not only the supply chain infrastructure, but also the costs that it affects and the opportunities that it enables.

Isolated activity and accountability significantly limit performance improvement efforts. They produce unproductive channel conflict, needless complexity, and significant gaps. In the case of supply chain management, this is magnified (and encouraged) by supply market divisions and oligopolies. Real optimization and continuous improvement remain elusive.

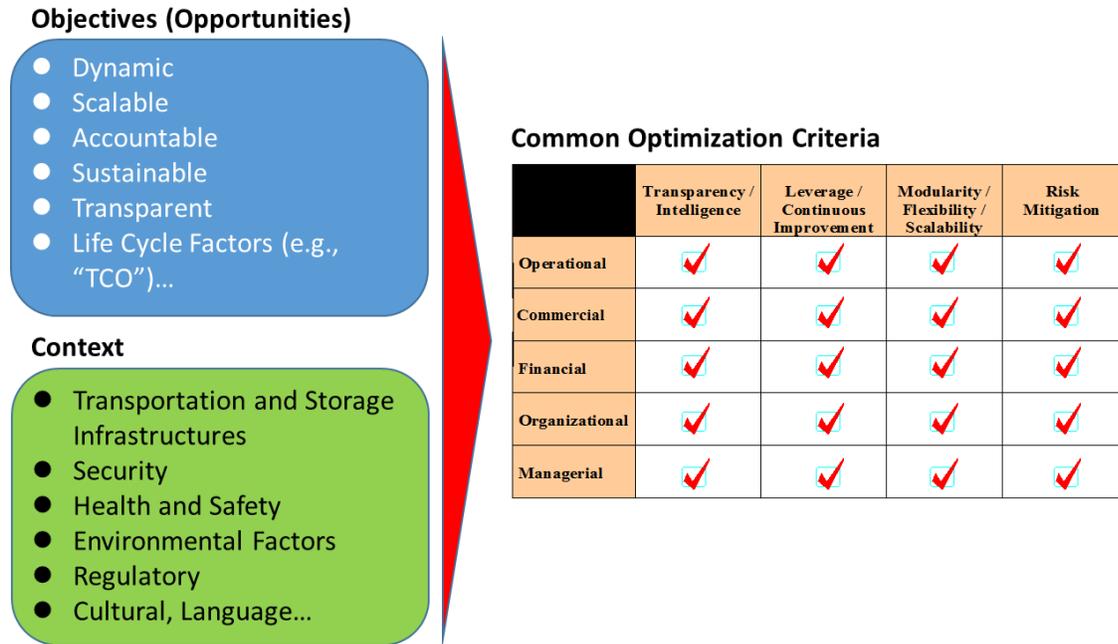
Silos Impede Performance



What are the principal shortcomings of current management models, and why do they often degrade over time?

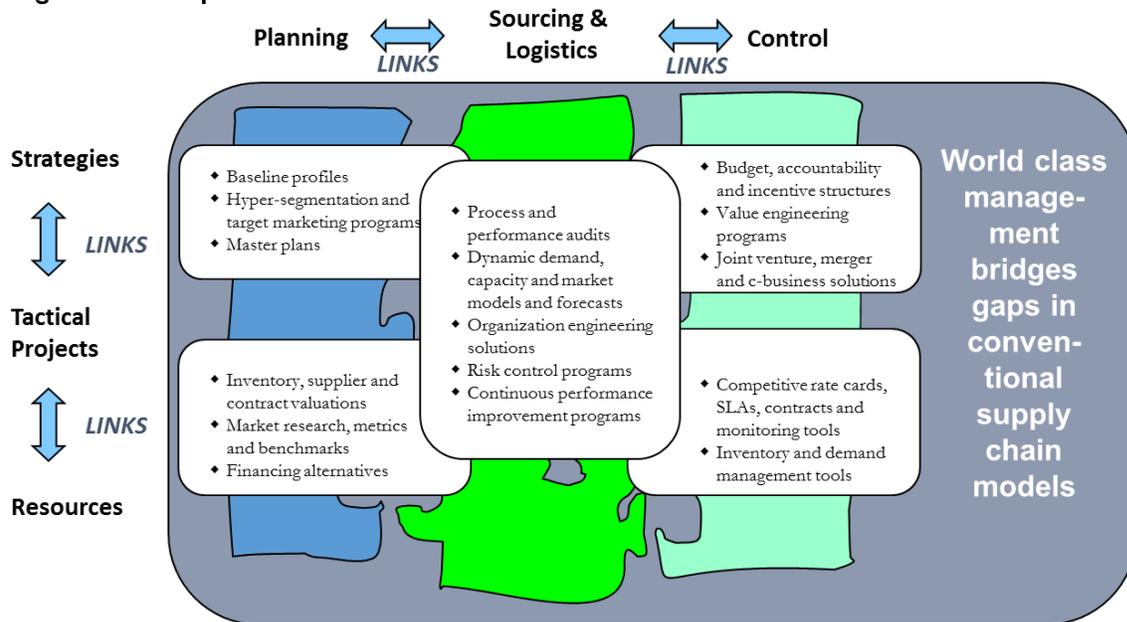
Principal Issues	Opportunities (Objectives)
<ul style="list-style-type: none"> ■ Predominant focus on products (insufficient focus on services) 	<ul style="list-style-type: none"> ■ Models to encompass products and services
<ul style="list-style-type: none"> ■ Single dimensional – isolated, fragmented, self-referential (supplier convenience, suboptimal, “not my job”) 	<ul style="list-style-type: none"> ■ Integrated models – <ul style="list-style-type: none"> • Financial, operational and commercial dimensions • Extended supply chain organization • Product and service life cycles
<ul style="list-style-type: none"> ■ Static (rigid, unsustainable) 	<ul style="list-style-type: none"> ■ Dynamic models – from strategic sourcing through marketing, including a robust range of alternatives
<ul style="list-style-type: none"> ■ Transaction focus (suboptimal incentives) 	<ul style="list-style-type: none"> ■ Linkage across strategy, tactics and logistics
<ul style="list-style-type: none"> ■ Weak, fuzzy metrics (or none) 	<ul style="list-style-type: none"> ■ Metrics, and accountability

Context is also a significant factor in establishing optimization criteria.



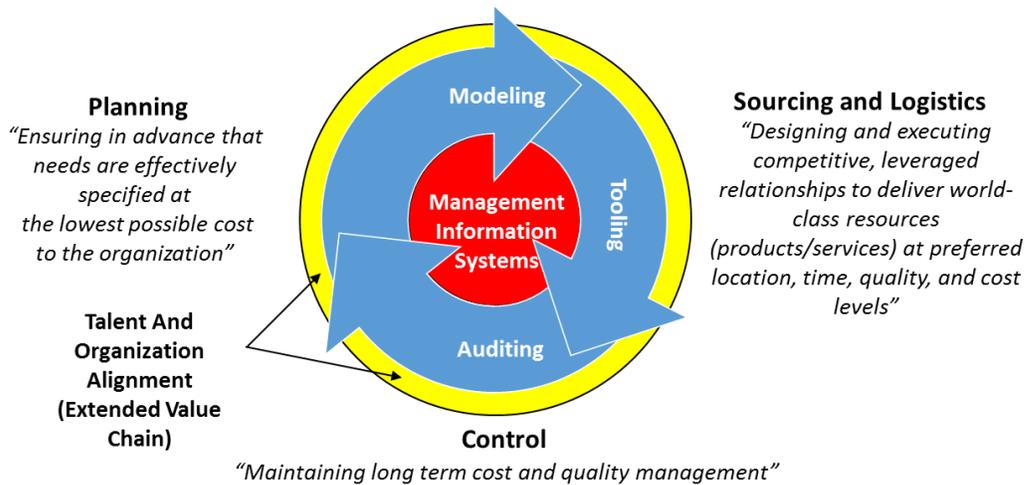
A holistic approach to the integration of strategy, sourcing and teamwork commonly produces creative and robust solutions.

Integration Examples



The power to generate and sustain large performance improvements requires integrating five key elements to support intelligent planning, sourcing and control.

Performance Improvement Optimization Engine



In summary, the best approach to optimizing and continuously improving supply chain performance is a comprehensive model that accounts for contributions to enterprise success.

- Supply chain performance is a critical part of enterprise performance. It frequently degrades due to outdated, static and fragmented management.
- Users frequently consider supply chains only in terms of their **shortcomings**. Companies often respond to this dilemma by over-investing, *“just in case....”*
- Most users, advisors, suppliers, intermediaries and managers have **very limited perspectives**. Few have real insight into value chain implications, commodity aggregation or substitution opportunities. Even fewer understand life cycle economic performance or strategic implications.

Unrealized Spectrum of Performance Improvement Alternatives

Most organizations do not clearly understand the **value** of their capacity, the **range** of their future needs, or the **economics, dynamics and cross-opportunities** of the supply and demand markets.