

# Supply Chain Management



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Integrated Facilities Management  
and Design

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Supply chain management at its most complete level is controlling the flow of goods and services, all processes that transform raw materials into final products, and their route from producer to user. Of course, there are several steps along the way.

For the most part I have represented the user side of this equation. Nevertheless, it can be important to know that the stainless steel used in the equipment outfitting a commercial kitchen is made from ore removed from the Earth by skilled miners. It is relevant to the end user because the availability and cost of the raw materials that make up the products we need to operate and sustain business, directly impact the costs and availability of those products.

By this logic, one can see that labor unrest in certain mining operations today, may have a deleterious effect on the cost of downstream goods next year. Accordingly, a truly capable supply chain manager makes a habit of keeping an eye on the supply chain of his suppliers. Having upstream knowledge of the products he sources for his business, can allow him to know if buying sooner is better than later, or might allow him to predict if a price increase may be coming. Best of all, the more information he has of the upstream conditions of his supplier's supply chain, the better he will be able to negotiate advantageous pricing in long term purchasing contracts. His knowledge will keep the suppliers honest and help foster trust and respect between each player in the negotiations.

Depending on the size and nature of the user organization, as well as the assortment of items to be sourced, it is a good idea to have resources dedicated to a continuous analysis of upstream conditions affecting suppliers and their ability to reliably provide key goods and services. With a good balance of upstream knowledge and a clear understanding of supplier dependability on one side and solid flow statistics for everything in his inventory as it is used, a supply chain manager can properly set shelf depth for everything his team sources. He can gage workable minimums and maximums and set ordering protocols with the triggers, timing, and volumes necessary to prevent shortages from ever occurring.

To maintain this balance a robust inventory management software system is critical. At a minimum, the program must be able to manage the following:

1. Handle Eb and flow of all products by precise counts
2. Accept and parse notes depicting market challenges and upstream data to specific product SKUs.
3. Account for and track usage anomalies, plus or minus on each product.
4. Allow for supplier redundancy should the primary supplier be unable to meet the need on any given product.
5. Choose from a hierarchy of suppliers to know which supplier contract is secondary to the primary
6. Cross reference SKU numbers between suppliers to allow for as near exact substitutions as possible.
7. Formalize inventory protocols for entry and removal for every product in inventory
8. Allow delineation between the flow of standard use items and high-risk items and provide secure transaction procedures for high-risk items.
9. Maintain contract pricing for all goods and report discrepancies in supplier billing.
10. Provide storage location management for all products, to include an indicator for the each of the following on every product stored:
  - a. Facility
  - b. Building
  - c. Room
  - d. Aisle
  - e. Bay
  - f. Shelf
  - g. Bin

Of course, there are other things a good program can and should be able to do, but these are a good start.

Traditionally, SCM represents an effort by suppliers to develop and implement supply chains that are as efficient and economical as possible. Supply chains cover everything from production to product development to the

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information systems needed to direct these undertakings. SCM attempts to centrally control or link the production, shipment, and distribution of a product. By managing the supply chain, companies are able to cut excess costs and deliver products to the consumer faster. This is done by keeping tighter control of internal inventories, production, distribution, sales, and the inventories of company vendors. SCM is based on the idea that nearly every product that comes to market results from the efforts of various organizations that make up a supply chain. Although supply chains have existed for ages, most companies have only recently paid attention to them as a value-add to their operations.

In the supply chain world, healthcare organizations are both suppliers and end users. Either way, I prefer to have any manipulation and control of supply chain processes in the hands of the healthcare organization as much as possible. This requires a close look at the desired outcomes of availability, regulatory compliance, ease of usage and efficacy for each product in inventory. From an outcome-based approach to supply chain management the program KPIs need to be centered around the measurable steps taken by the healthcare organization to guarantee:

1. Constant availability (redundant sourcing with procedures for swapping suppliers clearly spelled out)
2. Regulatory compliance (Regardless of the nature of the product, the supplier must certify and document that it meets all applicable regulatory requirements.)
3. Logistical details and backup contingencies for delivery and return (Reliable, cost effective, means of delivery, and return of recalled, defective, or damaged goods)
4. Ease of use (product specifications and package design, sustainability)
5. Efficacy of application (reporting on and tracking of final outcome effectiveness, did it do what it was designed to do)

Compliance to these prime directives should be fully clarified and baked into every RFP developed for the attainment of well working and enforceable supply contracts. The resulting contracts, in an outcome-based approach will put the details of meeting the prime directives squarely on the supplier's shoulders, where they belong. The associated documentation attesting to compliance must then be provided by the supplier and reviewed, approved, and archived by the SCM. Suppliers want your business, it's perfectly acceptable to expect them to do as much of the heavy lifting as possible.

In an outcome-based approach, the supply chain manager can minimize shortages and keep costs down. The job is not only about logistics and purchasing inventory, the supply chain managers, must always be observant of the supplier's processes and those taken in-house to make recommendations to improve productivity, quality, and efficiency of operations. Improvements in productivity and efficiency go straight to the bottom line. Good supply chain management keeps companies out of the headlines and away from expensive recalls and lawsuits.

SCM from an outcome-based approach, oversees each touchpoint of a company's product or service acquisition, from initial creation to the final use and disposal. With so many places along the supply chain that can add value through efficiencies or lose value through increased expenses, it is vital to find the right Professional to oversee identify and prioritize the strategies critical to success. With business value as the foundation, the right professional can help minimize business and financial risk.