Three Tips for Creating a Supply Chain Design Center of Excellence Within Your Business

Not too long ago, supply chain design was considered to be an event that was run as a project once every three to five years—if at all. It was also uncommon for a company to do such analysis themselves; often third-party firms were hired to do one-off studies.

Today, there is a strong and ever-increasing trend of companies making supply chain design a core business function, and using this competency as a competitive weapon for their business. They are using modeling technology to continuously optimize the end-to-end supply chain to improve service levels, identify major cost savings, reduce risk and stay ahead of other companies in their market.

Project vs. Process: Why the Change?

Why is supply chain design now becoming a core process and business function? Three factors seem to have converged to trigger this switch: technology, business practice and volatility.

- **Technology:** Major breakthroughs in supply chain design technology have enabled modeling to be relevant to many more business functions and at a much more detailed level of analysis. This means that supply chain modelers can now answer questions related to sourcing, production, inventory, transportation, taxes, replenishment, cost-to-serve and more.

- **Business Practice:** The pace of change within business is at an all-time high. New products are being introduced at a rapid pace. New markets are being entered. New partnerships are being formed. All this change requires continuous modeling and optimization to keep costs and service in order.

- **Volatility:** Change is not just happening within companies. Disruptive changes are occurring all over the globe that can drastically affect corporate supply chains. Increases in labor costs throughout “low-cost” countries, wild swings in fuel costs and adjustments in commodity pricing must all be factored in to ongoing supply chain strategy. Even weather-based disruptions can quickly wipe out profits if not addressed swiftly.
Supply chain design should be able to see across the entire business to optimize the true end-to-end supply chain and not just a specific business unit or business function. Shared service centers can pool talent and technology to provide analysis capabilities to the entire organization. This organizational structure can help the group avoid the pitfalls of local bias or politics and remain focused on data-driven business solutions.

Even though supply chain design can identify major breakthroughs in cost savings or service, the recommendations can often be very disruptive and time-consuming to implement (close two factories, open four new DCs, rationalize 200 products, etc.). In order to establish early credibility, many companies will identify quick-win projects that are much easier to implement and still deliver significant cost benefits (product flow-path, inventory right-sizing, DC-customer assignments). Quick multi-million dollar wins can gain executive attention and establish early credibility for the supply chain designers, and are often used to justify further investment in staff and technology.

Not every company has a supply chain design center of excellence established with mission statements, reporting structures and budgets. Building this supply chain design center of excellence within a business often follows a progression that begins with a small group finding tactical quick wins and leveraging those results to justify the business function.

Here are three key steps recommended by the experts at LLamasoft for the successful implementation of a supply chain design center of excellence within your business:

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<th>Three Phases to Creating Your Center of Excellence</th>
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<td><strong>3</strong> Put Parallel Focus on Game-Changers</td>
<td>While one part of the team is focused on tactical wins, another should be trying to break down historical legacies to explore what is truly possible through modeling, optimization and analysis of the end-to-end supply chain. When encouraged, supply chain designers can remove pre-conceived business constraints and design new green-field supply chain operations that could lead to game-changing new business practices and key competitive advantages.</td>
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Three Required Components: Technology, People, Process

Perhaps you’re thinking that this all makes good sense, but how does a company actually assemble and organize the resources required for successful execution of these three phases of creating your internal design team? Making sure you build a solid foundation of technology, people and process for your center of excellence is critical to its sustainability and success. And equal attention must be given to all three. Overlooking any one component will result in the failure of the entire operation. Here’s why:

Having great technology and great people, but no corporate process for supporting the team members with executive leadership and implementation strategy may result in one or two successful projects but will ultimately lead to frustrated modelers or great analysis that never gets implemented. In the same way, even if a company hires the brightest people and has strong executive support, flawed and/or limited design technology can result in the inability to build relevant, accurate and detailed models and failure to bring about positive change. Finally, if the center of excellence has excellent technology and executive sponsorship without great design and modeling talent, execution will be flawed or limited and fail to deliver compelling improvement recommendations.

**Three Required Components:**

- **Technology**
  - Acquire the right technology to address your specific issues
  - Integrate all key planning metrics and approaches
  - Scale to model the entire enterprise
  - Continuously innovate using the latest technology

- **Process**
  - Enable organizational excellence through process
  - Implement a methodology of project knowledge
  - Provide IT system to foster knowledge management
  - Deliver key metrics to all stakeholders

- **People**
  - Empower individuals to be successful with technology
  - Carefully recruit and hire individuals with skills and potential to succeed
  - Deliver tools to promote ease-of-use for early success
  - Provide support and training to ensure knowledge transfer
As enterprises elevate supply chain design to a key continuous function within the business, the technology and staff will pay for themselves time and time again and create a true competitive advantage by more rapidly adapting to volatile and ever-changing market conditions.

**For more information** on how LLamasoft can help your business establish quick wins or support a growing internal supply chain design competency, email info@llamasoft.com or call 866-598-8931.

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**CASE EXAMPLE:**

**Turning Tactical Supply Chain Design into a Global Strategy**

A global manufacturer was acquiring another company and needed a way to logically and profitably combine the two networks. The company used modeling technology to create a baseline network model and optimized to determine the best structure for the new combined network. Through site optimization and reduced transportation costs, the company identified millions of dollars in cost savings—with no degradation to service levels. Building on this quick win, the company began to identify more opportunities to apply supply chain design at a strategic level to drive global value. It began to optimize components of its networks in other countries and soon had offices for Supply Chain Excellence in the U.S. and Europe.