The Adaptive Supply Chain: Today's Mandate for Profitable Growth

Today's Mandate for Profitable Growth

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Introduction

What is our forecast for next year? The answer to this question was previously not all that perplexing, as organizations used planning tools to analyze supply chain data from the past and business trends for the future in order to cope with uncertainty.

Forecasts were certainly sensitive to a number of unknown elements – but not impossible to apply. Today, organizations can no longer rely on the past to be a good predictor of the future. We live in a business climate of risk, instability and rapid change. Moreover, these three conditions are not going to disappear after the impacts of the Great Recession subside.

Risk, instability and rapid change are here to stay. As such, they challenge the validity of all planning processes: strategic planning, contingency planning, and financial planning.

Much of the way business worked has evolved to create a "new norm." The resulting stress, discomfort and anxiety have not yet been fully understood. The Great Recession of 2008-2010 has changed the game. In fact, the "new norm" of business is characterized by continuous change.

Strategic, contingency and financial planning all assume a relatively stable and predictable world that no longer exists. Although these forms of planning and forecasting are still important, they are inadequate unto themselves. ***To be successful today, companies must develop the ability to adapt on top of the backdrop of their strategic, contingency and financial plans.***

The Great Recession of 2008-10

It was "great" because:

1. It was global: The connectivity and interdependence of financial markets left no part of the world untouched.

2. It was huge: Trillions of dollars of wealth were lost very quickly.

3. It impacted everyone: No role or walk of life was left unscathed.

The key to profitable growth in today's new norm is the ability to adapt to do new things quickly. In this framework of constant change, victory will go to the most resilient instead of those who merely rely on the status quo. Being adaptive is not about having a great plan, but being able to move and change very quickly to stay ahead of the market.

It is impossible for a company to truly be adaptive unless it has a responsive supply chain. From their supplier's supplier, to their customer's customer, they will need to be adaptive. This includes all supply chain mega-processes: **PLAN-BUY- MAKE-MOVE-STORE-SELL.**

Adaptability requires that an organization's leaders have their ears finely tuned to hear change. To be able to understand what is occurring in the marketplace, one of three things will happen: good results, no results or bad results. If good results come about, or no results, then the path forward is to continue to adapt. If bad results happen, learn from them and continue to adapt.

Eight Factors of Adaptability

There are eight main factors that must be embraced to increase a company's supply chain adaptability.

1. **Uncertainty**

   "The quest for certainty blocks the search for meaning. Uncertainty is the very condition to impel a man to unfold his powers." – Erich Fromm

   Uncertainty is the enemy of the methodical, but the ally of the adaptive. Unpredictability and doubt result from natural disasters, political tensions, economic concerns and the like. The adaptive see this uncertainty as opportunity. Supporters of the "old norm" view this uncertainty as daunting and stressful. To them, this environment of uncertainty drives a degree of caution that becomes a self-fulfilling prophecy.

   A recent Hot Topic Survey from the Tompkins Supply Chain Benchmarking and Best Practices Consortium clearly indicates that the larger, more complex global firms are the least adaptive and have the greatest difficulty in dealing with uncertainty. This is a major opportunity: major because the smaller firm can be adaptive and take market share from the larger firms; or, for the larger firms to embrace adaptability and enhance their profitable growth.

2. **Volatility**

   "The future isn't what it used to be." – Yogi Berra

   Instability is also a constant threat. Sharp and irregular fluctuations occur as a result of mergers and acquisitions, marketplace turmoil, commodity costs, competitive innovation, demand fluctuations, energy pricing, exchange-rate charges and similar occurrences. In a recent study, two-thirds of the companies indicate that their planning accuracy has diminished due to economic volatility.

   In addition to the uncertainty of being able to plan for the future, firms are now expecting the future to fluctuate widely. This begets the need to not just optimize their supply chains for next year's performance, but rather to understand that decision support tools must be put in place to facilitate good performance over a wide rage of potential operating conditions.

3. **Rapid Change**

   "The role of change we see today is happening at warp speed and directly or indirectly touching a lot more people on the planet at once. The faster and broader this transition to a new era, the more likely is the potential for disruption." – Thomas L. Friedman

   The rate of change in today's business climate is amazing. Free trade and globalization take this rapid rate even further to make any five-year (or even one-year) planning cycles obsolete. To harness the opportunities that flow from this rapid change, supply chains must not only adapt, but adapt quickly.

4. **Culture**

   "Corporate cultures that inhibit strong long-term financial performance are not rare; they develop easily, even in firms that are full of reasonable and intelligent people." – John Kotter & James Heskett, Harvard Business School

   There are essentially three types of organizational cultures:

   - Static consistency: "If it ain't broke, don't fix it."

- Dynamic inconsistency: Change for the sake of change. Not continuous improvement, but continuous change.

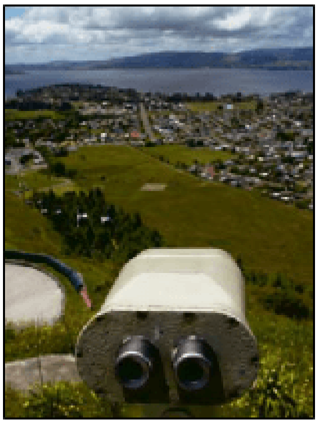
- Dynamic consistency: Continuous improvement based upon a shared and consistent vision of the path forward.

The triple threat of uncertainty, volatility and rapid change have resulted in a culture of caution and restraint in many companies. In order to avoid mistakes, nothing is done – almost like a deer staring into the headlights.

This is the opposite of the type of culture necessary for an adaptive company to thrive and maximize profitable growth. Organizations must quickly respond to today's business climate and accept that there will be mistakes. Build experimentation and learning from mistakes into the company culture, and this will improve their adaptability to try new things without the face of failure. Also, adaptive companies must also be tolerant, or barriers will limit the opportunities for profitable growth.

5. **Scope**

"You've got to think of big things while you're doing small things, so that the small things go in the right direction." – Alvin Toffler



A major challenge in today's organizations involves disparate areas of the company not knowing the implications of their work on other areas, or on the company as a whole. This disconnect can have a huge impact on profitable growth. For example, consider:

- The financial professional's desire to reduce inventory without understanding the potential impacts on customer service.

- The transportation professional's desire to reduce transportation costs without understanding the potential impacts on increased lead times.

    - The procurement professional’s desire to reduce acquisition costs without understanding the tax and duty implications of buying products from different countries.

   The adaptability of a company itself is not as important as the adaptability of a company’s supply chain, which is much more complex.

6. **Time Frame**

   “It is tough making predictions, especially about the future.” – Yogi Berra

   Like many things Yogi supposedly said, this quote appears to be nonsense. However, upon further reflection, it holds some wisdom.

   In fact, it seems that Yogi is suggesting that making predictions about yesterday is easy, but about today, not so easy, about next week, more challenging and about next year, very difficult. To this point, the process of making predictions varies with the time frame. When trying to predict the short-term future, consider using business intelligence, mid-term predictive modeling, rolling forecasts, and long-term scenario planning.

   The process of making predictions is discussed later in this paper. But for now, it is important to grasp that the time frame has a central role in the processes to be used to create adaptability.

7. **>Responsiveness**

   “The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active faith.” – Franklin D. Roosevelt

   My favorite expression, and the one that I end well over half of my emails with, is “Go!Go!Go!” What I mean by this is to *do something* – make a decision and execute. Move forward. Don’t procrastinate, but make something happen, *now*.

   This is very applicable to companies and supply chains because they need to respond in real time. Eliminate the slow-moving decision hierarchies in organizations and empower individuals to make something happen. It is better to respond quickly with a good response, as opposed to responding slowly with the perfect response.

   In order to respond quickly and in real-time, one must be “listening” to the signals of change from the marketplace, to decode the message, and then to quickly act to refine, rework, redefine and/or reinvent a marketplace response. It is important to drive the responsibility for responding down an organization to the people who are best positioned to “listen” in the marketplace. Tying the listening to the responding is the key to achieving a timely response and ultimately achieving profitable growth.

8. **Financial Sync**

   "In the old days, the CFO sat at the back of the ship recording what happened. Now the CFO stands on the bridge looking forward and adjusting for variables." – Steve Player

   In a recent study of CFOs, only 11 percent responded that they were fully satisfied with their companies' financial planning capabilities. Today's "new norm" requires that financial decision- making be conducted with the latest information, in real-time, in response to the marketplace.

   The annual budget is obsolete the day it is approved, and attempting to make key resource decisions 12 or more months in advance is nearly impossible. Better decisions are made with better information, and embracing financial adaptability is a prerequisite to achieving organizational adaptability.

Tools for Adaptability

Adaptability is not the same as a company's planning process. Both under the "old norm" and the "new norm," companies need a planning process that includes an offensive plan (strategic) and a defensive plan (contingency). But, in addition, the "new norm" companies must have the ability to be adaptive within the context of their strategic and contingency plans.

As noted in an earlier section of this paper on "time frame," different tools are needed for different time frames of adaptability. Here is an overview of these tools, including some supply chain scenarios.

1. **Scenario Thinking (Long Term):** *The process of thinking about and interpreting the unknown future, not by predicting the future, but by examining possible future developments that could have an impact.* The goal is to identify paths forward that would work well independently of what the future holds. This typically occurs with a group of knowledgeable folks getting together to consider the implications of future scenarios, instead of just being passive victims of change. Essentially, this process helps organizations prepare for what would have been future surprises. For example, scenarios worth considering might be:

   - What would we do if the price of oil increased by 30%, 60% or 90%?

- What would we do if our Internet orders grew by 50%, 100%, or 200%?
- What would we do if our effective tax rate in China increased by 20%, 40% or 60%?

2. **Predictive Modeling (Mid-Term):** *The process of using a statistical model to predict future results, including using regression analysis to predict how dependent variables will respond to various independent variables.* Predictive modeling could prove useful as follows in these examples:
   - What would be the impact to sales profiles if we eliminated handling and shipping charges on all holiday orders placed before October 15, November 1 or November 15?
   - What would be the impact to profitability if we increased store inventory by 10%, by 10% on all "A" items or by 10% on all high median items?
   - What would be the impact on distribution center staffing if instead of 10% cross docking, we went to 20%, 30% or 40%?

3. **Rolling Forecasts (Mid-Term):** *As stated in the financial sync adaptability-factor discussion, annual budgets are inadequate to deal with the pace of business today.* Rolling forecasts allow for updated forecasts based upon the best information available. This results in resource decisions being made much closer to the time of actual need of the resources, with significantly improved accuracy of information. Examples of rolling forecasts would include:
   - A monthly financial forecast of the best estimate of the next 12 months.
   - A monthly financial forecast of the best estimate of the next three months and the next four questions going forward.
   - A monthly capital approval process based upon the lead times of the capital investments.

4. **Business Intelligence (Short-Term):** *The process of taking real-time data into actionable insights that allows for real-time responses.* This involves the use of

decision support tools that facilitate a quick response to what is occurring right now. For example:

- A warehouse control system that provides real-time information on the staffing requirements for order release, staffing by picking zones, number of packing stations to staff, and shipping lane staffing.
- The use of Business Intelligence software to evaluate the adherence of shipping in accordance to the approved routing guide.
- The capturing of actual gross margin performance by SKU by sales manager.

The Life Cycle of Outsourcing*

In addition to these tools, embrace outsourcing. With the downsizing that took place in the Great Recession, there are many non-core competencies that no longer require full-time staff but should be outsourced instead. These competencies – when outsourced to organizations that have these tools as core competencies – offer tremendous opportunities for enhanced performance.

The challenge that remains is the core competency to evolve productive outsourcing relationships. These relationships for supply chain could include logistics service providers (LSPs), cloud computing resources, consultants, and more. It is well worth remembering that outsourcing relationships are between both organizations and people.

* Tompkins, J.A., co-author, *Logistics & Manufacturing Outsourcing: Harness Your Core Competencies*. Tompkins Press. May 2005.

Several types of relationships can form during and after outsourcing implementation. The two most common are vendor/client and partnership. Ideally, post-implementation relationships should move beyond vendor/client and toward partnership. Yes, there is a contract between companies and providers. But more importantly, there is a relationship between the people in your company and the people in the provider’s organization. Adequately investing in the people side will cement that relationship.

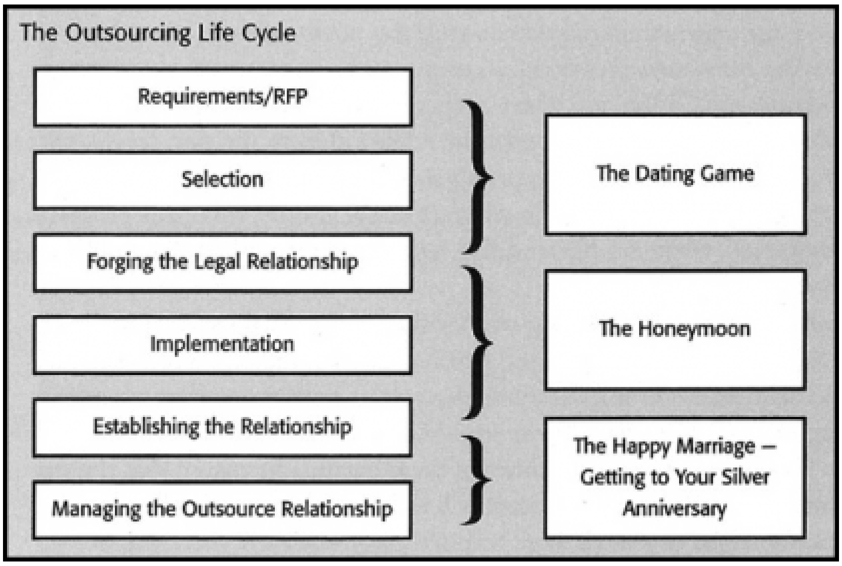


Figure 1: The Outsourcing Life Cycle

In many respects, as shown in *Figure 1*, the relationship between a company and an outsourcing provider is like the process of getting married. There is a courtship period that starts out with dating (requirements and RFP process), followed by the wedding and honeymoon (selection, start-up, and the first months after start-up), and, finally, a happy marriage (maintaining and managing the outsourcing relationship).

During the courtship period, a company and outsourcing provider get to know each other and discover that each likes what the other has to offer. They both decide to take the relationship to the next level, and a proposal is made. Once the proposal is accepted, the legal process of getting married occurs (as in contract negotiations).

After this process is completed, there is a big wedding with a great deal of fanfare followed by the honeymoon. But truly, an outsourcing relationship and a marriage resemble each other most after the wedding, which is comparable to a successful implementation. During this time, it seems as if everyone is going to live happily ever after because the wedding and the honeymoon have been so successful.

However, neither of these events can ensure that the outsourcing initiative, or marriage, will be long lasting. In both types of relationships, you must work to build upon the early successes.

Building a Lasting Relationship

The key to building upon the early successes of the relationship is maintaining the atmosphere of teamwork and open communications that you established during the selection and start-up processes. Otherwise, the relationship with your outsourcing provider will suffer.

During the selection process, both the company and the outsourcing provider do everything in their power to sell themselves. The provider has offered glowing references from other clients and reassurance that they can handle your business. You have, in turn, told the provider that the transition of functions from your house to theirs will be smooth and that everyone is on board. At the time of these assertions, you believe them to be true. But as previously mentioned, once the ink is dry on the contract, things start to change.

The salespeople move out of the picture, and the people who will get the job done step up. If neither party is prepared for this shift, it will be difficult to survive past the "courtship." The same phenomenon happens after implementation. Many times, the personalities change again as your company shifts its focus to primary core competencies and your provider is now fully handling the functions that were outsourced. By recognizing that an outsourcing relationship is constantly shifting, changing, and re-forming with a number of different players, you can be ready for the shift in personalities that come after implementation, just as you were ready for the shift following selection.

As you begin building a lasting relationship with your provider, remember that there is no "off the shelf" approach. Establishing a relationship geared toward long-term success is as much an art as it is a science.

The first step is to give the outsourcer the same acceptance that you would any new members of your organization. Avoid any hint of an "us versus them" mentality because that encourages poor communication and unnecessary hostility.

At the same time, recognize that you and your provider will disagree and that such disagreements are healthy. The trick is communicating properly so that the disagreements become an impetus for moving the relationship and initiative forward. Once you have adopted an acceptance mindset and agreed to communicate openly and honestly with the provider, you can build that lasting relationship necessary for outsourcing success. This process includes:

- **Establishing a regular, ongoing process for business planning, evolution and communications.** This is critical if you want to keep the relationship evolving. You and your outsourcing provider must decide on the levels and frequency of formal and informal communications and meetings.

- **Implementing a rewards structure of gain sharing or goal sharing.** Building a reward structure into the relationship with your provider will create a win-win scenario because both sides are motivated to participate in improving the performance of the outsourcing relationship.

- **Ensuring that there are regular, ongoing executive interactions.** Depending upon the magnitude of the relationship, this may require a regular executive-to-executive, face-to-face interaction. There are outsourcing relationships that do not promote high-level communications and teamwork after the transition period is over. Those involved mistakenly believe that only the people doing the work and managing the project need to communicate after start-up. Executive communication is critical to the success of any outsourcing relationship. Otherwise, small disagreements can grow into huge problems. Structured status reporting activities and unstructured, informal communications about the evolution of the relationship should be part of the interaction process.

- **Reviewing the RFP and the contract after implementation and identifying surprises, changes, and problem areas.** Any areas in which reality differs from expectations should be discussed as soon as possible. These discussions will identify opportunities for improvement.

- **Measuring performance against the initial goals established for outsourcing.** This needs to be much more than a cost versus budget analysis – it calls for a full, robust analysis of the implementation and the outsourcing initiative.

- **Conducting two types of formal "lessons learned" roundtable meetings.** One type is a meeting that your company holds alone on the topic of outsourcing. The second type of meeting is between your company and the provider, with a focus on your relationship.

- **Encouraging creativity and innovation on both sides of the relationship.** There are certain processes and rules that must be followed in an outsourcing relationship. However, as you progress past implementation, remain flexible and open to new ideas and solutions to challenges that will develop along the way.

Continuous Improvement

As with any initiative, a key component of building a lasting outsourcing relationship is emphasis on continuous improvement. To practice continuous improvement, you and your outsourcing provider need to understand collaboration, cooperation, and true partnership. Although companies involved in an outsourcing relationship may agree that partnership is important, true partnering is rarely practiced.

To create the right kind of partnership with your outsourcing provider, all organizational units within each company should be 100% directed toward the success of the initiative. There can be no adversarial relationships between the outsourcer and provider. Instead, both groups must function as a cohesive, collective whole.

The goal is to eliminate the “we versus them” problem that can undermine such relationships. Accomplishing this goal requires that you and the provider have:

- The characteristics of a successful relationship;
- Cooperation and collaboration;
- A plan for long-term success;
- A true partnership; and
- A continuous improvement success path forward.

The sections that follow discuss these steps in detail.

Characteristics of a Successful Relationship

Everyone involved in the initiative must understand the following characteristics of a successful outsourcing relationship:

- **Shared vision** – Hold a consistent vision of where the initiative is headed.
- **Shared values** – Adhere to a level of business ethics and honesty beyond levels traditionally viewed as the norm.
- **Shared expectations** – Have well-defined and understood expectations that are shared by all team players and serve as a basis for teamwork.
- **Shared commitment** – Be committed to the initiative’s long-term success.

- **Shared confidence** – Maintain complete confidence in one another.

- **Shared responsibility** – Share responsibility for success and failure. All players are accountable for their efforts and the initiative.

Cooperation and Collaboration

Having meetings and writing memos does not create cooperation in an outsourcing initiative. Joint participation creates cooperation.

After start-up, the team must operate as a unit. By cooperating as a unit, confidence and commitment to the success of the initiative grows and a sense of excellence emerges. Conflict is viewed as an opportunity to learn. There is no win/lose mentality, but rather an attitude of mutual discovery and support of the team's growth.

The real type of cooperation necessary for a successful, strong outsourcing relationship is actually more than cooperation. It is collaboration, which creates the synergy to drive a robust relationship. To begin the process of collaboration, ask these questions:

- What can we do to foster a collaborative culture?

- How can we overcome individualism?

- How can we communicate our belief in collaboration?

- How can we begin the revolution toward collaboration right now?

- How will we celebrate our success?

Plan for Long-Term Success

After selection, the companies involved in an outsourcing initiative develop a plan for start-up and implementation. But what many organizations fail to do is develop a plan for long-term success, and even fewer develop a plan for building on that success. This is a mistake.

You and your outsourcing provider must have a plan to guarantee that the gains made during start-up are not lost. Therefore, when you plan for start-up, look beyond this phase and make sure the elements are in place for the initiative to be successful six months, one year, two years, and even five years down the road.

One key element involves handling the large cultural or business process changes that occur after the partnership has stabilized. Because this is still a business relationship, there will be an end to a contract. There will be some portions of the relationship that will change during the contract life; this is normal. Distinguishing the changes that can take place under the current agreement, along with those that are best held off until the contract re-negotiation period, is a process in which both parties need to work together.

If there are ideas and changes in business that are best dealt with at the end of the contract life – and if your time frame dictates it and the relationship is solid – it is best to start working on these initiatives prior to the negotiation period. In this way, each party has a good understanding of what will be expected of them.

In a case where changes are occurring as a natural part of the relationship, both parties must stay on top of them together. Changes such as these should follow a process of:

- Communication of the desired changes;
- Evaluation of operational, systems, service, equipment, and personnel requirements;
- Assessment of the risk of implementation;
- Joint justification of the proposed changes and the effects on fees based on the current contract;
- Development of a joint implementation plan;
- Implementation; and
- Follow-up assessment of success.

Don't forget to consider ways to build on the initiative's long-term success. Work toward a win/win evolution of the relationship whereby your company holds onto the gains made during each initiative milestone and never rests on its laurels. As you continually look for new ways to succeed, increase commitment, dedication, and cooperation.

True Partnership

In an outsourcing initiative, true partnerships are long-term collaborative relationships between an outsourcer and a provider that are based on trust and a mutual desire to work together for the benefit of the other and the initiative. The seven characteristics of a true partnership are:

1. Commitment to long-term relationships based on trust and a true understanding of the partner’s business;
2. Belief in sharing information, planning, scheduling, risks, rewards, problems, solutions, and opportunities;
3. Commitment to working together toward improvements in quality, product, accuracy, and management;
4. Resolution and agreement to build on each other’s strengths, increase business, and invest in the long-term partnership;
5. Commitment to systems integration and organizational interdependence while still retaining individual identities to ensure innovation and creativity;
6. Consensus that frequent commitment at all levels of the organization must occur and that partnership proximity is important and will be mutually addressed;
7. Commitment to the flexibility required to ensure the best overall performance of the partnership.

Forming a true partnership requires discarding the traditional relationships common between organizations today. The objective of creating true partnerships is to generate the same synergy between organizations that the collaboration process creates within one organization. This means understanding that the term “relationship” is not synonymous with partnership; instead, a relationship must be transformed into a partnership.

As you work toward forming a true partnership, keep the following information in mind:

- No two relationships develop the same way.
- Relationships evolve as comfortable bonds between individuals.
- A positive chemistry must exist between two parties to create a relationship – not only

during the sales cycle, but more importantly at the operational level.

- Partnerships evolve from understanding hopes and dreams and anticipating a bright future.
- Each party must know itself and understand what it is seeking from the partnership.
- Acceptance by indirectly involved parties, such as stockholders and the government, is as important as acceptance by directly affected parties to the perpetuation of the partnership.
- The relationship, at its core, has interest in the well-being of the other parties along with the well-being of the partnership.
- Expectations of how the relationship will develop must be articulated.
- Compatibility is essential to a long-term relationship.

The goal of a true partnership in an outsourcing initiative is to blur identities so that you can focus on the initiative rather than on individual companies. Not making distinctions between companies allows improvement and growth in your partnership and ensures outsourcing success.

Continuous Improvement Success Path Forward

The “continuous improvement success path forward” is the methodology for establishing continuous improvement once the collaboration and cooperation between the outsourcer and the provider have been set. The path forward has the following steps:

- **Establish continuous improvement teams.** These teams drive the continuous improvement process. They must be cross-functional in nature, and their members should have demonstrated in the past that they are capable of achieving continuous improvements, breakthroughs, and innovation to enhance performance. Frequent meetings are necessary to develop specific recommendations and action plans in order to achieve peak performance in all areas.
- **Conduct roundtables regularly throughout the lifetime of the initiative.** A roundtable is a meeting of peers for discussion and the exchange of views.

Outsourcing roundtables should have representatives from all companies and functions involved in the initiative. They provide a facilitated, interactive opportunity for suppliers and customers to share ideas about products and markets, question existing beliefs, and uncover new opinions. The information collected from these roundtables provides unique input into the development of a strategic plan for continuous improvement, and the relationships they foster are invaluable. Participants are more clearly exposed to the complexity of outsourcing relationships and can become more confident as together they develop solutions from the roundtable process.

- **Define continuous improvement vision and evidence of success.** A continuous improvement vision is a clear description of where the initiative is headed. It should be stated so that the present is described as a past condition of the future, not as a future condition of the past. Milestones are the evidence of success signaling that you are on the right track.

- **Define prioritized areas for improvement.** A benchmark assessment is a very useful tool in defining opportunities for continuous improvement. The organization then focuses its continuous improvement efforts on the areas identified as weaknesses in the assessment.

- **Implement continuous improvement team recommendations.** The team's recommendations should be shared with the outsourcing initiative team for review and approval. Once suggestions are approved, they should be implemented. The steering team must communicate the approved recommendations and remain committed to them throughout the implementation process.

- **Assess evidence of success.** Those involved with the implementation of the continuous improvement team's recommendations should maintain an ongoing record that tracks performance against the defined evidence of success. The record should also be periodically reviewed to prioritize the next opportunities for improvement.

- **Define new prioritized opportunities for improvement.** After the evidence of success records show that performance has improved, the outsourcing initiative team can begin to prioritize opportunities for the next iteration of the continuous improvement process. This is truly continuous improvement in action. Your company and your provider should never stop looking for ways to improve. Once you have a continuous improvement process in place, your outsourcing relationship has a greater chance of growing, improving, and remaining strong.

Evolving Your Adaptive Supply Chain

The first step towards evolving your adaptive supply chain is a Supply Chain Assessment (SCA). An SCA is a methodology to:

- Execute the adaptability of strategies, organization, processes and performance of supply chains;
- Identify gaps in adaptability-related best practices and opportunities; and
- Determine the best path forward to enhance adaptability of your supply chain.

An SCA identifies improvements in adaptability across your global supply chain: *PLAN-BUY-MAKE-MOVE-STORE-SELL*. As a first step in conducting an SCA, determine the scope of the supply chain adaptability assessment.

Figure 2 presents the five dimensions in determining the scope of the supply chain adaptability assessment.

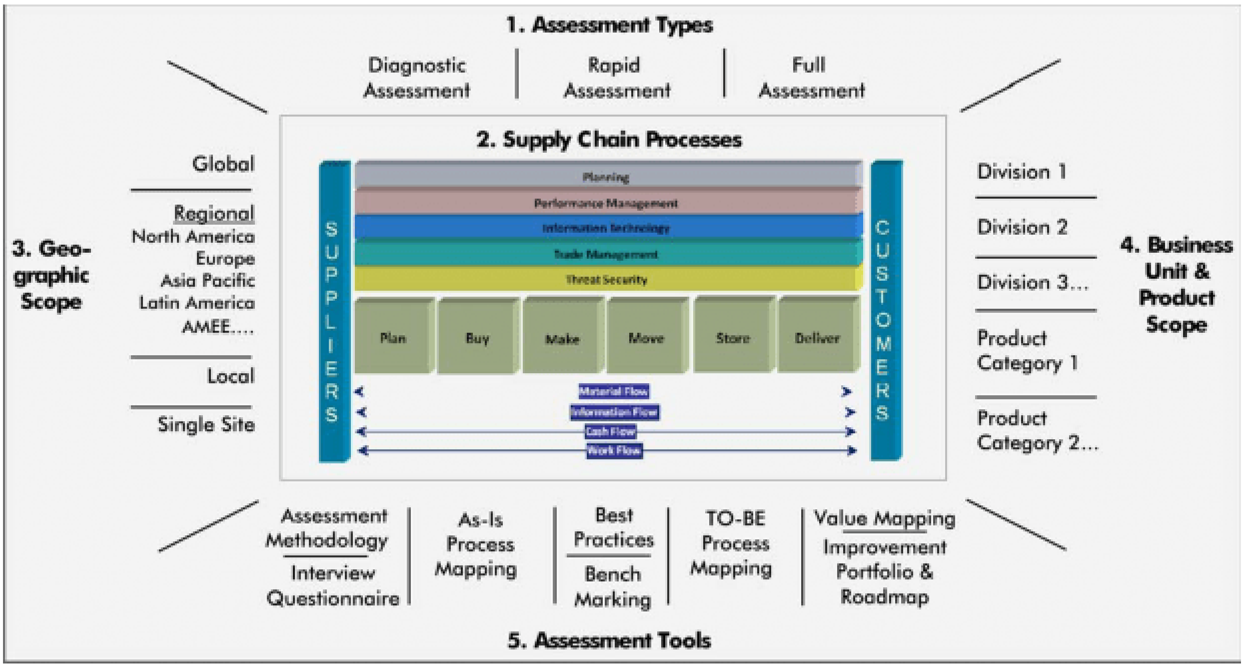


Figure 2. Supply Chain Adaptability Assessment Scope

Each of these types of adaptability assessments – diagnostic, rapid and full – has different uses. The Diagnostics Adaptability Assessment is used to address adaptability in a specific function, location or problem. Project times are short and costs are low.

Rapid Adaptability Assessments are higher level, also low cost, but used to identify quick opportunities for improvement.

Full Adaptability Assessments are deeper and broader and identify all opportunities for enhanced adaptability. They take more time, and costs are higher, but they offer the greatest return on investment.

The process steps for a Supply Chain Adaptability Assessment are:

1. Organize project, and collect data.
2. Assess high-level supply chain adaptability (As-Is) by company. All processes should speak to the eight factors of adaptability.
3. Conduct best practice and benchmark analysis.
4. Assess key opportunities for increased adaptability and apply the tools of adaptability as appropriate.
5. Develop business case for adaptability initiatives.
6. Develop road map to a "To-Be" adaptability vision.

Figure 3 presents the areas to be addressed in a supply chain adaptability assessment.

Area of Focus	Attributes Evaluated	Evaluation
Technology	• Historical transaction data available (with accurate information) • Performance measures availability/automated • ERP, CRM systems • Best of breed systems and middle-ware • Business partner integration at the planning and transaction level	

Organization	• Structure • Performance management • Succession planning • Talent development • Evolution to supply chain management
Performance Management	• Key Performance Indicators (KPIs) • Actionable metrics • Alignment of metrics to functional goals • Alignment of metrics to functional strategies
Strategy	• Supply chain strategy is clearly defined, communicated, understood and aligned with business strategy, including: - Channel strategy, supply chain strategy, outsourcing strategy, network strategy, as well as the strategies within each PLAN, BUY, MAKE, MOVE, STORE and SELL function - End-to-end strategies: planning, performance management, information technology, trade management, threat security, and material, information, cash and work flows

Process	• Network strategy: Capacity, asset utilization, sourcing, transportation, inventory management, MHE efficiency and tax effectiveness • PLAN: New product development, demand and supply planning, supplier, customer and R&D design integration, network planning, inventory planning, channel and product profitability • BUY: Sourcing, procure-to-pay, supplier relationship management • MAKE: R&D, new product development, manufacturing, MRP • MOVE: Global trade management, transportation modal strategy, fleet routing and productivity, freight payment and audit • STORE: DC operations, material handling integration, WMS, productivity, DRP • SELL: Delivery service levels, replenishment, returns, payment
People	• Understand supply chain and functions of supported departments • Integrated planning and execution meetings • Knowledge of supply chain practices

Figure 3. Supply Chain Adaptability Assessment Areas

So it is critical to begin your adaptability pursuit with a Supply Chain Assessment. Reflecting on the eight adaptability factors – along with applying the tools of scenario thinking, predictive modeling, rolling forecasts, business intelligence and outsourcing – will help your organization cope with the "new norm" of continuous change.

Responsive, adaptive supply chains ensure strong profitable growth in this continuing business climate of risk, instability and rapid change.

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About Tompkins International

Tompkins International transforms supply chains for profitable growth. For more than 35 years, Tompkins has evolved with the marketplace to become the leading provider of growth and business strategy, global supply chain services, distribution operations consulting, information technology implementation, material handling integration, and benchmarking and best practices. The company is known for innovative, practical solutions that improve supply chain performance and produce value based results. Headquartered in Raleigh, NC, Tompkins has offices throughout North America and in Europe and Asia. Visit www.tompkinsinc.com.