



Chain reaction
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The Fragmented Supply Chain

A discussion on the latest research findings into information flow in supply chains

Information – the weakest link in the supply chain

In August 2010, Oracle commissioned in-depth, independent research into information flow along supply chains. One hundred supply chain executives were interviewed across a range of businesses, from medium-sized up to large organisations, with those with more than one thousand employees making up more than half of the sample.

The research revealed the true extent to which poor information flow through the supply chain impacts on companies' operations – it was estimated that the overall cost to British business is £1.2 billion per year. This cost is spread across many areas of businesses' performance, from oversized inventories and wasted man-hours to missed opportunities for growth.

To coincide with the release of the research, a select group of supply chain professionals gathered for lunch at Searcys, Knightsbridge to discuss the findings and consider the opportunities that existed for change. The discussion was led by a panel including:

- Keith Holdsworth, Supply Chain Manager (Liquids), Dairy Crest
- Andrew Purton, Managing Partner, Oliver Wright EAME
- Mawgan Wilkins, Senior Director, Global Supply Chain Strategy, Cisco Systems
- Andrew Spence, Supply Chain Business Development Director, Oracle.

Challenges and rewards

The discussion underlined the scale of the challenges described in the research but also offered plenty of suggestions on how to overcome them, highlighting the benefits of combining people, process and technology and seeking greater automation.

A longer view – the benefits of improving visibility along the supply chain

Greater automation and enhanced visibility would have the following business benefits:

- A clearer view up the chain means a better understanding of supplier risk, which can allow for a reduction in inventories
- Avoids the problem of key knowledge being owned by only one individual, reducing the risk of bottlenecks and giving greater clarity to colleagues and management
- Facilitates strategic decision making across the wider business – business planners are able to view the big picture across multiple supply chains, with up-to-date, reliable information
- Provides the real-time data availability and self-service that people (supply chain professionals, as well as customers) have grown accustomed to
- Allows for a more formulated supply chain management approach, repeating what works well and avoiding what doesn't – an end to putting out the same old fires
- Contributes to real improvements in customer service through reliable and timely delivery.

Speed of information flow – the new frontier for efficiency

For decades now, the application of lean methodologies has accelerated the flow of physical components and products along supply chains and raised levels of efficiency. But information flow represents a new frontier. There is little automation: information is fragmented and siloed, and data still transmitted through a convoluted web of emails and spreadsheets, with the result that it often moves at the same speed or even slower than physical objects.

Enhanced automation of data flow can pay back in a number of ways:

- Creates the right environment for management by exception, freeing time across the business
- Supply chain managers have more time to think strategically and propose new, innovative approaches
- Overcomes the existing disconnect with Marketing – swifter communications means faster responses to promotional activity and other fluctuations in demand
- This greater synergy with Marketing also makes promotional activity more profitable
- Fuels growth – and not necessarily through new business – also by getting the most out of existing customers and meeting their demands more effectively.

Cultural alignment – focusing on the customer along the whole chain

These changes could also impact on the cultural alignment of the various tiers of a supply chain. Too often, partners fail to understand their role in the context of the entire chain and it is all too easy to focus on delivering only to the next link.

Sharing information more effectively and providing a clearer view of causes and effects all the way down the line to the customer can add further value:

- Drives a cultural transformation of the supply chain, rebuilding the entire process around the customer
- Allows the creation of common goals and metrics that all tiers can identify with and adhere to – part of a balanced scorecard for all.

Collaboration – transparency and trust

Enhanced data visibility and availability raises crucial questions around issues of trust and transparency in the field of collaboration. In the pursuit of efficiency, relationships with suppliers may become closer than ever, with a clearer view of the internal workings and performance of each others’ business.

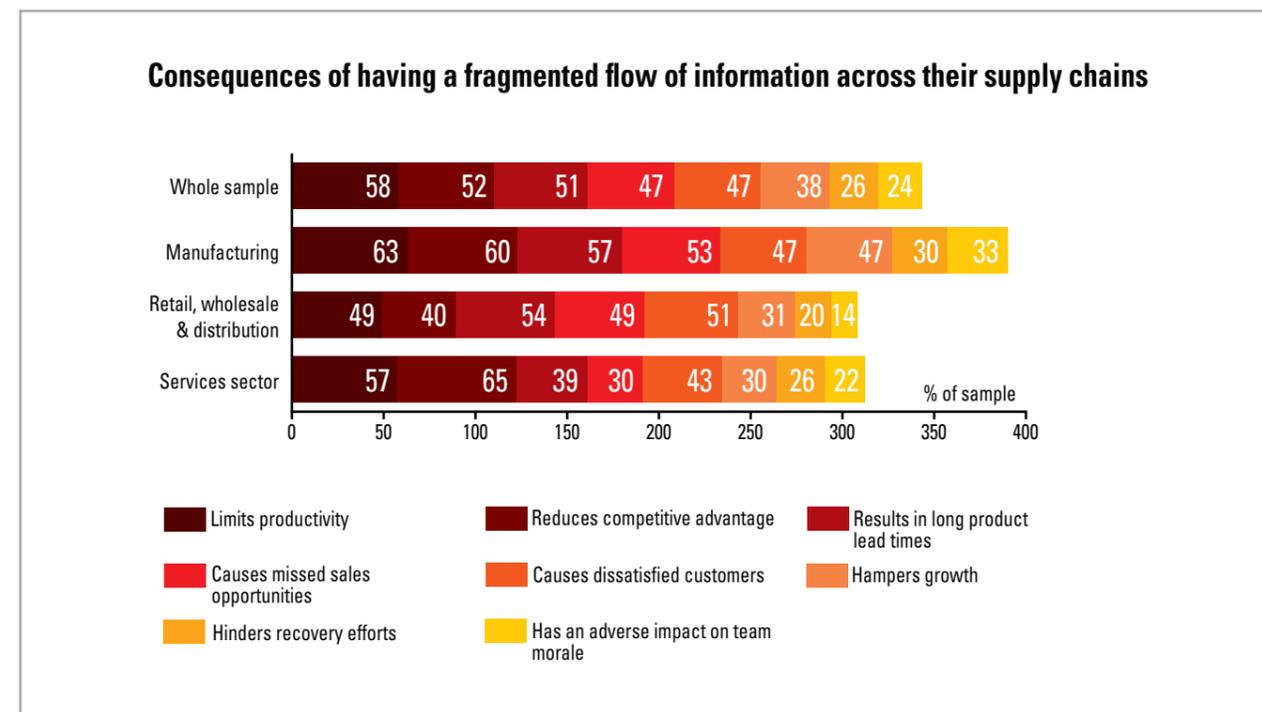
Choosing the right collaborators and the degree of transparency between them becomes crucial and may require fresh thinking and a willingness to look beyond traditional areas of cooperation.

The challenges of being data rich – managing a higher data load

The effective application of technology and increased automation will result in a greater volume of data entering the business than ever before. But having achieved this happy state, such a wealth of data can bring its own challenges. Managers will need to have an understanding of:

- How to avoid over-complicating the decision-making process
- Who should have access to the information entering the business
- Which information should be used: some data facilitates quicker, better-informed decision-making, and some simply muddies the water
- Management by exception – this is crucial as the data availability increases.

Findings from Supply Chain Information: The Weakest Link?



Making the change

Fundamental changes of approach are rarely easy. In the case of information flow, it requires large numbers of people across disparate organisations to completely change their way of working, abandoning familiar programmes and comfortable routines.

For this reason transformation is often only instigated by 'burning platform' scenarios where there is no other option. The new 'age of austerity' could be just such a burning platform, where diminished budgets, both corporate and household, drive a search for efficiency and an increasingly fluid marketing environment based on targeted offers and promotions.

So where should you start?

- Data availability can be the trigger for change. Begin by considering the end delivery to the customer and understanding gaps in your knowledge and the metrics required as you work your way back up the chain
- Treat people, processes and technology as one, recognising their interconnected nature
- Find the right support – driving change is easier and more likely to be successful with an experienced partner that has worked with similar organisations
- Drive change at a pace that's right for the business and appropriate to each stage of improvement – but don't neglect to set a strategy and goal for the overall programme.

Oracle's response to the challenge

Oracle has built a platform for integrating supply chains that goes beyond traditional company boundaries to enable collaboration between organisations. The platform comprises technology that connects disparate systems and businesses and has applications for improving operations and business intelligence. This makes it possible to manage large volumes of data and access the right information to support critical business decisions. Oracle's supply chain solution is modular, enabling it to co-exist with existing IT investments and avoiding the need for costly rip-and-replace strategies.

Contact Oracle to discover how our approach delivers rapid return on investment and can transform your operations for the better.

Supply Chain Information: The Weakest Link? Executive summary

- 76% of companies do not have a comprehensive and automated flow of information across their supply chain for all the information they need.
- Spreadsheets, isolated databases and paper trails dominate, and a conservative estimate of the total cost to British business in man-hours needed to manage this information manually is £77 million pa.
- 1 in 3 companies finds the flow of information so fragmented and slow that production takes the same amount of time or is quicker than the transmission of a demand signal to the outer reaches of their key supply chains.
- 88% have found their company unable to supply peaks in demand created by sales and marketing activities in the past 12 months, and on average, 1 in 5 campaigns (22%) has resulted in an inability to supply demand.
- 1 in 2 companies says fragmented information has resulted in missed sales opportunities, which amount to a staggering £1,204 million pa for relevant British companies.
- 87% think they would be able to reduce their inventory levels by an average of 22% if they were able to understand better the risks inherent in their tiered supply chains.
- If these supply chain managers were to invest in technology to improve their supply chain management and were able to demonstrate ROI within just 12 months, 92% of them would make changes.

To receive your full copy of the research report, or to find out more about how Oracle can deliver rapid return on investment and transform your operations for the better, contact Tracey Capocci via email: tracey.capocci@oracle.com or call 01604 246697.



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