

Supply Chain Process Outsourcing – Enabling Greater Efficiency

Complexity in the Supply Chain

According to the Aberdeen¹ Group study the typical company derives 30% of all revenue from globally sourced product, with companies in some industries reaching as high as 80%. Companies have responded to this acceleration of global trade by dividing business processes into two categories:

- Core Processes that must remain within the organization.
- Non-value added processes that can be outsourced to supply chain partners.

This is a fundamental change in the way value is delivered to customers². Business functions that were once run as departments are becoming integrated into processes that span the entire organizational chart. With no company being capable of excelling at all of the tasks required of a global business, modern supply chains have by necessity evolved into complex networks of manufacturers, logistics providers, government regulators, and financial institutions.

In an ideal world, this new business model is the proverbial “win-win”. However, with increasing operational complexity, managers are having a difficult time providing that promised value³. The reason being that while complexity at an organizational level allows business to implement value adding strategies, like JIT, outsourcing to lower cost countries... The manager or executive at one of these many supply chain touch points can be overwhelmed with information. Often this information is irrelevant or coupled to other data that makes it difficult to gain insight into supply chain processes. The result is a loss in process visibility, increasing operational cost, and a widening gap between expected performance and delivered value.

¹ The CFO’s Agenda for Global Trade Benchmark Report, Aberdeen Group (September 2005)

² Supply Chain Management: Processes, Partnerships, Performance, Douglas Lambert, SCMI, 2nd edition

³ Cracking the Complexity Code, McKinsey Quarterly Study (May 2007)

Simplify the flow of Information

Most organizations today have several best of breed systems running simultaneously to help them monitor their supply chain processes (WMS, TMS, ERP...). Each one of these systems can be very effective in providing to a particular functional group the information it requires and the actions needed to deal with issues. However, while these systems are effective in benchmarking internal processes they do not provide to management a complete picture of supply chain performance. This fragmented flow of information further compounds issues by gathering data from different sources or aggregating it in a different manner making it difficult to reconcile one result with another.

A better solution⁴ is to communicate through a common platform and simplify how information is disseminated from these best of breed systems throughout the organization and its partners. Within such a communication platform, results can be built from the transactional level on up, with common data there exists a common “language”. This provides high quality data to all trading partners and as a result, they can describe events and expected performance in a clear and concise manner.

Simplifying the flow of information involves more than simply linking data transfers with supply chain partners. For such a model to be effective, the supply chain needs to be understood from the ground up. A series of steps that will lead to continuous supply chain improvement need to be implemented:

- Supply Chain Processes need to be mapped.
- Critical supply chain partners need to be identified.
- Performance measures need to be linked to Competitive Strategy.
- Rules for benchmarking performance need to be established so that all partners understand expectations.
- Processes need to be re-designed in order to try and improve over the status quo.

⁴ Technology Strategies for Accelerating B2B Strategies, Aberdeen Group (October 2007)



The goal of such a model is to make transparent the processes that affect supply chain performance and which parties are responsible for undertaking the individual tasks in order to make the execution of transactions visible to all interested groups. Within such a collaborative model, the paradigm has shifted from negotiating safeguards against errors and bad performance to simplifying the flow of information so that organizations/managers can take full advantage of supply chain strategies.

TradeMerit- Supply Chain Process Outsourcing

The TradeMerit service offers this alternative approach to handling the flow of information within a global supply chain. TradeMerit makes it feasible for all supply chain partners, whether you are a manufacturer, an importer/exporter, a 3PL, or a financial institution to leverage our service in order to provide a deeper understanding of processes that will allow your organization to improve efficiency and mitigate risk. The TradeMerit services include:

- Access to Software services,
- Process management,
- People to intervene when needed.

TradeMerit is a Business Process Outsourcing provider that offers expertise in Global Trade Management services including: trade compliance, supply chain design, and integration. Our technology is non-invasive and requires no investment beyond your current IT systems or processes, our solution is a purely On-Demand model that can be tailored to meet your needs.

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