

BEST PRACTICES

Tuning-Up Your Supply Chain

A supply chain audit—done right— can result in lower costs and better customer service.

By Andrew Kaplan

You tune up your car. When you go for a physical, you're in a sense tuning up yourself. So why not do the same for your supply chain? When you conduct an audit that, in essence, is what you are doing—giving your supply operation a healthy check-up.

A good audit can take just a few hours to conduct, and yet it can have many benefits. In fact, asked what is the ultimate goal of a supply chain audit, Kate Vitasek, managing partner of the Seattle, WA, USA-based Supply Chain Visions, says, "That's easy—improvement. Companies spend between 6 and 15 percent of their entire revenue on their supply chain activities. So it's expensive."

Companies usually do supply chain assessments to figure out how they can cut costs, such as getting their product to market cheaper to gain a competitive advantage, and how they can improve customer service. A typical audit consists of comparing what is actually going on in the distribution operation to a set of established benchmarks. Such benchmarks can come from a company's best-run warehouse or it can come from outside sources.

One outside source is the Council of Supply Chain Management Professionals (CSCMP), which has issued its own set of process standards. Some experts, such as Vitasek, use the CSCMP standards when conducting audits. (Vitasek was one of the key authors of the CSCMP standards, to which more than 50 logistics supply chain practitioners and experts have given their stamp of approval.)

Once you have the benchmarks in hand that you are going to use, your next decision is what exactly to audit. There are more than 200 supply chain activities, points out Vitasek. A big mistake some companies make is trying to include too many of them in an audit. Narrowing down the audit to a reasonable number of activities is crucial, she says. "The whole goal of an audit is to identify where you can have improvement," Vitasek says. "If you've got 45 improvements it can be



overwhelming and you end up not doing anything. You don't have to look at every single thing and go into analysis paralysis."

Companies with many different facilities have another matter to consider: do they audit all of them or try to narrow it down? "What you're looking for is the variance," says Vitasek. "Are we roughly following standard operating procedures, or are some doing really good? I want to identify the best practices in some facilities because that way I can share those prac-

tics with the facilities that aren't doing so well and overall my performance comes up."

Another decision is who should conduct the audit? If it is done by someone in-house, they must be knowledgeable enough to be able to perform the audit. "They can use the CSCMP process standards and do it themselves, but they have to have someone on staff who is fluent in supply chains to be able to do that," Vitasek says. One idea is to hire an outside consultant to assemble a small team from in-house that will be able to do the audits.

The auditor often will then grade the processes. "We developed an audit form, a grading system and we actually go out and walk the building and meet with the leadership and go through and do a mutual grading process," explains Ned Bauhof, who, as vice president of Precision Distribution Consulting (York, PA, USA), conducts warehousing audits.

Bauhof says more beverage companies should conduct audits. "It's a huge opportunity in the beverage industry because there are so many facilities. The need to standardize is critical, and the way to make sure you're being standardized is to have an audit process," he says. **BW**

cscmp.org • scvisions.com • pdcinc.us