

QUESTIONS & ANSWERS

With Kate Vitasek Supply Chain Visions

Kate Vitasek is the founder and managing partner of Supply Chain Visions, a Kirkland, Wash., consulting firm that specializes in supply-chain strategy and education. She is a faculty member at the University of Tennessee's Center for Executive Education and she teaches MBA classes on performance management and lean supply chains at Wright State University. Vitasek also teaches seminars for the Warehouse Education Research Council and is on the peer review board for the Journal of Business Logistics.

Q. What's the vision of Supply Chain Visions?

A. It's considered a "boutique" consulting firm because we're small — only 11 employees — and we all work from our homes. I founded it in 2002. We bring supply-chain solutions to companies ranging in size from \$4 million to \$100 billion-plus as well as various government agencies and the Department of Defense. Since the company's inception, we have assisted more than 50 companies across a broad spectrum of industries and supported multiple state and federal government agencies. Our approach is different from traditional consulting firms. We use performance metrics and performance management techniques to understand how best to measure the effectiveness of the supply chain. Picking the right measurements to define and develop a strategy is our emphasis — we don't do network optimization, and we don't bring in an army of consultants — instead we work to combine education and consulting to the teams of companies we work with. We teach them to fish. Teaching is very important to us. We want to teach people how to do their supply chains instead of doing it for them. It's kind of a hybrid model between academia and consulting.

Q. As supply chains become longer and more complicated, is there a law of diminishing returns because of added costs, increased risks, less efficiency and more difficult sustainability?

A. There is a definite impact of diminishing returns, which is in many cases only now being understood. I'm a big fan of the 80/20 rule, for instance, and for making improvements when they make sense. Achieving 100 percent perfection across a supply chain all of the time is not possible or necessary in most cases. There are exceptions, of course, but if you get to a curve where you are 80 percent effective most of the time, you can then address the other 20 percent. All of the long-supply-chain elements you mention are at play here: Added

costs for transportation and importation of goods; increased risks associated with political and geophysical events; reduced efficiency and increased difficulties related to lag time in the lengthy (geographically) processes as well as difficulties working with other cultures, languages and time zones.

Q. What are logistics and supply-chain managers looking for in 2008?

A. Lean manufacturing has been big for the last 10 years. I'm starting to see more companies trying to figure out lean outside of manufacturing to improve the supply chain, a true effort to lean the entire supply chain, not just individual companies. If you lean your company and not the supply chain, you just push volume and inventory down the line. Early on in the outsourcing-offshoring cycle, many companies were drawn to the lower labor costs offered in Asia and elsewhere. Many are now reviewing their earlier decisions and onshoring or moving production back to the Americas, and many who may have considered a move to low-cost country suppliers are looking at local options and ways to use lean and other techniques to reduce costs. There's also an awakening or increased awareness that real estate and supply chains overlap. There are a lot of ways where these two functions can work better together.

Q. What about performance-based logistics?

A. Yes! I predict that in five to seven years, PBL will be well beyond a buzzword and into real practice in mainstream commercial sectors such as the third-party logistics industry. All of the good companies will do PBLs and move away from transaction-based contracts. PBL is just a smarter way to do outsourcing and logistics.

Q. What is the big picture?

A. I think there will be more strategic thinking on what a supply chain is and likewise on offshoring. The bad connotations associated with outsourcing will diminish over time, mainly because companies are getting better at it than they used to be. The bottom line is that if you want to move the needle in your performance, you probably have to take a different approach from what you've been doing.

— Bill DiBenedetto

