

Network Optimization Challenges

What are some challenges for Supply Chain Network Optimization?

Have you struggled with network optimization projects? Have you wondered why you can't seem to utilize network optimization to its expected potential, or why it is taking so long to get to useful insights or solutions? There are some common challenges that you may have encountered with network optimization but, if you can recognize and manage them, these will become your strengths and you will find greater success. You must understand the key challenges, which we categorize under Spinner's "5 Lenses":

- Technology – Do you have the right technology? Show me the data!
- Process – Do you have a defined process in place, or are you on a fishing expedition?
- People – Are your people ready for the change?
- Policies – Do you understand the current policies? Get real with it!
- Metrics – Are you using the right metrics?

Did you choose the right technology? Show me the data!

Choosing the right technology for network optimization is the most important decision. The technology you select determines the types of processes to implement and supporting infrastructure necessary for set-up. Most network optimization tools are very flexible in their ability to integrate with different systems, but must make sure it is compatible with your existing systems.

Once the right technology is selected, the next challenge is making it work in an efficient manner. These tools have a voracious appetite for data, and integration of the technology with existing systems is critical. There are two steps for getting the right data into the tool in the right way:

1. Map data from source systems to the required input tables for the tool
2. Validate and transform data into input for network optimization

This new process needs to be designed with great due diligence to "manage out" any flaws in input data. Most companies have some weak spots in the data sets needed to perform useful network analysis, but the quality of the data going into the tool determines the quality of the results. As in all model-driven analysis, garbage in is garbage out!

Beyond learning how to manage and operate a new technology, it is critical to become fluent with how the input and output data is structured. This is an iterative, learning process, but there are no short cuts to this investment of time by your team. You may need new skills and resources to truly get it right.

Do you have a defined process in place, or are you on a fishing expedition?

In our experience, companies often have only a superficial understanding of the value that network optimization and the supporting best practices can bring to an organization. Since network optimization can address a broad range of questions or topics, it becomes very important to clearly define objectives and scope for the project. Educating executives on what network optimization can and cannot answer helps preempt a lot of confusion. Experienced network optimization practitioners can help define methodology for network optimization projects, and streamline the process of defining and prioritizing objectives. Along with objectives, defining scope and assumptions are also critical to the project. Developing the right methodology and framework is crucial and keeps the team focused throughout the project.

It is easy to drift from core objectives and scope if there is no structure to the network optimization process. For scenario analysis, an organized approach should be followed in that each scenario is defined by changing one variable at a time with certain objective in mind and should assist in decision making process. Often, we have seen there is no methodology for efficiently defining scenarios, teams end up analyzing larger numbers of unneeded scenarios, and cause confusion and frustration. The strategic decision making process using network optimization does not only involve quantitative factors but also qualitative factors and developing a comprehensive scorecard combining both aspects helps executives make informed decisions based on all key elements.

Are your people ready for the change?

Supply chain network optimization process is a people business. It is the people who collect data, develop models, analyze results and make strategic decisions. As network optimization involves people from different functions including IT, purchasing, transportation, production, etc. and all levels from VP to analysts, cross-functional collaboration is required to design, implement, and execute. People buy-in is a big challenge for successful execution and is needed at various stages - defining objectives and scope, scenario methodology, and building a framework for finalizing recommendations, etc.

The scope of network optimization project spans multiple business functions and the decisions it considers impact all these functions. The overall goal is to optimize costs, and the balancing act it performs may impact some functional groups positively and some negatively—such as Inventory vs. Transportation. Getting on the same page in terms of an action plan is not always easy. In addition to buy-in, executing policy changes recommended by network optimization analysis needs key people coordinating initiatives across the organization.

We commonly see many companies lack resources, talent, and skills needed to effectively perform network optimization analysis and adopt sustained best practices. Companies need a sober self-assessment of their current state, then use training and workshops designed specifically for their identified skill upgrade needs so they can exploit network optimization usefully.

Do you understand the current policies? Get real with it!?

Building supply chain models that represent reality as closely as possible is imperative to success supply chain strategy. Business policies are represented in the supply chain model and therefore need to be clearly understood. We have seen many instances where models do not represent the reality of business operations and makes recommended decisions appear faulty. In our supply chain modeling experience, understanding business policies, key cost drivers and exceptions drives accurate modeling and facilitates changes that result from model output.

Most of us have experience making decisions based on hypothetical data, and then scratching it out later because it didn't make sense. Especially for network optimization, the more real you can get with models, the better results you can expect.

Are you using the right metrics?

Business scenarios are measured and compared against each other. Identifying the right metrics and developing the scorecard is a make-or-break exercise for meaningful scenario comparison and insightful decision making. The two-sided coin of costs and service that is the foundation of network analysis is sensitive to your specific characterization of those dimensions. Key decisions include what units should be used for measuring costs and service—it can be \$ per pound or \$ per case, etc. What you choose for units determines what data you need, how you model it, and most importantly what are the key underlying drivers of supply chain efficiency.

Get Started Today

Take an honest look on what challenges you may be facing regarding network optimization. Knowing where you want to be is the first step in moving your organization forward. While it may seem like an insurmountable task to build or change such a process, the team at Spinnaker brings decades of experience in network optimization process, technology and tools that enable it, and the change management steps necessary to be successful.

Spinnaker offers a detailed Process/Tool Assessment, which reviews and analyzes current processes, roles and responsibilities, and tools in place. After current state review, gaps are identified against leading best practices and an improvement roadmap is developed.

We encourage you to start by having a conversation with Spinnaker to hear more about our experience, and to discuss ways that supply chain transformation and network optimization can take your organization to the next level.

We hope you found this information to be helpful. To access more Spinnaker thought leadership [click here](#) or to learn more about our services [click here](#).

About Spinnaker:

Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

Contact Us:



Phone: 877-476-0576



Email: info@spinnakermgmt.com