

# 5 Factors to Consider for Effective Supply Chain Optimization

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Supply chain managers are under increasing pressure to optimize processes, and there are many industry developments that businesses should be sure to factor into optimization efforts. The changes occurring in this sector are widespread - from globalization to electronic data capture and the rise of social media - so businesses need to consider the prevailing trends and their implications for supply chain optimization.

The supply chain industry has been significantly altered by globalization, in addition to the emergence of new technologies that provide ways to improve processes. While developments are still unraveling quickly, there are numerous keys to supply chain optimization that remain relatively constant.

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The Hindu Business Line contributor Harishanker Subramaniam outlined a few key operations and supply chain management factors to consider as major shifts take place in world trade. While many companies have witnessed significant success as world trade shifts toward rapid growth markets such as India, China, Africa and Brazil, it is important for businesses to effectively manage variables like

cross-border and country taxes. One of the key factors Subramaniam detailed is the necessity of facilitating communication across the organization. Being aware of challenges is the first step on the way to optimization.

"Indirect taxes impact a variety of corporate functions including finance, tax, legal, logistics, supply chain, real estate and operations; so communication and dissemination of information is vital," Subramaniam wrote.

## 1. Important Supply Chain Metrics

Organizations need to consider how varying tax codes will impact operations, so business decision makers should consider utilizing supply chain management systems and monitoring numerous metrics. Healthcare Finance News recently shared insight from Karen Conway, director for industry relations at supply chain management company Global Healthcare Exchange. She discussed five measurements in particular that the healthcare industry should consider in order to track goods and engage in better supply chain analytics:

- Inventory
- Percentage of electronic data capture
- Granular metrics for high-cost supplies
- Costs of procedures
- Standard product identifiers

## 2. Inventory and Electronic Data Capture Percentage

In regard to effective inventory management, Conway explained how important it is for hospitals to properly track inventory across the organization, especially to avoid problems with supplies expiring. Conway cited industry analysts, who estimated that wasted products cost the worldwide healthcare industry more than \$51 million annually, and most of this cost falls on the provider. This means there is a lot of money that can be saved if the proper inventory management program is in place.

"If data is not captured electronically and standardized throughout the organization, then the hospital is not capturing data to the level necessary to garner key insights for better decision making," Conway said. "This includes not only understanding what products are being purchased in what quantity from which suppliers for better contracting, but also to understand the implications for value-

based care. For example, data can be shared with physicians, which helps them correlate product selection with quality and cost of care and reduce variations in practice."

### **3. High-Dollar Products and Procedural Costs**

While it remains important for hospitals to monitor global metrics in order to more effectively control supply chain costs, Conway noted that many providers are focusing on more granular metrics for high-cost supplies. An example of this would be tracking supply cost per case of goods that are used for a specific surgical procedure by a certain physician.

An effective data capture system is particularly important when it comes to the cost per procedure metric. An example of a situation where this would be especially important is with implantable devices, which can make up half the procedure cost of a given operation. According to Conway, implementing automated data collection can be particularly useful for this metric, as it enables improved visibility into the products a hospital uses and helps integrate clinical, financial and supply chain systems.

### **4. Industry Standards**

According to Conway, one of the most valuable metrics for hospitals in particular is industry standard product identifiers like products that fall under unique device identification regulation, as this provides improved visibility and accuracy regarding the products commonly used in healthcare.

"This can yield a myriad of benefits, from better usage tracking and recall management, to comparative effectiveness research to supply chain efficiencies and spend analysis," Conway said. "The value of these identifiers can only be realized if hospitals and healthcare systems use the identifiers for clinical, supply chain and financial operations."

### **5. Social Supply Chains**

Digital Supply Chain contributor Jesse Galt also recently reported that more supply chain executives are recognizing the value of social media in the industry. Galt cited a 2011 study from Adelante that asked execs how social media will impact supply

chain management in the next five years. Roughly half responded that social media will positively transform supply chain processes in ways that no one can currently imagine. As a result of social media, so far there have already been noticeable improvements in transparency, supplier relations and internal communication and processes.