

Reduce Supply Chain Interruption Risks - Automate

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Year-end business reviews for 2011 point to a weak link in corporate practices that can bring even the mightiest of organizations to its knees in a time of crisis. That weak link is the lack of multiple suppliers that are dependable and readily available.

In his excellent *Wall Street Journal* story, "Reinforcing the Supply Chain," on January 11, 2012, Maxwell Murphy highlighted the vulnerabilities of companies that depend upon a single supplier only to have that supplier rendered powerless to deliver due to a disaster, such as the earthquake and tsunami in Japan, or the Arab Spring uprisings that closed businesses in the Middle East.

Closer to home, we don't have to look any farther than the tornadoes that struck Joplin, Missouri, and Tuscaloosa, Alabama, and Hurricane Irene flooding that swallowed many parts of the Northeast. All told, the United States had a record 10 weather catastrophes in 2011 costing more than a billion dollars -- five separate tornado outbreaks, Hurricane Irene, two different major river floods in the Upper Midwest and the Mississippi River, drought in the Southwest and a blizzard that crippled the Midwest and Northeast.

With many disasters, natural and otherwise during 2011, organizations are realizing the frailties of small inventories, just in time deliveries and single vendor partnerships. These procurement strategies may have looked good on paper at one time, but are now proving to have the potential for grave negative consequences, especially when the supply chain is cut by severe weather, strikes or other conditions.

Organizations most vulnerable during disasters are those that insist on having just a few suppliers and resist automating their procurement process. You may have the best supplier in the world, but if it is underwater you are stuck without a supplier. You are left scrambling to find a supplier somewhere to deliver what you need, even if the quality doesn't measure up to what you really expect.

That is where automated procurement technology fits in. With automated vendor selection technology, for instance, buyers are not limited to reliance on single sources of supply even while gaining the efficiencies and cost savings associated with single source partnerships. Buyers using automated vendor selection procurement obtain the best price from the best qualified supplier for the specified product or service needed at the exact time required (with zero cost for inventory).

As a single-source ordering platform that manages a multitude of buyer qualified suppliers, automated vendor selection technology requires that the buyer develop a database of at least two dozen trusted suppliers. Each time the buyer submits job

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specifications, the computer matches the specs with the supplier pool and only those that are best qualified to do the work are invited to bid. Not only does this give the buyer a diverse field of pre-qualified suppliers from many geographic areas, it creates a competitive bidding environment that results in the buyer paying 25% to 50% less for the procured good or service. The web-based communications and workflow system used for maximum automated vendor selection benefit delivers total transparency, strong risk management and quality controls, full accountability and complete documentation and archiving.

Automation is changing the efficiency and cost effectiveness with which organizations procure what they need to sustain their businesses. Common sense would tell you that this is the course to take. But if that is not enough, the Aberdeen Group reported that the majority of the 130 organizations that participated in its 2011 procurement survey agreed companies should adopt more technology to automate procurement. A.T. Kearney's 2011 Assessment of Excellence in Procurement study of more than 185 leading companies across 32 different industries found that procurement leaders excel at managing risk. By contrast, just one in five procurement followers use risk management activities in procuring goods and services—which means about 80% of companies are a natural disaster away from a major disruption.

William Gindlesperger is a nationally recognized entrepreneur, inventor, author and consultant. He founded ABC Advisors and its successor, e-LYNXX Corporation, in 1975. Profit, non-profit and government organizations alike have benefited from his strategic insight and innovation that result in measured and substantial cost reduction. His firm, e-LYNXX, handles more than 200 on-going consulting assignments at any given time. Among its contracts is one with Educational & Institutional Cooperative Purchasing to assist colleges, universities and other institutions nationwide with procurement and spend management.

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