

In a precision medicine environment, reducing supply chain friction factors will be key to success

By Mark Philhower

This article was first published in PharmaLive (pharmalive.com) on Jun 06, 2018.

Mark Philhower is Business Consulting Senior Director, Life Sciences and Healthcare Technology, NTT DATA Services.

Reach NTT DATA team at: LifeSciences@nttdata.com

It's not hard to see how precision medicine will re-make the world of research and development and manufacturing and distribution for pharmaceutical and medical product companies. But it will make new demands on the supply chains of these organizations. Like manufacturing and distribution, small volume, high margin products will require a more complex set of raw materials and a just-in-time, approach to prevent excessive inventory.

But precision medicine is not the only factor that is making operations more difficult. Raw materials are being sourced globally and the finished goods are distributed worldwide. And new market entrants, such as Amazon, have well-developed digital capabilities that are more sophisticated than traditional life sciences organizations. And at a time when the challenges have never been more daunting, the organizations need their supply chains to operate even more cost-efficiently than ever.

Reduce the friction to gain more speed without higher costs

In the face of these challenges, companies are re-thinking their supply chains and switching their focus to the customer-facing side the business – both internal (employees, business partners) and external customers (buyers of their products). Traditionally, supply chains have focused on minimizing the cost of manufacturing, shipping and logistics. Changing the focus to cultivating a much closer and deeper relationship with internal and external customers will enable the type of collaboration needed to face the disruption and pressures they face. By understanding the friction points that hinder this collaboration, companies can undertake the initiatives needed to align people, processes, technologies, goals and rewards for success.

By friction, I mean all those points that consume time, energy and money without producing a return. A big friction factor is inefficient data gathering. If the supplier doesn't get all the specifications at the time the order is initiated, both supplier and customer can waste time trying to get the info. Even even worse, a miscommunication can occur that results in the wrong material or quantity being shipped or the order showing up at the wrong place or time. An inaccurate material number, a misplaced decimal, a transposed digit – the list of possible errors is endless. Finding ways to prevent data gaps can greatly increase efficiency.

Here are a few examples of supply chain friction points related to inefficient data gathering, all of which I have seen or experienced:

- Employee requests demand data from buyers. Buyers cannot produce timely and accurate demand data.
- Employee requests quotes from suppliers. Suppliers produce quotes that do not match the specifications in the request.
- Employee communicates production order to manufacturers and distributors. The production order does not use correct material numbers.
- Employee refunds buyer for returned goods. Goods are only partially returned by buyer. Refund needs to be adjusted.
- Employee schedules delivery of products to distributor. Delivery schedule inaccurate and communicated late to distributor.

Slow or no response to customer queries or requests can also be a huge friction factor, and it is often the result of employees lacking timely access to the data needed. It can also be the lack of assigned accountability, which is often the cause behind a ball that gets dropped.

Finding the friction

To reduce the friction, you have to find it, and best way to really see the friction in your processes is to experience the process from the point of view of the internal and external customers. And you have to start with the assumption that the problem lies in the process, not the people. Even good people will make mistakes, but good processes have built-in guard rails to keep people from making dumb mistakes. So if people are making mistakes repeatedly in the same processes, the process needs to be better engineered.

A good example of this approach can be found in the airline industry. The safety record of airlines in the U.S. has improved vastly in the past two decades, mostly due to thorough examination of every accident and thoughtful re-engineering to prevent future problems. While an ordering process is a lot less critical than a safe landing, it can benefit from the same assumption: if people are making mistakes, fix the process so that they can't damage anything when they make a mistake. Analytics can be very helpful in finding patterns in the data that point to the locus of a problem. Good analytics can also help you accurately prioritize your efforts, by showing you where the friction is costing you the most in time or money and helping you get a higher return for your efforts.

Collaboration can grease the wheels

Collaboration can often reduce friction, knocking down barriers before you encounter them. For example, if the customer and supplier work together to create an order, the supplier can often provide information on cost, availability or alternate options that the customer might not be aware of. Being a proactive partner, and requiring others to do the same, can cut time and cost and

improve quality, because knowledge sharing can prevent a host of problems. And joint review of an order can improve accuracy, with both parties taking responsibility for checking to be sure there are no typos in critical data.

Collaboration is often useful, too, in problem solving, especially if you have taken the time to build trust with your stakeholders.

So who are the internal and external customers? And how can they better collaborate and work in partnership to improve the supply chain?

Internal

- Employees performing supply chain job functions
- Suppliers of raw materials, parts and other inputs to the product
- Outsourced manufacturers of all or part of the product
- Outsourced warehouse or inventory managers
- Distributors of the product

External

- Consumers
- Health care providers
- Health care facilities
- Wholesalers
- Pharmacy benefit managers

Let's take a look at a couple of examples of how collaboration can reduce friction. Let's say that your company produces a medical product used by nursing homes. Having an outreach program – this could be as simple as periodically calling the buyers at those nursing homes that order your products – could turn up information that could help you improve the product in ways that are meaningful to the customer, or even reduce your manufacturing or packaging costs. The people who use a product frequently often can give you chapter and verse on what's wonderful about it and what isn't working for them. Asking stakeholders to candidly share their thoughts – positive and negative – can uncover lurking problems before those problems become a drop in orders, especially if you take the time to be a collaborative partner and build trust.

Or let's say that you regularly order particular materials, but you tend to purchase from a variety of suppliers, based on the current price, and often experience wide variations in quality and shipping issues. You could develop a collaborative relationship with a few of the suppliers, and ask them to be proactive in helping you find the best price, shipping method and source to get the reliability you need.

The more you show a proactive interest in partnering with other stakeholders, the more willing they will be to help you.

Visit nttdataservices.com to learn more.

NTT DATA Services partners with clients to navigate and simplify the modern complexities of business and technology, delivering the insights, solutions and outcomes that matter most. As a division of NTT DATA Corporation, a top 10 global IT services and consulting provider, we wrap deep industry expertise around a comprehensive portfolio of infrastructure, applications and business process services.

NTT DATA
Trusted Global Innovator