

# How to **Evaluate,** **Improve & Manage**

a Supply Chain Management System



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## How to Evaluate, Improve & Manage a Supply Chain Management Solution

1. Define your requirements and expectations
2. Benchmark your current operation
3. Evaluate your choices: Capabilities, competencies, and highest total value
4. Obtain “buy in” and manage change
5. Implement a successful program
6. Ensure long-term success

This white paper is a guide to two crucial decisions regarding your freight transportation:

1. Should we outsource part or all of our supply chain operation?
2. If we decide to outsource, how do we select the best partner?

Shippers have more options today than ever before about how and what to outsource. Specialization within the logistics industry has spawned new service models such as Logistics Service Provider (LSP), Lead Logistics Provider (LLP), Transportation Management Solution (TMS), and Fourth-Party Logistics Provider (4PL).

These options create opportunities for shippers. But they also complicate the outsourcing decision and increase the difficulty of finding the partner (or partners) that offers the best fit. Savvy shippers can capitalize on this expanding logistics landscape by making thoughtful and informed decisions about what they want from their supply chain operation and who can best meet these requirements.

### Defining Your Requirements and Expectations

Effective decisions regarding your supply chain operation begin with an analysis of your requirements and expectations. This analysis should occur at three levels:

#### The Operational Level

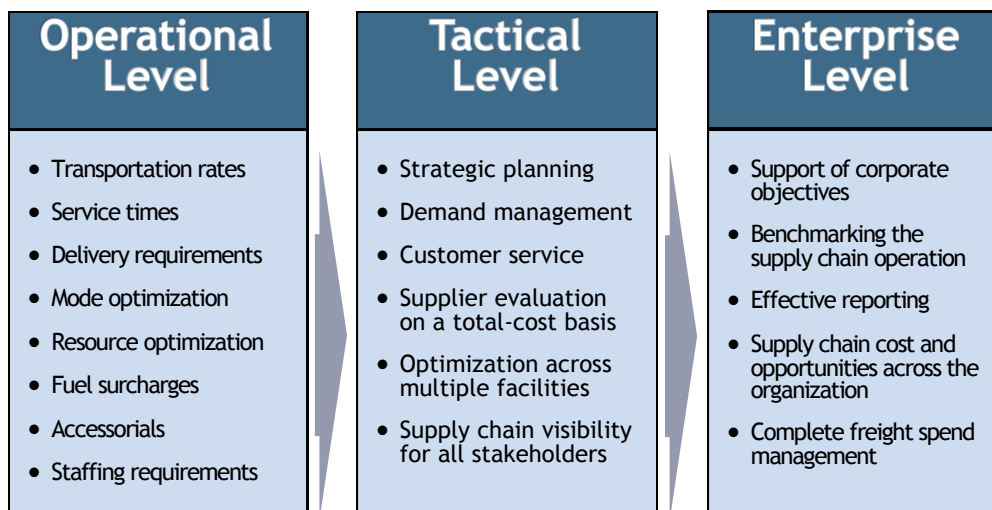
Cost-effective fulfillment of your inbound and outbound freight transportation; service times; delivery requirements; mode and resource optimization; management of fuel surcharges; and staffing your shipping and receiving functions.

#### The Tactical Level

Optimizing freight flow for multiple facilities (if applicable); evaluating suppliers on a total-cost basis; managing peak periods of inbound and outbound activity; and developing supply chain visibility throughout your organization.

#### The Enterprise Level

Designing a supply chain operation that supports and advances corporate objectives; benchmarking the supply chain operation; comprehensive freight spend management; calculating the impact and cost of the logistics operation on other departments; implementing effective reporting tools for management; and determining whether to insource or outsource each supply chain function.



### Benchmarking Your Current Operation

Is your current supply chain operation meeting your requirements and expectations? Where are the opportunities for improvement? Benchmarking your current operation answers these questions and more.

Effective benchmarking evaluates the following:

- Transportation pricing (ideally broken down by mode, length of haul, and other key factors)
- Service requirements
- Transit times
- Fuel surcharges
- Accessorial fees
- Resource utilization
- Transportation management processes and technologies
- Impact on departments and core processes throughout your organization

When organizations take the time to assess their operation, the benefits include consensus building toward a shared vision, clarification of strengths and weaknesses, and a better understanding whether outsourcing can bring value to the operation.

Effective outsourcing firms will help benchmark your operation without cost or obligation. If you choose to partner with a firm, it will measure its performance against the benchmarks to validate its value to your organization. Be sure you understand the methodologies used to benchmark your current operations, and confirm that the benchmarking is accurate. Confidence in the benchmarks is necessary to trust the performance value reporting.

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## Evaluating Your Choices

### Capabilities, Competencies, and Highest Total Value

Match your benchmarks against the requirements and expectations for your supply chain operation. This reveals areas to target for improvement. At this point, a decision can be made to maintain the current operation, make improvements internally, or seek a partner to achieve the desired improvements.

If improvements are desired, the next step is to identify resources with the capabilities to achieve them. Look inward first. Does your organization already have the necessary capabilities? If not, can they reasonably be acquired?

Look outward as well and evaluate the capabilities available from outsourced partners. Specialization within the logistics industry offers shippers new options for strengthening supply chain operations, from niche providers that specialize in very narrow aspects of the transportation process to turnkey partners that offer a comprehensive portfolio of supply chain management services.

### Highest Total Value



Some key issues to consider when evaluating your options include:

- Whether an internal investment supports or opposes your corporate mission and strategies.
- The direct and indirect costs of implementing an internal solution as well as a partnership solution.
- How the partnership solutions compare to one another.
- The competency of each prospective partner.
- How the best partnership solutions compare to an internal solution.
- The overall expected benefit from each solution under consideration.

When evaluating partners, compare their key offerings carefully.

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Services can differ significantly from one provider to the next. Take shipment management, for example. Most providers offer a passive system that simply forwards each load tender to the selected resource. However, a few providers actively manage shipments from tender to delivery. This is a labor-intensive process that cannot be fully automated. But it delivers a much higher value to the client by flagging nonconformities sooner and offering multiple options for addressing them.

The final step at this stage is to rank your options and select a course of action. Be sure to seek out the solution that provides the highest total value to your unique situation. It is a common mistake to overlook the indirect costs and benefits of each option. Ultimately, the most effective solution usually is the one that streamlines your supply chain operation and brings value to all the areas of your organization affected by transportation.

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## Obtain “Buy In” and Manage Change

Companies implement enterprise-wide supply chain management systems for the significant benefits that can result in terms of efficiency, cost savings, quality improvements, and customer service. Often, however, organizations focus on the technical and strategic aspects of their initiatives while neglecting the importance of stakeholder engagement. This oversight puts the implementation at risk. Ultimately, success hinges on participation throughout the enterprise.

Support from senior leadership is critical to the success of any plan for improvement, especially a comprehensive plan that streamlines processes

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at the enterprise level across functional groups. Stakeholders will have differing and sometimes conflicting interests. Senior leadership support establishes expectations and unites these disparate perspectives behind shared objectives.

A cross-functional implementation team can also be an effective change management tool. The team gives each department an advocate in the implementation process. Additionally, it may yield new efficiencies as team members identify opportunities for add-on improvements.

Before starting the implementation process, consider developing a prioritized schedule of deliverables and establishing clear service level targets. These tools will communicate senior leadership expectations and guide the implementation process toward a successful result.

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## Implement a Successful Improvement Plan

Successful implementation begins with a commitment from senior leadership and stakeholder buy-in. The next step is a detailed implementation roadmap. Time invested in planning the implementation pays off by keeping the transformation on schedule, seamless to your business, and on target with your objectives.

One key benefit of working with an outsourcing partner is its implementation experience. A well-chosen partner will be eager to collaborate on the implementation roadmap. It may even take the lead in developing the roadmap. This experience can contribute significantly toward a seamless and successful implementation.

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As the implementation unfolds, monitor the process and compare the results against the roadmap and your objectives. Some tweaks and corrections will likely be needed along the way. (In fact, a good implementation roadmap includes steps for identifying and fixing divergences from the planned results.)

## How to Ensure Long-Term Success

Once the improvement plan has been implemented and the planned results have been achieved, focus shifts to maintaining the gains made. This is accomplished in two steps:

1. **Performance management.** Establish a system to track the key performance metrics achieved by your improvement plan. The metrics must be prioritized, measurable, achievable, and indicative of the total value contribution to your organization. Additionally, a comprehensive set of metrics goes beyond cost to include productivity, performance, quality, and customer service. Analyze any degradation in your key performance metrics for root cause identification and correction.
2. **Opportunity analysis.** Periodically evaluate your transportation management system for new opportunities for improvement. Changes to your organization and the logistics industry often open possibilities to become more efficient.

An effective outsourced partner will share your commitment to the long-term success of your supply chain management system.

Services will include:

- Measuring and reporting key logistics metrics (including any user-defined metrics)
- Ongoing performance reviews
- Analyzing opportunities for further improvements to your supply chain management system



### Conclusion

The expanding logistics landscape presents opportunities to get more value than ever before from your supply chain operation. You can capitalize by making thoughtful and informed decisions about what you want from your operation and who can best fulfill your requirements.

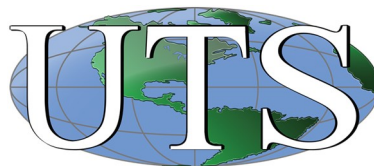
Effective decisions regarding your supply chain operation begin with an analysis of your requirements and expectations. Benchmarking your current operation will inform you how well it is performing and what opportunities are available.

If a decision is made to target improvements, make the most of the change. Successful supply chain solutions take an outcome-based approach and optimize the total value provided to the organization, rather than focusing purely on cost reduction. They integrate with your core business in a way that maximizes the overall benefit to you.

Effective outsourced partners have the ability and desire to collaborate on a supply chain management system best suited to your unique requirements. This means they optimize your supply chain management system rather than conform it to a generically-marketed solution.

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