

Proven Footsteps: Leading Practices in Supply Chain Management

HSCN is facilitating a documented overview of how hospitals implement a defined process, with information on challenges encountered, savings achieved and KPI's in place.

By providing a contact within the facility, any hospital that is researching these leading practices has a "go to" person for getting more information. Our objective is to grow this repository of leading practices so HSCN members can build upon the experience and achievements of all members.

Share your leading practices with us.

Email : administration@hscn.org

A supply chain touches virtually every aspect of healthcare and takes a coordinated effort to be successful. Hospitals and healthcare organizations are continually searching for ways to improve supply chain functions and reduce operational costs, increase superior service to their end-users and focus on patient safety. Many organizations have developed processes and continuous improvement activities yet there has been minimal opportunity to share these processes and learnings with other Canadian organizations. One of HSCN's key objectives is to document, share and maintain a repository of supply chain leading practices in healthcare (see box to the left).

We chose the term "leading practice" as opposed to "best practice" to recognize the varying stages of development within our healthcare supply chain. For example, in some hospitals there has not been a focus - or budget - for investment in electronic commerce. For these sites a move to basic electronic ordering and invoicing will generate good process savings; a leading practice for them. For hospitals that have been using standard electronic commerce for years, a move to full electronic requisitioning or integrated use of the EDI 832 transaction would be defined as a leading practice. "Best practice" implies a single, optimal means of performing a task or process whereas "leading practice" allows us the flexibility to recognize different solutions for different phases of supply chain development.

What are leading practices? HSCN considers the following framework to be key for effective Leading Practices within a healthcare integrated supply chain.

Plan refers to the business and information processes that manages demand for products and services. The use of leading practices in planning maximizes supply chain effectiveness by ensuring that the organization understands demand drivers and can more accurately predict users' future needs.

Source refers to the business processes that manage the interaction with existing and potential suppliers. **Procure** refers to the processes used to execute actual purchase transactions. There is a huge opportunity to increase supply chain effectiveness by implementing Source & Procure leading practices. In particular, advancements in the area of e-Procurement have proven to be a significant enabler.

Move refers to the financial processes related to verifying and paying for goods and services. The benefits include greater efficiency through reduction of errors and reduced involvement of end users in the logistics process.

Pay refers to the financial processes related to verifying and paying for goods and services. Implementation of pay leading practices can ensure that efficiencies developed earlier in the supply chain process are fully realized. Top-notch supply chain performance requires the supply chain and accounts payable functions to be tightly integrated.

Structure and Staffing refers to the selection and execution of organizational design and the formal systems of governance,

Let's hear from you

Submit your stories, comments, tips and suggestions. Mark the submission dates in your calendar. If you've a story to tell, but no time to write it, send us a quick email and we'll interview you and do all the writing – we understand that our members are busy.

Include your full contact information and email us today at: administration@hscn.org

HSCN Submission Deadlines

E-update #1 Dec 31

E-update #2 Jan 29

Quarterly newsletter #2 Feb 25

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accountability and communication. The implementation of leading practices, specifically those involving people and their skills, can enable the achievement of supply chain excellence.

Tools & Processes refer to the process and technology enablers. Both internal and supplier-based processes are performance drivers. "Technology" by itself is not a leading practice in supply chain management, but intelligent use of information technology within supply chain management can enable the seamless movement of information.

Organizational Alignment refers to the organizational conditions that should be present for the implementation of a successful transformation program. To move toward leading practices successfully, an evolution process must gain the approval and buy-in of not only the SCM group but also the other organizational functions and especially senior management support.

The health of the supply chain depends on strong managers. They understand supply chain drivers and influences, and think strategically. We need those who are capable of thinking beyond the box, who search out ways to adapt leading practices to new circumstances. For inspiration they look to their own operations, the competition and beyond - to the Wal-Mart's and Sears of the world. An idea from a department store can be a good idea in our industry. For example, when it

came time for the Fraser Health Authority in B.C to modernize warehousing and product handling they investigated the practices employed by Wal-Mart, HBC and Sears. The similarity was inescapable. These companies had multi-site customer service locations and tight budget constraints. Fraser Health adopted these leading practices:

- An enterprise-wide information system
- Centralized purchasing with standardized and strategic sourcing
- Automated warehouse management and automatic storage/retrieval systems
- Paperless warehousing (employing radio frequency and barcodes)
- Integrated delivery system

The Nebraska Medical Center in Omaha also borrowed practices from the private sector, using big-name role models from the Ritz-Carlton, known for superior customer service, the airline industry touted for teaching teamwork through crew resource management and Wal-Mart with its effective supply chain and vendor relationships. At the Nebraska Medical Center the \$90 million annual supply budget for medical, surgical and pharmaceutical supplies lacked efficiency. Clinicians, unhappy with product availability, understandably hoarded supplies, which drove up inventory holding costs and resulted in lost revenue. A new electronic supply dispensing system was engaged to ensure supplies were always available.

What one organization sees as a leading practice is not necessarily transferable to our circumstances. We may be on a different playing field, or limited by environmental, facility, internal or community issues. But there are always things we can do, ways we can move forward and people who can help us, including other members of HSCN. Don't hesitate to ask others for advice and, please, share your stories with us.

2009 Upcoming Events

HSCN Annual Conference
April 26th to 28th
Toronto, Ontario

Cold Chain Pharmaceutical Management
February 24th to 27th
Toronto, Ontario

Supply Chain World 2009
March 16th to 18th
Houston, Texas

Ethical Sourcing Forum
March 26th & 27th
New York City, New York

Purchasing Management Association National Conference
June 3rd to 5th, 2009
Quebec City, Quebec

AHRMM Annual Conference
July 19 - 22
Tampa, Florida

For further information on these or other events, check out Supply Chain Canada's events page at: www.supplychaincanada.org

Suggested Reading: The Toyota Way – 14 Principles http://en.wikipedia.org/wiki/The_Toyota_Way

Sources: <http://www.fin.gov.on.ca/english/ontariobuys/documents/scm.html> iSCM A Leading Practices Compendium

www.scholarsmine.mst.edu Material Management Best Practices (Thesis)

www.chomonline.ca/supplychain/news/news08 Fraser Health - - Best practices in supply-chain regionalization by D. Lawson

www.findarticles.com/p/articles/mi_m3257/is_1ai_n24359555 Adopting supply chain best practices – Nebraska Medical Center

www.businessweek.com October 20/08 Toyota

www.download.mckinseyquarterly.com/volatile_strategy.pdf *Strategy for Volatile Time - McKinsey Report*