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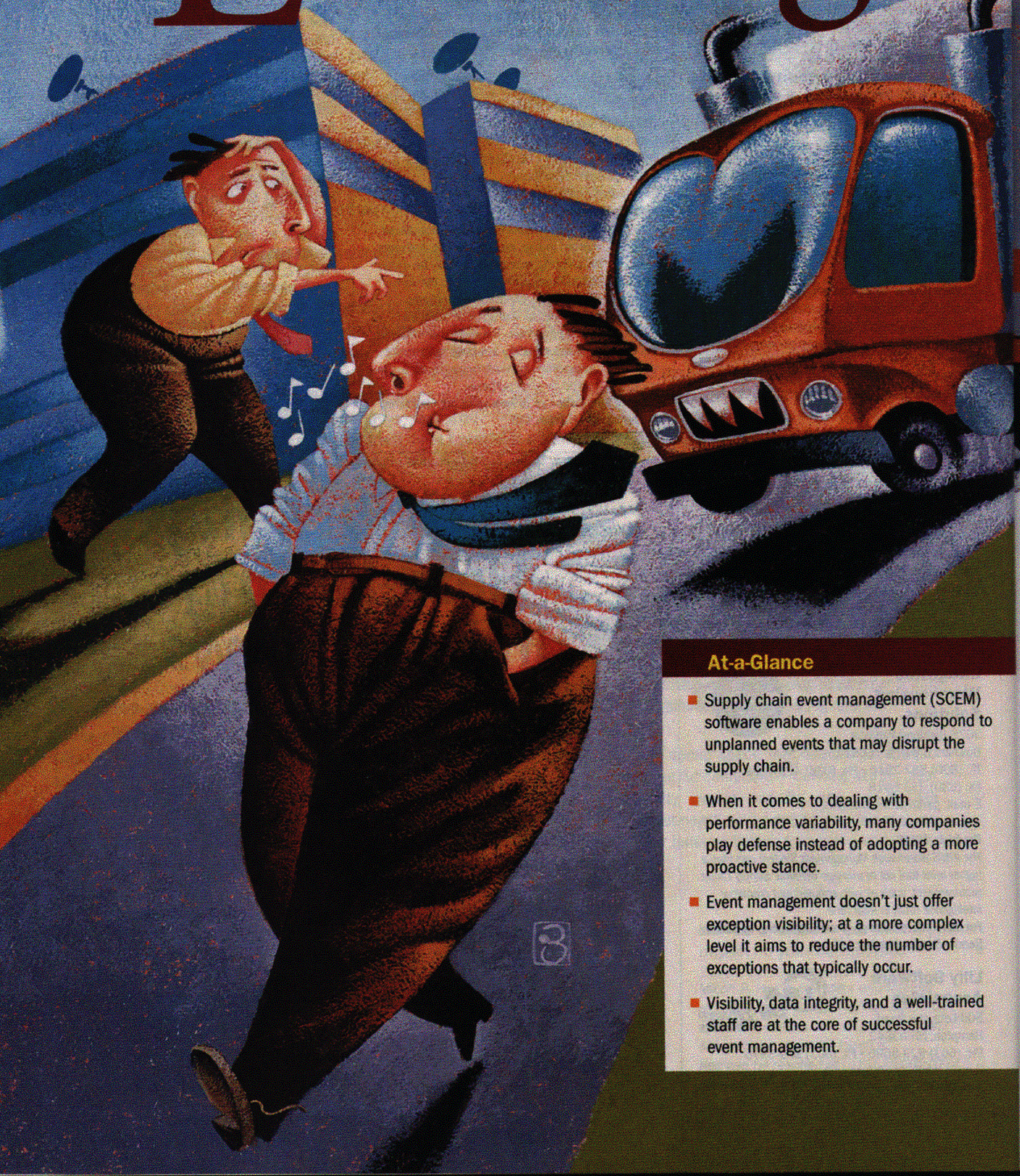
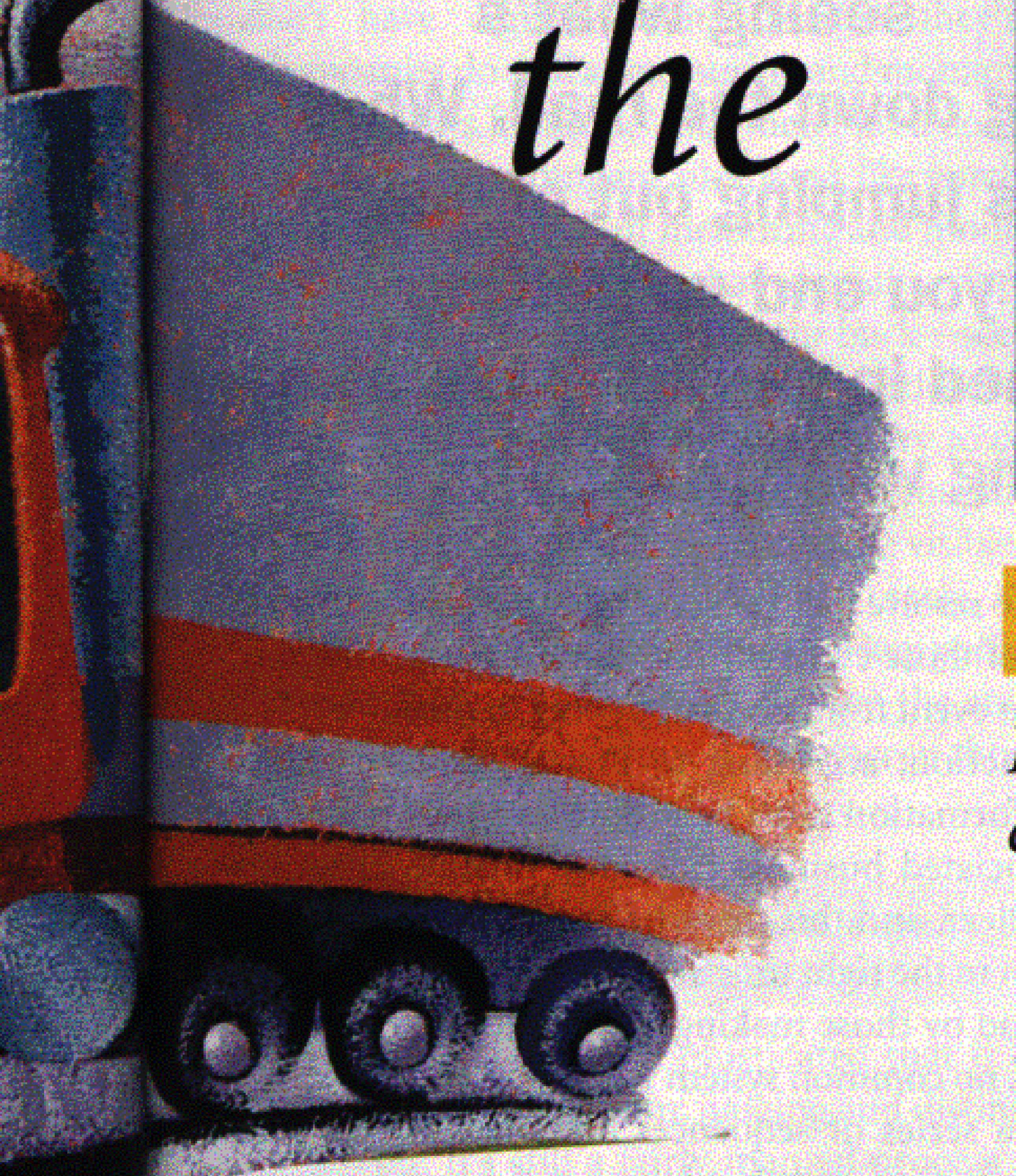


At-a-Glance

- Supply chain event management (SCEM) software enables a company to respond to unplanned events that may disrupt the supply chain.
- When it comes to dealing with performance variability, many companies play defense instead of adopting a more proactive stance.
- Event management doesn't just offer exception visibility; at a more complex level it aims to reduce the number of exceptions that typically occur.
- Visibility, data integrity, and a well-trained staff are at the core of successful event management.

BY **AMY M. AZZAM**

Down *the* ROAD



Event management software encourages a more comprehensive understanding of events.

In a now classic cartoon, Calvin turns to Hobbes and says, "'Live for the moment' is my motto! You never know how long you got. You could step into the road tomorrow and WHAM, you get hit by a cement truck!... Live for the moment—that's what I say. What's your motto?"

"Look down the road," says Hobbes.

For a stuffed tiger, he sure knew something about event management.

Supply chain event management (SCEM) software has recently been getting a lot of press. Some insist on dropping the "supply chain" tag so the term applies to all events. Some point out it's simply a tool; others, that it's a process or a capability.

However you choose to define it, it's an early warning system. It sees trouble-in-the-making, what's coming down the road—orders likely to ship late, a purchase order not received, out-of-stock inventory, or an unexpected rush order—before the problem barrels out of control. And we're not talking single-lane traffic. Business today, with its volume and velocity, looks more like a twelve-lane highway, and whatever is coming toward you is most likely traveling at breakneck speed.

Response time is, of course, critical. The chances of appropriately resolving a problem are directly proportional to the amount of time available to address it. But it's not just seeing what's coming down the road. What good is jumping out of one lane if you end up getting flattened in another? It's also knowing what to do with it.

Like a laser, event management software focuses attention on the events that drive a business. Many companies are just beginning to grapple with the idea of effectively managing events, spurred on by the growing disconnect between planning and execution systems. SCEM can help bridge this gap, but only if you have thought through your business rules and the processes to which they're connected. Following are some lessons learned about the mindset required to approach event management. See what early adopters are learning as they begin to navigate their way through the process.

Lesson 1: Getting good at reacting could be bad for your health.

SMALL MANUFACTURERS know all about managing events. "You pick up the phone and scream," says Tom Carpenter, president and CEO of nMetric, a company specializing in collaboration software. Carpenter, a licensed industrial and manufacturing engineer who spent the first 20 years of his career in manufacturing, says smaller manufacturers handle events much as they did 20 years ago—with brute force and awkwardness.

Many smaller manufacturers get good at reacting because they have to. Carpenter cites the case of a \$10 million company in the aerospace industry. "These guys were having to react to changes so quickly that they had to figure out really clever ways of being reactive." But as the cost of doing business goes up and competition whittles away at profits, the reactive stance, according to Carpenter, is becoming an increasingly dangerous and vulnerable approach to problem solving. "It says you're not in control of things, and the reason you're not in control is not because you're stupid—that's not true at all—it's because you don't have the information in time to make a financially practical decision."

A cornerstone of event management is making critical information available to those who can do something about it. Exceptions that require attention are highlighted; users can then prioritize which situations need to be resolved and when. Prioritizing is very much a hit-or-miss effort, according to Carpenter, if you don't have applications watching your processes, ones that have been set with your business's control limits and that react when a particular event or non-event occurs.

"How do many smaller firms currently go about prioritizing events?" asks Carpenter. "They have the terrible realization they are not going to meet their commitment, so they prioritize based on the most recent chaos. They only know about the last few problems they've got going in the last week of performance, when everyone's scrambling around to make the deal."

While some larger companies might be able to get away with bad performance, the smaller ones, according to Carpenter, have no chance at all. "That's the world we're in. Small companies have got to be able to have these capabilities. Rather than be wonderfully reactive, they've got to be proactive: they've got to know in advance that this event is going to affect them 5 days hence or 30 days hence." He points out that smaller companies are the most exposed because they lack the cash reserves larger companies have. And if smaller companies don't perform, they don't just lose jobs—they go out of business.

Lesson 2: Responding to an event without properly analyzing it could end up costing you a bundle.

COMPANIES RISK poor performance if they simply respond to events as they occur. Analyzing the event is key to a proper approach toward event management, according to Jim Presley, senior vice president of professional services with SeeCommerce, a provider of supply chain performance applications. "If we think of balancing service versus inventory versus finance—and those three points converging—that's the starting point of what we look at in terms of defining an event and managing it." This balancing act provides a more comprehensive view of the event and its impact on the company.

If Chrysler Corporation, for example, sees a dealership is out of a bumper in San Diego, it certainly doesn't want to manage the event by expediting a bumper out of Detroit. That would be a cost-prohibitive and ineffective way of looking at the overall supply chain. Or consider logistics distribution: What do you do if a truck fails? What is the impact of responding by pulling inventory out of a central distribution center? Do you have to go back to manufacturing for a change in its schedule in order to respond? Do you have to go back to suppliers?

Managing an event means knowing what has happened in the past and applying that knowledge to future action. "Is the event repetitive?" asks Presley. "Does it have some statistical variations we can point to? What are those variations? What have we done in the past to resolve the problem? Did that solution result in the reduction of those events or not? How do we act accordingly to offset that event from ever happening in the future?"

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Appropriate action, according to Presley, depends on a process view: Information must be visible and understood in context, the associated business rules and relative tolerance points must be clear, and this must be communicated to the right organization in the right timeframe. When a process is not clearly understood by those making the day-to-day decisions and when there is no common system where all pertinent information resides, a series of sequences are triggered that are generally nonproductive and that burn up time and money. "That is where some of the failures have happened," he adds. "Some companies have incurred a lot of cost managing the events. They don't look at the causes of those events, nor how to offset them in the future."

Lesson 3: Critical events in a company are often happening, or not happening, where you can least spot them—in the cracks between divisions.

WE FLOAT—AND SOMETIMES SINK—in a sea of data. Event management software enables a user to drop a manageable number of probes into these sometimes-murky waters to indicate when some particular event happens or if something that's supposed to happen doesn't.

According to Mark Johnson, vice president of marketing with Viewlocity, a provider of supply chain event management solutions, most companies go into event management with a fairly clear idea of the specific issues they want to tackle and the probes they want to set. "They say, 'I'm going to focus this year on reducing cash to cash or reducing service parts inventories.' Or 'I've got a big problem with premium freight.'" Supply chain event management software purports to show you just exactly where the process breaks down. Johnson provides the following scenario: "I have a particular geography where I'm continually not hitting my on-time in-full metrics. Let's say there are a dozen process steps to get from the supplier

X to this geography and there are a dozen suppliers doing that. So I've got 144 different events to monitor. All I know is that big metric, on-time in-full, is not right."

So where has the process broken down? Often in areas that don't have control limits because they're inter-domain. "Companies do well at measuring and monitoring intra-domain activities," says Johnson, "and when I say a domain, I mean either system-based or company silo-based, like purchasing. Purchasing does a really good job of measuring and monitoring everything that's controlled within that domain. Supply chain event management—the real bang for the buck—sees the inefficiencies happening at the couplings of all these domains." That's where people build up the hedges of inventory to control the uncertainty that arises on either side of these coupling points.

Event management, then, can make visible those events that have traditionally fallen through the cracks. When every single function in a company is hitting its key performance metrics, yet the company is still losing money, the answer can often be found, according to Johnson, in between those links where no one has been able to measure before.

Lesson 4: Systems are smart, but it's still people who prioritize.

NO SYSTEM is so sophisticated that it can prioritize all events that need attention, judging and distinguishing between exceptions. It's still a fairly manual process. David S. Jacoby, president, Boston Logistics Group, explains. "I can't think of any companies—certainly not small ones—that have codified pegging logic into the system."

That's where the human interface comes in. "The people who regularly toggle on to the exception list need to be able to eyeball the list and know what's going on," says Jacoby. "Someone toggles through the exception list and makes judgment calls about which ones are the 'A' customer orders." That's why the people sitting in materials planning positions and in production management positions are so important, he points out: They need to distinguish and understand what exceptions are tolerable and which ones aren't. Generally they've learned this after several years on the job.

How do they get this information that helps them do their jobs? According to Jacoby, they usually learn it the hard way. "Most companies don't have a formal training program. To do that, you'd have to have a plan and standard times and expectations and baselines and variance limits—that information is not usually available." Clearly, if the people viewing the information do not understand the business rules and company strategy, their decisions will not be appropriate.

Jacoby indulges in a little wishful thinking: "The ideal would be to have a program. If you could hand someone on the first day of the job a binder that shows your main customers, that defines the event points, that gives them the standard times, it would theoretically enable them to do their jobs really well. Often many mid-size companies don't have this." If a company were to document its steps, its processes, its "A" customers, and its production flow, those in material planning and production management would learn far more quickly how to prioritize exceptions, appropriately managing the event in question.

Lesson 5: You can't start with event management and work your way backward to refine your processes. You must evolve into it.

HOWEVER YOU LOOK AT IT, good data is at the foundation of event management, according to Mike Hennel, president and CEO of Silvon Software. It's the first step in the process. Whether you're a $5 million company or a $500 million one, you need accurate data and one integrated repository for that data to avoid miscommunication and establish system credibility.

The second step, according to Hennel, is having analytic capability. "Let's say the system throws out that you have a problem: How can you analyze what caused it unless you have the breadth of data you need so you can understand the interconnected relationships? For example, you see you have a problem with order fill rates. They've dropped from 90 percent to 80 percent. What caused the problem? If you don't go to fact-based decision making, it all comes down to who can argue the best case." Event management, in Hennel's view, will not survive long as a stand-alone category because it requires internal analytics to work.

Once you've gone through the first two steps and made headway with the third—that's where you're doing a decent job of planning your business—then you can think about moving into event management, says Hennel. You can start looking at some leading-edge indicators that will show you when you have a challenge.

But there's a caveat here for potential users: When a company moves into event management, according to Hennel, it tends to over-engineer the solution. "There are too many business rules, too many events going off. There's too much for people to react to." But if you've done the other steps well, says Hennel, much of this nervousness will get filtered out with time.

Getting your house in order

WHILE MOTIVATION for moving into event management is often externally focused—customers changing orders so quickly that a company can't respond—internal issues such as integration and data are often the source of the problem. Remember those cement trucks bearing down on you? They're most likely loaded with your cement.

Event management requires you to take stock of them. It requires you to think through your business rules and processes. The road is long and winding, but sooner or later, one way or another, you need to know what's coming at you. ◆

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