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**DOING BUSINESS IN REAL TIME**

By Michael Hugos, CIO

11 OCTOBER 2010 23:40 PT

About

The global economy has a life of its own, it lives in real-time, and we are all part of it. Hello brave new world.

OPINION

The Tao of Supply Chains and Simple Data Connections

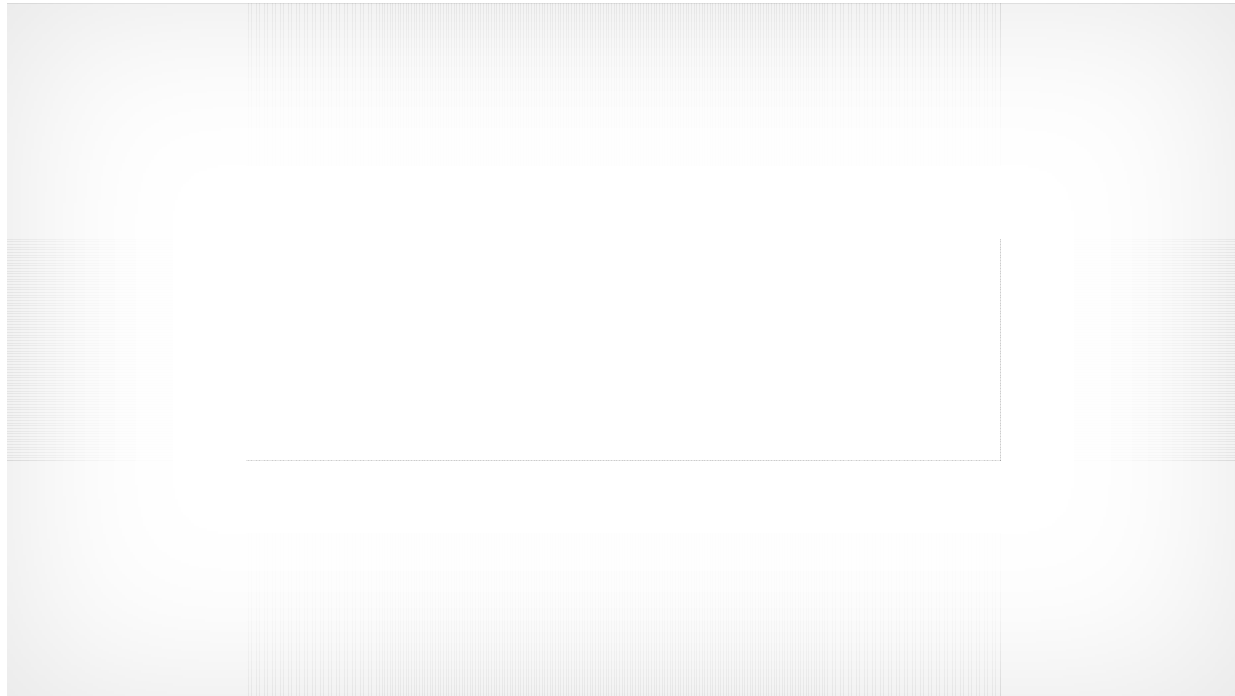
Elegantly simple solutions are often hard to accept but powerful when they are applied



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Design for a Simple, Stable, and Scalable Data Connection System

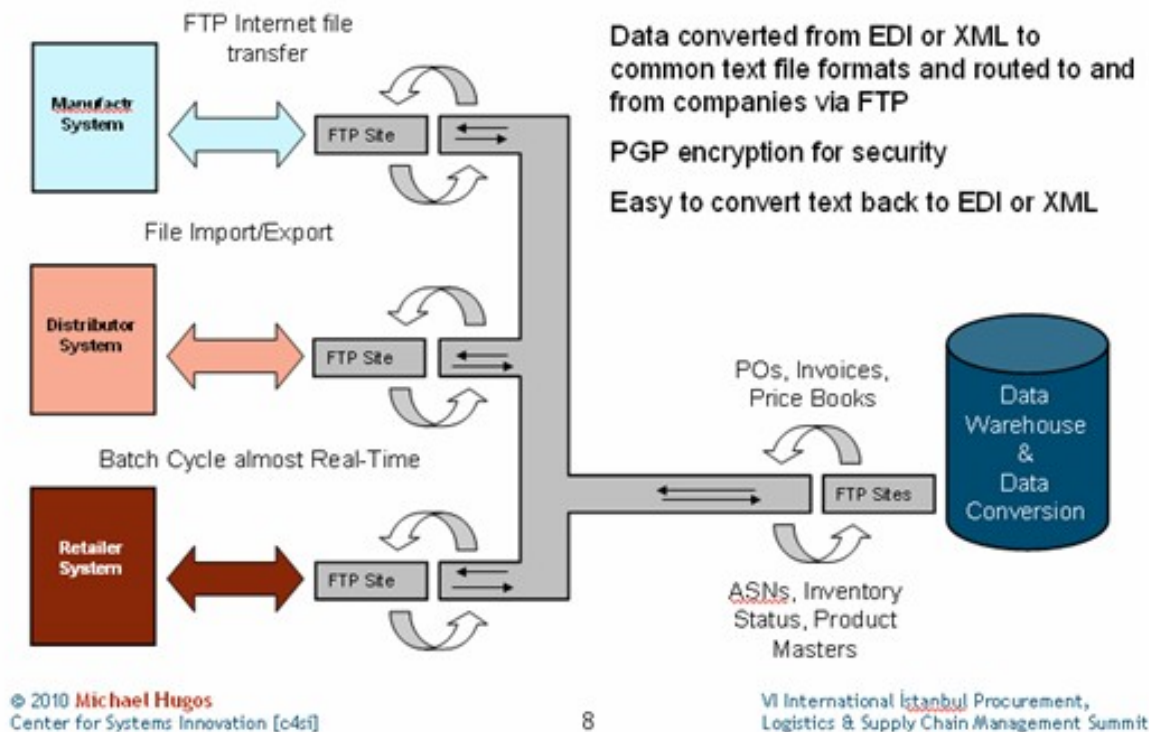
ADVERTISING



We humans love complex, expensive solutions because they show how smart we are (and implementing such solutions are good resume building activities). Yet there is also a simple way to move data between companies - we can use the Internet, file transfer protocol (FTP), and text files. Every computer system built in the last 20 years can easily import and export text files so text files can be defined for six core data sets needed in any supply chain: 1) Purchase Orders, 2) Invoices, 3)

Price Books, 4) Advance Ship Notices, 5) Inventory Status, and 6) Product Masters. Adopting a simple solution like that shown below for inter-company data connections can move supply chains to a new level of efficiency and responsiveness (and companies can always upgrade to more complex solutions when they want to).

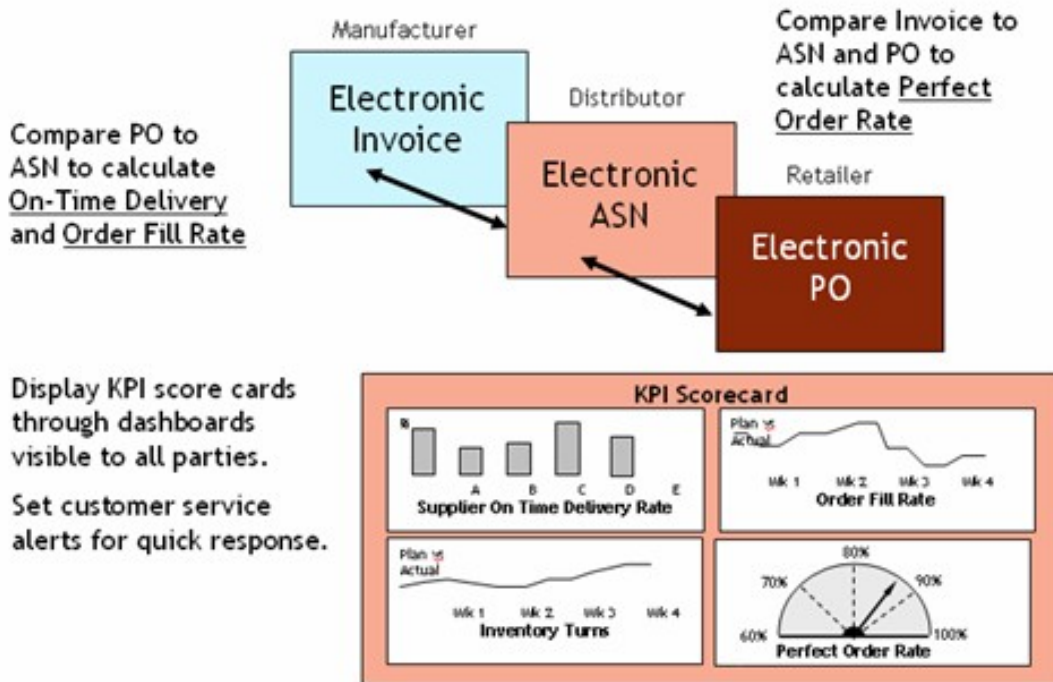
Simple Electronic Data Connections



This simple solution works on a batch cycle set to fit the needs of a given supply chain. A basic 12 hour or even 24 hour update cycle would provide enormous improvement over what exists today in most supply chains. And once companies (from Tier 1 through Tier 'N') can do 12 or 24 hour cycles it's pretty easy to speed up the cycle to 2 hours, and from 2 hours to 15 minutes, etc (the cycle starts to approach real time).

As data flows through these simple data connections it is then possible to do comparisons between different data sets and display continuously updated score cards that show performance of the supply chain overall and performance of each of the companies in that supply chain. When everybody can see those score cards every day, they have the information they need to start and maintain a virtuous cycle of continuous improvement.

Performance Visible to All



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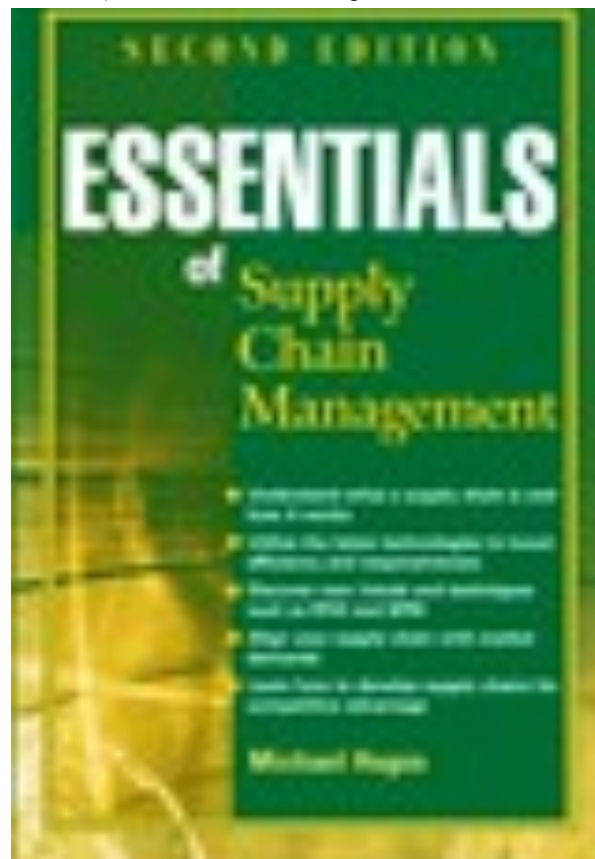
VI International Istanbul Procurement,
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This visibility created by universal data connections is the basis for all effective supply chain management. These simple solutions and the systems they support are better than the present complex solutions because simple systems using good data deliver better results than complex systems using bad data (garbage in – garbage out).

A huge opportunity exists right now in global and local supply chains to electronically connect all companies from the largest to the smallest. And since simple solutions are the only ones that will work for everybody, they are the only ones that will work at all.

NOTE: I built a data connection system like this to connect more than 80 smaller companies in a national distribution cooperative with the much larger companies of their customers and manufacturers. It connects different ERP systems of these companies, supports billions of dollars in commerce, and drives other applications such as business intelligence, business process management (BPM) and Sales & Ops Planning.

[Michael Hugos is principal at Center for Systems Innovation [c4si]; finding elegantly simple solutions to complex problems; mentoring teams in agile systems and supply chains. Amazon.com reports his book Essentials of Supply Chain Management as the best selling supply chain book worldwide since 2003.]

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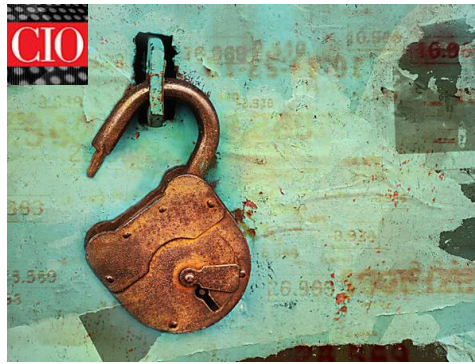
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