Best Practices in Supply Chain Management

Brent Johnson

Healthcare supply chain decisions made today will have an effect for years to come. The time is now to know supply chain best practices and integrate them into our organizations. Opportunity looms large to make rapid improvement and bring significant value with the current industry challenges.

While I have only been in healthcare 13 years, I have over 30 years of experience developing supply chain strategies for major organizations in three industries. I know supply chain best practices and I know the difference they can make.

Best Practices of Supply Chain Management – all industries

Here is a list of supply chain activities that have been proven to be successful:

1. Develop the strategy
2. Align the supply chain organization
3. Recruit supply chain professionals
4. Be dedicated to performance management
5. Establish strategic sourcing
6. Manage total cost of ownership (TCO)
7. Establish key supplier alliances
8. Develop supplier management processes
9. Streamline the order-to-payment process
10. Manage inventory
11. Manage distribution & logistics
12. Establish & monitor controls

Best Practices of Supply Chain Management in Healthcare

Healthcare is unique and difficult to adopt completely because of the complexity and costliness of the healthcare supply chain. Evidence of this healthcare uniqueness includes: (1) industry dependence on GPOs & distributors, (2) personal clinical preference drives many product decisions, (3) lack of trust between buyers and suppliers, (4) lack of talent and (5) many executives don’t view traditional Materials Management as strategic – left in the basement. The list could go on…

Even with these issues there are still many activities that should be considered best practices within the healthcare industry. The list below is not intended to be totally inclusive but it is a good start.
1. Go after price – with or without a GPO. There is real value in more self-contracting depending upon your size.
2. Understand TCO and it’s impact – value beyond price
3. Manage categories beyond med/surg supplies
4. Work with suppliers for added value
5. Pursue standardization of products
6. Improve utilization
7. Invest in more talent and resources – the pay back is huge
8. Align clinicians with supply chain
9. Improve supply chain processes
10. Give attention to logistics efficiency

**Conclusion**

Best practices of supply chain management yields lower cost, higher quality and greater customer service. Best organizations have significantly lower costs than others. A penny saved is a penny invested somewhere else in healthcare.

To expect different results, a new roadmap may be needed, hence one must have a passion to develop a “winning” strategy and never-ending pursuit of best practices. No two companies operate the same way – but all have guiding principles for success. Future columns will assist you in developing supply chain best practices that are best for your organization but in the meantime, go to work on developing your own, it will pay great dividends!