Podcast Episode 22: Klaus Imping on What an Agile Supply Chain Is—And What It Isn't



Key Takeaways

- It’s important to avoid the trap of believing that having an agile supply chain means having freedom to do anything and everything. Agility requires a great deal of structure in the form of stable and standardized processes.
- Patient-centricity starts with thinking in a demand-driven manner.
- Many companies believe that if they simply standardize their ERP, they have checked the box for agility. But the process of creating a truly agile and patient-centric supply chain is more complex and requires sophisticated decision support.

It takes more than enterprise resource planning systems and buzzword-friendly technologies like “artificial intelligence” and “machine learning” to **create an agile supply chain**, according to Klaus Imping, CEO of mSE Solutions, a global management consulting firm. While these enabling layers are important, you also need to focus on how to change processes and integrate roles and responsibilities into a faster-reacting model. In this episode of The Agile Supply Chain Podcast, Imping shares practical advice on how to achieve greater agility and outside-in

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patient-centricity in your supply chain organization.

Transcript:

Klaus Imping, the CEO of global consulting firm mSE Solutions, shares practical advice on how to achieve greater agility and outside-in patient-centricity in your supply chain organization. That's right now on "The Agile Supply Chain Podcast."

Roddy Martin: Klaus, welcome to another vodcast on this thought leadership series at TraceLink. It's certainly a great privilege to have you as one of the European potential partners of TraceLink

We have a lot of supply chain perspectives as we've just been talking. The opportunity to have your product supply experience and your manufacturing experience looking at supply chain is invaluable. A lot of supply chain people, generally speaking, don't necessarily know the depths of manufacturing.

I'm Roddy Martin. I lead digital transformation at TraceLink. I'd like you to introduce yourself.

As you introduce yourself, perhaps you can start off by what pops out at you at this technology and vendor-agnostic blueprint that we created, and you had a part of. You were one of the individuals that gave us input to creating The Agile Supply Chain Credo. Over to you.

Klaus Imping: Thank you very much, Roddy. Thanks for your very kind words and introduction. The pleasure is definitely on my side to being here and having this chat with you. We both are evangelists of the same directional thought leadership that we are trying to push into the companies and into the market. We're using different words.

We have probably a little bit of a different perspective, and I'm touching on background a bit later on, but I truly think we are striving for the same vision. The Agile Supply Chain Credo is definitely perfectly summarizing this. I'll comment on

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this a bit later.

Probably, first of all, a brief introduction of myself. My name is Klaus Imping. I'm representing mSE Solutions as a CEO. We are a German-founded boutique consulting company with approximately 100 people across the globe, doing operations not only in Europe but also in US and in Asia Pacific.

We as a company, as well as myself, our end-to-end ambassadors for decades, we were talking about integration from customer to customer when the buzzword “end to end” was not yet invented.

This is what we define as our domain. It's a digital supply chain management end to end. We probably have a stronger perspective on the, let's say, cooperation, internal side of the equation, rather than the transactional side towards a customer. These are the two perspectives that I meant before.

We try to combine process design and system integration, and data integration under the umbrella of our service portfolio. At the end of the day, really bring a solution to life. It goes above and beyond PowerPoint consulting. We walk the talk. We get the hands dirty, and we get the job done.

This is also giving us the practical experience that is reflected in our thought leadership paper of building the foundation of this thought leadership. We've done end-to-end supply-chain integration in various industry verticals, but especially with global pharma and global life science, medical device players integrating their management of complex global supply and production networks.

I think this is a quite interesting perspective.

Roddy: I think that for our listeners, Klaus, one of the things I've learned having the privilege to work across The Big Pond, with consultants in Europe and consultants in the United States. It's important to understand that consultants in Europe are really people, process, and technology consultants.

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In the United States, we tend to see consultants as systems integrators, right? We want a consultant to put in our MES or ERP system. That's why I was excited to get you onto this. It's really important, especially in the platform work that the credo lays down to think about agile as being people process technology and leadership in building a resilient supply chain.

Patient-centric, you may not touch the patient in your consulting work, but everything you do in packaging, everything you do in warehousing, ultimately touches the patient, unless you want the company to keep 300 days of inventory.

Klaus: Absolutely. This is what I definitely like in the Agile Supply Chain Credo. The agility that it's focused on is a perfect summary of the result that a well-designed supply chain should bring. The world outside is not stable. A company needs to be very agile in reacting to change, in reacting to risk disruptions, in reacting to fluctuating market demands and other volatilities.

Driving and striving for agility is, at the end of the day, what it needs. It's far more than just implementing systems. It's far more than that. This is also what we always say is the difference between digitalization and digital transformation. You can't become agile by just digitizing your processes.

You need to transform your processes. You need to integrate your processes. Becoming agile is all about various aspects of integration. It's, of course, data and system integration, but it's also integrating processes and integrating accountabilities.

Roddy: The word agility is a very simple term. If I'm going to go and box, I need to be fit. I need to be agile. If the first thing you do is punch me on the nose and I fall on the ground, if I'm resilient, I'm going to get up and fight back. That's the challenge that we've seen in the pandemic is that companies weren't necessarily agile fit.

They're still staggering around, trying to recover. I've got a lot of people who are in

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the supply side of the supply chain with PPEs. Many of them have worked across many industries, and they keep telling me, "Oh, my gosh. Healthcare is so behind in terms of the way they manage." It's because they've always had the insurance policy of inventory to be able to bank on.

You don't have to be smart in the supply chain. If you've got tons of inventory lying around, then you can always resort to using excess inventory. It's a very important perspective. Again, one of the other points that you and I discussed in some exchanges before this was, Jeff Bezos talks about limiting options in the Amazon supply chain.

You and I are both engineers. I can remember when I was an engineer, designing breweries. I thought I was doing the business a big favor by giving them multiple options to do anything they wanted in any manufacturing plant. Then they said, "No, no, no. We don't want that. That causes massive variability in operation."

Roddy: That was my answer. What Bezos and Amazon do is they limit those options. The more you limit those options to best practices you know that work, the more you can manage disruptions quickly. That is stuff you understand. We've been through this model of trying to add in flexibility because we think it's convenient.

Klaus: Many people mix up agility with the freedom to do everything and anything at any time, and this is not the case. Agility needs very stable processes. Agility needs standardized processes.

To be fair, process standardization, to work on integrated processes with end-to-end visibility and with the ability to interfere with processes end to end, is something that many corporations are still lacking.

It's not a matter of course that the internal processes from customer or market demand upstream to raw material and the other way around, the supply from raw material down to patient delivery, is an integrated process, where all information is

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available. There's still a lot of homework to do.

This is one aspect that I also like in the Agile Supply Chain Credo, which is emphasizing the fact that it's demand-driven. Patient centricity starts with thinking in a demand-driven manner, thinking outside in and not inside out. This is a very strong message that sits in the Agile Supply Chain Credo.

Roddy: Yeah. When you think inside out, you can build insurance policies everywhere. I can build insurance policies in every single place that does anything in making up the product, packaging, making product, storing product, shipping product. Then, in the end, I'm going to have hundreds of days' worth of the inventory.

If you understand your supply chain and you want to optimize -- and it's going to become increasingly important as we go to cell and gene therapy or smaller patient communities -- it's increasingly important to get the right amount of product to the right groups of patients at the right time. That may not be millions of people. It may be 100 people, 10,000 people.

Cell and gene therapy is going to bring about...I love a comment that you make where you say, "We're prepared to roll up our sleeves and going to understand the process." The other point you've made in various discussions with me is, we see MES and control tasks and ERPs as enabling tools.

They aren't the solutions. They're part of the solution. That's a really big part of agility. They are the sensing tools that we need to be able to watch and to be able to get data from and share data throughout the intense supply chain, to be able to build a resilient supply chain. My impression is that's what MSE's fake focus is.

Klaus: Absolutely, it is. You hit the nail. You're also indicating two pitfalls that many companies are trapping in. Number one, they believe that the implementation of a system, whatever type of system, is already the solution. It's just the enabling layer.

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Enabling layers are important, but the question is, how do I change my process? How do I integrate my roles and my accountabilities towards a more integrated, a faster-reacting model using these enabling layers?

The second pitfall is that many companies think that an ERP system...This might be indicated already by the name because ERP stands for Enterprise Resource Planning, which is a lie in itself, to be honest. None of those ERP providers ever delivered towards this promise that is sitting in the name.

Many companies believe that they just have to standardize their ERP and the boxes ticked, which is not true. Planning of a complex supply and production network, a multi-step, multi-layer, multi-site is far more complex.

To be able to deliver products in order to become patient-centric, making the product available is a complex tasks in complex supply and production networks. This needs sophisticated decision support.

Many companies say, "Hey, but we have implemented S&OP." Yes, but S&OP is a monthly process. If you want to limit your agility to being able to react in a monthly cadence, that might be enough, but this is not agile.

Roddy: Exactly. I did a very interesting recorded webinar with the person who led a big biotech companies, reengineering around their redeployment of a big ERP system.

Our discussion went like this. It wasn't a bad decision to start off with, but as we started off putting more and more instances of this ERP system around the business, and as we bought other companies that came in with their own ERP systems, we found that we had 5, 10, 15 instances of even the same ERPs but differently to configure.

Now, here's the reality of this network we're talking about when we talk outside in. An ERP system is very good at point-to-point communication. Not in any way that it

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can communicate across multiple businesses, it has to replicate data. Immediately, you've got multiple versions of the truth, or you've got one place where many different versions of the truth are stored.

Now, you've suddenly booked time into the responsiveness of that whole network. Then, this doesn't work. That's not good enough anymore. Now, we want to connect everybody to one network. We want to be able to exchange this data in real-time. We want to be able to see events in real-time.

If I don't have partners and consultants who can help me find and roll up their sleeves and go and find out, where are the 20 percent of these disruptions that are impacting our downstream service levels and delivery to patients, then I don't want a partner. I don't want somebody to just help me put in the next big system.

It's a fascinating discussion. I'm thrilled to be able to talk to you because in all my years in the brewing industry, I dealt with a lot of German consultants. My big respect was that German consultants probably know brewing and employs many master brewers as you employ your own brewing company, right?

You laugh because you know [laughs] exactly what I'm talking about. As we close off, one thing I'd like to leave the listeners with is, from your experience, what do you think a good, insightful stop-and-start are and maybe even a continue?

You've been around the block. You've seen companies that do it well do it badly. What would you share as a CEO-level insight of a German consulting company?

Klaus: Allow me to flesh out two stops and to differentiate the start a little bit. The stop number one is stop tolerating Excel as an operational planning instrument as long as there's more than one Excel somewhere applied in your end-to-end planning calls of actions, you're far, far, far away from agile.

Stop believing that technology buzzwords like artificial intelligence and machine learning and all those as well as traditional transactional ERP systems are going to

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deliver agility by itself. They don't.

Roddy: I absolutely love those two points. In fact, your first comment about the Excel spreadsheets. I've seen companies build almost ERPs with Excel spreadsheets.

Klaus: Absolutely. One big drop of water into the glass of wine of those corporations who massively use SAP, and they are all about to go for S/4 because they have to. They didn't ask for it, but they have to do.

Please don't believe that the conversion to S/4HANA equals digital transformation. It definitely doesn't. Even though I read a lot of Edwards from SAP that says, "Do as for HANA become agile." What a stupid thing. There's much more in it.

Let's get to the start because it's probably more forward-oriented. My recommendation on the start is a little bit, depending on the maturity level that companies have. I don't want to take the differentiation of the five-level model of Gardner. I'm simplifying it a little bit.

Referring back to my Excel example, those ones where the shutting off of Excel would create more disruption than COVID, or anything else. For those ones, the start is, go for pragmatic-integration approach, data integration, process integration to build the essential foundation for agility. No agility without integration, no process integration without data integration.

You need to get end-to-end visibility of your data. This doesn't mean that you get a report once a month. You need end-to-end visibility, basically, instantaneously.

Roddy: That's a brilliant point to close off on. What you, in essence, are saying is, digitalize your operating model of the business and understand where you are in your capabilities. If you're still running on spreadsheets, you need to understand how all of these spreadsheets, across different functions, how they interact with each other.

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You can't go throw them away and replace them with because it will be worse than COVID. You'll stop the business.

Klaus: There's a growing community of corporations who already tick this box, who did their homework in building this foundation. For those ones, my recommendation is to start breaking the functional silos within supply chain. We always think that supply chain is already cross-functional, but it isn't.

We've got a transportation department, and warehouse and distribution, and customer service, and there are some supply chain as well. These silos connecting the dots across the functional silos within supply chain is an important thing in order to get a more end-to-end-oriented management of the network.

Those ones who are already there, I would love to have a chat with on a topic that I assume to be the big next wave after digital transformation. This is going towards cognitive process management and cognitive process automation. This is the next big thing.

This is, from today's perspective, for the top-notch, who done more than their homework. This is not the average. This is not the magnitude of corporations that are already there to deal with this topic.

Roddy: Fantastic. Those last two points, sharing data across the end-to-end supply chain is absolutely fundamental to operating patient back. The last point you made is also absolutely one of the enabling values in the principles in the credo, and that is, systems are there to augment the insights of people. They are not there to automate people out of the process.

Thank you very, very much. Klaus.

Klaus: Thanks to you. Thanks, Roddy.

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