



Enterprise Resource Planning (ERP) / Electronic Data Interchange (EDI)
 Supply Chain Vendor Compliance
 Internal Controls / Fraud Detection & Reduction
 Business Analysis / Data Analysis / Systems Analysis

Since January 1996

Reconciling two competing views of supply chain data.

The article, titled "Inaccurate Cost Data is Hurdle for Supply Chain Professionals, Study Finds" which appeared in the April issue of Supply Chain Brain magazine is well-timed as I just finished up a fulltime 10-month assignment last month. I helped a client map out their current operational and software state, analyze and migrate data, and lay the future state foundation for their new Enterprise Resource Planning (ERP) and Electronic Data Interchange (EDI) software projects.

As a business analyst, software/systems analyst, and data analyst, I spend a lot of my time working directly with the user community to understand the current state, envision the future state, and define the transition between the two. This involves the data, the business operations, the executive strategy, and the information upon which people will make their decisions.

The article is a joint study by two well-known organizations: APICS (formerly known as the American Production and Information Control Society) and the IMA (Institute for Management Accounting). I am more closely familiar with the IMA as I have been a speaker at two of their national conferences.

From my recent client experience, and as the article describes in the joint report titled "Working Together to Enhance Supply Chain Management with Better Costing Practices", the problem is the perception of costs between different factions of folks within an organization, namely the accounting and finance group versus the supply chain and operations group.

The disparity in the analysis of what comprises supply chain costs was associated with three primary factors based on the report's conclusions:

1. **Too much reliance on external financial reporting systems which over-simplified how costs were calculated.** The simplification may be due to the use of external systems that results in the inability to sufficiently analyze certain variables which impact costs associated with supply chain activities. (Norman's note: external systems can include spreadsheets.) Some general ledger models may also be inadequate to capture all supply chain costs.
2. **Use of outdated costing models.** Not only may the use of outdated costing models be creating challenges, but inadequate (too simple, too complex) costing models may be obfuscating the true supply chain costs. Deploying an appropriate cost model that suitably identifies the supply chain costs will aid in cost analysis and bring better clarity and transparency.
3. **Accounting and finance resistance to change.** Given that the IMA was part of the workgroup, this is a significant admission. Accounting and finance professionals need to be more educated in supply chain concepts to understand the greater need for cost details in an ever more complex business model environment. GAAP can still be adhered to and all controls still in place with new ways to capture detailed costs and without creating an unmanageable general ledger.

The ability to accurately drive into supply chain costs has a direct impact on an organization's capability to set prices that are in line with margins (and visa-versa), and to determine where profits and losses are at each critical point in the supply chain. Transportation, vendor compliance, warehousing, labor, manufacturing, raw materials, service fees, and returns are examples of some of the supply chain cost areas that demand detailed analysis. If your organization is not focused on these and other supply chain costs, the true cost of conducting business is probably hidden and is therefore likely higher than you realize.

Thanks.

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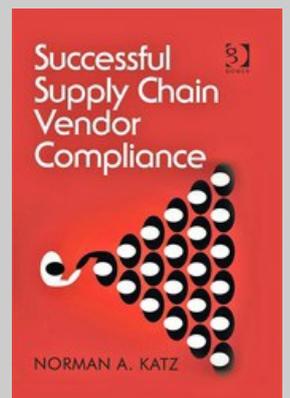
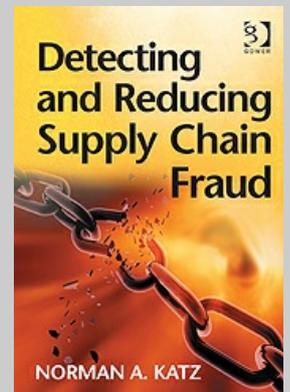


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