PEOPLE AND TECHNOLOGY ARE THE FUTURE OF SUPPLY CHAIN MANAGEMENT

A conversation with Dave Malenfant

ABOUT

Dave Malenfant has spent well over 40 years in the pharmaceutical industry in operations and supply chain strategy. Moderator Ben Locwin is a healthcare executive with quantitative and qualitative analytics expertise. He works with senior managers at biopharmaceutical, vaccine, and medical device companies to market at higher velocity and with higher quality.

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BL: What is the foundation of an efficient, robust supply chain?

DM: People. Do we have the right people to analyse what's happening in our supply chain? Do we have people able to develop a strategic plan? It should be everyone's responsibility to look at what risks are involved and come up with that plan.

Everyone in the supply chain should be thinking about what happens if…? Even down to the down to the forklift level – if I drop a pallet, what do I do now? How do I get the customer their product?

Likewise the folks at the distribution centre need to be saying "okay we're by an airport something can blow up? There could be a crash what are we going to do? What's our contingency plan?

Another consideration is supplier related risk. Most clinical studies are conducted in collaboration with a single supplier, so what are we doing to try to get a secondary supplier in case something happens?

Materials sourcing is a similar issue. COVID showed us a lot of our APIs come from China where a lot of suppliers got shut down. So in similar circumstances we've got to have a team together that can determine what alternative suppliers are available.

In addition to people, you have to have a robust business continuity process. We've got to be able to say okay let's look at what are the major risks in our supply chain and what can do about them.

BL: How would you go about starting the supply chain risk mapping and management process?

DM: As I said you've got to involve all the right people and ensure they understand the importance of the process. What I've done in the past is to ask everyone to a two to three day workshop and usually hey say "oh my goodness two to three days taking them out of their jobs we can't do that!" But really, you have to do it.

You begin by asking them to identify a risk specific to their job and then work in groups to identify the top 10 or 15. Then we can put certain action items for those into process.

So again the key steps are bringing the people together and identify the risks. Involving people who understand day to day activities allows you to push back if top management says "that's not a risk." "Well, if they say it's a risk, it's a risk. Maybe not high on the priority list but it's a risk."

Once we do that then we address risks at the process standpoint. What are the macro risks? What are the risks that are going to have the greatest impact on the P&L (profit and loss) or on your people? After all It's the people that identify what risks are there and then bring them in and say okay if it was you what would you do to avert the risk or to absorb the risk?

BL: As you've mentioned with reference to COVID, external suppliers introduce risk into the supply chain. Are there any steps a company can take to manage this risk?

DM: I would suggest that every company should have a strategic supplier committee that incorporates supply chain, quality assurance, R&D and validation and have that committee look at the critical items.

One advantage of the approach is that committees can help win support for a particular strategy. Saying as a committee "we've got to find an alternative supplier" tends to carry a lot of weight. This works extremely well for things like APIs or excipients. We've been able to quickly find alternative suppliers and accelerate the approval process. When it comes to negotiating with alternative suppliers the biggest challenge is to agree the right price. How much do we give them versus how much do we give the other guy? And that's extremely tricky.

In my experience it is best to be transparent – you say "yes you're an alternative supplier but I will guarantee you 10 to 20 percent of the volume." Am I going to pay more for the alternative supplier? Probably but when I look at the risk management it minimizes the risk of no supplier. Plus, what I would do in the negotiation is say "okay here's my total volume. I'm going to give you 20 percent" and they may say "well I want 40 to 50 percent" at which point you start haggling.

And sometimes they get you to commit more. I've gone up as high 35 percent but, even if that happens, you can take steps. For example when you put together your cost of goods you've can blend it - you have a cost of goods that covers the 35 percent. And that way you can keep your bosses happy and sleep safe in the knowledge that if something happens with your main supplier you have another.

BL: How can companies leverage new technologies - such as AI, Automation and serialization - to make all of supply chains work more effectively?

DM: We have serialization in pharmaceuticals already you've got serialize the products for DSCA. Why aren't we using that serial number for supply chain visibility? Why aren't we using that serial number for the end-to-end supply chain?

There's a lot of opportunity for serialization, a lot of opportunity to use those serial numbers to give us total visibility on what's happening in the supply chain - from the supplier all the way to delivering it to the patient.

As for artificial intelligence, I'm a firm believer in it. The problem is that our data are not where they should be. The veracity of the supply chain data is still not there.

Artificial intelligence cannot work without having better, verified data. Let me explain that for a second because it get very complicated You have structured data – which is what ERP [enterprise resource planning] systems do very well - and you have the unstructured data.

Most of the data that we're seeing now is unstructured. You can order a prescription from this app but the supply chain team does not see the orders, instead they continue to use forecasts. Why not use order data to train artificial intelligence systems to do more predictive and prescriptive?

And the answer, unfortunately, is that I don't think we're there yet especially on the commercial side where we've yet to find a way of linking the various silos of the data.

The problem we've got is that we're not spending enough time on the data. We're not spending time to make sure our data across the supply chain - whether it's structured or unstructured - is accurate enough for us to use our artificial intelligence.

This case study was originally presented at Evaluating Biopharma's Supply chain challenges online and interactive event

You can watch Dave's case study in full and on demand here.

Details of future Evaluating Biopharma events can be found here.

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