

PERFECTING YOUR SUPPLY CHAIN

Whether it's global or domestic, the supply chain is changing

By David Jacoby

When they ask me what the profile of the ideal logistics job candidate is, I'd say it is an Arabic-speaking Chinese national with a Finance MBA, APICS certification and a criminal record for hacking into Customs (successfully). The key success factors for logistics professionals have changed. Today, you need IR, ROI, CSCP and IT.

IT (Information Technology)

While at a financial analysts' meeting in New York recently, a Wall Street analyst asked me what kind of consulting I did, and I replied that I did supply chain consulting. Thinking that she had met Fred Flintstone, she asked in disbelief, "Isn't that all done automatically today?"

Supply chains have truly become about the management of information more than the movement of goods. We have a much higher degree of customer interaction than ever before. So we exchange data and information with them, both through channels such as EDI and XML, and also through informal channels such as connected networks and wireless access. This means that data security is a requirement for doing business (and data security is another form of supply chain security, since security means preventing information from getting in the wrong hands). And even if you are shipping products, value-added services — and more specifically, value-added information services — are becoming an important part of your business.

IR (International Relations)

Asian sourcing has transformed most manufacturers' supply chains over the last decade, either directly or indirectly. On

average, companies that source from Asia net 18% savings on their largest-spend category (and much more on smaller volume and lower-value purchases), making sourcing a strategic imperative. No wonder they project a 70% increase in low-cost country sourcing by 2011. While China is the sourcing location chosen by a margin of more than two to one, other countries, such as those in the Middle East, Eastern Europe and Latin America, are becoming equally attractive.

Formulating the right manufacturing and sourcing strategy requires context, education, information and wisdom from experience and, sometimes, hard-learned failure. Some companies are bringing back manufacturing or trying to decide what combination of products and services to offer to win in the new and more competitive game (a new study is helping manufacturers decide what strategy to pursue; a link is at www.bostonlogistics.com).

But business success in the new global economy is not just about analytics. The most important success factors are interpersonal and cross-cultural skills, language skills and, above all, a sense of humor and flexibility to accept and appreciate cultural differences along the way.

ROI (Return on Investment)

Financial skills are increasingly important in the world of collaborative supply chain management. Extended supply chain management crosses business unit, divisional, regional and company boundaries. Instead of each player having a clear territory, many have a smaller, shared role in a longer supply chain. Costs and benefits are distributed amongst multiple trading partners, raising questions about costs and benefits. For example, in a long supply chain where upstream and downstream partners benefit from RFID, which one(s) should bear the burden of investing in the tags and software?

Volatility has also magnified the need for financial skills. Uncertain fuel costs have led carriers, especially airlines, to become experts at hedging, analyzing profitability by customer and route,

and deconstructing budget variances. Manufacturing firms need to decide how much supply chain risk to take, so financial and risk management tools are becoming a more important part of the supply chain professional's toolbox.

There are five types of supply chains, and each one has different success factors. This explains why few practitioners agree on a common set of supply chain performance metrics.

But while supply chains can be of different types, there are some common supply chain principles — for example, linking customers with suppliers directly. At first, that might sound like it would put your own company out of business, but companies like IBM and ExxonMobil are already doing it. Another example is early supplier involvement in design. Leading companies are treating their suppliers like their own family and asking for their help in developing early prototypes to design out the waste before it ever gets in. When companies get good at working with their suppliers, they work hard to ensure that their suppliers' goals and performance objectives are aligned with their own: the tighter the linkage, the more performance the supply chain delivers.

Here are 10 career tips for young supply chain professionals who want to help themselves and their organizations achieve supply chain excellence.

>> IT

1. Participate in an ERP implementation team to learn why it is so challenging to implement an enterprise system.

2. Work for a supply chain solution provider for awhile to get a good technical grounding.
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3. Accept an international post to gain an appreciation for what it takes to be successful in a different culture.
 4. Find a way to make your team cross-cultural if not already, in order to leverage the value of cross-cultural differences.
 5. Explain why the US dollar has declined in value and what it means to your industry and your company.

>> ROI

6. Take a forecasting course to learn the principles and techniques of demand management.
7. Use simulations or a scenario-based decision tool to make a big decision, in order to practice applying decision tools to real problems.

>> CSCP

8. Lead a supplier improvement program to learn how to earn trust and work toward common goals with trading partners.
9. Link your unit's supply chain goals to your company's strategic objectives.
10. Design a supply chain training program to transfer your knowledge to others.

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