

What Business Leaders Need To Know About Their Changing Supply Chains

Deck: Leveraging the means to mitigate average performance and the customary way of doing business often involves widespread change and building a bridge between the status quo and what is possible. Such change management may mean turning to exemplary people within a company. It can also involve turning to outside companies to help your best and brightest champion the changes to growth your business.

When your young son or daughter wishes to share their most recent dating experience, there can be times when as a parent you stop the conversation because you are receiving too much information, and instead opt to proceed on a “need to know” basis. While the subject matter of logistics is substantially different, the end result can often be the same. Today’s executives often receive more information than they can reasonably absorb. They need to be selective about how they receive this information. They must cull what is most germane to their business from vast quantities of data to find the best know-how to be applied to their organizations.

As business professionals, we attempt to manage the thousands of variables on any given day. In many cases, we cannot control these variables and are placed in a position where we are forced to react to them. Those of us who react successfully grow in our ability to manage, take on increased responsibilities and often end up in a position where reacting can make up the bulk of our business day. Those of us who are fortunate enough to have a high-functioning team around us can step back from the day-to-day activities far enough to plan proactively and apply strategic thinking to our everyday world.

There is little question that logistics and the value of proper supply chain management has moved from being a line expense item on most company’s profit & loss statements to a discipline that affords a competitive advantage in the marketplace. Similarly, this change has resulted in the supply chain decisions moving from the shipper’s door (tactical) into the executive boardrooms (strategic).

If you’re the CFO or COO or similar decision making executive of an organization, you are typically charged with finding new ways to accomplish straightforward and common objectives, namely, drive costs down while keeping service levels status quo or better. However, today’s top-level executives are also in the business of change management. Not surprisingly, leveraging logistics and supply chain management practices to transform a company’s operations is often part of the boardroom discussions on tackling ongoing risks and anticipating changes that can alter how a company conducts business.

One of the most important elements essential to change is the presence of a resident champion in a company. Someone who is capable of not only facilitating change, but can also withstand the naysayer’s objections and push forward for the desired and required results. Having worked in our industry for many years, I have been both on the receiving and giving end of this equation. Last year, our company surpassed its goal of doubling its growth rate.

At iWheels, which offers single-source transportation and 3PL services, this growth started with a plan that required considerable change within our organization. After a lifetime in business, I would suggest that thorough research and investigation is a mandatory requirement prior to setting out in a new direction. Most people would not contemplate loading their families into the family sedan and embarking on a long journey without a road map. But some of these same people have turned organizations upside down with change putting jobs, careers, and whole companies in jeopardy without a strategic plan in place.

In our case, we have developed a very strong niche in the automotive sector and our business has grown exponentially as a result of implementing change in this sector that provides our clients added value and efficiencies within their supply chain. We find the “small world” effect to be paramount in our growth with one customer division referring us to another, then to a supplier, then the supplier passing our name on to one of their manufacturers and so on. It’s much easier for management to embrace change that has been proven, albeit that the proof comes in the form of testimonials from suppliers, customers and often competitors.

Does change come without planning, investment, hard work and often pain and suffering? Unfortunately, not usually. The pain generally has a direct correlation with the amount of change. We know new strategies to decrease overheads, reduce inventory costs and move from fixed to variable costs, often result in the closure or movement of distribution centres that have outlived their usefulness. People can be displaced as a result of applying new efficiencies. The flip side is that we are facing increasing global competition in areas that were previously bound by North American geography. We must be mindful of the impact China is having on our economy across all industries. Our ocean ports, railroads and transportation infrastructure are being taxed to handle the dramatic increase in imports and now operate beyond their capacity in many areas. Also, we must keep our own business models lean and efficient, to embrace changes similar to those that we recommend externally, to our customers.

It has been said many times that the best defence is a good offence. That statement has never been truer in managing your supply chain today. Because of capacity issues, driver shortages, rising insurance, fuel costs, hours of service regulations and border security legislation, our industry must look deeper to find the solutions required to manage the supply chain effectively.

As logistics service providers, we work to minimize the pain and maximize the gain in implementing the required changes to make your supply chain flow efficiently. Often, the “low hanging fruit” is discovered early as untapped when an arm-length provider reviews your logistics practices or finds unidentified synergies within a company. For example, can our company combine various suppliers’ freight to achieve a consolidated truckload versus paying more than double that on an LTL basis? Can the raw materials coming into your plant with ABC carrier be turned around with a load of freight within that carrier’s regional expertise?

When you take the blinders off and take a snapshot of your complete supply chain, you have taken an important step to ensure the left hand knows what the right hand is doing. I have personally experienced daily inventory line fill rates go from 60-to-90 percent with the implementation of our company's strategies. I've seen transportation rates reduced and service levels increased well beyond our expectations. In many cases, we find savings representing 10-to-20 percent cost reductions within the total supply chain. This provides customers with an immediate and real competitive edge in their marketplace that, in turn, results in a positive impact on their bottom line.

As logistics managers, we share a common goal when analyzing the challenges facing our industry and the requirements for better optimization and utilization of our available shrinking transportation resources. That means a change of perspective; letting go of "we've always done it that way," and embracing new thinking and becoming the champions of change within our organizations to ensure success for our collective futures.

The tactical view from the shipper's door can be a vision of the truck wheels turning faster and the driver being paid less money, culminating in faster service at less cost. The strategic vision from the boardroom should be; a clear view of their supply chain that provides visibility to all who require it, that effectively reduces inventories while improving consistency, service, and quality in the process. Done properly, this can provide a significant competitive advantage to the owner of the supply chain.

In summary, to be successful in supply chain management, the business leader needs to embrace change, edit and manage useful information, build and acquire a high functioning team and provide leadership and direction in implementing a well thought out strategic plan.