November/December 2013

RESULTFOCUSED

dasResultat is a result focused logistics and supply chain management advisory company.

We partner with our clients to identify and unlock practical and sustainable solutions.

Vol 1, No 11 (2013)

Supplier relationships - How important is it to you and your business?

By Anton Nieuwoudt

A recent discussion with a client on the topic of supplier relationship management lead to us being tasked to perform a desktop spend and supplier performance assessment. The objective was to assess the client's year-to-date spend on transportation services and develop an approach to audit their top suppliers based on criteria as agreed in their contracts. It soon became apparent that the controls that was put in place to govern the relationship and manage the spend was not followed. In fact, the risk of misconduct was far greater than initially expected.

The scary part is that this is unfortunately quite a common occurrence in many organisations. Companies are focussed on attracting and securing new income streams, without ensuring that the diligent management of the outflow of funds are kept top of mind. In fact, many will keenly tell you at great length how they were able to squeeze eight percent from their service provider or supplier to 'reduce cost'. How can this be seen as a sustainable business management practice? Where is the benefit in this for both organisations? Is this really what a business partnership is all about? You can decide...

In this extended edition of **RESULTFOCUSED** we look at whether **Apple's supply chain** can really be described as number one, we look at some **leadership lessons from LEGO**, A.T. Kearney provides some insights into **making supplier relationships work**, and we see what logistics benefits their will be from the **Microsoft/Nokia** deal. Also, we highlight some criteria when it comes to the **evaluation of potential 3PL service providers**, we look at the **benefits of cloud-based logistics management** and finally **five rewards of positive leaders** are discussed.

I trust that you will enjoy the read and will look forward to the January 2014 edition.

Finally, as 2013 draws to a close Niels and I would like to take this opportunity to wish you and your families a very restful and blessed Christmas. May this be a time of great joy and the rejuvenation of body, mind and soul.

Every job is a self-portrait of the person who does it. Autograph your work with excellence
- Erik Erikson

APPLE'S SUPPLY CHAIN - IS IT REALLY NO.1?

By SUPPLYCHAINOPZ (October 2013)

Everything about Apple Inc is the talk of the town, for example, the new Ipad, Iphone 5, Apple Map or even environmental and labor issues at its suppliers' facilities. Surprisingly, IT research firm Gartner ranks Apple Supply Chain as the best supply chain in the world for 3 years in a row. Without a doubt, Apple Inc is the world leader in Innovation, Branding and Software Ecosystem. But, is Apple's Supply Chain really the number 1? This case study will show you the analysis of Apple Supply Chain core processes, challenging issues and complexities of its operations.

Apple's Supply Chain Model

Information about Apple Supply Chain is a bit here, there and everywhere, it's kinda tough to find the actual case study. To the best of my knowledge, many business schools still use the case study "Apple Computer's Supplier Hubs: A Tale of Three Cities" from Stanford University (1996). To get a closer look at modern day supply chain at Apple Inc, this case study utilises content analysis technique.

Supply Chain Planning at Apple Inc is the classic example of New Product Development Process (NPD). It's the integration of R&D, Marketing and various function under supply chain management. From the above graphic, Apple Inc accelerates the new product introduction by acquiring licensing and 3rd party businesses. The whole process looks very similar to that of other industries. Interesting point is that Apple Inc has to make pre-payments to some suppliers to secure strategic raw materials.

Apple Inc purchases raw materials from various sources then get them shipped to assembling plant in China. From there, assembler will ship products directly to consumers (via UPS/Fedex) for those who buy from Apple's Online Store. For other distribution channels such as retail stores, direct sales and other distributors, Apple Inc will keep products at Elk Grove, California (where central warehouse and call center are located) and supply products from there. At the end of product's life, customer can send products back to nearest Apple Stores or dedicated recycling facilities.

Apple's Supply Chain Challenges

What does it feel like to be "Apple Inc"? One journalist indicated that the life of Apple Inc is fairly easy by utilising its negotiation power. Believe me, Apple Supply Chain has very high risks. There are many challenges to overcome, for example:

- Global economy could affect the Company,
- Some re-sellers may also distribute products from competing manufacturers,
- Inventories can become obsolete or exceed anticipated demand,
- Some components are currently obtained from single or limited sources,
- Some custom components are not common to the rest of the industries,
- Ability to obtain components in sufficient quantities is important,
- Supply chain disruption such as natural and man-made disasters can be serious,
- Company depends on logistical services provided by outsourcing partners, and
- Company also relies on its partners to adhere to supplier code of conduct.

As you can see, most of the risks are on supply side.

How Complex is Apple's Supply Chain?

Some people in the blogosphere said that Apple Supply Chain is not that complicated. So this section will explain some characteristics of Apple Supply Chain through various metrics and compare them with Amazon Supply Chain.

Inventory turnover - Inventory Turnover is traditional financial measure to determine how efficient company uses its financial resources to create sales, the higher number is the better. Supply chain professionals also use this metric in inventory management function. Generally accepted calculation is (Cost of Goods Sold / Average Inventory).

Inventory turnover of Amazon and Apple is 10 and 59 respectively (cost of goods sold of digital content/downloadable products are excluded). From the face value, Apple seems to be more efficient.

Anyway, there is a reason for this. Apple Inc is now marketing company with no manufacturing facility but Amazon is a distributor of general merchandise. It's pretty natural that Amazon has to keep more stocks then inventory turnover can be much lower.

Number of key suppliers - Supply chain management is about relationship between trading partners. Working closely with strategic suppliers will bring competitive advantage to the firm.

Apple recently said that they have about 156 key vendors across the globe. This amount of suppliers is quite manageable. Amazon has about 3 million suppliers in total. Top 5% of this is 300,000 suppliers, way more than that of Apple Inc.

Number of warehouse facilities - In the United States, transportation cost is the big portion of total logistics cost. Then, good management of related function is essential.

Apple Inc has a central warehouse in California but Amazon has approximately 28 warehouses from coast to coast. What Apple has to do is to synchronise data between central warehouse and its own 246 stores + customers. With appropriate level of automation, this kind of operations can be done efficiently.

For Amazon, thing is more complicated than that. Amazon is known to employ many PhD graduates in operations research/industrial engineering. The reason is that Amazon distribution environment must be mathematically solved through optimisation method.

The results from the analysis of Apple's processes, challenging issues and complexities indicates that the success of its supply chain operations depends on how well they manage supplier relationship.

Typically, they have to determine how many facilities they should have, where serves which market, items/quantity stored in each location, how to manage transportation between warehouse-to-warehouse and warehouse to customers in order to minimise cost and increase service level.

Number of items - Stock Keeping Unit aka SKU is another indication of supply chain complexity. One model of phone but different software inside is considered different item/SKU.

Amazon has about 170 million items on its catalog. About 135 million items are physical products. For Apple, they have 26,000 items (rough estimate, subject to change). The point is that, if you have to make demand forecast, which one will more difficult for you, 135 million items or 26k items.

Product life cycle - Put it simple way, product life cycle is how long you can sell products (the longer is the better). From rough estimate, Amazon has some seasonal products such as summer ware. They can only sell it for 3 months max. The life of Apple's key products are way more than 12 months. It goes without saying that demand forecast of seasonal, short life cycle products is very very difficult to estimate.

As you may notice, based on example characteristics, Amazon's Supply Chain is far more complicated than that of Apple Inc.

Conclusion

The results from the analysis of Apple's processes, challenging issues and complexities indicates that the success of its supply chain operations depends on how well they manage supplier relationships.

This includes early supplier involvement in new product development, close communication and supplier performance improvement/evaluation. Then, Apple Inc is dubbed as "King of Outsourcing". - ***RF***

LEADERSHIP LESSONS FROM LEGO

By John Kotter
(forbes.com, September 2013)

As my daughters and I tackled a three-day LEGO project, I realised that what makes these projects so fun and satisfying are the same things that help my clients love leading change in their organisations.

Now, we all know "love" and "change" don't get used in the same sentence very often, but some of the same principles that made for a wonderful, LEGO-filled weekend with my girls are also at work with my clients. These principles are present with my larger clients (thousands of employees around the globe) as well as my smaller ones (a few hundred employees in one location).

So here they are – lessons in leadership courtesy of LEGO.

Lesson #1: Start with what success looks like. LEGO provides a complete – and exciting – picture of the final product right there on the box. It always looks AWESOME. There is little mention of the number of bags, number of pieces, number of steps, and so on (which would only deflate your excitement). You fall in love with the end result before you even buy. After buying the set, you feel that the finished project is just a few steps away because you already know what success looks like – and it looks AWESOME. Many times, executives outline the daunting and time-consuming strategies required to get from today to tomorrow – deflating excitement – rather than building momentum around the picture of the finished product. Most fail to paint or show a clear (AWESOME) picture of what success looks like. It's this picture that makes people fall in love with the idea; that makes them eager to spend their time putting all the pieces together to make it a happen.

Lesson #2: Consider interchangeable parts. It's rare, but occasionally, there are missing LEGO blocks. Instead of stop-mode, these challenges put my daughters into innovation-mode – they pull out their bucket of spare parts to find what we need and we keep building away. How many times have our colleagues said, "That won't work because …" or "We've already tried that"? Although these excuses occasionally save us some time not repeating old mistakes, it's unusual that we go back to see what pieces (lessons, learning, accomplishments, etc.) can be reapplied.

Leadership lessons from LEGO:

Lesson #1: Start with what success looks like

Lesson #2: Consider interchangeable parts

Lesson #3: Instructions are only so helpful

Lesson #4: It's more fun when more people are working together

Lesson #5: The quality of the final product relies upon the input of imagination

Often times people, tools, resources, and lessons are there for the picking, it's just rare that we go back to those buckets to get them.

Lesson #3: Instructions are only so helpful. The instructions are great, usually. But there are cases where you simply cannot tell which round peg goes into which square hole (with LEGOS, literally). Whereas I turn the instructions round-and-round, flipping ahead to get another view, my daughters simply put things together as best they can. They say, "Let's try it and see if it works." This fearless experimentation is a critical element to accelerating innovation. What's the worst thing that could happen? With LEGOS, the consequences are nil. In many business or organisations there are real risks. But, more often than not, the main risk is not the unforeseen consequences, but in the risk of being seen as wrong. By eliminating that fear, we increase our ability to iterate in fast cycles. It is key for leadership to encourage and reward those who experiment, learn, and build.

Lesson #4: It's more fun when more people are working together. Working on a LEGO project on your own is great. But sharing the experience with my daughters (or more specifically them sharing it with me) is so much more fun. My clients find it easier to get 100 people to volunteer one hour each than to get any one person to find 100 free hours. The different people, perspectives, and experiences make for open collaboration. Each volunteer brings different strengths, allowing the innovation to go faster, further, and freer.

Lesson #5: The quality of the final product relies upon the input of imagination. When I was growing up there were few custom LEGO parts, perhaps a wheel or a windshield. Today, there are a huge number of set-specific parts (e.g., tools, flip-up cockpits, weapon launchers, etc.). Yet my daughters still make modifications or, in their words, "improvements." One daughter built a LEGO motorcycle which was destroyed when she sent it down hardwood stairs. Instead of being bummed out, she saw an opportunity. "Now I can make it better," she said. "It was too heavy to go as fast as I want it to." She stripped it down, leaned it out, and launched it again. At the end of the day, it all comes down to the builder's imagination.

Look, as a leader, you set the tone for how your employees experience large-scale change. You could be the one that enables fearless (but informed) innovation and experimentation – or you can be the one holding up the instruction book saying, "That's not how we do it." The choice is yours. - ***RF***

MAKING SUPPLIER RELATIONSHIPS WORK

By Christian Schuh
(atkearney.com, October 2013)

We rely on suppliers for a wide range of products and services that allow us to succeed, yet we know surprisingly little about these relationships or how to fully harness them. Some believe these relationships are all about cutting costs. Others think they are the sum of every category management initiative ever tried. We have a different view. We believe that suppliers, and our relationships with them, are an area yet to be fully explored or exploited. At a recent A.T. Kearney Executive Roundtable, 50 chief procurement officers (CPOs) from major U.S. and global corporations conceded that managing suppliers effectively is one of their biggest challenges, and that they are not currently prepared to address it.

A team of A.T. Kearney partners is spearheading an initiative to fill this void. Called the True Supplier Relationship Management (TrueSRM) Project, and funded by leading high-tech players around the world, we have developed a comprehensive approach to managing supplier relationships—comprehensive because it works in all industries. This paper is about our initial findings, which will culminate in a book scheduled for release in 2014.

Getting to the Heart of Supplier Relationships

When we look at supplier relationships, patterns emerge. Regardless of industry, company size, or a dosen other factors, our suppliers tend to fall into distinct camps. There are those in the "critical cluster" that, with some nurturing to the relationship, can contribute to competitive advantage. The "ordinaries" provide needed but common products or services that could be purchased from many other sources. Then there are the "problematics" that have been useful sources of supply but pose serious problems that need to be fixed, or the supplier replaced.

Managing supplier relationships is nothing new, of course. What is new is our system for recognising what characterises a supplier in relation to a company's unique business objectives. What is the core nature of the relationship? How can it better serve our company's success? What do suppliers themselves want? And how do we communicate with them about where they stand now and where we want them to be in the future? This last point is especially pertinent because supplier relationships are rarely structured in a way that guides internal conversations and planning, or communicates in practicable terms.

A.T. Kearney offers nine ways to interact with your suppliers, identifying formulas that characterise true supplier relationship management. Each one gets to the heart of what makes the most effective supplier relationships tick.

This is the premise that drove the TrueSRM project team to develop nine ways to interact with suppliers—identifying individual formulas or models that together characterise true supplier relationship management (see figure 1). Each model gets to the heart of what makes the most common and effective supplier relationships tick, while establishing expectations for what each relationship is capable of and laying the groundwork for mutual success. While there is no substitute for classic sourcing, our approach to supplier relationship management is to identify and support those relationships that pose the greatest return on investment.

Let's explore the nine supplier relationship models in detail.

The Critical Cluster: Relationships to Nurture

The first under our microscope are suppliers that offer the most promise. Whether vendors that already have a great relationship with you, or clearly could have with a little work, these relationships are the valuable few that are worth time and attention.

Integrate—worthy of commitment
Here the goals of the two organisations are genuinely integrated and they work together as partners. This is a partnership with a capital "P." Although an often over-used term in business, the true partnership is rare and based on a multi-year, differentiated, and comprehensive relationship between you and your supplier to build an ecosystem that shapes the market. The supplier chosen for this model should be in your sweet spot: Its performance is flawless, and it holds the key to making you a formidable competitor by creating opportunities to grow revenues and profits while jointly shaping or reshaping the industry.

When Red Bull introduced its energy drink in 1987, it partnered with Austrian-based Rauch Group, a contract bottler and beverage maker, to be its sole bottler.2 In turn, Rauch agreed not to work with any other energy drink company. Such a commitment could have been a risk for both parties, but Red Bull's product strength and Rauch's distribution capabilities in 90 countries made for a powerful integrated approach across the two businesses. Today, Red Bull enjoys the largest market share in its category worldwide, selling 5.2 billion units in 2012, and is front and center in sponsoring extreme sports such as Formula 1.

To build and maintain such an involved relationship in the Integrate model requires substantial investment by both parties. Understand that the supplier that commits to this model takes on significant risk. By giving you highly preferential treatment, it could be limiting its own growth potential. Likewise, such concentrated, powerful Integrate relationships suggest that you should have no more than a handful of these suppliers on board.

How to work with Integrate suppliers:

A successful relationship with these suppliers thrives on a shared vision and willingness to act as one smoothly running, extended enterprise. The stage can be set by encouraging consistency across your own divisions, functions, and hierarchies in terms of meeting needs, budgets, and timelines with the supplier. This model makes sense only if both parties benefit in terms of profit, revenue, and growth. This means both parties should be mindful of market shifts and how they may affect the other. For example, if your Integrate supplier's competitor offers the same product at a lower price, work with your Integrate supplier to meet this price, perhaps by trimming specifications or improving productivity, and by continually looking for mutual cost reduction opportunities. When each party understands the other's core competencies, duplications can be avoided.

Influence—jointly develop new offerings

Suppliers that fit the Influence model deliver nearly perfect products or services. What sets them apart is that they offer the potential for innovation by working with you to jointly develop new products or services. This factor shapes your relationship with them. These suppliers often dominate an industry, as they are the crucial few that a company and its competitors rely on. In turn, they do not favor any one customer, and in the case of monopolistic suppliers, are required by law not to do so. The downside, of course, is that it is nearly impossible to outpace your competition by working with these suppliers. What's more, mismanage this relationship, and you could alienate these suppliers enough that you fall behind competitors that may better handle their relationship with the same supplier.

<u>How to work with Influence suppliers:</u>

As with most relationships in life, good timing and regular communication are crucial for capitalising on opportunities with Influence suppliers. You want to set the expectation up front that it is necessary to have access to their product, technology, process, and innovation roadmaps. Evaluate them for opportunities that you can tap into or even areas that could provide limited exclusivity. Request ongoing feedback on how your company's actions and plans dovetail with theirs for mutual advantage, and then negotiate competitive pricing accordingly. Also, Influence relationships can consume a substantial amount of internal resources, so make the investment pay off by encouraging confidence in each other's plans.

This kind of close working relationship paid off for Transport for London, the U.K. capital's transportation authority, which needed to replace its aging, red, double-decker buses with a modern fleet. In 2010, it chose a design from manufacturer Wrightbus, a global supplier of public transport coaches. Working closely with Heatherwick Studio, the company created a unique design that meets the specific needs of London's ridership, with full wheelchair and pram accessibility, and a hybrid electric and diesel power engine and aluminum frame that make it one of the most environmentally friendly buses in the world. This joint supplier relationship led to a world-class bus fleet and the largest order of hybrid buses in Europe.

Invest—believe in capability

Does your company have suppliers that offer great ideas and innovations, but then stumble in basic areas, such as providing continuous supply or consistent quality? A great future can be had with these suppliers —as they ultimately could reach Integrate status—but their potential rests on the relationship you build with them now and the extent to which they respond. Ideally, an Invest supplier will aspire to Integrate status and will work with you in building capabilities to achieve this title. Here, we recommend nurturing the relationship by investing time, money, and resources in developing the supplier's capabilities to meet your needs. The best candidates will make capability-building a top priority. Be forewarned, however, that some suppliers may spurn the help, believing that you are attempting to make them "captive" and to cut them off from wider market opportunities.

Some believe supplier relationships are all about cutting costs. Others think they are the sum of every category management initiative ever tried. A.T. Kearney have a different view. They believe that suppliers, and our relationships with them, are an area yet to be fully explored or exploited.

The Invest model can become widely accepted in an industry. In aerospace, for example, it is common for customers and suppliers to participate in new projects via risk and revenue sharing partnerships, where both contribute to development costs and share in the returns.

Examples can be found in the automotive industry as well. SGL Group recognised the valuable opportunity that working with BMW presented when the automaker approached it for developing lightweight carbon fiber-reinforced plastics for use in its new i3 electric car. The companies co-invested in a state-of-the-art factory in Moses Lake, Washington, to produce body components that reduce the weight of the new electric car by 550 to 770 pounds, compensating for its battery's weight. Indeed, this joint venture is expected to set a precedent for use of carbon fiber in mass-produced vehicles, a milestone for the automotive industry.

<u>How to work with Invest suppliers:</u>

Striking the right balance between nurturing these suppliers, engendering their trust, and overcoming fears of being captured is key. A transparent business case that both parties buy into will help alleviate supplier hesitancy. It should present a compelling return on investment, both for you and the supplier. It is crucial to stick to commitments with these suppliers to reduce their risks and thereby deepen their commitment to you. Given the close cooperation that the model calls for, it also is important to clearly define each party's roles and responsibilities to limit confusion over terms of engagement.

The Ordinaries: Leave Well Enough Alone

While suppliers that fall into this camp are generally more numerous, don't let their average status fool you. There is strength in numbers here. As the number of ordinary suppliers in your fold increases, a keen understanding of what makes these relationships tick, and a simple set of tools for maintaining or incrementally improving their performance, can have sizeable positive results.

Harvest—highly productive but still need cultivating

Harvest represents a well-functioning position for both parties. The company receives just the type of products or services it needs. They're nearly perfect, in fact, and support the company's competitiveness. For you and the supplier, this relationship is virtually hassle-free and ties up few resources. It may seem to function on its own, and that's exactly where both parties need to focus. Complacency should be the red flag here. Great performance could be mistaken for a great partnership, so we recommend not using the term "partner" loosely, because it can lead to assumptions that nothing needs to be changed. Low investment of resources can communicate that you don't overtly value this relationship, and if the supplier falters, it could be dropped. The Harvest supplier's vulnerability, then, and the absence of discussion about maintaining performance, can create tension that negatively influences interactions between the parties.

<u>How to work with Harvest suppliers:</u>

Harvest relationships will be fruitful as long as two things remain constant. First, the supplier should maintain its performance. Be sure the company understands that it is "on the team" because of its strong performance, not because of a relationship with you. Communicating to a Harvest supplier that it is a partner supplier is a mistake. Second, be sure to provide the supplier with everything it needs to continue delivering at the current level. As long as these incentives require little of your own additional time or resources, this continues to be a true Harvest relationship. If the supplier's situation changes, or there is any hesitation to invest in maintaining the relationship, then there are specific steps to take, which we discuss shortly.

Sustain—drive for continuous improvement

You probably work with a number of Sustain suppliers. Their performance is average but aspects of this type of relationship place it above that of most suppliers, usually because you need these relationships to endure. They do not need major fixes or warrant significant investment. However, incremental improvement to capture more value and move performance toward world-class levels is usually beneficial.

How to work with Sustain suppliers:

The challenge is to strike the right balance between investment and return from this relationship. When these suppliers recognise what you value about working with them, they will be less likely to become complacent and allow their performance to slip or present less desirable commercial terms to you. Always treat the Sustain supplier fairly while not tying up disproportionate resources. The relationship is likely to be relatively arms-length, with the supplier needing to compete for additional business. However, take care in this respect. Market and performance changes can cause shifts in the relationship. Remaining sufficiently close to the supplier will help you understand this dynamic and act accordingly.

Improve—address the shortcomings

The majority of your suppliers are likely to fit here. They perform at a level similar to that of a Sustain supplier, with equivalent shortcomings. The key difference is that should they fail— especially repeatedly— you would be more likely to replace them than a faltering Sustain supplier. The Improve relationship can feel unstable for you and the supplier as a result. Instead, turn the unknowns into opportunities by helping the Improve supplier to raise performance and move toward Harvest status.

How to work with Improve suppliers:

As long as Improve suppliers do not warrant major investment of time and other resources, having them address their shortcomings is preferable to replacing them. Clearly communicate how they need to perform more effectively and be straightforward about their future strategic potential. Otherwise, these suppliers will lack a true understanding of the situation and fail to improve, leading to the more laborious task for you of replacing them.

The Problematics: Time for Serious Fixes

Rather than rue the day you hired certain suppliers that have become problematic, take a closer look at what has gone wrong and learn from everyone's mistakes. Indeed, this is the time to contain the damage. It's also a great opportunity to repair relationships that warrant the investment, or at least keep the lines of communication open should you both go your separate ways but later find that things look better.

Mitigate—disengage on good terms

Sometimes, it just doesn't work out. A supplier has significant ongoing issues with delivery, cost, or quality and it's time to look for a more promising source. The risks and consequences of doing this need to be mitigated. Relationships that reach the Mitigate stage are easy to transition out of when the failing supplier is small or the business simply structured. But when there are multiple lines of business, numerous product segments, or big outsourcing agreements with a long-term supplier, replacement becomes a challenge. Paradoxically, the quality of this relationship—even though it is ending—is one of the most important supplier interactions to maintain at a level of openness and clarity while you are still working together.

How to work with Mitigate suppliers:

Start with a transition plan to avoid misunderstandings and even disasters. Your supplier should fulfill all remaining business obligations and articulate steps for handing off the business to a new supplier. Large suppliers should have done this preparatory work as part of ongoing risk management. During the transition, be sure to have a window into the Mitigate supplier's inner workings, much like the transparent back of a pocket watch. Ask the supplier to update you on every aspect of the phasing-out of the product life cycle for all categories and lines of business. Understand their interdependencies and how they affect your business. Some of the processes and services may not be obvious, so it is wise to conduct an in-depth assessment. Develop scenarios and business cases, including war gaming, which can help anticipate supplier reactions and generate valuable input. An exit strategy crafted by top management and key stakeholders and then communicated to everyone will help control communications and extinguish conflicting messages before they flare up.

With these nine supplier interaction models, you and your suppliers can know exactly where you stand and where you should plan to take the relationship in the future.

Finally, avoid characterising the Mitigate relationship as permanent. Maintaining bridges via a positive relationship could enable a fresh start should conditions change. After all, this supplier has gained valuable insights into your business that could prove useful in the future.

Develop—invent the ideal source

For competitive advantage and operational benefits where none exists right now, consider building a Develop relationship with a supplier whose current performance is poor and needs to be addressed. This should be a hand-selected vendor with lots of potential for working closely with you to identify opportunities across its value chain and yours. Reach out to your in-house cross-functional teams to identify viable candidates that are currently not ready for prime time but have the potential to become star suppliers. There are numerous examples of Develop suppliers that became key sources in well-managed relationships. Consider, for example, the many manufacturers that nurture low-cost country suppliers, providing technology or engineering assistance to get them up to speed as component suppliers.

How to work with Develop suppliers:

This type of relationship works best with suppliers that see your company as a unique chance for improvement and are willing to execute according to your development plan. They should be open to working with your people across their organisation. Start the conversation by presenting a business case and plan that reflect the interests of both parties, including informing the supplier about your volume allocation. The objective is to motivate the supplier to change its setup and processes. We recommend including standards for engineering, manufacturing, and quality, with strong program management oversight. The plan and execution will call for both sides to free up core resources, ideally in a way in which they pair up to manage projects and influence functions. Finally, with both parties aiming for the same goal, monitor performance by cascading MBOs down to every employee level affected by the new relationship.

Bail Out—when stepping in is necessary

A major supplier commits an egregious error or a chronic problem suddenly requires triage. This is the abrupt formation of the Bail Out relationship. The situation can significantly jeopardise business by threatening supply.

The immediate goal is to stabilise the supplier's performance. The long-term goal is to learn from the problem to avoid future Bail Outs with this supplier. It may seem counterintuitive, but this is a relationship that will likely be maintained, particularly with important suppliers. The Bail Out relationship should be brief, rare, and regarded as a temporary step toward improving the overall supplier relationship.

How to work with Bail Out suppliers: Immediate and swift recognition of the Bail Out situation will minimise damage and help save the relationship. By acknowledging the situation's severity and allowing your company to intervene, the supplier sets the stage for crucial next steps. Correcting this situation should be a joint effort. Provide specific guidance and expect the supplier to comply with all instructions, including the expectation that it determine solutions to the problem. Bail Outs will rarely be solved in your company's offices and usually take place completely on the supplier's premises. So, have boots on the ground as soon as possible.

Usually, the Bail Out situation poses challenges that you will not have seen before in quite the same form. For effective and speedy reaction, it is wise to put in place contingency relationships with third-party experts up front. These additional resources can then be leveraged to help solve the problem.

Bail Outs are expensive for everyone. Immediately on the heels of this phase, if there is a strong mutual desire to maintain the relationship, then leverage the recent experience to work together and specify plans to enhance the relationship. Debrief, reexamine systems, and establish a revised working relationship that includes ongoing checks and balances so that future Bail Outs do not occur. Most companies immediately jump to replacing the supplier at this point, which is the wrong approach, because it does not consider the relationship's potential longer-term value.

With these nine supplier interaction models, you and your suppliers can know exactly where you stand and where you should plan to take the relationship in the future. - ***RF***

GARTNER DIRECTOR: NOKIA SUPPLY CHAIN MANAGEMENT KEY FOR MICROSOFT

By 24/7 Staff
(supplychain247.com, September 2013)

Peter Sondergaard, a director with the US market research company Gartner believes that Microsoft will not be looking to cut loose Nokia employees once they become part of the software behemoth.

"We don't necessarily see high risks in the short term for workers in Finland," Sondergaard said recently.

On November 19 shareholders will attend an extraordinary general meeting to vote on whether or not to accept the 5.4 billion-euro price offered by Microsoft for the company's mobile phone business.

If the deal gets the blessing of shareholders, Nokia's mobile phone workforce will become Microsoft employees.

Sondergaard based his optimistic view on Microsoft's lack of expertise in manufacturing and materials and supply chain management.

In its heyday Nokia was widely admired for its skill and efficiency in managing all aspects of global supply chains, from parts procurement to product distribution.

"On a global scale Nokia has been a leading player when it comes to optimising materials and supply chain management.

In its heyday Nokia was widely admired for its skill and efficiency in managing all aspects of global supply chains, from parts procurement to product distribution.

That's no easy achievement," Sondergaard stressed.

The Gartner analyst also pointed out that the smartphone market has seen increasingly lower growth, while the demand for basic phone models has shifted to developing markets.

"Mobile phone trade in the west has become a replacement market, and consumers there are changing their devices at a slower pace than before," he noted. He said that the acquisition of Nokia's mobile phone business was important to Microsoft in many ways.

One goal was to ensure that there would be a suitable hardware platform for its mobile phone software.

Mobile phones using Microsoft's Windows Phone operating system command just three percent of the global market. When it comes to mobile phones, the PC software giant is dwarfed by the likes of Apple's iOS and Google's Android. - ***RF***

EVALUATING POTENTIAL 3PL LOGISTICS PROVIDERS AND WHAT YOU SHOULD BE LOOKING FOR

By Jamie Wyatt
(supplychain247.com, May 2013)

An efficient, uninterrupted supply chain is the bedrock of creating a successful company. It permits every other operation to press ahead at full steam without concern for being held back by stuttering operations.

If your supply chain is going to involve a logistics company, properly vetting that company will determine whether or not your supply chain adds value or hobbles along. The tips below will give you a solid benchmark of what you should be looking for from a 3PL.

Scalability

First and foremost, can the 3PL efficiently scale their operations to fit your changing needs?

Bi-directional scalability directly influences how efficient your supply chain will be. You're doubtlessly striving to grow your company, but the fact remains that there will be ups and downs to business. Demand might contract for any number of reasons. You need a 3PL that can rapidly scale down the processes within your supply chain.

Conversely, you also need a logistics provider that can handle sudden spikes in demand without skipping a beat. Growing pains happen for everyone, but if you find a 3PL that has already experienced them with another company, you'll spare yourself the brunt of the problems.

Find a 3PL that already has clients both larger and smaller than your organisation. A 3PL that can scale will constantly be making small adjustments, e.g. aggregating or multiplying shipments, as your requirements move in one direction.

Evaluation criteria for potential 3PL service providers:

1. **Scalability**
2. **Technology Platform Innovation**
3. **Comprehensive Transportation and Warehouse Options**
4. **Payment History & Financial Stability**
5. **Proven Track Record**
6. **Excellent Industry References**

Technology Platform Innovation

Shipping and procurement might seem like low-tech pieces of your operations, but logistics providers live and die by the efficiency that they deliver. Having a state of the art technology platform backing up their business gives them the best chance for optimisation.

Cloud integrated platforms have recently come to prominence and are affording logistics companies radical new capabilities and capacities for control. A solid 3PL will have cutting edge system that allows them to give you real-time feedback on your freight and supply chain operations.

Comprehensive Transportation and Warehousing Options

Whether you're working with an asset-based or nonasset-based logistics provider, there should be a plethora of shipping and warehousing options available to your operations.

Options create opportunity within your supply chain. The more options that a logistics provider can deliver, the greater the chance that they will be able to select the lowest cost provision. In line with the last point, an effective technology platform is essential to managing a large number of options, teasing out the most efficient, and implementing it quickly.

Payment History & Financial Stability

Having your 3PL suddenly fall apart could be one of the most devastating challenges your company faces. Finding a partner that has proven their financial stability will at least keep your operations from being brought to a screeching halt as you attempt to recover from someone else's mismanagement.

While evaluating your top logistics candidates, ask for a list of partners and enquire about their history with the provider. Have they consistently made payments? Has their ever been disagreement or lack of follow through from the company?

How a logistics provider handles their partners will be a good indication of how they will handle your business and talking to their partners might give you a clearer picture than talking to their hand picked list of references.

Proven Track Record

Going beyond the finances of a potential logistics provider, what is their overall track record like? Are they known for being a state of the art company? Do they have multiple long-term clients?

As a service oriented business, the reputation of a logistics provider will speak volumes as to the efficiency and reliability that you can expect.

Excellent Industry References

The references you have for a logistics provider should not be good or passable; they should be adulatory. For a logistics provider to be worth your time, their clients should hesitate to speak volumes on their security, reliability, and flexibility. Clients should rave about the results they have delivered.

Furthermore, references should be able to speak to the character and culture of the provider. Whether good or service oriented, companies should be delivering a higher value proposition than simple efficiency.

Efficient companies might get the job done, but it's questionable how far they will go on the final mile. Look for a logistics provider that is known for their character, for why they operate rather than how.

The due diligence you go through in evaluating a logistics company should be some of the most stringent you apply to any service provider. They will control a crucial piece of your operations: will they use it to contribute to your success or hamper your progress? - ***RF***

SEVEN BENEFITS OF CLOUD-BASED LOGISTICS MANAGEMENT

**By Jamie Wyatt
(supplychain247.com, May 2013)**

The power of increased data, integrated communication, and real-time analytics has delivered savings multipliers beyond any previous advancement.

Cloud-based solutions are essential to getting the most value out of your operations.

The impact of the cloud on logistics can sometimes be so overwhelming that it's hard to discern exactly what it is changing.

In the next few hundred words, we'll boil down the essence of this revolution and why you should expect more than ever from your 3PL.

Real-time Pricing

Quickly understanding the price associated with every logistics element of your supply chain allows you to control your costs with finesse. Pricing elements within transportation and warehousing can fluctuate based on any number of factors: weather, market conditions, or demand.

With so much volatility, on the fly adjustments can make or break margins.

Remember, costs in the supply chain are quickly compounded down the value stream making even a slight savings through real-time pricing an enormous win.

Real-time Inventory

The inventory you have on hand is your most direct means of controlling for risks and optimising costs. It's your business's shield; how much agility can you sacrifice for greater protection?

Real-time inventory management allows you to maximising your ability to respond to demand fluctuations while holding onto your buffer against emergencies. Data flow from the cloud gives you infinitely more precise control over your inventory levels.

Eliminate Multiple WMS and TMS Systems

TMS and WMS systems are instrumental to expediting procurement and shipping, however, multiple systems in the hands of multiple users can produce a huge number of different transportation options, with only one of them bearing the true lowest cost.

The cloud's ability to coordinate information with a specific solution can prevent any delays that might be caused by miscommunication or missed savings that might come from obfuscated data.

Equipment and Utilisation Patterns

Within any repetitive system, pattern recognition is essential to optimisation. Cloud-integration allows metrics to be taken and analysed in a myriad of ways to expedite making those patterns apparent within shipping and procurement.

From how equipment is utilised to the most frequent freight movement, cloud-based software systems help discover patterns and utilise them to better capitalise on abundance or eliminate wasteful excess.

Seven benefits of cloud-based logistics management:

1. **Real-time Pricing**
2. **Real-time Inventory**
3. **Eliminate Multiple WMS and TMS Systems**
4. **Equipment and Utilisation Patterns**
5. **Accurate Merge in Transit Model**
6. **Office Resource Flexibility**

Accurate Merge in Transit Model

When trying to coordinate the union of a number of components from several suppliers, possibly from all over the world, synchronising processes is paramount to efficiency.

Within certain situations, having processes synchronised down to the hour might be required. Logistics solutions that allow for real-time monitoring through the cloud makes accurate models of merge in transit possible for the first time.

A process that was previously too complex to accurately estimate can now be forecasted and monitored through a real-time, online dashboard.

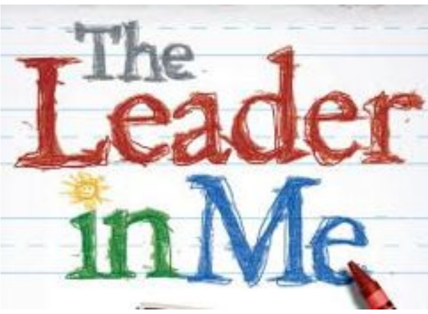
Office Resource Flexibility

Cloud-integrated logistics not only provides more data in real-time, it makes it accessible to your entire team, regardless of location or time. Universal accessibility makes processes that require round the clock oversight far more easily handled.

Logistics managers can observe processes in real-time from remote locations and allows immediate resource deployment in case response is needed.

Logistics optimisation and management remains a formidably complex task, but the cloud continues to make the art infinitely more user-friendly and efficient.

Increased data delivered in real-time makes it possible to exercise extreme control over critical processes while increasing the flexibility with which it is implemented. - ***RF***



FIVE REWARDS OF POSITIVE LEADERS

By Michael Rogers
(teamworkandleadership.com, October 2013)

There is great power in positive thinking and having a positive attitude as a leader. Give me a positive leader, and I will show you a positive team and organisation. What you reflect is usually what you will get as the following story demonstrates.

There was a place in a remote village far, far away called "The Palace of 1,000 Mirrors."

A happy and energetic little puppy who lived in this village had heard of the palace and decided to pay a visit.

When he arrived, he playfully bounced up the steep stairs to the open door of the house. He looked through the door with his ears lifted high and his tail wagging very fast. He was surprised because through the door he found 1,000 other happy dogs just like him wagging their tails just as fast as he was.

He gave a great big smile and found the other 1,000 dogs smiling right back, which made him smile even bigger. And the bigger he smiled and the faster he wagged his tail, they smiled just as big, wagged their tails just as fast and were just as warm and friendly as he was.

He thought to himself as he was leaving the palace, "This is a wonderful place. I must come back and visit again."

In the same village was an older dog and quite frankly a fairly grumpy dog. He also decided to visit the palace of 1,000 mirrors.

What kind of leader are you striving to be? One that smiles and is positive? Or one who frowns and is generally negative?

As he approached the door with his sad head hung low, he looked up and found 1,000 other grumpy and unhappy dogs staring back at him. He growled and was frightened by the other dogs growling right back.

He quickly left and said to himself, "That place is not very friendly, and a bit terrifying, I won't ever go back again."

The benefits of being positive are numerous. In addition to the energy you create as a leader, there are other great benefits as well.

1) Positive leaders create loyal followers.

Chances are if I asked you a common trait that your favorite and most inspiring leaders have had you would probably point out that they were positive people.

2) Positive leaders don't quit.

When faced with adversity, positive leaders persevere. They have their eye on the vision, not the setbacks.

3) Positive leaders make better and quicker decisions.

Negative leaders throw up a multitude of road blocks that lead to longer and less effective decisions. Positive leaders on the other hand are better balanced.

4) Positive leaders do more difficult things.

They tend to do what is right, not what is easiest.

5) Positive people and leaders live longer.

A lot of research supports and comes to the conclusion that positive people live longer and happier lives. Who doesn't want that benefit?

What kind of leader are you striving to be? One that smiles and is positive? Or one who frowns and is generally negative? Given the benefits as outlined above and the opportunities to reflect what you are, I choose the former. How about you? - ***RF***

Note - All credit goes to the particular author and/or publication of the articles shared in this publication das[R]ESULTAT

integrity • independence • results

Result focused logistics and supply chain advisory services

By Anton Nieuwoudt / Niels Rudolph

dasResultat is a results focused logistics and supply chain management advisory company with greater than 30 years combined experience in various functional areas of logistics and supply chain management across diverse industries.

Our primary objective is to support our clients to reduce operational costs and increase their service offering to their clients through optimising their supply chain, by offering a wide range of services based on our own practical experience.

dasResultat stands under joint leadership of Anton Nieuwoudt and Niels Rudolph.

Leadership

Anton has more than 12 years experience in logistics- and supply chain management across various industries.

Prior to co-founding dasResultat as a boutique logistics and supply chain advisory company, Anton was at Accenture where he was involved in various projects in the Retail, Mining, FMCG and Energy sectors. Here he was able to expand and apply his fulfillment, supply chain management, supplier management, project management and business consulting expertise.

Anton also worked at DB Schenker where he gained experience in integrated logistics management, spare parts logistics as well as inbound- and outbound logistics solution implementation.

Anton holds a Bachelors degree in Marketing from the Rand Afrikaans University and a Masters degree in Logistics Management from the University of Johannesburg.

Niels has close to 20 years experience in logistics- and supply chain management mainly within the 3PL industry.

Prior to co-founding dasResultat as a boutique logistics and supply chain advisory company Niels founded ORAscm as a specialised logistics consultancy company. He also worked at DB Schenker and PriceWaterhouseCoopers in Germany as a project consultant.

Niels spent the largest part of his career at DB Schenker in various roles in Germany, Singapore, Malaysia and South Africa. During his last role at DB Schenker in South Africa, Niels was responsible for logistics development, reporting directly to the CEO. Here he applied and expanded his knowledge to develop logistics solutions across the local automotive, high-tech and retail industries.

Niels holds a Diplom Betriebswirt (BA) from Staatliche Berufsakademie, Mannheim (Germany).

Functional experience

Our functional experience include among others warehouse design & management, transportation management, inventory management, demand planning, supply planning, supply chain planning, supplier relationship management and project management.

Industry exposure

We have had exposure to industries such as retail, automotive, consumer goods and services, petrochemical, mining and defense aerospace.

Core offerings

Through our core offerings we can support our clients to achieve strategic, tactical and operational results. These offerings cover areas such as Strategic Supply Chain Planning, Fulfillment, Sourcing & Procurement, and Project Execution.

Credentials

Since founding the company in the fourth quarter of 2012 we've been involved in various projects.

Our primary engagement has been with a leading global third party logistics company. Here we've been tasked to support them in their turn-around of their contract logistics department.

Secondary engagements during our first quarter of operations included a warehouse performance assessment at the Cape Town operations of a global apparel company, supporting a logistics service transition at a German automotive manufacturer and providing warehouse implementation support for an agricultural equipment manufacturer. - ***RF***

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dasResultat is a result focused logistics and supply chain management advisory company.

We partner with our clients to identify and unlock practical and sustainable solutions.

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