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BEING SIGNIFICANT...

By Anton Nieuwoudt

"Sufficiently great or important to be worthy of attention; noteworthy...having a particular meaning; indicative of something.". This is the definition of significant according to the Oxford dictionary.

We all talk about and are encouraged to focus on success and being successful. Now, success can mean different things to different people, but how many of us have moved from success to significance?

To me, being significant means being noteworthy in your own sphere of influence and this is generally achieved by playing to your strengths, and doing what you can do, very well - in other words continuously striving for excellence.

For some, this might be being a fantastic parent, for others it might be being a great teacher, an inspirational friend, or simply a great neighbour. Being significant is about using your skills to add value to something or someone

I get a little concerned when I see how some people, many of them quite young, view being significant as

having a high paying job, wearing fancy clothes and driving flashy cars. Many people of great significance throughout history didn't enjoy the limelight, did not possess material wealth, and didn't sell their souls to seek either. Those who are famous or rich are no more significant than anyone else in this world; this skewed perception has been created by consumerism and the media.

Being significant is about understanding how you fit into the world around you and performing well with the skills, capabilities and opportunities you have. It is not about being better than the next person, being able to brag the most about your "success" at the school reunion, or being invited to the most "exclusive" parties.

Now, this does not mean that one should not follow a dream and aggressively break through barriers to achieve it – but be sure it is the right dream you are following... your dream, and not what society considers to be a worthy dream. Life is about more than just one self...it's

about the positive change you bring to those around you.

This month marks our second business anniversary and although we are celebrating this achievement, we are also introspective and assessing our significance. The past year has been tough, but we continue to be grateful and aim achieve the necessary results at our clients. More than that, we continue to be actively involved in tertiary education and student mentoring programs to encourage excellence in the new generation.

In this edition of **RESULTFOCUSED** we look at, among others, RFID initiatives at Macy's, the fact that technology is not widely used in global companies' emerging market supply chains, and that air cargo continue to be in the doldrums. We also get some leadership advise from Peter Drucker.

"Plans are only good intentions unless they immediately degenerate into hard work" - Peter F. Drucker



MACY'S EXPANDS RFID AND BEACON DEPLOYMENT

By Claire Swedberg
(rfidjournal.com, August 2013)

Macy's and Bloomingdale's vendors have begun tagging fashion items, such as social dresses and men's jackets, for all of the retailer's stores. The **RFID** rollout, for item-level inventory tracking, follows initial piloting of **RFID** for fashion apparel at several of Macy's stores within the United States (see [Macy's Inc. to Begin Item-Level Tagging in 850 Stores](#) and [RFID a 'Very Big Part of Macy's Future'](#)). Macy's Inc. operates both Macy's and Bloomingdale's stores. In addition to expanding its use of **passive EPC ultrahigh-frequency (UHF) RFID** tags, Macy's Inc. is also building out its deployment of **Shopkick** Bluetooth Low Energy (BLE) beacons, to include multiple departments in all stores. This will enable a shopper who opts in to receive discount coupons and rewards within a store, based on his or her location (see [Macy's Tests Shopkick's ShopBeacon at New York, San Francisco Stores](#)). During this expansion, says Jim Sluzewski, Macy's Inc.'s senior VP of corporate communications and external affairs, the company is installing a total of approximately 4,000 beacons, with plans to have them taken live in the next few months.

"We've been on a journey with **RFID** for the last few years in our stores," Sluzewski says. That journey has included attaching **passive UHF** tags to basic, frequently replenished items, such as men's dress shirts, as well as to footwear on display within the stores' shoe departments, in order to ensure that all merchandise are displayed at any given time. The value of tagging men's shirts and other basic items was in the ability to better ensure that store inventory remained up to date, and that goods were ordered for replenishment when needed.

The retailer had not focused on faster-changing categories, such as fashion items, according to Sluzewski, because they are often not replenished at all. Generally, soon after such merchandise is received at the store, it is placed on the sales floor, where it remains for up to eight to 10 weeks until the inventory is depleted. Any garments remaining after that period are marked down in price.

During the past spring and summer, however, Macy's Inc. has been considering (and testing) a change to that strategy, and has been tagging some of its fashion goods to make sure all items are on the sales floor, where customers can view them. Tags were interrogated in the back room as apparel was received, and staff members then periodically conducted inventory checks on the sales floor to ensure that nothing had ended up

missing. If an order of women's dresses is received in the back room, for instance, the garments may not all be placed on display at first, due to the store having extra inventory. If high-fashion garments on the sales floor are not replenished when sold, however, some of those items might remain in the stockroom and thus might not be sold during that short eight- to 10-week window of full-price opportunity.

All stores already have handheld **EPC UHF RFID** readers onsite that employees can use to track inventory in other departments. As such, the pilots involving high-fashion apparel only required the application of tags to those goods and the training of personnel in that department to **read** the tags.

Sluzewski says the fashion pilots, carried out at several stores that he declines to identify, resulted in a sales lift of those tagged items. What's more, he reports, the company achieved improved gross margins and a reduction in the quantity of goods requiring markdowns.

Before it can expand the **RFID**-tagging of fashion items to all of its stores, Macy's Inc. must wait for its suppliers to **tag** those garments. The tagging rollout is expected to extend through 2015. The retailer is not recommending specific makes or models of **RFID** tags to be used by vendors.

In 2013, the company tested Shopkick beacons at two of its stores. If a customer downloaded the Shopkick app, then upon entering a store in which the beacons were installed, that shopper would receive a message prompting him or her to open the app. Upon doing so, the consumer would then receive a promotional message, such as "Receive 20 percent off all items in the store with a Macy's coupon."

The retailer has begun tagging fashion garments at its Macy's and Bloomingdale's stores, to help make sure the merchandise is on the sales floor and to reduce

"It's been in limited testing, but we found that it's a [technology] that customers are interested in," Sluzewski states. "Shoppers are using mobile devices more than ever, and are interested in new applications."

During the coming months, as additional beacons are installed, Macy's and Bloomingdale's intend to begin offering more focused messages to Shopkick users. For example, upon entering the jewelry department, shoppers might receive a promotion indicating a discount on the price of a specific pair of gold hoop earrings.

All of the technology upgrades—which also include a smart fitting room equipped

with tablets and bar-code scanning technology—are part of what Macy's Inc. is calling its omnichannel campaign to make products available to shoppers whenever, wherever and however they want. This includes ensuring that the entire inventory of products is available to customers at any given time. **RF**



DELAYING SUPPLIER PAYMENTS ARE NOT ALWAYS SMART

By Scott Pezza
(cfo.com, September 2014)

Is it wise to take advantage of early-payment discounts offered by suppliers? Or should you make other use of your cash until payment is due? There are lots of things to consider.

We'll kick off the discussion with a simple example. Let's say we've just opened our business selling widgets, and we have \$10,000 on hand. Let's further say that we have monthly expenses of \$2,000. We could invest everything that's left and buy \$8,000 of widgets that we'll attempt to resell for \$16,000. That would be a pretty good first month.

But we first have to order the widgets, then receive them, then sell them, then bill for them, then collect on those sales — and then we'll have that money in hand to pay our bills. That's really all working-capital management boils down to: making sure to have a big-enough (but not too big) buffer on hand to pay what needs to be paid at all times. If the buffer is too small, we won't be able to make a payment. If it's too big, we'll miss out on opportunities to profitably invest that cash elsewhere.

Assuming we're able to make our initial purchase on credit, we'll get our shipment of widgets in a week or two while still holding onto (i.e., making profitable use of) our cash. Then the invoice will arrive. To decide whether to take advantage of early-payment discounts or keep on holding our cash for a bit longer, start by asking some fundamental questions:

How quickly will the invoice make it to accounts payable? What process (if any) will AP go through to confirm the bill is accurate

1. What process will AP use to confirm we got what we ordered?
2. Who needs to sign off?
3. When can a check be cut or electronic payment initiated?

If we can make it through those five steps quickly —in less than 10 days, say — it typically will be worthwhile to part with our money earlier in order to send a little bit less than we otherwise would have a few weeks from now.

If it takes longer to work through the process, there is another choice to make: Do we pay as soon as the invoice has been processed? Or do we take the discount anyway? Assuming we're able to control when payments go out (i.e., we have some check in place in between invoice approval and payment authorisation), the answer to the first question is an emphatic NO.

The answer to the second question should be "no" as well, for two reasons. First, taking unearned discounts while still holding onto our cash is ethically and legally (though not criminally) wrong, of course. Second, because the discount was unearned, our supplier will have a valid claim against us — we really do owe them the full amount, even if they accept the partial payment. We've already agreed to the terms; sending a different amount doesn't equate to a counter-offer. We may be placed on credit hold, preventing future orders until the deficiency is made up; or we may just see that balance carry over to the next invoice.

Ethics Aside...

If we're not all too concerned about honoring the terms of our contractual agreements, options open up. For example, there's also an interesting decision to be made if the term we ignore is the maturity date rather than the discount cut-off. Here's the explanation: We've bought \$1,000 worth of widgets and want to know which approach to payment benefits us the most, with the added assumption that we can earn a 10% return on the money we hold onto. To do this, we pick an arbitrary reference point of 120 days beyond the invoice date. If we pay on Day 30, as agreed, we would have earned a little bit of return in that first month (\$8.22), which would grow ever-so slightly over the course of the next 90 days — all in all, not an inspiring outcome.

If we're fast enough to take the discount, we wouldn't earn much return on the base amount, but from the payment day forward we'd have a bulky \$22.74 upon which to keep building.

Finally, if we ignore our contractual obligations, we find something interesting: even if we hold onto our cash and pay a full month later than agreed upon, we're still \$6.61 worse off than if we had taken the discount. It's not until we're about two full months late that the profitability swings in our favor. The higher our available return (how much we can make from the money we hold onto), the faster the unethical approach wins out over the honest discount. That said, the discount-based savings are the only ones that are truly ours to keep — it may just be a matter of time before our supplier comes to us to square things up (including pre-negotiated late-payment fees, which further erode the late-payment benefit) or drops us as a customer.

Getting Creative: Third-Party Funding

If you're efficient enough to achieve a discount and want to honor the terms of your agreements, there's another option: third-party financing of your payables, commonly referred to as supply-chain finance (SCF). The way it works, you receive, process and approve the invoice quickly. You get in touch with an SCF provider, who registers that approved invoice and facilitates an offer to your supplier: it can get paid earlier, at a discount. You still pay at the maturity date. Nothing really changes, except the source of the money used to pay the supplier earlier. The SCF provider will benefit (usually with some sort of split) from the discount-based savings.

If we ignore our contractual obligations, we find something interesting: even if we hold onto our cash and pay a full month later than agreed upon, we're still worse off than if we had taken the discount

departmental collaboration is incredibly important here: an efficient AP process won't drive savings if there are no discounts to capitalise on. Similarly, if AP isn't yet efficient enough to take advantage of a discount, procurement's energy (and leverage) is best spent on things like item pricing, freight-expense allocation (i.e., getting the supplier to cover) or maturity-term extension.

A final thought: Is it better to reduce item pricing by \$1, or save \$1 through early-payment discounting? That's like asking what weighs more, a pound of feathers or a pound of bricks. They both help preserve the same \$1 on its way to the bottom line, with a possible excursion to state and federal tax before reaching its final destination with 50-75% or so intact.

Still, as others (and math) have persuasively pointed out, \$1 of savings produces the same result as \$10 of additional sales for a business with a 10% margin. Regardless of the exact figures, it's a good thing to manage toward. **RF**



SUPPLY CHAIN CAREERS: THE COOL FACTOR

By Bob Trebilcock
(www.logisticsmgmt.com, September 2014)

Let's be honest: materials handling, logistics and the broader world of supply chain management has not always been the career of choice for the cool kids. And yet, attracting the energy, ideas and talent of the best and brightest millennials is key to our industry's future. In fact, at [Gartner's](#) supply chain conference last May, Linda Topping, Colgate Palmolive's chief procurement officer, described how her company is rethinking its culture to attract the best and brightest to Colgate.

There's evidence that the cool factor is starting to change. Last year, the Wall Street Journal dubbed supply chain management "the hot new MBA." When I look at the attendees at [ProMat](#), [Modex](#) or conferences like the [Materials Handling & Logistics Conference](#) I attended earlier this week in Park City, I still see a lot of faces like mine — showing my age after more than 30 years in the workforce. But, I'm also seeing more faces like Meredith Marsico, 31, Lauren

There's a wrinkle in this, however. If we look back at the table above, we see that paying early with a discount is preferable to paying full price on time. So why would we choose to pay on time, regardless of where the money comes from? The answer is that we won't be offering this SCF option by itself; we're going to use our negotiating leverage (if we have any) to push terms out first, and then offer to reduce the sting a bit by enabling our supplier to receive funds earlier. From the table, we know that our target will have to be around 90 days in order for the additional return we make to outperform the original 2% discount. And how will that happen?

AP may have the skills to pay the bills, but procurement's got the smarts to buy the parts. The payment terms AP looks to maximise are negotiated by procurement, as are the prices and line-items they match as part of the approval process. Cross-

Spirnak, 29, and August Drake, 25. All three are hard-working, enthusiastic engineers who are building careers in warehousing, distribution and logistics at [GENCO](#). I had a chance to chat with them the other day at MH&LC about their journeys to the industry. The reasons they became engineers in the first place, and why they love their jobs, offer some lessons for anyone thinking about attracting new talent to our industry.

Reach them young: Everyone knows that math is a prerequisite to engineering. So, it comes as no surprise that all three were good at math and the sciences in high school.

More importantly, all three chose engineering over medicine, research or finance because they knew engineers. It seemed real. Drake had friends who majored in engineering. Spirnak had relatives who were engineers and she talked to them about the field before going off to college. Marsico's father is a civil engineer who ran his own firm. She recalled going into the office and helping her dad on projects. "The big thing that

attracted me to engineering was problem solving," she said. "I like to have answers and in engineering, there's a problem and a solution." By the way, problem solving was one of the key attractions to Drake and Spirnak. My takeaway is that it's vital for our industry to reach out to high schools on career day to talk about engineering and materials handling.

Enthusiasm counts: Warehousing and distribution were the second jobs out of college for both Spirnak, whose first job was working in manufacturing for ConAgra, and Marsico, who earned an MBA and then did consulting on process improvement for three years. Drake, on the other hand, came to the industry via a summer internship with GENCO. She had offers from firms in manufacturing and medicine but turned them down. "The interviewer from GENCO was the most passionate," she told me. At the end of the summer, she was offered a part-time job while she was still in school, which turned into a full-time job after graduation. The enthusiasm rubbed off. "Because we're a 3PL, my job is a little bit different every week," she said. "It's been an amazing experience."

Engagement counts: I asked each what they liked about warehouses and DC's. Maybe they thought lift trucks were cool? All three said they loved the ability to work on an entire process and not just a product; the creative aspect of designing a solution; and the gratification that comes from seeing designs become a reality. Spirnak, for instance, was part of a team that developed an app that allows supervisors who were stuck in their offices to get vital, real-time reporting on their iPhones on the floor. "Key information shows up on their phones in a colorful, graphical format in real time versus what you would see in a line by line report on a computer," she explained. "It makes it much easier for supervisors to identify problem areas and has helped with labor balancing and getting product out on time.

Additionally, the app can be accessed anywhere in the building, allowing supervisors to spend more time on the floor. The toughest part of the job – and maybe the biggest challenge to an industry trying to attract young people who dream of working for Facebook or Google – is explaining what they do to friends and family. One of Drake's friends has dubbed her an interior decorator for warehouses – think of it as an industrial Project Runway. "First, I have to explain what GENCO does," says Marsico. "I tell them that we run large distribution centers for companies. Then I tell them to imagine a large food company: They make the things we eat, but they look to us to provide a warehousing solution that increases productivity."

What would they tell the next batch of engineers about to enter the market about materials handling? "It's the variability of the work and the tangibility of the results," Spirnak said. "It's different every day and you can see the benefits of what you do."

If you think about it, that's pretty cool! **RF**



TECHNOLOGY IS NOT WIDELY USED IN GLOBAL COMPANIES' EMERGING MARKET SUPPLY CHAINS

By Accenture
([supplychain247.com](#), August 2014)

Despite the vital role that technology plays in helping companies manage the complexity and volatility in global operations, only 48 percent of the more than 1,000 global companies surveyed for an Accenture study use technology extensively in their emerging market supply chains.

Furthermore, 45 percent of the companies from 10 industry sectors sampled for the study, "Supply Chain Success Factors in Emerging Markets," make only moderate use of technology, automating some essential activities but supporting them with manual processes. The Accenture research also identified "supply chain leaders" from the sample and found that 73 percent of them use technology extensively in the supply chains that support their emerging market presence, versus only 31 percent of lower performers. In fact, nearly three-quarters of the leaders said they had made heavy investments in such automation tools as manufacturing systems, ERP and supply chain systems.

The commitment to technology by supply chain leaders is significant as the study revealed that companies with leading supply chains are more likely to generate stronger growth in emerging markets than those with average or low-performing supply chains. They are more than twice as likely as other respondents (58 percent versus 22 percent) to have achieved growth of 20 percent or more in their priority emerging markets in the past two years.

"Volatile conditions continue to complicate growth and production in emerging markets and the strategic use of digital technologies in supply chains, particularly big data analytics, can be instrumental in providing the up-to-date information needed to make decisions and respond rapidly," said Mark Pearson, senior managing director, Accenture Strategy, Operations. "Supply chain leaders make extensive use of technology in their operations and show that enhanced agility turns uncertain market conditions into a source of competitive advantage."

Of the industry sectors that were studied, electronics and high-tech companies appear

"Supply chain leaders make extensive use of technology in their operations and show that enhanced agility turns uncertain market conditions into a source of competitive advantage." - Mark Pearson, senior managing director, Accenture Strategy, Operations.

to be the most aggressive in using technology within their supply chain organisation to support their emerging market strategies.

Other practices that supply chain leaders apply in emerging markets include:

Differentiating themselves by complementing a low-cost structure with a greater focus on quality and market knowledge. Recognising that success requires value as well as a lean cost structure, supply chain leaders are more than twice as likely as non-leaders (17 percent versus 7 percent) to differentiate themselves on the basis of quality rather than cost as a primary measure of supply chain success in emerging markets. By contrast, non-leaders are more often focused on profitability or constructing a competitive cost structure.

Leaders apply a broader range of supply chain models in emerging markets. Supply chain leaders are more inclined to invest in the full range of options available to them, including plants, distribution centers and suppliers in the region; established operations in the market; or hiring local talent to help manage the supply chain. However, acquisitions, which can be complex and time-consuming, were only used by 36 percent of all respondents as a means of serving their priority emerging markets while 47 percent have set up joint ventures or partnerships with local organisations as they seek to create flexible operations capable of responding to unexpected market changes.

Supply chain leaders invest more aggressively. To help them achieve their growth goals in emerging markets in the next three years, leaders plan to invest aggressively in their operations, with 22 percent of them planning to invest more than \$40m in their supply chain. Interestingly, banking respondents (29 percent) had the greatest propensity to say they plan to invest more than \$40m to build supply chain capabilities. Leaders (66 percent of them) are more likely to invest in capabilities to improve the operational excellence of their supply

chain execution by standardising, streamlining and automating processes, using shared services and modernising IT systems. They also are more likely than lower performers to prioritise investments in their physical infrastructure, (e.g. manufacturing facility expansion and wider warehouse networks) and customer analytics.

"The leaders in our study have created supply chains that exceed their expectations by focusing on quality that their emerging market customers value, not just on costs," said Pearson. "They recognise that supply chains are not just about efficiency, but also about creating value and differentiation in the market. This allows them to take on established local companies with strong brand recognition as well as expansion-minded peers who are also pursuing the same emerging markets." **RF**



AIR CARGO IN THE DOLDRUMS

By Staff Reports
(aircargoworld.com, September 2014)

In contrast to robust growth in passenger traffic, air cargo has been in the doldrums since 2010, according to the International Air Transport Association's Economic Performance of the Airline Industry report.

IATA launched this report during its 70th Annual General Meeting in Doha, Qatar. The report outlines how air transport is adding value for consumers, the wider economy, governments and investors.

"Aviation is a catalyst for economic growth. Airline revenues now total 1 percent of global GDP and the industry will safely transport 3.3 billion people and \$6.8 trillion worth of goods this year," Tony Tyler, IATA's director general and CEO, said.

Global spending on air transport is expected to reach US\$746 billion (548 billion euros) in 2014, which equals 1 percent of world GDP.

Employment supported by aviation has reached some 58 million jobs worldwide. In addition, airlines are making enormous investments in modernising fleets. This year, the industry will take delivery of 1,400 aircraft.

The soft air cargo market is mainly the result of the unusual weakness of world trade that is related to a parallel trend of companies on-shoring production.

Nonetheless, the strongest demand since

2010 is expected with a weaker-than-normal cyclical upturn estimated to produce 3.1 percent growth. But real freight rates are expected to fall 4 percent this year.

The divergence in growth trends between weak cargo and robust passenger is creating challenges for airlines in matching capacity to demand. Capacity added to meet passenger demand brings in cargo capacity as well.

The industry continues to pursue process improvements to improve competitiveness. To boost competitiveness and revitalise trade growth, in addition to the E-freight initiative, the industry is working toward a goal of reducing shipping times by 48 hours before 2020 from the average of 6.5 days.

"For the first time, the global load factor looks like it will average over 80 percent for the year. And fuel efficiency continues to rise. But there are strong headwinds from rising infrastructure costs, inefficiencies in air traffic management, a heavy tax burden and costly regulation." - Tony Tyler, IATA's director general and CEO

Fuel costs are stable, but they have never before been so high for so long. Since 2011, average jet fuel costs have remained above US\$120 (88.18 euros) per barrel and the expectation for this year is for an average jet fuel cost of US\$124.2 (91.26 euros) per barrel. The total industry fuel bill is expected to reach US\$212 billion (155 billion euros). Investments in fuel-efficient aircraft are among the drivers of a 1.7 percent improvement in fuel efficiency.

"It's great that we are able to celebrate the industry's centennial with the industry in the black," Tyler said. "Making ends meet for airlines has always been a challenge. There is lots of evidence that the hard work of the industry to structure itself for profitability is beginning to pay off. We are increasing profitability even with jet fuel prices above \$120 per barrel. For the first time, the global load factor looks like it will average over 80 percent for the year. And fuel efficiency continues to rise. But there are strong headwinds from rising infrastructure costs, inefficiencies in air traffic management, a heavy tax burden and costly regulation." **RF**



GLOBAL DRIVERLESS VEHICLE SHIPMENTS TO EXCEED 42 MILLION BY 2035

By ABI Research
(supplychainbrain.com, November 2004)

Global driver-less vehicle shipments will increase from 1.1 million in 2024 to more than 42 million in 2035, with an installed driver-less vehicle base reaching 176 million.

There is a great case for driver-less vehicles, and the automotive industry should start preparing, instead of spending all its time, effort, and money on various complicated forms of semi-autonomous driving.

"While autonomous driving under the control of a human standby driver is quickly gaining acceptance, robotic vehicles mostly remain out of bounds, especially for car manufacturers, despite Google's recent announcement to start prototype testing," says Dominique Bonte, ABI Research vice president and practice director. "However, only driver-less vehicles will bring the full range of automation benefits, including car sharing, driverless taxis and delivery vans; social mobility for kids, the elderly and impaired; and overall economic growth through cheaper and smoother transportation in an increasing number of smart mega cities. Many barriers remain, but the path towards robotic vehicles is now firmly established with high rewards for those first to market."

Though there is progress on the technological side—both on sensor hardware and artificial intelligence—user acceptance, security, liability issues and regulation remain huge bottlenecks. Single-mode driver-less vehicles face the biggest hurdles towards

adoption as Google has already experienced, forced by the California Department of Motor Vehicles to test its prototypes with a steering wheel and brake and acceleration pedals firmly in place.

While the evolutionary character of autonomous driving, gradually appearing in small, incremental steps is often highlighted, removing the driver out of the equation represents a disruptive transition. However, this paradigm shift offers the opportunity to address mounting safety concerns about manual-autonomous handover management in co-pilot vehicles, rendering sophisticated HMI and driver monitoring systems superfluous. Removing the ambiguity about who is in charge—the vehicle or the driver—is acknowledged by Google as a critical step forward.

There is a great case for driver-less vehicles, and the automotive industry should start preparing, instead of spending all its time, effort, and money on various complicated forms of semi-autonomous driving. However, it remains unclear if and when car OEMs will be ready for this "leap of faith" with Google already moving in to exploit the opportunity of leading the automotive revolution.

ABI Research's Driver-less Vehicles report is part of its Automotive Safety and Autonomous Driving Market Research, which covers OEM and aftermarket telematics, infotainment and connected car solutions, ADAS, active safety, and autonomous vehicles. **RF**



SUPPLY CHAINS TO ADMIRE: 7 CHARACTERISTICS

By ABI Research
(supplychainbrain.com, November 2004)

Supply chain excellence matters. As growth slows, it can make or break corporate performance. Now 30-years old, the practice of supply chain management is still evolving.

The average manufacturing company has spent 1.7% of revenue on technology over the course of the past decade.

Most of it has been focused on improving supply chain excellence.

While companies speak of supply chain 'best practices', and boast about improvements in operating margin, inventory levels and asset management - in speech after speech, in conference after conference - the results of these investments in supply chain excellence are hard to pinpoint in the

analysis of balance sheet information for any industry.

The Reasons? There Are Three:

Project-based Approach. A project-based approach is the implementation of multiple projects simultaneously. For years, companies have believed that if each project had an ROI above an established threshold, that when implemented correctly, each would add value. Many companies have thousands of projects that are focused on admirable goals, but they are not aligned, thus creating slower progress.

Focus on Vertical Excellence. A supply chain is composed of the functions of source, make and deliver. Deep within the back office of each company, they become strong vertical silos—almost a fortress—within the larger organisation. Mistakenly, companies focus on vertical excellence not realising that the best balance sheet performance happens when the functions are aligned cross-functionally. Knocking down the walls of the silos is an opportunity for all. The strongest performance occurs when the functions are aligned together on total cost, customer service (order fill and on-time delivery) and inventory turns.

A Lack of Corporate Understanding. The supply chain is a complex system with tightly interwoven and nonlinear relationships. While corporate finance is backward-looking based on transactions, the supply chain is forward-looking based on business flows; like order flows, channel withdrawals, translation of demand into product availability, and sourcing strategies. Many companies mistakenly try to manage the supply chain based on historic transactions which limits the potential of the supply chain.

As a result, we find that many companies like Flextronics and Dow Chemical are at the same place on operating margin and inventory turns today as they were at the start of the decade. In contrast, we find for top performers it happens in a slow and steady progress versus the big bang approach.

The selection of the Supply Chains to Admire is the result of a 24-month effort. It is based on the analysis of both performance and improvement of publicly-held manufacturing, distribution and retail companies for the period of 2006-2013. ([The methodology is outlined in this report.](#)) The highlighted companies outperformed in operating margin, inventory turns, and ROIC and made progress in supply chain improvement as measured against their peer group.

It is ironic that the strongest performance is in the industrial manufacturing value chain. Why? In these industries there has been a precipitous drop in margin, and pressure on life cycle. These companies have higher demand and supply volatility. Contrast this to the healthcare value chain where no company made the list. In these industries, margins are high and regulations are increasing. It is a case of when the going gets tough, the tough get going.

Seven Characteristics of the Companies That Outperformed Their Peer Groups:

Leadership

Enlightened leadership which focuses on the management of the supply chain as a complex system.

Outside-In Processes

The use of channel data in advanced analytics to sense and translate demand. Today, with higher demand volatility, the demand latency of the customer order is not sufficient for most supply chains.

Mature Horizontal Processes

Leaders have focused on building strong horizontal processes; like revenue management, Sales and Operations Planning, Supplier Development and Corporate Social Responsibility. For mature companies, there is balance in S&OP between the 's' and the 'op'. For example, when companies are balanced in S&OP processes, they outpace their peer group with 10X greater performance in inventory turns.

The Right Stuff in the Organisation

Companies with the strongest performance had more advanced supply chain human resource departments, a well-integrated supply chain finance team, and a supply chain center of excellence. Today, only 14% of companies feel they manage the human resources of the supply chain team well, and only 40% of companies have a human resources team focused on building talent. In addition, only 8% of companies can readily get to total supply chain costs, and while 1/3 of companies have a supply chain center of excellence, only 50% feel that they are effective. As a result, there is much to be done.

Supply Chain Design

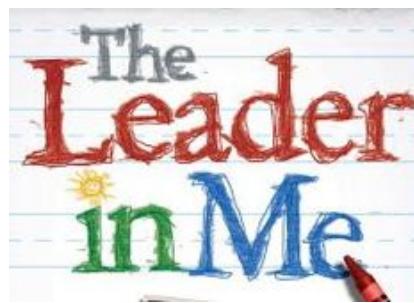
While companies would never think of building a plan without years of design and fine-tuning, only 22% of companies actively design their supply chain. Companies that do this well will focus teams on continually designing and redesigning their supply chain flows cross-functionally. It is not just about the bricks and mortar. Instead, it is about the flows: form and function of inventory, stocking locations, interplant shipments, the alignment of suppliers, and the design of the channel. It matters. Active supply chain design is a common characteristic of ten of the fifteen leaders.

Aligned Metrics

To ensure the effective management of the complex system, the metrics of operating margin, inventory turns, ROIC, customer service, revenue, and forecast accuracy need to be managed together as a nonlinear system cross-functionally. The functional metrics have a laser-focus on reliability with a cross-functional alignment on the higher-level balance sheet performance.

Strong Planning Capabilities

Companies with better planning capabilities score higher on the methodology. The supply chain today cannot be adequately managed on a spreadsheet. Yet, despite the implementation of many supply chain planning technologies, the spreadsheet is still the most commonly used technology for planning. The issues are many—difficulty with the user interface, scalability, a lack of what-if modeling, suitability of the data model—getting it right makes a major difference in driving corporate performance. **RF**



PETER DRUCKER ON LEADERSHIP

By Rich Karlgaard
(forbes.com, November 2004)

Peter Ferdinand Drucker (November 19, 1909 – November 11, 2005) was an Austrian-born American management consultant, educator and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation. He was also a leader in the development of management education, he invented the concept known as management by objectives and he has been described as "the founder of modern management". Below are Drucker's thoughts on leadership.

What Needs to Be Done

Successful leaders don't start out asking, "What do I want to do?" They ask, "What needs to be done?" Then they ask, "Of those things that would make a difference, which are right for me?" They don't tackle things they aren't good at. They make sure other necessities get done, but not by them. Successful leaders make sure that they succeed! They are not afraid of strength in others. Andrew Carnegie wanted to put on his gravestone, "Here lies a man who knew how to put into his service more able men than he was himself."

Check Your Performance

Effective leaders check their performance. They write down, "What do I hope to achieve if I take on this assignment?" They put away their goals for six months and then come back and check their performance against goals. This way, they find out what they do well and what they do poorly. They also find out whether they picked the truly important things to do. I've seen a great

many people who are exceedingly good at execution, but exceedingly poor at picking the important things. They are magnificent at getting the unimportant things done. They have an impressive record of achievement on trivial matters.

Mission Driven

Leaders communicate in the sense that people around them know what they are trying to do. They are purpose driven—yes, mission driven. They know how to establish a mission. And another thing, they know how to say no. The pressure on leaders to do 984 different things is unbearable, so the effective ones learn how to say no and stick with it. They don't suffocate themselves as a result. Too many leaders try to do a little bit of 25 things and get nothing done. They are very popular because they always say yes. But they get nothing done.

Creative Abandonment

A critical question for leaders is, "When do you stop pouring resources into things that have achieved their purpose?" The most dangerous traps for a leader are those near-successes where everybody says that if you just give it another big push it will go over the top. One tries it once. One tries it twice. One tries it a third time. But, by then it should be obvious this will be very hard to do. So, I always advise my friend Rick Warren, "Don't tell me what you're doing, Rick. Tell me what you stopped doing."

One of the most effective American president of the last 100 years was Ronald Reagan. His great strength was not charisma, as is commonly thought, but that he knew exactly what he could do and what he could not do. Never try to be an expert if you are not. Build on your strengths and find strong people to do the other necessary tasks.

The Rise of the Modern Multinational

The modern multinational corporation was invented in 1859. Siemens invented it because the English Siemens company had grown faster than the German parent. Before the Second World War, IBM was a small maker, not of computers, but of adding machines. They had one branch in England, which was very typical for the era. In the 1920s, General Motors bought a German and English and then Australian automobile manufacturer. The first time somebody from Detroit actually visited the European subsidiaries was in 1950. A trip to Europe was a big trip. You were gone three months. I still remember the excitement when the then head of GM went to Europe in the 1920s to buy the European properties. He never went back.

21st Century Organisations

Let me give you one example. This happens to be a consulting firm headquartered in Boston. Each morning, between 8 A.M. and 9 A.M. Boston time, which is 5 A.M. in the morning here in California and 11 P.M. in Tokyo, the firm conducts a one-hour management meeting on the Internet. That would have been inconceivable a few years back when you couldn't have done it physically. And for a few years, I worked with this firm closely and I had rented a room in a nearby motel and put in a videoconferencing screen. Once a week, I participated in this Internet meeting and we could do it quite easily, successfully. As a result of which, that consulting firm is not organised around localities but around clients.

How To Lead a 21st Century Organisation

Don't travel so much. Organise your travel. It is important that you see people and that you are seen by people maybe once or twice a year. Otherwise, don't travel. Make them come to see you. Use technology—it is cheaper than traveling. I don't know anybody who can work while traveling. Do you? The second thing to say is make sure that your subsidiaries and foreign offices take up the responsibility to keep you informed. So, ask them twice a year, "What activities do you need to report to me?" Also ask them, "What about my activity and my plans do you need to know from me?" The second question is just as important.

Prisoner of Your Own Organisation

When you are the chief executive, you're the prisoner of your organisation. The moment you're in the office, everybody comes to you and wants something, and it is useless to lock the door. They'll break in. So, you have to get outside the office. But still, that isn't traveling. That's being at home or having a secret office elsewhere. When you're alone, in your secret office, ask the question, "What needs to be done?" Develop your priorities and don't have more than two. I don't know anybody who can do three things at the same time and do them well. Do one task at a time or two tasks at a time. That's it. OK, two works better for most. Most people need the change of pace. But, when

you are finished with two jobs or reach the point where it's futile, make the list again. Don't go back to priority three. At that point, it's obsolete.

Too many leaders try to do a little bit of 25 things and get nothing done. They are very popular because they always say yes. But they get nothing done.

How Organisations Fall Down

Make sure the people with whom you work understand your priorities. Where organisations fall down is when they have to guess at what the boss is working at, and they invariably guess wrong. So the CEO needs to say, "This is what I am focusing on." Then the CEO needs to ask of his associates, "What are you focusing on?" Ask your associates, "You put this on top of your priority list—why?" The reason may be the right one, but it may also be that this associate of yours is a salesman who persuades you that his priorities are correct when they are not. So, make sure that you understand your associates' priorities and make sure that after you have that conversation, you sit down and drop them a two-page note—"This is what I think we discussed. This is what I think we decided. This is what I think you committed yourself to within what time frame." Finally, ask them, "What do you expect from me as you seek to achieve your goals?"

The Transition from Entrepreneur to Large Company CEO

Again, let's start out discussing what not to do. Don't try to be somebody else. By now you have your style. This is how you get things done. Don't take on things you don't believe in and that you yourself are not good at. Learn to say no. Effective leaders match the objective needs of their company with the subjective competencies. As a result, they get an enormous amount of things done fast.

How Capable Leaders Blow It

One of the ablest men I've worked with, and this is a long time back, was Germany's last pre-World War II democratic chancellor, Dr. Heinrich Brüning. He had an incredible

ability to see the heart of a problem. But he was very weak on financial matters. He should have delegated but he wasted endless hours on budgets and performed poorly. This was a terrible failing during a Depression and it led to Hitler. Never try to be an expert if you are not. Build on your strengths and find strong people to do the other necessary tasks.

The Danger Of Charisma

You know, I was the first one to talk about leadership 50 years ago, but there is too much talk, too much emphasis on it today and not enough on effectiveness. The only thing you can say about a leader is that a leader is somebody who has followers. The most charismatic leaders of the last century were called Hitler, Stalin, Mao and Mussolini. They were mis-leaders! Charismatic leadership by itself certainly is greatly overstated. Look, one of the most effective American presidents of the last 100 years was Harry Truman. He didn't have an ounce of charisma. Truman was as bland as a dead mackerel. Everybody who worked for him worshiped him because he was absolutely trustworthy. If Truman said no, it was no, and if he said yes, it was yes. And he didn't say no to one person and yes to the next one on the same issue. The other effective president of the last 100 years was Ronald Reagan. His great strength was not charisma, as is commonly thought, but that he knew exactly what he could do and what he could not do.

How To Reinvigorate People

Within organisations there are people who, typically in their 40s, hit a midlife crisis when they realise that they won't make it to the top or discover that they are not yet first-rate. This happens to engineers and accountants and technicians. The worst midlife crisis is that of physicians, as you know. They all have a severe midlife crisis. Basically, their work becomes awfully boring. Just imagine seeing nothing for 30 years but people with a skin rash. They have a midlife crisis, and that's when they take to the bottle. How do you save these people? Give them a parallel challenge. Without that, they'll soon take to drinking or to sleeping around. In a coeducational college, they sleep around and drink. The two things are not incompatible, alas! Encourage people facing a midlife crisis to apply their skills in the non-profit sector.

Character Development

We have talked a lot about executive development. We have been mostly talking about developing people's strength and giving them experiences. Character is not developed that way. That is developed inside and not outside. I think churches and synagogues and the 12-step recovery programs are the main development agents of character today. **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.

Leadership

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

Anton has close to 15 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.

At DB Schenker, Anton 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 more than 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.

Significance

Through our part-time lecturing commitments to the University of Johannesburg we continue to be actively involved in tertiary education and student mentoring programs to encourage excellence in up-and-coming supply chain professionals.

Credentials

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

Our primary engagement in 2013 has been with a leading global third party logistics company. Here we've been instrumental in the turn-around of their contract logistics department, transportation management strategy and operating model design, Africa business development strategy, and procurement strategy development.

Secondary engagements during our first year 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.

We continue to support a transportation consulting company with project management and subject matter advisory at a South African FMCG company. With this client we have since May 2014 also embarked on a journey to evaluate and redesign their Import-Export service provider landscape which has flowed into a full blown group level RFQ process for carrier and clearing services.

At a KZN based manufacturer of engineered wood products, we continue to provide subject matter support for various cost saving and process efficiency improvement projects.

We are also supporting a bulk agriculture transportation client to identified key business strengths, weaknesses, opportunities and threats and developing measurable action plans do unlock business growth opportunities. **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 supply chain solutions.



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