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Gartner

THE TOP 25 SUPPLY CHAINS FOR 2015

By Gartner
(gartner.com, May 2015)

Gartner, Inc. has released the findings from its 11th annual Supply Chain Top 25, identifying global supply chain leaders and highlighting their best practices. Analysts announced the findings from this year's research at the Gartner Supply Chain Executive Conference, which is being held through today at the JW Marriott Desert Ridge Resort and Spa in Phoenix, AZ.

"2015 marks the 11th year of our annual Supply Chain Top 25 ranking," said Stan Aronow, research vice president at Gartner. "In this edition of the Supply Chain Top 25, we have several longtime leaders with new lessons to share and a number of more recent entrants from the high-tech, consumer products, retail and industrial sectors."

The top five include three from last year — Amazon, McDonald's and Unilever — one returning leader, Intel, and a newcomer to this elite group, Inditex. Three companies rejoined the list this year after a lengthy hiatus, with L'Oréal at No. 22, Toyota at No. 24 and Home Depot at No. 25. Those familiar with Gartner's Supply Chain Top 25 may wonder why perennial leaders Apple and P&G are not included on this year's list.

"This year we are introducing a brand new category to highlight the accomplishments and capabilities of long-term leaders. We are, therefore, recognising those companies that have consistently had top five composite scores for at least seven out of the last 10 years and placing them into a 'masters' category, separate from the overall Supply Chain Top 25 list," said Mr. Aronow. "In this the inaugural year for supply chain masters, we want to recognise two companies demonstrating sustained leadership: Apple and P&G."

Mr. Aronow said that both Apple and P&G have made major contributions to the supply chain profession over the years. P&G was one of the first to characterise and embed the concept of a consumer-driven supply chain, and Apple, defining the very notion of a "solution" supply chain, blased new trails with its demand creation capabilities.

Bimodal Supply Chain Strategies

Chief supply chain officers (CSCOs) and their teams face an environment where business models must change quickly, where the expectation is that they will spend as much or more time growing and innovating as they will streamlining and promoting efficiency. Gartner has termed this reality "bimodal." Traditionally, supply chain executives have been successful because they were good at driving down costs. The leaders now realise they will be judged on cost containment as well as the ability to promote and support the top line.

Increased Customer Intimacy

Another trend is a focus on customer experience as a measured priority in supply chain organisations. Independent of the product being sold, leaders are focused on listening more closely to their customers and responding with innovative solutions.

"This year, we heard from more companies extending visibility and insight beyond first-line customers and moving on to the end users of their products. Their supply chains are not just collecting data concerning the details of the sale, but also the patterns of usage and resulting sentiment of the end user," said Mr. Aronow. "Ultimately, pleasing customers with strong operational supply chain performance, when combined with improved solution performance, will lead to measurable improvements in customer satisfaction and contributions to the top line.

Gartner's Top 25 Supply Chains for 2015

2015 Rank	Company	2014 Rank
1	Amazon	3
2	McDonald's	2
3	Unilever	4
4	Intel	8
5	Inditex (Zara)	11
6	Cisco Systems	7
7	H&M	13
8	Samsung Electronics	6
9	Colgate-Palmolive	9
10	Nike	12
11	The Coca Cola Co.	10
12	Starbucks	17
13	Walmart	14
14	3M	18
15	Pepsico	15
16	Seagate Technology	20
17	Nestlé	25
18	Lenovo Group	16
19	Qualcomm	19
20	Kimberly-Clark	21
21	Johnson & Johnson	22
22	L'Oréal	N/A
23	Cummins	24
24	Toyota	N/A
25	Home Depot	N/A

Emerging Digital Business Models

While still a nascent concept, the view on how supply chain can leverage digital capabilities to support new business models and improve broader value chain performance became clearer this year. Manufacturing is currently at the center of many digital capabilities and leading companies recognise that "the factory" is not just somewhere inside the four walls of the company or an outsource partner. Digital synchronisation of manufacturing lines with upstream suppliers and other supply chain functions is where the business value starts to multiply.

The logistics function is not far behind manufacturing in terms of automation using sensors, gateways, tracking systems and business rules to predict and alert when there will be a variance to the current plan of record. Logistics control tower capabilities are not new, but when combined with more affordable sensors and computing power, they portend the democratisation of deeper visibility that can reduce risk and improve both operating costs and customer-service levels for many companies.

More detailed analysis is available in the report "The Gartner Supply Chain Top 25 for 2015."

Traditionally, supply chain executives have been successful because they were good at driving down costs. The leaders now realise they will be judged on cost containment as well as the ability to promote and support the top line

About the Gartner Supply Chain Top 25

The Supply Chain Top 25 rankings comprise two main components: financial and opinion. Public financial data gives a view into how companies have performed in the past, while the opinion component provides an eye to potential and reflects future expected leadership, a crucial characteristic. These two components are combined into a total composite score. Gartner analysts derive a master list of companies from the Fortune Global 500 and the Forbes Global 2000, with a revenue cutoff of $12 billion. Gartner then pares the combined list down to the manufacturing, retail and distribution sectors, thus eliminating certain industries, such as financial services and insurance. *RF*

CONSTRUCTION OF KEY DJIBOUTI-ETHIOPIA RAIL LINE TO FINISH

By Unknown
(news24.com, June 2015)

Djibouti - The leaders of Djibouti and Ethiopia will oversee the completion of a railway linking their two capitals on Thursday, with the ambition that the link might eventually extend across the continent to West Africa.

Djibouti's President Ismail Omar Guelleh and Ethiopia's Prime Minister Hailemariam Desalegn will attend the ceremonial laying of the last track in the 752km railway, financed and built by China, linking the port capital of Djibouti with landlocked Ethiopia's capital Addis Ababa.

The first scheduled train is expected to use the desert line in October, reducing transport time between the capitals to less than 10 hours, rather than the two days it currently takes for heavy goods vehicles using a congested mountain road.

"Some 1 500 trucks use the road every day between Djibouti and Ethiopia. In five years, this figure will rise to 8 000," said Abubaker Hadi, chairperson of Djibouti's Port Authority. "This is not possible, this is why we need the railway."

With a capacity of 3 500 tons, seven times the capacity of the old line at its peak the new electrified line will mainly be used for transporting goods to Africa's second-most populous nation.

Ethiopia's economy is growing fast, with almost 90% of its imports going through Djibouti. Both countries benefit from economic integration, with Ethiopia gaining access to the sea and Djibouti gaining access to Ethiopia's emerging market of 95 million people.

"Ethiopia is an important country for us," said Djibouti's Transport Minister Ahmed Moussa Hassan. "It is the main customer for our logistics facilities and this new railway line will strengthen trade."

The new line is in fact the resurrection of an old one, built in 1917 by the Franco-Ethiopian Railway Company, but decades later it fell into disrepair and only worked erratically. Trains would regularly derail and it could take as long as five days to make the journey between the two capital cities.

Some abandoned parts of the old line are still visible in Addis Ababa and in central Djibouti.

Another new line linking Djibouti and the northern Ethiopian town of Mekele is also due to be built, but this is not the extent of the project's ambition.

Hadi says the railway is a step towards a trans-continental line reaching all the way to the Gulf of Guinea, in West Africa.

"We are already the gateway to Ethiopia. We intend to continue this railway line to South Sudan, the Central African Republic (CAR) and Cameroon to connect the Red Sea to the Atlantic Ocean," said Hadi.

Djibouti, the smallest state in the Horn of Africa, is embarking on large infrastructure projects, building six new ports and two airports in the hope of becoming the commercial hub of East Africa.

"Infrastructure is coming very late to Africa. It is impossible for a truck to cross the continent. To transport goods from the east coast to the west coast of Africa, it is necessary to circle the continent by boat," Hadi said of a sea voyage that can take more than three weeks.

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A trans-Africa railway is feasible "in seven or eight years," he said, as long as conflicts in South Sudan and CAR come to an end. Liu Xiaoyan, commercial director of the China Civil Engineering Construction Corporation, who is in charge of the Djibouti-Addis line, said his company is ready to continue the work.

"We want to show off Chinese technology to everyone, especially to Africa," he said, adding that it was also an opportunity to strengthen China's trade ties with Africa and its presence on the continent. *RF*

HOW MANY DO YOU NEED? AN EVALUATION OF FLEXIBLE ORDERING

By Unknown
(supplychainmit.com, June 2015)

Demand forecasts are notoriously unreliable, so how do managers place orders on the basis of projections are that are probably wrong?

One way is to allow them to deviate from the forecast. Called order flexibility, the method gives managers the power to order quantities of an item that are above or below the forecast by a predetermined margin.

But does the policy help or hinder the ordering process?

Arun Param and Lim Da Chin, two Master of Science in Supply Chain Management students at the Malaysia Institute for Supply Chain Innovation (MISI), set out to answer this question for their master's thesis project. Sponsored by a global coffee retailer (called CoffeeCo), the thesis was supervised by Dr. Shardul Phadnis, Director of Research, MISI. The work received the Best Thesis award at MISI.

"The problem tackled by the thesis involves inventory policy decisions influenced by behavioral incentives, intentional or not, associated with the order flexibility policy," says Phadnis.

CoffeeCo has 15 distribution centers (DCs) that serve countries across the Asia Pacific region. The DCs are supplied by a regional distribution center (RDC) in Singapore.

Here's how the order flexibility policy works. If a CoffeeCo DC wants to purchase, say, 100 cups, and the policy allows for a plus or minus 30% deviation, the DC can place an order for any quantity from 70 to 130 cups.

The researchers analysed data on one year's worth of forecasts and orders for all CoffeeCo SKUs across the Asia Pacific region, and identified a number of patterns. For example, the Hong Kong managers typically generate optimistic demand forecasts. Also, forecasts for non-perishables such as paper cups tend to be optimistic compared to projections for perishable products such as caramel sauce.

If forecast accuracy is high and the DC holds adequate safety stock, the policy's benefits are marginal. If a DC is prone to optimistic forecasting, then increasing order flexibility reduces costs at both the DC and RDC. Conversely, if pessimistic forecasting rules, the same action increases DC service levels and decreases RDC costs.

A detailed analysis coupled with discussions with senior managers revealed that the ordering nuances have a number of drivers. These include RDC and DC replenishment policies, lead times, holding costs, and expediting costs. Individual as well as combinations of drivers impact the costs and benefit of the order flexibility practice.

The team used systems dynamics to model how these factors play out in the real world, and to identify which ones tend to be the most influential. The model replicates CoffeeCo's basic supply chain, and accounts for a number of variables including pipeline inventory and lead times, forecasts, actual orders, the level of order flexibility, and product perishability.

Such was the complexity of the problem that it was necessary to rationalise it by developing a limited number of possible scenarios based on real-world occurrences. For example, there were scenarios that proposed both the doubling and halving of safety stock levels at the RDC and DC, and situations in which either optimistic or pessimistic forecasting prevails.

The research yielded some important insights into how order flexibility policies affect supply chains.

Companies need to be mindful of these policies because they have a direct influence on supply chain costs and service levels.

If forecast accuracy is high and the DC holds adequate safety stock, the policy's benefits (i.e. increase in DC service levels) are marginal.

If a DC is prone to optimistic forecasting, then increasing order flexibility reduces costs at both the DC and RDC. Conversely, if pessimistic forecasting rules, the same action increases DC service levels and decreases RDC costs.

Intuitively, if a DC's safety stock levels are inadequate, increasing order flexibility should improve the facility's service levels. It turns out that the opposite is the case, however.

Safety stock levels at the RDC might need to be adjusted for different levels of flexibility. For example, if the degree of flexibility easily caters for the level of uncertainty in demand, the safety stock held should be determined by the demand variability. However, if the level of flexibility provided constrains the variability in demand, then the amount of safety stock held should be determined by the level of flexibility provided.

"The research shows that in stable markets, forecasting is simpler and order flexibility has a minimal impact if the firm has adequate safety stocks. On the other hand, in growing markets, the benefits of the policy depend on safety stock levels, uncertainty in demand, and how planners view the future outlook," says Phadnis.

In addition to shedding light on the effectiveness of order flexibility policies, the thesis also opens the door to further work. A next step could be simulating the impact of different demand patterns, for instance. Also, the research highlights some anomalies that warrant further attention. An example is that CoffeeCo's Hong Kong DC tends to consistently over-forecast, and then place orders that undercut the forecast by as much as 30%. Perhaps a future project could investigate the relationship between order flexibility policies and their impact on human behavior. ***RF***

FOUR PLACES THAT DRONES MAY INVADE THE SUPPLY CHAIN

By Tam Harbert (ebnonline.com, April 2015)

The United States moved closer to legalising the commercial use of drones in February, when the U.S. Federal Aviation Administration (FAA) published proposed regulations. Although some criticised the rules as too restrictive (for example, drones would have to fly only during daylight and within sight of the operator), there is plenty of time for the FAA to change the regulations before they become final, in one to two years.

Drone vendors say that most Fortune 500 companies are investigating how they can use small drones in their operations.

But regardless of the FAA, drones are already being used commercially, both in the U.S. – where it is still technically illegal – and around the world, where it may or may not be. Indeed, Colin Snow, founder and CEO of the Drone Analyst, estimates that there are already 2,000 to 3,000 illegal operators representing economic activity of $200 million to $350 million in the United States.

Drone vendors say that most Fortune 500 companies are investigating how they can use small drones, or unmanned aerial vehicles (UAVs), in their operations. Delivery is an obvious application. Both Google and Amazon Prime Air have tested drones for making deliveries. In fact, Google bought a drone company – Titan Aerospace - last year. And it's not hard to imagine how drones might help move small goods (such as electronics components) within a factory or warehouse.

Here are some not-quite-so-obvious applications for the supply chain:

Asset monitoring

Drones are used in agriculture and mining to observe and monitor things. With the right sensors and software, UAVs can record images of fields over time to show farmers how well (or not) crops are growing, or to monitor the moisture and pH levels of the soil, for example. In mining, UAVs are being used help direct operators of mining equipment. While technically such applications could previously be done by helicopter, the combination of cheap drones, wireless communications, and data analysis software is making it much easier and much less expensive. At least one company is already focusing on such applications for the supply chain. PINC Air says its drones can help manufacturers keep accurate and timely inventory records by keeping a count of goods in crowded areas or in highly dispersed areas. "PINC Air provides the ability to efficiently and effectively survey a wide area to autonomously locate and inventory assets," said the company. Logistics with a capital "L": Although the focus today is on small drones, imagine if companies employed large UAVs, rather than cargo ships, manned airplanes, railroads and trucks, to pick up electronics components from one spot in Asia, deliver them directly to a contract manufacturer at another location, and then even deliver the finished products to OEMs or distributors around the world. There is big potential here for reducing costs and speeding time to market.

Industrial espionage

Who wouldn't like to get a look at the goods moving in and out of a competitor's factory or distribution center? While big, noisy helicopters are bound to attract attention, tiny drones with cameras could potentially hover and shoot video unnoticed. For example, take a look at this footage taken by a hobbyist's drone of the new Apple campus being built in Cupertino. In the United States, at least, this sort of activity is legal because the air above a commercial enterprise is usually considered public space.

Warehouse security/theft prevention

On the flip side, drones can be silent watchdogs, monitoring your facilities for theft or disasters. In South Africa, AirShepherd is using drones to catch wildlife poachers in Hluhluwe Imfolozi Park.

Rather than fly their own drones and analyse the data, companies will turn to new breed of businesses that offer "drones as a service." Just starting to emerge, these companies provide the drone and whatever sensors the application requires (cameras, gas detectors, thermal imaging, whatever), fly the drone and gather the data, download the data to their servers, analyse it however the customer wants, and then deliver the information to the customer. With service providers taking on the overhead and the legal liability, if there is any, the use of drones for all sorts of applications could explode. *RF*

FOUR FACTORS THAT DEFINE PROCUREMENT EXCELLENCE

By Paul Snell
(supplymanagement.com, May 2015)

Procurement playing a role across the entire value chain is the common theme among organisations regarded as leaders in the profession.

Four initiatives however define procurement excellence:

1. Leveraging supplier markets smartly
2. Supplier development and collaboration
3. Design-to-value
4. Analytics

Procurement playing a role across the entire value chain is the common theme among organisations regarded as leaders in the profession.

According to Theano Liakopoulou, partner at McKinsey, these “integrators”, sometimes also referred to “co-ordinators”, lead discussions across the value chain involving suppliers, other functions, and look for value beyond the traditional dimensions of price, scale or contract terms.

Speaking at the Procurious Big Ideas Summit in London, Liakopoulou highlighted four initiatives which define procurement excellence.

Leveraging supplier markets smartly

These organisations offer bold 'make versus buy' decisions, and have a better approach to managing outsourcing deals. “Make versus buy decisions are often happening without real knowledge of the capabilities of the suppliers, and without the involvement of the procurement function,” Liakopoulou said.

She named Apple and the Chinese car manufacturer Qoros Automotive as leaders.

Supplier development and collaboration

Those who do this well create 15 times the value of the average relationship, she said. Toyota were cited as an example of a company doing this well.

“Clearly leveraging some of the internal best practices in terms of manufacturing and lean to work with their suppliers. They are very selective about who they do this with, and systematic about how they do this,” Liakopoulou added.

Design-to-value

Procurement leads discussions on what’s waste, and what adds value to enable trade-offs.

“People often say this is usually a product development role, what’s the role of procurement?” she said. “Procurement can bring supplier insight, innovation, information around the value add of certain features, and the facts around what the customer really values, which is often missing from product development decisions.”

Companies are now talking about “procurement engineers”, who provide a liaison with product development teams.

Analytics

“Procurement sits in a very privileged position in the value chain to have an overview of all the factors that affect value and to be able to provide transparency around decisions to the business that goes well beyond the function,” Liakopoulou said. She said many functions were building analytical capability to analyse the impact of both internal and external factors on business decisions to add superior value and competitive advantage to the company. *RF*

THE REAL ECONOMIC IMPACT OF MEGA-CONTAINER SHIPS

By 24/7 Staff
(supplychain247.com, May 2015)

The Organisation for Economic Cooperation and Development (OECD) is an international organisation with 34 member countries that aims to analyse and stimulate economic progress with the goal of influencing international transport policy.

Covering sections such as Mega-ships: trends and rational, Mega-ships and maritime transport, Ports and infrastructure adaptations, Mega-ships and peaks and Mega-ships and the transport chain; the five chapter report provides the most in-depth analysis on the contemporary issue of mega-ships ever seen.

"A comprehensive overview of the impacts of mega container ships was long overdue" said Olaf Merk, Administrator, Ports and Shipping at the ITF.

Representatives from across the industry feature in the report, with spokespeople from Maersk, PSA International, and the World Shipping Council featuring, as well as a number of port and terminal executives also offering insight and opinion.

Issues primarily caused by mega-ships revolve around the huge capacities they bring to ports causing congestion, as well as the increase in ship sizes having a cascading effect down to smaller trade lanes and ports as bigger ships are increasingly free to be used within smaller economies of scale. *RF*

CATEGORY MANAGEMENT: BEYOND THE "STRATEGIC" IN STRATEGIC SOURCING

By Pierre Mitchell
(mypurchasingcentre.com, April 2012)

Building a category management capability that crosses organisational boundaries puts the "strategic" back into strategic sourcing. Category management fundamentally differs from strategic sourcing and builds on the creditability that strategic sourcing professionals have created for themselves over the years. For the most part, differences between category management and strategic sourcing center on the former's longer time horison and the broader scope and scale of its activities. Category management is aligned with the life cycle of the processes which consume the products and services in those categories. It involves not only a more comprehensive internal customer management and supplier management approach, but a broader, more facilitative way of constructing solutions that support both category and business objectives.

Introduction

Procurement executives are looking to provide greater value to the enterprise beyond cost reductions, but, markets can only offer so many savings using traditional 'strategic sourcing' methodologies. So, their focus from price reduction has gone towards TCO reduction and spend reduction – but more is still needed. Firms must get more "bang for the buck" (measured by broader business outcomes) as opposed to just reducing expenditures. Safely harnessing supply-market power to create competitive advantage is the mission of a world-class procurement organisation. Yet, few companies have the capabilities to make that happen. The primary vehicle for extracting value from the supply base has been the strategic sourcing methodologies pioneered in the 1980s and 1990s. Sourcing managers used it successfully to rationalise suppliers, aggregate buying power, drive down pricing and even improve supplier performance against a contract. Strategic sourcing also proved invaluable during the recent recession to recalibrate pricing to the supply markets when they took a nosedive alongside demand markets.

However, as companies try to shift their attention toward innovation, globalisation and profitable growth, the implication for the Chief Purchasing Officer (CPO), sourcing managers and other staff becomes clear: expand the value objectives of categories beyond purchased cost reduction to provide broader support for strategic business objectives. Otherwise, the runway for savings will exhaust itself, taking procurement's reason for having a "seat at the table" with it.

Category Management Is Broader Than Strategic Sourcing

The strategic sourcing process is typified by a set of periodic processes and projects that seek to reduce purchased costs by aggregating demand and rationalising the supply base in selected commodities. This n-step process typically starts with procurement-led analysis to identify target commodities and opportunities – and then culminates in a preferred-supplier contract:

Building a category management capability that crosses organisational boundaries puts the "strategic" back into strategic sourcing.

1. Profile the category
2. Develop sourcing strategy
3. Identify suppliers
4. Evaluate suppliers
5. Negotiate and award the contract
6. Transition and implement the contract
7. Monitor supplier performance

This price-centric methodology is highly effective for garnering initial savings if implemented well (i.e., a rational and streamlined cross-functional process creating a solid, price-effective contract), but it is still a sourcing methodology and geared toward creating contracts. Category management, on the other hand, evaluates not only the full cycle of a contract or supplier life cycle, but also looks holistically at the life cycle of the value chains which consume the goods and services in the spend categories.

Both strategic sourcing and category management organise processes and resources around supply markets, but category management not only sources these market categories, but also manages them on an ongoing basis. Category management involves building a clear understanding of the organisation's key value objectives for the category (themselves based on business objectives) and then developing a set of executable strategies. Procurement' role is to come to the table with ideas as to what value is possible to capture, even if Procurement might itself not be measured on all those benefits.

Hitting the Wall

Unfortunately, Most Organisations Struggle to Break Through to True Category Management. While it sounds straightforward in principle, most organisations struggle to escape the limitations of their sourcing process. One reason is that the strategic sourcing methodologies used by sourcing managers (including those called "category managers") are, frankly, running out of gas. Sourcing is only one step in a broader value chain, and by definition, can only be as strategic as the process allows.

Category management doesn't start with a corporate procurement group creating 'waves' of strategic sourcing projects to support its functional savings goals. Rather, it is tied to the cadence and lifecycle of the primary stakeholders' processes that consume the products and services in those categories. Therefore, it is not surprising that, while the majority of procurement organisations have at least a basic strategic sourcing process, less than 5% have classified it as truly strategic, and have adopted a truly comprehensive category management process. Most have "hit the wall" in terms of going beyond purchased cost reductions because their current strategic sourcing methodologies inherently let them go only so far. Some organisations even make the problem worse by renaming their sourcing methodologies as category management, without changing the fundamental approach.

Pulling Back the Covers on Category Management

When implemented properly, category management is a client-friendly framework. It involves building a clear understanding of the organisation's key value objectives for the category, then developing a set of executable strategies that meet those objectives. If objectives are defined too narrowly (e.g., hard cost savings and low time/risk to implement), the default will lead down the path of basic sourcing and exclude too many potential opportunities.

Still, identifying and scoping this bigger prize is only half the battle. Companies must actually seize the prize, and that requires capabilities not currently possessed by most procurement organisations. The strategies pull a variety of value levers that are needed to extract that value from the supply markets and inbound supply chains. For most commodities in a category, transformation might start with strategic sourcing to rationalise the supply base. After that, however, some strategic commodities might move toward a strategic SRM and "design for supply" path, while other, less-strategic ones might adopt an outsourcing and integrated supply approach (i.e., using value-added aggregators and/or the suppliers themselves).

The methodologies in are diverse and it is not advisable to try to force-fit all of them into a sourcing methodology because they are outside the bounds of a sourcing process and part of a life cycle management process (i.e., that of the value chain rather than the sourcing process). However, they must both be pursued vigorously and coordinated explicitly because of their benefits (e.g., world-class procurement organisations deliver over 3.5X the savings from non-sourcing-related supplier collaboration benefits than their peers).

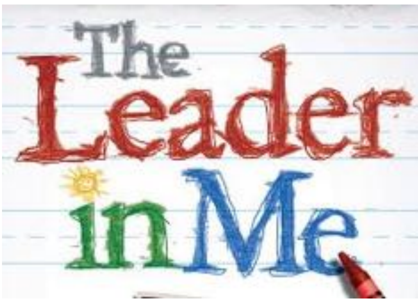
SRM shouldn't happen in isolation from strategic sourcing. The two should be highly integrated, and category management is the perfect vehicle for doing so when companies haven't brought them together. So, while it shares many of the attributes of strategic sourcing (e.g., cross-functional teaming, stakeholder alignment, organising around supply markets, using techniques such as low-cost country sourcing), category management most definitely is not about simply putting a new veneer on the strategic sourcing methodology.

Strategic Sourcing vs. Category Management

Strategic sourcing is a methodology and associated techniques and tools to optimally source goods and services to meet business requirements. Includes category sourcing as well as general/ tactical sourcing activities and cross-category sourcing support activities (e.g., competitive bidding techniques and e-sourcing tools).

Category sourcing is the use of strategic sourcing processes and techniques to optimally source a category and its constituent commodities/ sub-categories. A category is comprised of lower- level commodities/ sub-categories, which can be products or services. A commodity (a.k.a. sub-category) is a well-defined product or service bought and sold in a supply mar- ket. It is typically characterised by the availability of functionally equivalent substitutes.

Category management is a frame-work and set of practices used to optimally manage supply categories to meet business objectives. The framework sits above and guides the content and sequencing of low- er-level methodologies like strategic sourcing and supplier relationship management (SRM) to satisfy category objectives and business objectives. A category is a grouping of materials or services that have similar supply and usage characteristics to meet business objectives. *RF*



DEMYSTIFYING HIGH-PERFORMANCE TEAMS

By Dilip Saraf
(linkedin.com, May 2015)

With almost every business activity now relying on teamwork, it is no wonder that the success of a workgroup, business unit, or even the whole company depends on teams functioning at their best. This single factor can make or break a work group or even a business.

Organisations are complaining about various maladies their teams have. From members being socially obtuse; to their technical incompetence; to sheer lasiness of some members eager to shun work, not caring about how it gets done, because somehow it always gets done in a team setting. In today's work context the importance of getting teams working correctly and functioning at their best is grossly underrated in terms of how it rates as a management priority and how much awareness exists among team leaders on how to remedy a team dysfunction.

This blog is about the fundamentals of how teams work, what dysfunctions manifest if they are not provided the right and timely management attention, and the roles of the individual members and their leader in making sure that they have the right management resources to keep the team functioning effectively from the get-go.

Although team-building process involves the four distinct elements (Forming, Storming, Norming, and Performing), mostly seen as a sequence of evolution of a team in its transition before it reaches the final Performing state, each stage is characterised by a transition point that lifts it to its next stage. Each stage requires specific leadership intervention and team-behavior monitoring before a team is ready for its next stage. Of course, these are not black-and-white transitions, but, rather, seamless ramping-up of a team's ability to perform at its best in the shortest period after coming together as a group of individuals.

Each of the four elements in this sequential team-building process can be viewed as the bricks in a building or a structure that gives it shape. But, what holds the building—or the team—together—the mortar—is the Social Capital that the team builds, one member at a time and collectively as a group, that defines the strength, power, and effectiveness of that team. For more on this Social Capital and its importance in setting up a team to either perform or to fail and how to build that Social Capital, read The Secret ingredient that makes some teams better than others," by Margaret Heffernan (TED books; May 5, 2015).

These stages of a team's evolution are not entirely discrete steps; rather, more like a ramp, there is an overlap among the four stages. The dominant stage in which a team is stuck or operates can be easily identified by how its members collectively behave. For example, a team stuck in Storming state will have lack of leadership clarity and role confusion, despite the specific assignment each member may have. What is missing here in this state of team development is that the leader has not organised the team to create role assignments based on individual skills, but has arbitrarily assigned roles to each member of that team.

The other reason a team may be struggling or even stuck in any one stage without moving forward towards Performing is the leader's belief that the members of the team will sort out their differences and figure out on their own what is best for the team. Big mistake! One classic symptom of team stuck in the Storming stage is mutual finger pointing and recrimination, despite the fact that the customer they are supposed to serve is ready to walk out on them!

To go from Forming to Performing in the optimal time the leader must go through the team development process and know when it is ready to transition to the next stage. Otherwise, a team will never reach the Performing stage and be stuck somewhere in between, exhibiting dysfunctional behavior—even reverting to early stages of development despite its age. Yet another element—the secret sauce—to cement each transition from Forming to Performing is to take the time to form this Social Capital Heffernan alludes to in her book (and her TED talks).

Groups of people become teams when they go through the four stages and someone (Team Leader) takes them through it and explains each stage to them to make them aware of this process. Teams become awesome when they have invested their time in building this Social Capital throughout their team-building process and as they are delivering on their mission. A team's Social Capital can linger in its constituent members long after the team is disbanded, much like the bond military people have after their combat is behind them.

So, what are the typical behaviors teams exhibit in each of the four stages and how to identify where in its development a particular team is stuck? Here are some telltale signs to recognise a state of a team in each of its stages of growth

Forming: Here, the members of the team are coming together and forming a work unit that, together, provides the collective functional expertise to get an assigned task (its Mission) done in the most efficient way. The symptoms of a team stuck in the Forming stage are typically exhibited as the members' lack of clarity of why they are there in this team, if the team is complete or still growing, who the leader is, why are certain members even participating in that team, and other basic information that allow individual team members to start jelling into a cohesive group—team.

> Although team-building process involves the four distinct elements (Forming, Storming, Norming, and Performing), mostly seen as a sequence of evolution of a team in its transition before it reaches the final Performing state, each stage is characterised by a transition point that lifts it to its next stage.

Storming: At this point individual team members are scoping each other out and finding their place in the team informally. Despite formal job titles of the team members the Storming process allows the team members to recalibrate its members based on the Mission and what they know about each member of that team.

To move a team from Forming to Storming the Leader must provide a clear Mission for the team, role of each member, structure, reporting, resources available to each member (goals, roles, and process) and to the team as a whole, the role of the Leader, among other basics. Without this basic intervention the team will be stuck in the Forming stage regardless of how long the team has stayed together.

Norming: In this stage the team is developing performance and behavior norms based on its Mission. In the Norming stage the pace of work and timelines for individual milestone delivery are clearly made known, first inside the team and then to the stakeholders outside the team. The Norming process allows the team to pace its work and to strive towards its assigned Mission with predictable and confident commitments and a rhythm that is apparent in how the team functions.

To move from Storming to Norming stage the leader must provide specific metrics to the team members and to the team as a whole. Individual tasks, their dependencies, how they are scoped in terms of measurable units (headcount, hours needed to complete a task, etc.) with specific timelines, budget elements, and other metrics must clearly be laid out to each member and to the whole team. The team must also take ownership of these assignments and measures, so that clear accountabilities are set at individual member levels.

Performing: When a team reaches this stage it is on track to meet the set project plan, with timelines that are met and with all other deliverables clearly lined up for delivery as scheduled. This does NOT mean that a team cannot miss a deliverable or a milestone. What this means is that if such a miss were to occur the team has a back-up mechanism in place with a leadership process that allows it to stay on track and to create alternatives to still meeting the Mission. This is what how a Performing team delivers.

To move from Norming to Performing the team leader must start alerting team members when their next milestone is due and what they must do to protect it. They must set mechanisms in place to have early-warning systems in place so that they will know well in advance of a slipping milestone and that they have some leeway to set in motion a recovery plan to protect the milestone's date. Keeping everyone in the loop and communicating (open dashboards showing status and progress) and some of the (project management) tools that help move the team from Norming to Performing stage.

One of the puzzles many team leaders deal with is to understand how a perfectly Performing team can suddenly become dysfunctional when it is augmented by another team stemming from a merger or an acquisition.

There is no mystery here. When a new group of members is injected into an already jelled team that is performing well, it is wrong to assume that suddenly inserting new members will continue the new team's momentum because the established team was already in the Performing stage. This is a wrong assumption because when a Performing team is disturbed with new members added to it, it resets to zero and has to be taken through the four stages all over again for the new team as if it just formed. Also, its Social Capital has also to be re-established because the new team has an entirely different social structure. It has to build that from scratch, too, and that does not happen without paying a price for it.

So, now that you understand the "Bricks and Mortar" of what makes a team awesome, why not take a look at your own team and see where you need help? Go to your leader and let them know where they have come up short! ***RF***

Note - All credit goes to the particular author and/or publication of the articles shared in this publication.

dasRESULTAT
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. Along with the client we were able to unlock an overall 15% saving in their annual freight spend and associated landside and finance charges.

At a Kwazulu-Natal based manufacturer of engineered wood products, we continue to provide subject matter support for various logistics cost saving and process efficiency improvement initiatives. *RF*

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dasRESULTAT is a results 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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