

Trend #4 – Global visibility and decision-making becomes a necessity

Deep Parekh, Partner, Equus Group, LLC

As we mentioned in last month's column, the new adage for managing businesses and supply chains today is "*Think Local, Plan Regional, Act Global*". In a time of global sourcing, trans-national companies, multi-national sales forces, and rapidly changing market demand, global visibility and decision-making power becomes not a 'nice-to-have' but more of a necessity in order to operate competitively. In addition, it's not just about the visibility and communication 'pipes' being constructed, but also about the uniformity of information flowing through these 'pipes'. Global visibility and decision-making requires a common set of rules and expectations, a strict usage of performance metrics and common set of guidelines for each set of events.

The Bottom Line

The first wave of globalization has hit during the last decade – manufacturing. Sourcing globally doesn't mean being blind to what's happening in the other country or having to rely on 'agents' or 'brokers' to provide you second hand information about the business. Next waves are focused on information visibility, transforming information to insights in real-time, collaborative global decision making in real-time. Speaking the same business language with the same definitions ('planned order' should have a universal definition, in all languages) becomes critical. Uniform executive dashboards, managerial views, operational views, across all operating companies with staff trained globally how to search for insights into this information will become essential. 'Agent technology' surfaces and becomes more relevant as the magnitude of information just becomes too overwhelming. Organizational constructs need to be re-oriented towards agility and empowerment and away from linear hierarchies and matrix organizations. The visibility is also in terms of expanding the concept and view of a 'supply chain' from a pure 'within-the-four-walls' shipper's view to an 'extended supply chain view'

A Shippers' Perspective

To get a shippers perspective on this topic, we interviewed Brian Stofflet, *Director of National Supply Management* for the foods and consumer goods global giant, *Unilever*, for his views on this topic: "I would say that like many other companies, our network of suppliers is growing to ensure availability of the best products for our consumers at the right price. To accomplish this, we leverage suppliers locally and globally. The tradeoff is we take an increase in risk, both in lead-time and control, as our network extends globally. In this environment IT tools become key in limiting our exposure."

We discussed the question of visibility in the context of supplier responsiveness, to which Mr. Stofflet responded: "lead-time refers to the length and responsiveness of the network. It is not just physical distance; Importation places a number of additional links into the supply chain. Visibility across the entire network, alerts when delays occur, etc. become critical with so many handoffs. Small delays in each may go un-noticed but add up by the time the material reaches the plant. If major delays occur, there is little time to respond."

When discussing the topic of control, in the context of global visibility, Mr. Stofflet's view was that "control refers to Corporate Social Responsibility, QA, and secondary sourcing. This is particularly true for food manufacturers. Knowing exactly where you are sourcing materials, how much, and in which product lines the material is

used also becomes more complex. For example a vegetable sourced in one country may be linked to consumer issues while the same vegetable from another region is not. We need to manage and track at a detailed level to address consumer, government and customer concerns.”

This shows that shippers have an evolved and expanded view of visibility, control, and global decision-making; one that enables global trade as well as the accountability for this trade. Visibility is not just about being able to see the information, but to act on it, make rapid decisions with trade partners, avert mishaps, and be more responsive to market needs.

A case in point is the recent poisoned pet-food issue and the lead-paint-on-toys debacle, and many more, when global visibility has come into question and the responsiveness of companies to be able to locate the right products to recall, and set in motion a rapid reverse logistics process so as to mitigate further risk and potential damage done. Shippers need to take this topic very seriously as it could be the difference between customer credibility and customer rejection for them.

Implications on LSP

We recently caught up with Sanjay Tiwari, Director of Sales & Services for *KLM Cargo U.S.* at the recent CNS conference in Florida. Mr. Tiwari is a strong believer of expanding the shippers’ view of their supply chains to a more holistic perspective, to include the LSP. “For a number of key accounts we provide insights into capacity developments over the next couple of months, allowing them to plan outbound shipments for key electronics or pharmaceutical or fashion customers in a timely manner. Having said that, the quality of information being shared across the chain still has tremendous room for improvement. The huge peaks and dips that we see lead to increased cost, either in the form of premium capacity being sought, or unused capacity going out empty.” For LSPs, this lack of visibility from the shippers can be a significantly destructive force in terms of the shippers’ perception of them and influence the ability of the LSP to capture a certain market or be an industry player. As Mr. Tiwari points out, for a shipper, this visibility can mean the difference between making their margin on a product or not. In today’s competitive environment, no manufacturer is sitting around with too much excess capacity, and LSPs are no different. They are trying to ‘sweat’ their assets as best possible. This leaves little room to expand capacity at will. Much planning is required in order to meet instantaneously large bandwidth of capacity on the part of the LSP.

This also touches on another related point that we have mentioned a number of times. More collaboration between shippers and LSPs is required for all parties to reap the benefits. Global visibility and empowered decision-making can only be enabled through collaboration. As we mentioned in a previous piece in this magazine, we facilitated a customer advisory group with the global executive board of a prominent global LSP player. Customers mentioned that whereas the LSP provided them with near real-time visibility on their freight, they did nothing to help resolve issues in terms of delays, missed deadlines, or problem-solving. In other words, they gave the client great visibility and with 99.5% accuracy as to where the shipment was and that it was going to be 10 days late, but had no capability to solve their problem by expediting or re-routing and was not empowered to make decisions on their behalf. We believe this type of situation is on the rise in the industry, with greater congestion at trade hubs and entry ports, as well as a greater shortage of capacity. Collaborative planning and empowerment means in the same situation, the LSP would continue providing the shipper with the same visibility and accuracy of status, while also being empowered with decision-making with certain constraints and frameworks for getting products to the right place at the right time, within a bandwidth of the right price. This also has the longer-term effect of the building of trust between the parties, as well as expanding the

capabilities of the LSP. This long term approach is where we see the industry headed, away from 'one-night-stand' spot-buying and more into 'relationships that last'.

Organizational Implications

Visibility and decision-making are generally focused in organizations mainly at the top of the organizational pyramid. It is rare to see junior staff with both visibility and decision-making capability and empowerment. Generally speaking, what we see is the greater the visibility, the greater the scope of responsibility. Combine this with matrix global organizations where responsibilities and accountabilities are split along product lines or geographic boundaries, the import / export groups are always treated as 'exceptions' vs. the core trade enablers for the a global business. Typically, we see semi-collaborative, semi-integrated relationships between shippers and LSPs. LSPs also are at fault here, for not providing a selection of global services and for restricting their portfolio of what they will do for the shipper, since prices are being constantly negotiated down.

The organization that can effectively deal with global visibility is one where the lower-level staff has the decision-making power along shipment lanes for all products or categories of products. In addition, they should have integrated LSP staff co-located with them so that problems are solved collaboratively with both the shipper and LSP staff working together and in real-time.

The Experts Weight In

According to AMR Research, Supply Chain Event Management and Supply Chain Visibility are "supply chain's 'next frontier,' providing the real-time, micro-level view needed to perform the critical functions of monitor, notify, simulate, control and measure. This capability will become increasingly important as supply chains evolve into linked networks, and move from a single enterprise controlling multiple processes to multiple enterprises that control a single process, distributed across trading partners."

Software leaders in this area such as Descartes Systems, have good, industry-wide used systems which generate numerous reports and alerts, and provide sufficient visibility. LSPs and Shippers need to leverage these systems platforms more in order to have a greater level of collaboration with each other and not be content just with information sharing. The development of 'software agents' in the 1980s was an entryway to greater collaboration. 'Agents' are a kind of information 'robot' which scans the field of data that you have provided for certain patterns, events, combination of occurrences of data, and is programmed to trigger certain events which it then learns from and uses on a go-forward basis. While this seems abstract, you come across agents in your normal web-surfing today. You must have run into *Buyer Agents* (shopping bots), which help Internet surfers find products and services they are searching for. "For example, when a person surfs for an item on eBay, at the bottom of the page there is a list of similar products that other customers who did the same search looked at. This is because it is assumed the user tastes are relatively similar and they will be interested in the same products." (source: Wikipedia).

Imagine these agents being used to automatically sense disruptions in schedules, and re-route freight accordingly, and make all the necessary changes, generate new bills of lading, transmit to the right authorities and parties, and alert the shipper and LSP as to what has been done, with the implications on price, time, and route.

According to the professional organization on Autonomous Agents & Multi-Agent Systems (AAMAS), "one of the limiting factors in industry take up of agent technology is however the lack of adequate software engineering support and knowledge in this area."

Back Down To Earth with "10+2"

The recent discussions on the blogosphere about the US Customs and Border Protection agency's comments on the "10+2" program that requires shippers and LSPs to provide the documentation on the complete chain of custody 24 hours in advance of the vessel departure overseas echo the concerns of many executives in the business. This is the mother-of-all visibility initiatives, and with serious implications on business processes, systems, and security.

The visibility requirements for this program will surpass most other programs, and will need the US government to institutionalize a new global 'Rosetta Stone' of standards, codes and conformance. No small task, even for the US government. Looking beyond the obvious discomforts (to say the least) of implementation of these standards, processes, and systems, it benefits all parties in the end, with greater ease of data-mining, investigations, recalls, and many other areas. It also enables software 'agents' to operate with greater ease and can be more widespread. It's like everyone using Google and being connected at the same time, with an ability to share data across systems, user-bases, countries, and industries.

Where Does This All Lead To

Greater visibility and collaboration in decision making is required for the further development and growth of global trade and the future capabilities of companies to control their businesses effectively. A perfect example of this is the Roman Empire, which had insufficient information from the far reaches of the empire. When they did have the information, it was too late to do anything because decision-making power was centralized in Rome, and by the time information got there it was too late to act.

Deep R. Parekh is a Partner with Equus Group, LLC, a Supply Chain Advisory Services and Management Consulting firm based in New York, NY and Sao Paulo, Brazil. He welcomes your feedback and comments at deep.parekh@equusllc.com, and can be contacted at +1-212-905-3336.