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Annual Trends in Logistics and Transportation Study Finds Visibility Key to SCM Performance

Is Visibility Technology or a Culture? Differences in Green SCM Drivers in North America Versus the Rest of World

SCDigest Editorial Staff

At the recent CSCMP 2008 conference in Denver, **Dr. Karl Manrodt** of Georgia Southern and **Dr. Mary Holcomb** of the University of Tennessee presented results from the 17th annual Trends and Issues in Logistics and Transportation report, which summarizes a survey of over 1000 supply chain professionals.
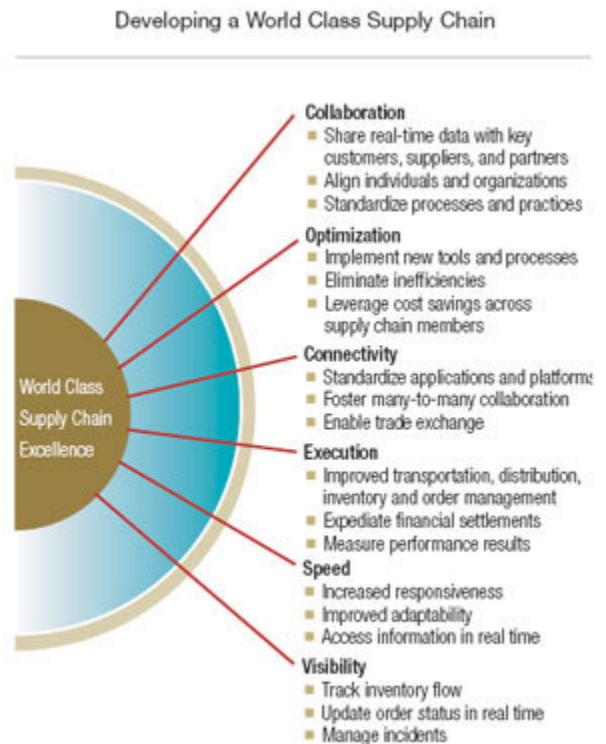
As we noted last week, one key finding of the data analysis was that larger firms seem to be gaining a competitive edge in supply chain performance, which the authors say may be largely related to greater investments in technology and integration. (See What **Makes a Company a "Master of Logistics?"**) This week, we summarize additional findings from the study.

For the past several years, the report's authors have presented a framework for supply chain excellence that includes six dimensions of performance: Collaboration, Optimization, Connectivity, Execution, Speed and Visibility (see graphic nearby).

The authors say that they continue to find "that many firms are still struggling to implement these six drivers, and are therefore unable to achieve the transformation that is needed to move their organization forward."

The research also showed the competitive pressures that companies are facing. Picking up on the book "***The Discipline of Market Leaders***," by Michael Treacy, the survey for several years has asked respondents to identify their primary competitive strategy: cost leadership, product innovation, customer service, or trying to be great at all three.

This year, the number of companies saying that their strategy was to be great at all three, or being "all

Developing a World Class Supply Chain

Collaboration
- Share real-time data with key customers, suppliers, and partners
- Align individuals and organizations
- Standardize processes and practices

Optimization
- Implement new tools and processes
- Eliminate inefficiencies
- Leverage cost savings across supply chain members

Connectivity
- Standardize applications and platforms
- Foster many-to-many collaboration
- Enable trade exchange

Execution
- Improved transportation, distribution, inventory and order management
- Expediate financial settlements
- Measure performance results

Speed
- Increased responsiveness
- Improved adaptability
- Access information in real time

Visibility
- Track inventory flow
- Update order status in real time
- Manage incidents

World Class Supply Chain Excellence

Source: Trends in Logistics and Transportation 2008

things to all people," rose 22% for a total of 45% of all respondents. That's up from just 20% in 2004.

While Treacy's book argued companies need to pick one primary strategy and just be good enough in the other two areas, it appears the tremendous level of global competition is causing more companies to believe that they can't afford not to strive to be leaders in cost, service and innovation.

At the same time, while the cost leadership strat-

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Software Packages Used	Domestic (percent)	International (percent)
Commercially purchased package part of ERP	13.3	8.3
Commercially purchased best of breed, installed on network	13.3	10.4
Commercially purchased best of breed, ASP	5.7	4.2
Legacy software that has been integrated through as AI software platform (including spreadsheets on individual desktops)	14.3	18.8
Software package developed in-house	18.1	16.7
Manual/Spreadsheets	8.1	16.7
Third party providers	23.8	22.9
Other	2.9	2.1

Source: 2008 Trends in Transportation and Issues in Logistics and Transportation Report

egy had been losing numbers every year since 2004, it jumped markedly in this years study, being cited by 17% of respondents versus just 8.4% in 2007. Will this strategy hold? The report says that "It is anticipated that this shift in strategic direction will be the new reality as long as the current economic conditions persist."

The report again found a wide mix of Transportation Management System (TMS) technology support. As shown in the figure above, in North America there is a roughly even split between companies using best-of-breed, traditional TMS and those using the TMS module of their ERP provider, but both tally just 13.3% of the market. The largest percent (23.8%) rely on the TMS used by a third-party logistics provider, and another 18% use a system developed in-

house. It may be noteworthy that the number of companies using a "hosted" TMS is starting to get on the radar screen, at 5.7% in this year's survey.

Green Initiatives

Not surprisingly, the survey this year covered Green supply chain and logistics issues, which included a couple of interesting findings. The number 1 driver of Green initiatives was the "Priority of the CEO," as executives perceive a number of financial and other benefits to getting more Green and are trying to drive their organizations forward.

This was true both in North America and the rest of the world, but there was an interesting difference between regions on Green drivers after that. In North America,

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Green Driver	North America	International
Priority of the CEO	1	1
Reduce costs	2	5
Pressure from customers/consumers	3	2
Improve public relations	4	3
Reduce or eliminate hazardous/toxic materials	5	4

Source: 2008 Trends in Transportation and Issues in Logistics and Transportation Report

"cutting costs" was the second most important driver of Green strategies, but that ranked only 5th on the priority list in the rest of the world, which placed "pressure from customers/ consumers" as the number 2 Green driver. (See illustration above.)

The Role of Visibility

In analyzing the data, the authors find a clear link between supply chain performance and the level of visibility the company believes it has.

But just what provides better visibility? Is it technology and systems integration? Or is it just as much a culture and mindset that may in some cases use more manual support systems but nonetheless improve decision-making?

That something the authors say will require additional study, but investment in supply chain visibility should be high on the company priority list.

"Firms should recognize that in addition to being an operational capability, visibility is a concept with strategic and tactical implications," the report says. "Becoming a responsive supply chain is only possible with the ability to "see" critical flows and proactively manage them. From a strategic perspective, it is about the possibility of evaluating and reshaping the logistics network to better meet the changing needs of customers and business conditions."

The full report is available for download from Manrodt's web site: **Trends and Issues in Transportation and Logistics 2008**.