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## Building Sustainable Supply Chains – Beyond Sustainability

## Latest Trends in Logistics Study Says Companies Need to Build Supply Chains for the Long Term

**SCDigest Editorial Staff**

We all know that "Sustainability" is the hot topic these days, with the focus on the Green supply chain and related issues. But one lesson this recession has taught us is that companies also need to focus on building "sustainable" supply chains – ones that are built to last and designed to be agile depending on business and economic needs.

That's one of the key themes of the 18th annual **Trends and Issues in Logistics and Transportation** study, developed this year as always by **Dr. Karl Manrodt** of Georgia Southern University and **Dr. Mary Holcomb** of the University of Tennessee, along with **Belinda Griffin** of Capgemini and **Dawn Salvucci-Favier** of JDA Software. To download the full report, go to: **Trends and Issues in Logistics and Transportation 2009.**

There have been incredible dynamics over the past couple of years, largely driven by the economy, and predictions for a "new normal" coming out of the recession. With that in mind, the report suggests that "Instead of constantly reorienting to the changing conditions, perhaps a wiser approach derived from observing nature would be to create sustainable supply chain practices that adapt to conditions."

What are the keys to building such a sustainable supply chain? The report lists three critical factors:

▪ Building cross-enterprise approaches to managing supply chain activities
▪ Determining the optimal balance between customer service requirements and the total landed cost of providing that service on an order-by-order basis
▪ Investing in approaches, tools and technologies

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that enable optimized supply chain decision making.

The report also emphasizes five key building blocks of sustainable supply chains, discussed in the next section of this article.
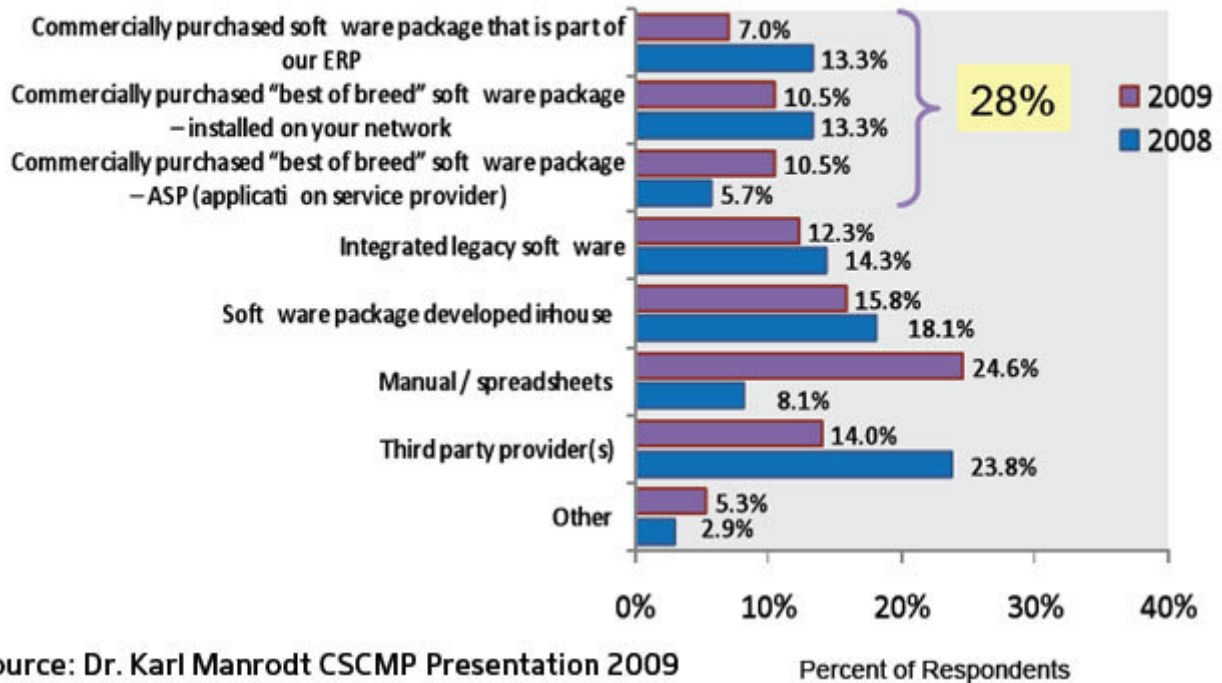
Over the past few years, this annual report has called out the "Masters of Logistics," which it now equates with the largest companies, as those companies in the past few years have started to pull away from medium and smaller size companies in terms of supply chain performance metrics, according to the study data.

These large firms were focused in 2009 on improving their supply chains by better integrating with trading partners, according to the study. A reasonable assumption is that many of these companies have improved internal supply chain operations enough that they now feel integration with trading betters is the area of focus that will provide the next best source of improvement opportunity.

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## A Less Optimal Approach
### Software Tools Used in Domestic Transportation

| Software Tool | 2009 | 2008 |
|---|---|---|
| Commercially purchased software package that is part of our ERP | 7.0% | 13.3% |
| Commercially purchased "best of breed" software package – installed on your network | 10.5% | 13.3% |
| Commercially purchased "best of breed" software package – ASP (application service provider) | 10.5% | 5.7% |
| Integrated legacy software | 12.3% | 14.3% |
| Software package developed in house | 15.8% | 18.1% |
| Manual / spreadsheets | 24.6% | 8.1% |
| Third party provider(s) | 14.0% | 23.8% |
| Other | 5.3% | 2.9% |

28%

Source: Dr. Karl Manrodt CSCMP Presentation 2009 — Percent of Respondents

## Building Sustainable Supply Chains

The report says focusing on five areas is essential for building supply chains that can last and prove resilient to changing market and customer conditions:

- **Optimization:** Manual processes and spreadsheet-based tools are not usually capable of dealing with the complexity of today's supply chain decision environment and speed with which the right answers are needed.

- **Synchronization:** Trading partners acting together as a single entity; the study found the willingness and/or capability to share data to drive synchronization is still often lacking

- **Profitability:** In this environment, Supply Chains must contribute more than ever to profitability (cut costs) and cash flow (reduce inventories). Need to sustain profitability in good times and bad implies moving to more variable supply chain cost structures.

- **Adaptability:** Being able to rapidly flex the supply chain up or down to meet demand or avoid cost is more important than ever. Visibility is the foundation, and the data showed close correlation between levels of visibility and financial performance at the respondent companies.

- **Velocity:** The gap between supply lead time and customers' order cycles is widening, the report says. Leaders focus on accelerating movement of

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materials, information and cash in the end-to-end supply chain.

### Transportation Technology Adoption

Each year, the report also looks at some data with regard to supply chain technology adoption.

Again this year, the survey asked respondents about their transportation management technology, and this year's results compared to 2008 data are shown in the figure on page.

We would not put a lot of stock in the changes in the numbers from 2008 to 2009, as they more likely reflect differences in the survey population than they do actual market changes (e.g., the per-cent of companies using third party providers for transportation technology did not drop by almost one-half in just one year).

Still, the numbers do seem to be about right to us, within maybe a range of the 2008 and 2009 numbers. That would say, for example, that maybe 7-13% of companies use the TMS of their ERP provider; 20-30% using either a traditional or "on-demand" TMS, etc.

Regardless, the numbers seem to suggest that many companies still have opportunities to gain efficiencies through investment in transportation technology.

In a change, the first issue of the report was not a comprehensive look at all the data. The authors say additional data and insight will be released over the next few months.