Supply Chain Guru Predictions for 2010: Full Comments

SCDigest Editorial Staff

For the third straight year, SCDigest Editor Dan Gilmore asked a number of Supply Chain pundits to make predictions for what is going to happen in supply chain and logistics management in 2010. Gilmore summarized the highlights of those predictions last week in his First Thoughts column, which can be found here: [Supply Chain Guru predictions for 2010](). As promised, below you will find each contributors full comments.

Art Mesher
CEO
Descartes Systems Group

2010 will be the first year in what I am calling the "new era of selective specialization."

Last decade we saw the proliferation of microprocessors, handheld GPS technologies and network presence.

Using Darwin's law we mapped these and defined what we saw in the last half the decade - the beginning of "the internet of things" or as I described it in 2004, "resources in motion."

As I forecast in 1997, The Y2K decade also birthed the beginnings of the software as a service (SaaS) model.

So now things can be scanned and read while in motion, and supply chain software systems are now seen as continuous versus being a one time lifetime purchase. So using Darwin's law again and the same tools I have employed since I began charting supply chain theory in 1991, I have mapped the convergences and identified the congruence of the trends - the Ven diagram intersection of these trends.

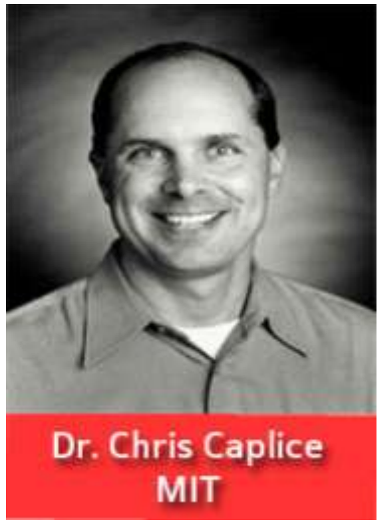
This next spawned the convergence of business process outsourcing (BPO) models, consulting services, SaaS models and freight networks. We will enter a new era where new supply chains companies and flows will be born and engineered as these new SaaS-based BPO companies intermediate highly specialized collaborations within and between supply chains.

There are very cool, highly specialized companies emerging as we speak in reverse logistic, health care, food logistics. The

SAPs, Accentures and UPSs of the world will begin to discover that the world of the "commanding generalist" has come under attack by the "subordinating specialist."

Darwin said we can't see evolution at once because it happens in too small and insignificant steps. So 2010 will be the year that it is all the same ... While it's all changing.

Dr. Chris Caplice
Executive Director
MIT Center for Transportation and Logistics



The most obvious prediction for 2010 is that the level of uncertainty in the financial markets, commodity prices, consumer demand, and virtually every other facet of the economy that supply chain managers are concerned with will only increase. Greater uncertainty makes all aspects of a supply chain manager's job more difficult. It increases the need for more flexible and sophisticated forecasting methods, contractual arrangements, operational models, sourcing strategies, etc. But the biggest challenge that firms and supply chain managers will face in 2010 is talent management – ensuring that they recruit and retain the right people who possess the right skills.

On the surface, the idea that employee retention during a recession is a challenge sounds ridiculous. No one voluntarily quits in an economic downturn, right? Most companies are dramatically reducing their headcount – some more strategically than others. So, why with all these other challenges that supply chain managers face should they spend precious bandwidth on talent management?

The short answer is that job satisfaction tends to decline during recessions and the set of skills needed in supply chain management functions is quickly changing. Not paying attention to professional development during a downturn will lead to defections of the best people in your organization during the recovery.

Job satisfaction drops during a recession for a couple reasons. If there are layoffs, the remaining employees tend to suffer from survivors guilt. While they are glad to still have a job, they have the added stress of seeing their peers and co-workers let go. Additionally, as we all know, the amount of work does not decrease after a layoff, so the remaining employees have to do more with less. This is usually reflected in increased productivity of firms (higher output with less input, i.e., employees) coming out of recessions.

With a tighter organizational chart there are usually less short-term upward opportunities for promotion. While all of these factors will not necessarily lead to people voluntarily leaving during the recession, you can rest assured that there is a lot of dusting off of resumes and getting reacquainting calls to head-hunters.

While most firms are good at getting rid of the really bad performers, they have a worse track record for growing and retaining the top tier. This can lead to an organization with a lot of middle-ground or B-players – not the best team for future success. When the individual and sparse "green shoots" in the economy coalesce into a forest, you can expect a massive top-talent flight from companies (or business units) that have not nurtured their star performers. This talent flight might be a good early indicator for the recovery!

This is especially difficult for supply chain management functions because the required skills have quickly and dramatically changed. The growing uncertainty in all areas coupled with increased level of supply chain sophistication now requires a higher level of analytical expertise. The broadening of supply chains in most firms from an internal-function to a cross-firm focus has raised the importance of soft leadership skills, as well. The ability to influence people and organizations that do not directly report to you (e.g., suppliers and customers) is one of the critical keys to success in supply chains today.

The source of future innovation lies at the boundaries and intersection of firms within a supply chain. The ability to coordinate, influence, and shape these far flung relations will determine how successful supply chains will be in the future. This is a big change over the older set of hierarchical leadership skills that were required within a more "silo

-ed" operation.

In 2010, then, I predict that the economy will improve, demand will rise, and companies will face increased costs (and scarcer supply) of most commodities and inputs to their operations. But the biggest input scarcity they will face will be their top supply chain talent.

Gopikrishnan G.R.
Delivery Manager and Head, Supply Chain Management, Enterprise Solutions
Infosys Technologies

As the lead for a practice primarily involved in technology-enabling global supply chains, my big bet for the IT dimension of supply chain management (SCM) this year would be improved customer experience, both for internal end-users and external end-customers. Supply Chains have gained prominence after the downturn, with managers broadly focusing on two aspects:

(1) Improving efficiencies in the back-end supply chain to reduce costs

(2) Enhancing end-customer experience by augmenting the front-end supply chain.

At the back-end, SCM continues to be plagued with cross-functional integration challenges. Within Supply Chains, this inhibits leveraging cross-functional workflows to drive broader business objectives. The roadblocks are in organization structures and lack of shared KPIs, which is why Supply Chain Event Management (SCEM), in spite of huge potential never lived up to its hype, beyond confining to alerts and monitors of individual applications.

While such cross-integration challenges remain, organizations will face continued pressure to harmonize supply chain operations within a function (e.g., procurement consolidation or enterprise-level transportation management) and squeeze out further efficiency improvements from existing deployments (e.g., spend analytics driving sourcing improvements or extending a warehouse management solution to support multiple warehouses/ fulfillment models).

Among customer-facing applications, I believe that e-commerce will continue to get priority, with businesses emphasizing improved search engine optimization, search ans browse features, catalog management and hassle-free order taking. We are finally reaching an era of "true multi-channel commerce" in retail Supply Chain Chains. The three or four disparate channels retailers had nurtured in isolation are now sharing customer information, product information and importantly inventory information and fulfillment rules. Also going forward, multi-channel operations will encapsulate multi-channel integration programs. I am also eagerly watching the accelerating trend of platform or SaaS-based offerings moving from the typical back-office functions of finance, procurement, HR and so on to more core functions like Order Capture, Order Management and Transportation Management.

I also anticipate continued asset consolidation of capital investments deployed across the supply chain. Green Asset Management is certainly going to bestow brand equity vis-à-vis Corporate Social Responsibility (CSR) themes; equally importantly,

there will be a business case for ensuring productivity enhancements within core supply chain functions and lowering Selling, General, and Administrative (SG&A) costs. Mobile, Fleet, IT, Operational Assets, Plants, Real Estate, etc. will all be up for consolidation with work order management integrating with upstream functions of procurement and inventory management.

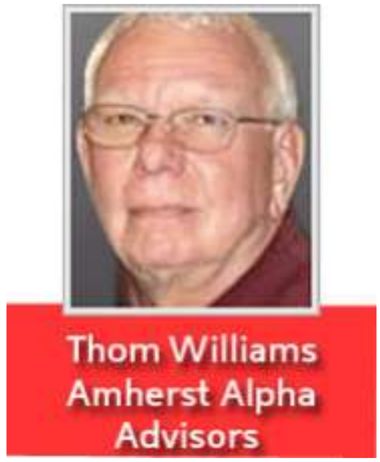
The usual supply chain suspects would continue to get focus – inventory visibility, supply-demand matching and supplier collaboration, to name three. To tackle global inventory visibility, organizations are going to gun for better views into supplier, in-transit and on-hand inventories to improve fulfillment percentages and reduce holding costs. In the coming year, replenishment planning will aim to provide improved supply-demand matching by looking at broader supply picture and embracing better forecasting techniques. Supplier collaboration would prosper beyond three and four-way matching or PO portals to include improved order updates upstream in the supply chains (date changes, partial deliveries, substitutions etc done systemically). It will also provide near-real time updates until the goods reach their destination, be it a buyer distribution center or a 3PL warehouse or the end-customer.

Beyond these function-level investments, I expect to see increased tailoring of supply chains this year due to mergers and divestitures, global forays of corporations and most importantly, the shifting balance-of-power among various supply chain eco-system constituents . This would undeniably put stress on IT applications for seamless alignment with businesses needing to reconfigure themselves on a continuous basis to changing partner dynamics. New supplier-contract-item combinations on the buy-side and complex fulfillment options moving towards "buy-anywhere, return-anywhere, fulfill-from-anywhere" philosophy on the sell-side are two typical examples that would trigger rip & rewire initiatives in the supply chains and consequently, their underlying IT.

Better times beckon in 2010 – the year of recovery. Keeping these supply chain trends in view will help position companies capitalize on resurgent opportunities, cut costs, satisfy customers and drive revenue.

Thom Williams
AmherstAlphaAdvisors

The present trucking industry remains as much a broken model, one which cries out for industry leadership, the absence of which is now clearly evident as so many SaaS, subscription-based, and other software providers continue to sponsor webinars that, I believe effectively, try convince shippers that freight transportation is a commodity, instantly replaceable and "re-priceable"



at lower levels with some new bidding invitation package.

So what won't happen during 2010, but surely will at some point, is the creating of "Alliances of truckload carriers," in which they will band together, formally or informally, so to collaborate (legally, that is) on much needed market, lane density, shipping and delivery schedules, and pricing issues.

When correctly properly presented by well prepared TL trucker alliances, the audience of the Dept. of Justice, Congressional committees, and other trade governing bodies will be unable to voice substantive objections. When thus properly organized, these truckload trucker alliances, together with much-need mergers and consolidations (most likely, all post 2010) will continue to change not just basic North American TL trucking but, even more so, contract logistics and 3PL activities, worldwide.

Implicated there, of course, are DHL, K+N, DB Schenker, Ceva, DSV, Agility, CHRW, EXPD, Panalpina, Hellman, JBHT, Schneider National, Pacer International, Hub Group, Geodis, Fiege, Nippon Express, Sinotrans, TDG, Logwin, Toll Holdings, UTiW, APL, CAT, Con-way\Menlo, Wincanton, Stobart, Ryder, and many others.

Dwight Klappich
Vice President
Gartner

In the preliminary analysis of the data from the annual Gartner-SCDigest supply chain survey just completed, we find one very interesting trend: As the economy recovers, it appears that what many companies plan to do is to make investments that frankly allow them to return to growth without having to add a lot more people.

Companies are looking to increase the productivity of the people they already have. The switch is from pure cost cutting in 2009 to cost avoidance through productivity gains in 2010.

Jim Barnes
President
EnVista

I have organized my predictions

along several key themes.

Technology Platform versus Suites:

The trend for 2010 and beyond is for supply chain centric software technology firms will continue to developing their solutions on a single platform which runs on one technology stack with one data model. Supply Chain Planning and Execution centric software vendors will adopt Enterprise Resource Planning (ERP) work flow and user personalization with common business objects. Meaning there is only one item master, purchase order, sales order etc, this minimizes master data integrity issues and ensures that ALL supply chain management personnel are using the same data. Data integrity is king when trying to develop multiple reports, dashboards or queries across an organizations enterprise and supply chain. Having a common business objects that are shared across applications is mission critical to drive the lowest total cost of ownership.

In addition common business objects are shared between applications (functionality) allowing for either simultaneous optimization or common work flow. An example would be optimizing PO order consolidation for an inbound load plan and sharing that consolidation with the WMS. Having one PO table within the data base that is used by both the WMS and TMS with shared business objects allows for improved work flow through out a company's supply chain.

Strong Survive and the Weak Die:

2009 has been a dismal year for Supply Chain Projects. Our economic meltdown between late 2008 through 2009 has impacted the vast array of services, equipment, consultants and software providers. Companies and specifically retailers reduced capital expenditures or cut off spending on Supply Chain-centric projects.

I believe we are going to see additional fall out (companies going out of business) or significant consolidation in the space. 4th Quarter software sales are up. Numerous material handling vendors and third-party integrators revenues have been reduced by as much as 50%.

Green is Real and Here to Stay:

Supply chain centric organizations (manufactures and/or Distributors) in the near future will need to build environmental sustainable global supply chains. The trend for most companies is that it is "cool" to be Green and many companies don't see being GREEN a competitive differentiator, hence they are not investing in reducing their carbon footprint. However, supply chain centric organizations will not have a choice as global policy makers develop local, state, country and global laws. After spending the last nine months in Europe the US is behind when it comes to GREEN initiatives. European companies are consistently looking at means to reduce their carbon foot print output, specifically in the area end consumer packaging and packaging used for shipments.

Simple: less is more.

Globalization, Low Cost Country Outsourcing, Domestic **Outsourcing …Focused on** Cost Reduction.

There has been an on-going trend and the trend will continue

Jim Barnes
EnVista

for companies to look for low cost country manufacturing and sourcing. China has been the dominant player as the low cost country for manufacturing for the last 20 years; however, Vietnam, South Korea and Taiwan are emerging as low cost country rivals.

In 2010, US-based companies with domestic supply chains will continue to evaluate cost reduction programs that are focused on reducing fixed and variable warehousing cost, inventory and transportation.

Although LEAN is used widely for manufacturing centric companies, distribution and purchasing centric companies have NOT yet caught on to the concept of LEAN. LEAN thinking is not part of a distribution centric company's mindset. It is unfortunate but true that many executives are not making LEAN a corporate wide initiative and hence not a top priority within their company. I meet very few executive that can explain basic LEAN principles.

Although the 3PL market was hit extremely hard, companies will continue to evaluate domestic and global 3PLs to manage their network. We believe that companies now have a renewed focused on what their core competencies are and are evaluating ways to clean up both their P&L and balance sheets by off-loading asset-based services to third parties.

Global Talent

There is a serious shortage of supply chain professionals that have a global knowledge and hence it makes extremely difficult for companies to outsource to low cost countries when their talent pool lacks skills, experience and knowledge to conduct business outside the US. Unfortunately most American's have not traveled outside the US let alone worked in a foreign country. Not to mention that many Americans are not bi-lingual compared to EMEA and APAC resources, which does create a barrier at times when conducting business.

Most business around the world is conducted in English, but we Americans lack and understanding of the cultural and societal differences within a country. The mindset is what is good in the US must be good for you is quite common. US universities must create and develop international programs that require students to live abroad and speak fluently another language (2 or 3).

The Generation Gap

The generation gap in today's work force is getting wider and companies that recognize the gap can capitalize on what motivates each generation. Baby Boomers, born between 1944-1964, hold most leadership positions within companies today. Their attributes often include a competitive attitude and an unrelenting work ethic. Generation Xers, born between 1965-1981, are the newest leaders to rise within the ranks of organizations and are often recognized by a no - nonsense approach to business and a comfortable attitude toward change. Millennials, born between 1982-2003, are the newest members of the workplace and are often recognized by their technical prowess and exceptional team spirit. This cross-generational workforce brings enormous opportunity for every company ready and willing to take advantage.

With healthier lifestyles and longer life expectancies, employees will continue to be actively engaged in the workforce longer. With multiple generations actively engaged in the workforce, the generational divide is not just a passing fad. Specific generations and their general attributes will change over time of course, as older generations retire and newer generations enter the labor force, but the differences between them will only continue.

Which of our guru predictions did you find the most interesting, insightful, or likely? What are your predictions for the year? Let us know your thoughts at the Feedback button below.

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