Drivers of Sustainable Supply Chain Management Practice
# The 2009 Drivers of Sustainable Supply Chain Management Practice

18th Annual Trends and Issues in Logistics and Transportation

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Executive Summary

Too often the response to these tough economic times has been to hibernate. While this strategy is certainly aimed at survival, not adapting to changing markets will leave companies unprepared when the economy rebounds. As the economist Joseph Schumpeter put it, companies that resist change are “standing on ground that is crumbling beneath their feet.”

These changes are not for a season; some argue that continual economic and social change is the “new normal.” 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. While the term “sustainable” has been used lately in the context of environmental and green issues, it also succinctly conveys the need to build and develop approaches and techniques for managing and operating the supply chain that will make the firm more responsive to a host of dynamic international conditions.

The purpose of this report – our 18th annual study on trends and issues in supply chain, logistics and transportation management – is to examine the fundamental capabilities that firms must develop in order to establish sustainable supply chain management practices. And, over the next few months we will be sharing more detailed results of the study highlighting these practices.

The findings from this year’s study suggest that there are strategic moves that the firm should make now to position itself and its supply chain to outperform the competition both now and when recovery happens. They are:

- 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 that enable optimized supply chain decision making

The challenge that firms must deal with is how to advance these strategies in a period of financial adversity. The economy has leveled the playing field for business. In the past three years, the Masters of Logistics (firms with sales revenues greater than $3 billion) had created a notable competitive gap in logistics and supply chain management between themselves and other size firms. This gap has almost disappeared in 2009. The window of opportunity for medium- and small-sized firms to act is now. The study findings indicate that the Masters have implemented initiatives that will enable them to emerge from the economic downturn in a position of greater strength than before the recession.

Finally, a research effort of this size and scope would not be possible without the continued support of the study’s participants. We would like to thank these professionals for taking time out of their busy schedules to share with all of us their expertise and insights.

Sincerely,

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The purpose of this report is to put forward a set of elements that our study suggests form the foundation of sustainable supply chain management practice. Five drivers have been identified: optimization, synchronization, profitability adaptability and velocity.

The Economy Drives Decision Making

This past year presented unprecedented challenges to firms as economies worldwide moved into recession. The tough economic times significantly impacted how companies of all sizes managed and operated their supply chains. Participants in our 18th annual study on the trends and issues in supply chain, logistics and transportation management told us that the economic hardship was compounded by unpredictable demand, increased customer demands and volatile commodity and fuel prices. All of these combined to make 2009 one of the most difficult operating years ever for businesses.

The economic slide since 2008 has placed tremendous pressure on firms to become much more efficient than ever before. In this relentless pursuit, customers have reminded companies that cost is not the only critical factor for success – service is just as important. This was reinforced by the study results, which showed that a commanding majority of participants must “be all things to all people” when it comes to the overall strategy of the firm. In 2008, 44.7 percent of the study participants reported that they were being challenged to deliver the best possible service at the lowest possible cost to customers. This grew to 48.9 percent in 2009. We have seen growth in this strategic direction of “being all things to all people” since 2006 when it passed customer service as the top-ranked strategy.

This strategic direction requires that firms carefully differentiate service levels for customers. To be successfully deployed, service and cost tradeoffs must be carefully evaluated for each and every customer transaction. Analysis of firms by revenue size revealed that large (greater than $3 billion) and medium-sized ($500 million to $3 billion) firms are much more focused on reducing costs than small-sized firms (less than $500 million). Small firms are placing more emphasis on increasing customer satisfaction.

Regardless of a firm’s size, the economic downturn was the megatrend for 2009 that impacted the firm’s overall business and logistics strategy. Beyond this factor, there were several notable differences in how other factors influenced the way in which firms conducted business.

For large firms (also known as the Masters of Logistics), dealing with changes in the organizational structure was the second most impactful trend, followed closely by new product introduction. Medium- and small-sized firms took a different strategic direction – they concentrated their efforts on renegotiating supplier contracts.

The Masters of Logistics spent the past year engaged in strategic initiatives that will position them to improve performance in the coming year. These initiatives included:

- Developing and using a more cross-enterprise approach to supply chain management
- Standardizing supply chain processes
- Implementing a lean approach to inventory management

Medium- and small-sized firms took a different strategic direction – they concentrated their efforts on renegotiating supplier contracts.
inventory efforts. Small-sized firms cited this initiative as their number-one effort in 2009. Medium- and small-sized firms took a different strategic direction from large firms in that they deployed a sizeable portion of their efforts to renegotiation of supplier contracts.

The top two strategic initiatives undertaken by the Masters of Logistics is aimed at increasing the level of integration between supply chain partners. Supply chain integration results in several benefits to the respective members, including improved operational logistics performance related to cost, service, quality and/or time, as well as increased performance in areas such as profitability, customer satisfaction and/or market share.

Aligning processes and approaches facilitates the flow of information between supply chain partners. Surprisingly, the study results show that the customers of small firms are much more willing to share information related to the demand for their products than for medium or large firms. Information sharing between small firms and their customers appears to be much more collaborative than for firms of other sizes where information sharing would best be characterized as being coordinating in nature. The majority of respondents stated that the top criterion for collaboration with customers is communication. This was followed closely by top management commitment and support, as well as visibility of demand. While small-sized firms seem to have the advantage in collaboration with customers at this time, the strategic initiatives undertaken by the Masters of Logistics (the large-sized firms) suggest that they now have in place the three critical factors that are needed for extended supply chain collaboration. If leveraged properly, this certainly creates an advantage for the Masters.

**A Call to Create Supply Chain Practices that Sustain During Difficult Times**

Without exception, difficult economic times force firms of all sizes to examine current business practices to determine where they can be more efficient. After 9/11, economic conditions propelled companies into cost-cutting initiatives that impacted them – both positively and negatively – for several years afterwards. Very few people predicted the depth and severity of the current economic situation. Moreover, the global reach of the recession has left little doubt that business today encompasses a broad geographic span.

What were the lessons learned after 9/11 that can be applied to the current situation? Simply stated they are:

- Cost cutting must be done using a strategic filter
- Investments in improving supply chain capabilities should not be delayed
The competitive supply chain of the future must have:

- Optimization
- Synchronization
- Profitability
- Adaptability
- Velocity

Even in bad times, customer service cannot be sacrificed.

The reflection on the past led us to the theme of this year’s study. The changes we are dealing with today are not for a season; some argue that continual economic and social change is the “new normal.” Instead of constantly reorienting to the changing conditions, perhaps a wiser approach would be to create sustainable supply chain practice that adapt to conditions. While the term “sustainable” has been used lately in the context of environmental and green issues, it also succinctly conveys the need to build and develop approaches and techniques for managing and operating the supply chain that will make the firm more responsive to a host of international conditions.
Optimization is the alignment of global supply chain resources – both tangible and intangible, own or outsourced – to facilitate the success of supply chain members.

Optimization

Current economic conditions present an opportunity for shippers and carriers to make real improvements across the supply chain as it relates to the location of supply, manufacturing, points of distribution and flow of goods. Many companies are rethinking their location decisions with consideration given to a hybrid geographic strategy that incorporates “near shore” and “far shore” initiatives in the optimal solution. This drive to “right size” the supply chain takes a total-landed-cost approach to all activities involved in supply chain management from product idea to final product disposal. Almost all industrial sectors from auto parts, farm machinery and consumer-packaged goods manufacturers to retailers are rationalizing their networks in an attempt to design a supply chain that provides the desired level of service at the lowest possible cost. Transportation providers are also an important part of “right sizing” the supply chain as they manage and control the downstream and upstream flows of goods. For example, CSX Corporation has continued to aggressively “right size” its rail network while maintaining the required level of customer service.2

Right sizing the supply chain results in the alignment of resources for optimal operations. When done correctly, the alignment will produce desirable results in tough economic times and when the economy recovers. In other words, the only changes that should be made to the network structure are those that demonstrate the ability to create a sustainable competitive advantage for the supply chain as a whole. Furthermore, right sizing the supply chain is not a one-time effort. The dynamic nature of the supply chain means that it will be an ongoing quest to configure, calibrate and control increasingly complex scenarios to derive optimal results.

This complexity in planning and execution also challenges companies to rethink their organizational structures, process flows and use of technology. In addition to strategic network design decisions, companies continue to face the fundamental problem of how to optimize the distribution of goods and services to the marketplace. Strategic and tactical decisions that the firm makes today will impact operations in the future. For example, a firm’s investment in supply chain technology will have implications beyond the implementation stage. In a global, dynamic and competitive market, companies must constantly evaluate and effectively utilize the best tools and technologies available to optimize their operations. Software tools need to be capable of providing increasingly complex supply chain solutions in addition to

“The transportation and logistics management technology solutions have given us the ability to achieve greater flexibility and agility in our transportation network,” said Hershey’s Cindy Ambrose, project manager, integrated transportation. “We are now a truly consumer-driven company, and we are making better use of available capacity and carrier assets to deliver quality product at a lower overall cost with superior service.”

Current mega trends require changes to the supply chain network and the management of logistics activities in order to optimize operations.

The management of North American distribution and outbound transportation activities indicates that very different approaches are used.

- **28.1%**
  - Both functions meet on a regular basis to discuss strategic decisions for both areas
- **28.1%**
  - Distribution decision making tends to drive distribution operations
- **26.3%**
  - Both functions report to the same person who makes these trade-off decisions
- **17.5%**
  - Either transportation drives the decision making process or the two are not integrated

Three interrelated mega trends for both North American and the EEA are driving the “right sizing” and alignment of resources in the firm and across the supply chain.
Synchronization is the ability to coordinate, organize and manage end-to-end supply chain flows – products, services, information, and financials - in such a way that the supply chain functions as a single entity.

Synchronization

The benefits of synchronized supply chains have been written about extensively, but the concept remains difficult to operationalize. Manufacturers can reduce time to market, decrease costs and manage inventory turns through supply chain synchronization. Synchronization between members of a supply chain is a critical success factor in a changing environment. Supply chain management must move from the integration and management of internal functions to being able to coordinate, organize and manage the activities of the supply chain in which the company will be operating.

Supply chain synchronization is one of the essential drivers in a portfolio of sustainable supply chain management practice; it is a crucial building block towards true integration. While there has been collaboration between supply chain partners in improved communication such as EDI and current Internet-based Web information exchanges, better information (point-of-sale data and Collaborative Planning, Forecasting and Replenishment initiatives [CPFR]) and a general willingness to work more closely together, these improvements have been primarily gained by changing internal business processes.

Achieving supply chain synchronization requires true coordination between and among all trading partners such that they function as a single entity.

In this year’s study we focused on two aspects of synchronization: how willing firms are to share data with their typical customer; and how important collaboration is with this typical or average customer. We selected a “typical or average customer” for a reason. Instead of looking at just “best customers” we wanted to see how widespread the lessons learned from this group were making their way down to other providers and/or customers. Are improvements being experienced across the board?

What is interesting from the analysis is that the two continents have different perspectives on sharing data with their suppliers. North American respondents are more willing to provide information with a typical customer as compared to those in Europe; these findings were statistically significant.

Does it matter? That is, if firms are more willing to share data will it impact their financial performance? Based on our analysis firms that are more willing to share data perform
"Implementing ‘best of breed’ supply chain solutions provides Merck Serono with one synchronized view of demand. Having only one tool as a demand data repository in the entire company worldwide allows us to easily follow an aligned process across the organization. Additionally, having only one-application instance forces us to define clear rules in terms of forecast data availability and process. We now have timelines for data availability and for forecast submissions within the whole organization."

- Didier Dayen, head of supply chain process, Merck Serono

better in terms of market share, competitive position, customer service and product quality compared to those that don’t.

What is not different are the tools utilized to foster collaboration within the supply chain. Communication, top management commitment and support, as well as visibility of demand are cited as the top three areas. What is interesting is seeing how highly top-management commitment and support is ranked for initiatives involving a typical or average customer. Is this perhaps due to management’s ability to take the lessons learned and apply them further down into the company’s customer base, or is it a result of an economy where every customer matters?

Sharing Data is Critical to Synchronization: How much data are you willing to share with your typical customer?

How important are the following to collaboration with your typical or average customers?

<table>
<thead>
<tr>
<th></th>
<th>NA</th>
<th>EEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>1.43</td>
<td>1.73</td>
</tr>
<tr>
<td>Top management commitment and support</td>
<td>1.93</td>
<td>1.92</td>
</tr>
<tr>
<td>Visibility of demand</td>
<td>2.28</td>
<td>1.80</td>
</tr>
</tbody>
</table>

1=Very important; 7=Not very important
Profitability is the result of creating value through supply chain activities. Asset performance, working capital, returns on investment for infrastructure, technology, and people, are some of the critical parts that create value in a global environment.

Profitability

In the midst of a global recession and uncertainty around everything from commodity and fuel prices to supplier viability, companies are faced with making critical supply chain decisions that are intended to assist the firm in getting through the current economic conditions. These decisions, which are strategic and tactical in nature, will impact the firm well beyond recovery of the global economy. The best strategic and tactical decisions will be those that position the firm and other supply chain partners to be profitable in good and bad economic times. While factors such as sales revenues, market share and/or product innovation are indicators of a firm’s success in business, the bottom line cannot be ignored. Particularly during a time of concern about cash flow, as well as availability of credit and financial soundness for both suppliers and customers, overall profitability is a paramount concern for the firm. In some cases, the firm is being asked to extend customer credit terms beyond the stated arrangements. On the other end of the supply chain, suppliers are asking for shorter payment cycles in order to improve their liquidity position. Suppliers that are unable to secure credit may need even greater financial assistance from their customers in order to make and deliver the needed goods or materials.

Internal to the firm, there is a concerted effort to ensure that working capital is increasingly productive. Over the past several years, large manufacturers have realized revenue and profitability growth that allowed them to build up sizable cash reserves. There is pressure from investors to use those cash holdings for productive purposes. Yet many large manufacturers appear to be tempted to buy back stock to boost share price in the short term. Smaller manufacturers, which are typically suppliers to the supply chain leaders, do not have cash reserves as deep as those of large manufacturers. They may have to use some of their liquidity to finance supply chain activity if credit markets aren’t accessible, or as noted above they may need the assistance of the large manufacturers to help in weathering the recession. This use of cash by small, medium and large firms will put increased pressure on them to optimize another working capital category – inventory. While there has been some progress in reducing the amount of inventory held by individual companies, the study results indicate that one of the major challenges during this past year has been the excessive amount of inventory in the supply chain. For
Domino Foods, Inc.

Escalating business expectations are forcing C-level executives to take a hard look at business processes. But business process change is no longer about making individual processes faster. It’s about creating opportunities for growth and innovation that can lead to greater business value. Domino turned its sights to procurement transformation to find new ways to help the company build efficiencies and create savings across the enterprise.

Before embarking on an enterprise-wide procurement transformation, Domino Foods and Florida Crystals Corporation (FCC), which had acquired an interest in Domino, needed to rethink the systems and processes managing their master data. The Domino acquisition increased business process complexity at both companies. Different levels of controls, inconsistent management procedures, and multiple databases thwarted their ability to execute corporate spend analysis and material planning.

Procurement transformation and strategic sourcing programs—both of which are ongoing at Domino Foods—have created significant business value as buyers have shifted from location to commodity-based buying. “We’ve not only been able to drive operational savings across the enterprise, but have created a sustainable centralized procurement organization. And the beauty of having it in place means that the integration of new acquisitions such as C&H Sugar (2004) and Chr Hansen (2006) are that much easier,” notes Don Whittington, CIO, Domino Foods, Inc.

Although Cost Cutting is the Main Focus for Most Firms, Profitability is Also a Key Objective for 2009

Reduce costs
Maximize asset utilization
Increase customer satisfaction
Maximize profitability

How Did Your Firm’s Performance Compare to Your Competitors?

<table>
<thead>
<tr>
<th>Metric</th>
<th>2007 Score</th>
<th>2008 Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share</td>
<td>2.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Return on assets</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Overall product quality</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Overall competitive position</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Overall customer service levels</td>
<td>2.2</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Scale: 1 = Much better; 7 = Much worse
Adaptability is the degree to which respective supply chain members can change practices, processes and/or structures of systems and networks in response to unexpected events, their effects or impacts.

Adaptability

As noted earlier, the most pressing issue that study participants are dealing with is unpredictable demand. Unpredictable demand is impervious to economic conditions. It exists in good and bad times. For that reason, individual firms and the supply chain as a whole must be able to handle this challenge.

Furthermore, increasing pressure will come from supply chain executives who recognize the importance of being able to make adjustments in practices, processes, and structures of systems and networks as conditions change. This is the essence of adaptability. Adaptability is the key to building competitive advantage in an increasingly complex and dynamic operating environment. It enables the firm to respond to expected and unexpected events in an efficient and effective manner.

A critical question is whether a supply chain can be designed to be adaptable enough to handle a myriad of operating challenges. It is not economically feasible for a supply chain to plan for every business possibility. Rather, the focus must be on those parts that are critical to the success of the company. The goal is to build flexibility while minimizing vulnerability in those areas to improve adaptability – regardless of what, where and when the next changes in operating conditions occur.

Visibility in the supply chain is vitally important to adaptability. The ability to adjust to changes in demand can best be done as the situation is developing – not after the fact. Visibility circles the globe to manage the flow of products, services, and information. Real-time access to order information provides opportunities to drive down cost and improve customer service.

Visibility is a lot like an onion with multiple layers. The outer and most visible layer according to the study respondents is orders in transit. Peeling back the layers of the onion reveals that as the order moves further upstream in the firm (or more layers are peeled back), visibility decreases. This finding is particularly disconcerting for those products with longer lead times as the probability that conditions will change increases over time.

Given the longer lead times that are involved with international customers, it isn’t surprising that this is one of the primary areas that North American (NA) firms are planning to expend effort on in the next year. The emphasis on increasing visibility with international customers within the next year is also a focus for firms in the European Economic Area (EEA). Increasing visibility at this point in the supply chain will enable firms to be more responsive to
To achieve a responsive supply chain, Lowe’s adopted a comprehensive, closed-loop planning and forecasting process that was integrated throughout its business and provided forward visibility to Lowe’s suppliers, distribution network and transportation group. Armed with a single version of the truth from a forecasting perspective, Lowe’s now relies on its plans to drive efficient execution. This daily approach enables Lowe’s to align processes and multi-echelon plans with its top suppliers for consistent collaboration, communication and analysis methods. Lowe’s also leverages an all-inclusive transportation management platform to support the complexity of its import and domestic operations as it strives to synchronize its international and domestic transportation business operations.

Changes in demand. As a result, it will increase their adaptability.

Does visibility matter? For NA respondents, those with high visibility scores reported higher performance levels than low visibility respondents in four of five financial measures – market share, overall competitive position, customer service levels and product quality. Just as important, a lack of visibility can lead to customer service inefficiencies, excess inventory and higher-than-needed transportation costs. Global supply chain visibility allows firms to adjust plans and activities as changing conditions warrant. This is the fundamental property of adaptability.

Customer Visibility of Orders

Where will effort be expended within the next year to increase visibility?

<table>
<thead>
<tr>
<th></th>
<th>International</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>With service providers</td>
<td>11.3%</td>
<td>8.1%</td>
</tr>
<tr>
<td>With suppliers</td>
<td>22.3%</td>
<td>22.2%</td>
</tr>
<tr>
<td>With customers</td>
<td></td>
<td>38.1%</td>
</tr>
<tr>
<td>In my firm</td>
<td>21.5%</td>
<td>31.5%</td>
</tr>
</tbody>
</table>
Velocity

Today’s economy is based on speed-to-market where supply chains operate in minutes, not hours or days. Delivering this type of service requires companies to continually monitor and adapt their strategy and tactics in this rapidly evolving market. The analogy that is often used to describe supply chain velocity is that of a pipeline: as a pipeline grows longer to serve an expanding market, the volume of goods flowing through it correspondingly expands. In order for supply chains to be more responsive to these changes they must be able to increase the velocity of the end-to-end flows, including products and services, information and financials.

Unfortunately very few companies have a true working knowledge of the velocity of their supply chains. While a small minority of companies – such as Dell, Home Depot and Wal-Mart – base their competitive advantage on knowing and managing the velocity of goods in their networks, most are inwardly focused and have extremely limited visibility to what is occurring in their supply chains. In addition, this lack of visibility into supply chain velocity has become an even bigger problem as companies increase the level of outsourcing, product lifecycles continue to get shorter and increasing customer service levels demand even greater supply chain flexibility.

As a result of today’s fast-paced global business environment, the gap between supply lead time and customers’ order cycles is widening. As such, velocity is decreasing. Most companies address this gap by attempting to increase forecast accuracy and carrying additional inventory in the supply chain. Unfortunately, despite the use of sophisticated forecasting techniques, forecast error continues to be an issue. Even worse, as each node in the supply network builds buffer inventories to manage variability, inventories at each supply chain level begin to experience the infamous “bullwhip” effect. Thus, as the effect of lead times cascade down the supply chain, the ability of an individual company - and the supply chain as a whole - to serve an increasingly demanding customer becomes more and more difficult. Increasing supply chain velocity cannot be achieved by just focusing on forecasting and expanding supply chain inventories alone.
Speeding time to market’ is a typical mantra for the consumer products industry. Consumer goods manufacturers have a strong focus on streamlining efficiencies to drive improved margins on their products—especially in a constrained economy—and are identifying ways to expedite bringing new products to market.

A Fortune 50 Pharmaceutical & Consumer Products manufacturer partnered with a global supply chain management consulting firm to assess then design new processes to drive efficiencies from research and development through Product Marketing and Distribution. The new processes leveraged web-based technologies to securely allow 25 different organizations to simultaneously collaborate, design and deploy new products ten times faster than their current process. They also leveraged this same process globally to capture intellectual property for reuse, and to initiate global process excellence across the product development and supply chain.

This project highlighted a key imperative for manufacturers today. They must develop tactics, processes and technologies that can substantially drive revenue lift and sustained market velocity.
Regional Differences in Supply Chain Management Practice: North America Versus The EEA

The study results indicate that supply chain management practice in the EEA, while alike in some respects, is clearly different from North American (NA) practice in some key areas.

Strategic focus

Some 40.4 percent of the EEA study respondents reported that customer service was the overall strategy for their division or business unit compared to 26.3 percent for NA participants. The main strategy for NA firms can best be characterized as a hybrid mix of “being all things to all people.”

Perhaps part of the emphasis on customer service by firms in the EEA can be attributed to the fact that after unpredictable demand, increased customer demands with respect to price and/or service levels was the second most difficult aspect of managing and operating the supply chain. EEA firms also rated their performance on customer-service levels lower than their NA counterparts.

Collaboration

There are fundamental differences in the importance of factors related to collaboration for the EEA and NA. Firms in the EEA reported that top-management commitment and support is the most important aspect of successful collaboration with customers, while NA firms rated communication as the top factor. Study participants in both regions, however, agree that visibility of demand and aligned supply chain/logistics processes are also critical elements for collaboration efforts.

Visibility of an order in EEA firms is best during order preparation. Overall order visibility is better in EEA companies than in NA firms.
Managing and Operating the Supply Chain

Business conditions: EEA companies did not have the same level of difficulty in dealing with fuel and commodity price volatility as did NA firms. Instead, EEA study participants stated that excessive inventory in the supply chain presented one of the major challenges to managing and operating the supply chain in the current economic downturn.

Procurement and inbound transportation: In NA firms, procurement/purchasing decision-making tends to drive inbound transportation execution. This is very different for EEA firms where both functions meet on a regular basis to discuss strategic decisions. This is reflected in data that show that 31.3 percent of EEA participants had no change in the days’ supply of inventory over the past year, and 22.9 percent reported an increase in days’ supply of inventory of 1 to 5 percent. This is compared to NA firms where the general trend was a decline in the days’ supply of inventory in the range of 6 to 10 percent.

Sustainable Supply Chain Management Practice

Dealing with the current economic conditions has put many firms in the position of focusing most, if not all, of their attention on the short term. When the economy rebounds, these same firms will find themselves unprepared to take full advantage of better business conditions. This is because they have not built supply chain management practices that will be sustainable through good times as well as bad. This year’s study presented five drivers that constitute the core of sustainable practice in supply chain management. These drivers are the engine that will fuel the firm’s growth and success. They represent capabilities that will be difficult for the competition to emulate, and they are fundamental to creating a leading-edge supply chain.

While the economy has been a great equalizer across companies of every size, the study results indicate that the Masters are engaged in strategic initiatives that will position them to create significant competitive advantage when the economy rebounds. They are:

- Standardizing supply chain processes in order to build cross-enterprise coordination
- Focusing on the “cost to serve” to determine the optimal balance that provides the greatest profitability for ALL supply chain partners
- Utilizing tools, technology and methods that enable them to align supply chain resources for optimal performance

Completed initiatives and efforts currently underway suggest that smart firms are making strategic and tactical changes to their businesses and supply chains that will make it possible for them to weather this economic storm. More importantly, they are building for a more prosperous future. These companies will be ready to deploy and utilize
an array of capabilities that incorporate the drivers of sustainable supply chain management practice.

The question is: **Will You be Ready When the Economy Rebounds?**

**More Research on Sustainable Supply Chain Management Practice**

This year’s annual study examined a variety of issues and trends ranging from supply chain megatrends to transportation management techniques and approaches. We are taking a different approach in the dissemination of the study results this year. In addition to this report that provides an overview of the five drivers of sustainable supply chain management practice, a short report will be issued for each driver – adaptability, synchronization, velocity, optimization, and profitability – to further explore the dimensions and current state of practice.

**Who Participated in this Research?**

This year 830 individuals across the globe participated in the study. Aggregated as a profile group, 63.4 percent of the companies that responded to the survey have annual revenues under $1 billion, while those with annual sales of $1 billion to $3 billion accounted for 12.1 percent of the sample. Those firms with sales greater than $3 billion accounted for 24.6 percent. The latter group has been defined as the Masters of Logistics.

More than 14 industry sectors from energy/chemical/mining to retailing participated in this year’s study with the core group of participants in the manufacturing sector (48.3 percent). Consumer products and general manufacturing represented the largest sub-sectors of this group (18.3 and 16.6 percent, respectively). The next largest sector that participated in this year’s study is retail, accounting for 12.1 percent of the total participants.

**Annual Sales Revenue of Study Respondents**

**Study Participants by Industry Sector**

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>12.1%</td>
</tr>
<tr>
<td>Manufacturing - High tech</td>
<td>5.0%</td>
</tr>
<tr>
<td>Manufacturing - General</td>
<td>18.3%</td>
</tr>
<tr>
<td>Manufacturing - Consumer</td>
<td>16.6%</td>
</tr>
<tr>
<td>Manufacturing - Automotive</td>
<td>5.7%</td>
</tr>
<tr>
<td>Manufacturing - Aerospace</td>
<td>2.7%</td>
</tr>
<tr>
<td>Transportation service provider</td>
<td>14.9%</td>
</tr>
<tr>
<td>Life sciences</td>
<td>7.4%</td>
</tr>
<tr>
<td>Energy/chemical/mining</td>
<td>5.7%</td>
</tr>
<tr>
<td>Agriculture/food</td>
<td>3.2%</td>
</tr>
<tr>
<td>Communications</td>
<td>1.4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.5%</td>
</tr>
<tr>
<td>Health managed care</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other</td>
<td>5.7%</td>
</tr>
</tbody>
</table>
About the Authors

**Capgemini**

Belinda Griffin is a senior manager with Capgemini Consulting. She has over 15 years experience in logistics and fulfillment and has developed supply chain strategies for leading companies worldwide.

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Georgia Southern University is a growing nationally recognized logistics program located in Statesboro, Georgia. The University is a major teaching and research institution and offers undergraduate and Ph.D. degrees in logistics and supply chain management. The faculty publishes in a wide range of topics and is invited to speak at events across the globe. The Southern Center for Intermodal Transportation offers a wide range of research services and resides in the College of Business.

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The internationally recognized logistics program at The University of Tennessee, Knoxville, is one of the most comprehensive and contemporary programs in the nation. The faculty publishes widely on topics of current industry concern and explores future trends through research and studies.

For further information, please visit http://mlt.bus.utk.edu
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