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leadership

what makes a supply chain leader?

HOW DO YOU KNOW IF YOU ARE A SUPPLY chain leader? There are few, if any, commonly accepted standards of performance for supply chain management. So, how do you really know how good you are? How good are you relative to your competition? What's the benchmark?

As a profession, we have a ways to go in establishing a common definition of a supply chain (or value chain, demand chain and every other derivative) and in determining benchmarks for performance. Though an exact definition of a supply chain (or of supply chain management) remains elusive, we can certainly move forward on identifying the elements that are necessary for achieving supply chain excellence.

Over the next few issues, we will be asking leading academics, consultants and practitioners to help define the parameters of supply chain excellence. Their insights may not lead to universal agreement, but they should articulate the various critical dimensions of supply chain management and performance.

For the past 11 years, we have conducted research on major trends in transportation, logistics and supply chain management (in partnership with Cap Gemini Ernst & Young since 1998). During the course of this research, we discovered that companies that had emerged as supply chain leaders had certain elements in common. In fact, we have identified six major elements—or drivers—that must be in place if a company hopes to achieve supply chain excellence. They are as follows:

■ **Visibility.** The means to see and manage the flow of products, services and information in real time. This includes access to data on inventory in transit, product availability and order status.

■ **Collaboration.** The act of leveraging supply chain assets with key customers and suppliers to achieve a common goal. The benefits of collaboration will reverberate throughout the supply chain,

as it enables companies to improve their operations and serve customers more efficiently.

■ **Execution.** Those logistics activities that ensure availability of the right product, in the right quantity and condition, at the right time and place to the right customer—all at the right cost.

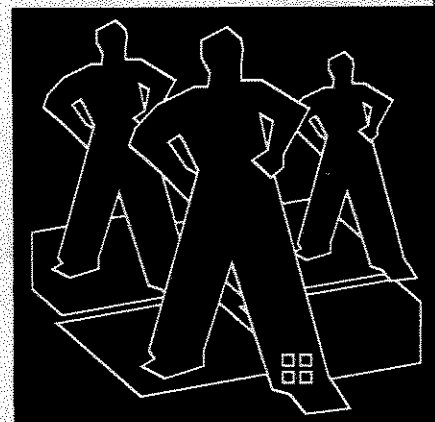
■ **Connectivity.** The level of integration that enables individuals, organizations and external parties to exchange information in a timely manner through technology formats and protocols that are shared by all parties.

■ **Optimization.** The tools, technologies and processes that lead to fulfilling a supply chain strategy in the most efficient manner.

■ **Speed.** How quickly the company meets customers' requirements in the course of supply chain event management, including order fulfillment, responding to emergencies and even new-product rollout.

Over the course of our research, many of the participants asked how they could actually implement those drivers. Is there one way to do so? Our research suggests not. There is no single ideal supply chain—each company must take its own strategy and structure into account as it competes within its industry. Not everyone is Dell; not everyone can be a Wal-Mart.

What we have discovered is that the six drivers identified above do not contribute equally to supply chain excellence. The research suggests that *visibility* is the most critical element, followed by *col-*



laboration and execution. If a supply chain manager is to reduce uncertainty, he or she must have visibility into upstream and downstream activities. Greater visibility will lead to lower inventory levels, increased turns, higher fill rates and an increased return on assets. If there is a "silver bullet solution" in supply chain management, it is visibility. Of course, visibility does not operate in a vacuum. Having the information is not the same as being able to act on it.

From our perspective, visibility is a prerequisite for successful collaboration. In addition, supply chain partners must have visibility of the events and information that enable current and future execution. And excellence in execution will always be one of the foundations of supply chain leadership.

As for the remaining drivers of supply chain excellence, connectivity ensures that all of the supply chain members can easily obtain access to real-time information and fully participate in event management. The extent to which this connectivity contributes to total performance will be determined by the approaches and techniques to optimization employed by each respective supply chain member. Finally, speed is what they hope to realize through achieving the levels of visibility, collaboration, execution, connectivity and optimization necessary to an efficient and effective supply

chain. Speed remains the ultimate factor in determining whether a company will survive, regardless of changes in the economic landscape.

But we would be remiss if we did not discuss the critical and increasingly visible role that logistics plays in supporting corporate strategy. It is crucial that the logistics strategy be aligned with the corporate strategy. For instance, those companies that adopt a "low-cost leader" approach to the marketplace should develop a logistics infrastructure that will support this objective. Unfortunately, our research shows that there is often a gap between the company's stated strategy and how logistics professionals are asked to support that mission.

Our research suggests supply chain leaders are defined by how well they recognize, implement and make use of these six drivers. As we move forward with this study, we will continue to examine the interaction and relationships among them. In addition to this research, we look forward to presenting more perspectives on defining supply chain excellence in the months to come. □

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