# International Logistics

Management



dr Marian Krupa

#### **AGENDA:**

- 1. Introduction to the International Logistics Management
- 2. International Supply Chain Management (SCM)
- IT and International Logistics Management ERP software overview
- 4. International transportation systems
- 5. International logistics structures and networks management
- Global Logistics Excellence case study
- Strategic and operational information management in Logistics towards Global Business Intelligence (BI)

### 6. Global Logistics Excellence

**Excellence and Management?** 

In Search of Excellence (by Peters & Waterman)

McKinsey SCM Excellence (by SupplyChainDigest)

**GLCD** (Global Logistics Capabilities Diagnostic) **tool** (by RedPrairie)

**Excellence in the Space** (Destination Mars)





### **Excellence and Management?**

#### **Excellence and Management?**



#### **Excellence** – definitions:

- Perfection a state of completeness;
- ✓ Something superlative (crème de la crème);
- ✓ The best solution, the best business model, the best ...
- ✓ Excellence (1) surpasses (extra)ordinary standards;
- ✓ Excellence (2) continuously moving target;

#### **Excellence and Management?**



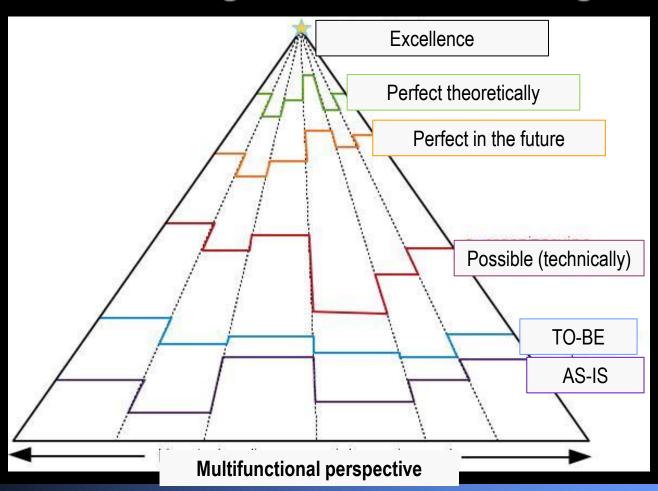
#### **Excellence in Management – definitions:**

- ▼ To be a leader (better than an average company?);
- ✓ Continuous improvement being always a little better (management / KAIZEN philosophy);
- To be able to create a standard for the industry
   to be a benchmark for others;
- Entirely waste free production and distribution;
- Perfect compliance with the best standards (EU).





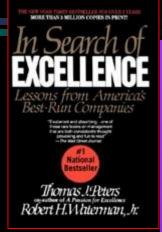
#### **Excellence in Management – Nadler's triangle:**



(by Peters & Waterman)



#### Tom Peters, Robert Waterman – background:



- Peters and Waterman were both consultants at the McKinsey, the office based in San Francisco (USA).
- ✓ The research has presented 43 "excellent" American companies publicly traded on the stock market.
- ✓ In Search of Excellence was first published in 1982, it is one of the biggest selling and most widely read business books ever!



#### The research facts - methodology:

- There was no definition what "excellent company" is all about.
- There were 75 stock companies in the original sample the research in-depth analysed 43 <u>six major industries</u>.
- They adopted six financial measures of the long term superiority:
  - 1. Compound ASSETS growth
  - 2. Compound EQUITY growth
  - 3. Ratio of MARKET VALUE to BOOK VALUE
  - 4. Avarage return on TOTAL CAPITAL
  - 5. Average return on EQUITY
  - 6. Average return on SALES

T. Peters, R.H. Waterman, In Search of Excellence. Lessons from America's Best-Run Companies, Harper-Collins Publishers, USA 1982.

#### **In Search of Excellence** – findings (1/2)



#### 8 principles (Eight Themes) of EXCELLENCE:

- A bias for ACTION, active decision making 'getting on with it'. Facilitate quick decision making & problem solving tends to avoid bureaucratic control.
- 2. Be CLOSE TO the customer learning from the people served by the business.
- 3. AUTONOMY and entrepreneurship fostering innovation and nurturing 'champions'.
- 4. Productivity through PEOPLE treating rank and file employees as a source of quality.

T. Peters, R.H. Waterman, In Search of Excellence. Lessons from America's Best-Run Companies, Harper-Collins Publishers, USA 1982.

#### In Search of Excellence – findings (2/2)



#### **Eight Themes / 8 principles of excellence:**

- 5. HANDS-ON, value-driven management philosophy that guides everyday practice - management showing its commitment.
- 6. Stick to the KNITTING (be EXPERT)- stay with the business that you know.
- 7. Simple form, lean staff some of the best companies have minimal HQ staff.
- 8. Simultaneous loose-tight properties (Mutual VALUES) autonomy in shop-floor activities plus centralized values.

T. Peters, R.H. Waterman, In Search of Excellence. Lessons from America's Best-Run Companies, Harper-Collins Publishers, USA 1982.



#### The three pillars of the "Structure of the eighties":

**Breaking** 

old

habits

- Simple forms
- Dominating values
- Minimizing / simplifying

Regular reorganizations

- Experimental units
- No one dimension

**Entrepre-**

**Stability** "Small is beautiful"

neurship

- Innovation implementations
- Problem-solving groups

Peters, R.H. Waterman, In Search of lence. Lessons from America's Best-

Run Companies, Harper-Collins Publishers, USA 1982.





#### FORBES – stock index analysis:

...if you invested \$10,000 in the Excellence index 20 years ago and then did nothing at all, you would have \$140,050. An equal investment in the **Dow index** would have yielded just \$85,500.

Excellent? Totally \*Excellence Index is based on 32 public companies listed in 'In Search of Excellence' by Thomas Peters and Robert H. Waterman (Harper & Row, 1982); the average returns are unweighted by company market capitalization. Source: FactSet Research Systems

Excellence Index*		1982-1992 Total Return (%)		20-Year Annualized Return (%)
	251.32%	400.50%	1305.32%	14.1%
Median Return DJIA S&P 500	219.97 190.74 168.37	331.79 258.51 241.31	898.45 755.04 581.27	12.2 11.3 10.1

#### **Forbes**



#### Excellent Index (32 companies) – stock index (1/2):

	1982-1987 Total Return (%)	1982-1992 Total Return (%)	1982-2002 Total Return (%)	20-Year Annualized Return (%)	Forbes 500s Rank 1982	Forbes 500s Rank 2002
Excellence						
Index* Average Return Median Return	251.32% 219.97	400.50% 331.79	1305.32% 898.45	14.1% 12.2		
DJIA	190.74	258.51	755.04	11.3		
S&P 500	168.37	241.31	581.27	10.1	70	110
3M	209.49	347.69	1,260.94	13.9	70	119
Amdahl ** Amoco **	283.98	44.25	105.20	3.7 13.2	none	none
Avon Products	166.35 116.61	325.54 338.04	1,098.68	15.9	none 252	none 250
Boeing	317.37	658.08	1,819.52 1,627.50	15.3	44	14
Bristol-Myers	269.22	437.50	1,063.36	13.1	171	98
Squibb	209.22	437.30	1,003.30	13.1	1/1	90
Caterpillar	140.53	83.87	563.73	9.9	49	93
Dana	275.27	244.82	224.19	6.1	246	176
Data General **		-9.38	85.42	3.1	none	none
Delta Air Lines	111.70	139.66	-14.29	-0.8	169	139
Digital	378.37	-8.15	42.16	1.8	204	none
Equipment **						
The Walt Disner	/494.30	997.06	1,426.05	14.6	none	70
Co.			_,			
Dow Chemical	499.80	474.56	1,210.70	13.7	31	58
DuPont	334.13	527.97	1,257.25	13.9	16	71
Eastman Kodak	135.72	88.83	97.91	3.5	40	147

http://www.forbes.com/2002/10/04/1004excellent.html

### **Forbes**



#### Excellent Index (32 companies) – stock index (2/2):

Emerson Electric Frito-Lay, a unit of PepsiCo	2189.22 210.91	354.93 889.02	855.43 2,284.07	11.9 17.2	178 71	129 60
Hewlett- Packard	184.51	118.48	464.24	9.0	167	26
IBM Intel Johnson & Johnson	145.86 266.67 152.13	58.75 479.55 436.33	448.29 4,163.59 2,898.75	8.9 20.6 18.5	9 none 100	8 63 43
Kmart Maytag McDonald's Merck National Semiconductor	235.99 332.54 258.81 508.58 265.45	409.10 146.37 528.79 1,194.07 107.54	-88.04 452.96 997.28 3,263.24 111.33	-10.1 8.9 12.7 19.2 3.8	20 none 263 220 none	38 358 128 23 none
Procter & Gamble	152.86	468.45	2,421.88	17.5	33	33
Raychem ** Schlumberger Texas Instruments	229.04 52.12 171.05	154.51 152.76 59.23	424.93 286.86 941.47	8.6 7.0 12.4	none none 140	none none 227
Wal-Mart Stores Wang Labs **	5777.97 1.84	2,664.86 -97.07	9,904.60 70.94	25.9 2.7	259 none	1 none

http://www.forbes.com/2002/10/04/1004excellent.html



**Conclusions:** The test of a first-rate intelligence is the ability to hold two apposed ideas in mind at the same time and still retain the ability to function. [S. Fitzgerald]

- To be the best (excellent) in the business it doesn't mean that you can survive all changes in the environment such as: obsolescence, government polices, law etc.
- Excellence is founded (research findings) on a mix of: stability, change and entrepreneurship (*The three pillars*).
- Excellence means the art of managing ambiguity (differentiation) and paradox (contradiction).

#### McKinsey

### SCM (logistics) Excellence

(published by SupplyChainDigest)



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#### The 10 Keys to Global Logistics Excellence

#### Introduction:

- ✓ Supply Chain Digest has identified 10 key capabilities (indicators), encompassing processes, skill sets and technology, that companies striving to achieve global logistics excellence must develop.
- "Best practice" (global business model benchmark) in this comparatively new discipline (SCM) is being redefined on a continuous basis Supply Chain Digest.

## The 10 Keys to Global Logistics Excellence

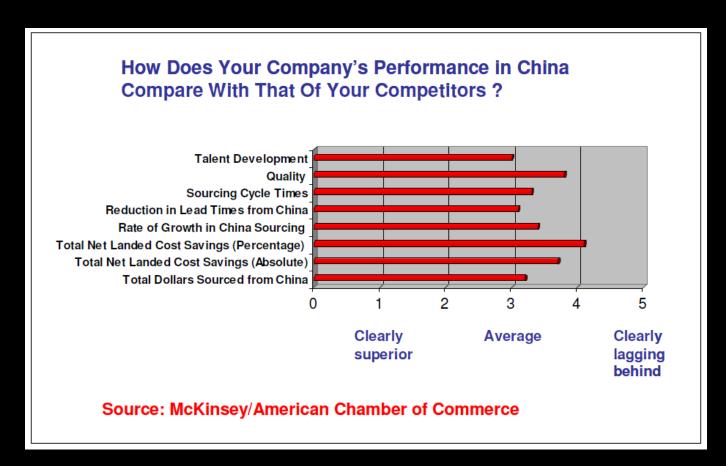
#### **Methodology:**

- Findings are based on SURVEY performed by McKinsey and the U.S. Chamber of Commerce of Western companies importing products from China (2007).
- ✓ FINDINGS #1: The majority of respondents believed they were behind their competitors in such areas as:
  - 1) total landed cost savings from offshoring,
  - 2) on-time delivery, and
  - 3) other key supply chain metrics (see illustration below).



#### The 10 Keys to Global Logistics Excellence

The majority of respondents believed they were behind their competitors...







The 10 Keys to Global Logistics Excellence

The 10 Capabilities of Global Logistics Leaders:



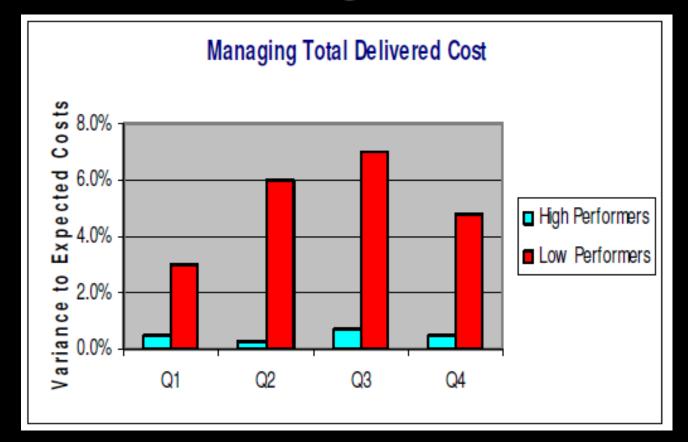
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#### The 10 Keys to Global Logistics Excellence

- 1. Delivered Cost Management:
  - What is the real total cost?
  - ✓ Total Delivered Cost Management involves the ability to ANALYZE and PREDICT the total supply chain costs from the source of supply to its final point of distribution.
  - ✓ It is required to make 1) optimal sourcing and 2)logistics decisions, and to ensure that execution is aligned with upstream sourcing decisions (supply chain partners collaboration issue).

#### The 10 Keys to Global Logistics Excellence

#### 1. Delivered Cost Management:





#### The 10 Keys to Global Logistics Excellence

2. Global Logistics Process Automation:

What is the level of automation of complex processes?

- ✓ There are still too many manual steps in most organizations in area of global operations.
- ✓ The reality is that global logistics execution is simply much more complex than domestic transportation logistics operations.
- ✓ The ultimate goal in global logistics execution: "one touch" information flow for all activities (workflow management).

#### The 10 Keys to Global Logistics Excellence



What do we know about our shipments (in REAL TIME)?

- ✓ Visibility ability to answer very basic logistics (operational) questions: Where is it? When will it arrive? Is the expected date different from the planned date?
- ✓ Visibility systems should make it easy to <u>find and drill</u> <u>down on information</u> from many points of reference, such as the purchase order number, freight bill, etc.
- ✓ In a global logistics visibility of the information system, the timeliness and accuracy of information is critical.



#### The 10 Keys to Global Logistics Excellence



- 4. Supplier Portals and ASN (Advance Ship Notices) Capabilities:

  Can we control (plan) our shipments in ADVANCE?
  - ✓ Integration (within information visibility) with offshore suppliers can be challenging, but it is essential to managing the global supply chain.
  - ✓ ACCURATE Advance Ship Notices (ASNs) from overseas suppliers is critical for both <u>effective inventory</u> <u>planning</u> and to streamline the <u>inbound flow of goods</u>.
  - ✓ Global logistic leaders reduce the time and cost of inbound processing by enabling their suppliers to produce ASNs and properly label the goods (IT).

#### The 10 Keys to Global Logistics Excellence



Can we secure our shipment by complete track and trace?

- SCM security concerns are growing, and are certain to increase.
- Partnership Against Terrorism (CTPAT), Operation Safe Commerce, and many others place an increasingly difficult array of burdens in the execution of global logistics.
  - Technology provides some of the answer here, and will increasingly do so, especially as we enable complete track and trace and other capabilities through RFID-based systems.



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#### The 10 Keys to Global Logistics Excellence

- 6. Dynamic Routing (Supply Chain Agillity):
  - What is the level of flexibility in planning?
  - Many international logistics flows tend to be fairly static after they are designed.
  - Since we face the high level of volatility in local and global economy ability to quickly and accurately determine the transportation alternatives and costs would be extremely valuable.
  - ✓ Supply chain agility (dynamic routing) and risk mitigation (reduction) will be an increasingly common attribute of supply chain leaders decisions.

#### The 10 Keys to Global Logistics Excellence

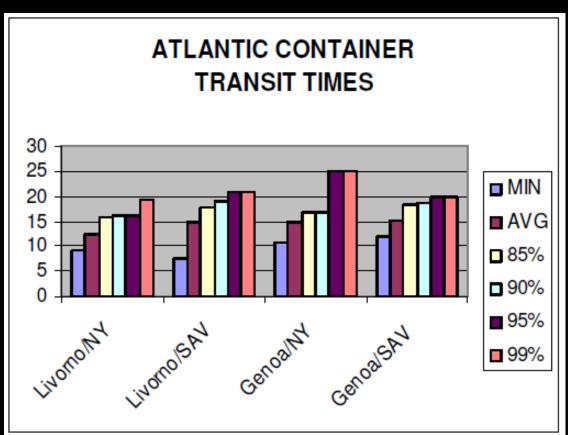
#### 7. (Time) Variability Management:

What is the level of time variability – time change management (Change Request / CR)?

- ✓ Variability (permanent change) is the Achilles Heel of long supply chains.
- ✓ There is a significant level of variability in international logistics moves, with a tremendous impact on inventory levels and customer service (see illustration).
- ✓ Reducing the variability by even 1-2 days can drive millions of dollars in inventory savings and reduce lost sales due to stock outs.

#### The 10 Keys to Global Logistics Excellence

#### 7. (Time) Variability Management:



SAV: Sawai Sawai (Western Samoa)

NYC: New York

http://www.infodriveindia.com/traderesources

#### The 10 Keys to Global Logistics Excellence

- 8. Integrated International and Domestic Workflow: What is the level of PROCESS INTEGRATION in order execution within SCM?
  - Most logistics companies were forced to manage the combined <u>international</u> and subsequent <u>domestic</u> moves really as separate processes from both a planning and execution perspective.
- Logistics leaders are deploying technology that enables them to have a single "work space" that contains both functionality and data across the full international planning and execution lifecycle.

#### The 10 Keys to Global Logistics Excellence



What is the level of data and INFORMATION INTEGRATION?

- ✓ One of the challenges of global logistics is that the information that decision-makers need tends to be in multiple places, and is hard to access.
- Data could become real-time for scheduling, in-transit visibility and performance measures of carriers.
- ✓ By implementing dedicated software (ERP, SCM), transportation planners have a full picture of the total delivered costs of the integrated domestic and international legs.





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#### The 10 Keys to Global Logistics Excellence

#### 10. Financial Supply Chain Management:

What is the level of cash flow control?

- International SCM is about the management of materials, information and cash. The reality is that in most companies and most supply chain processes, the "cash" element of this definition is not really connected.
- ✓ Letters of Credit, financial settlement processes, and other financial related capabilities must often be mastered.
- ✓ Global logistics leaders will closely link the movement of cash to expand trading partner relationships maximize profitability, and ensure the flow of goods is not disrupted.

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#### The 10 Keys to Global Logistics Excellence

#### IT and Global SCM - Conclusions:

- Even sophisticated companies that have more global supply chain experience and were early adopters have only automated a small fraction of their global trade operations [Gartner].
- 2. Significant strides are being made in many areas of global logistics software (ERP, LIS, BI), with many vendors now able to offer relatively comprehensive suites of solutions that address many if not most process requirements (10 Keys of Global Logistics Excellence).

## Global Logistics Capabilities Diagnostic (GLCD)

tool (by RedPrairie)







## Global Logistics Capabilities Diagnostic (GLCD) – introduction:

- ✓ The GLCD diagnostic tool that was developed (by RedPrairie) to help managers to evaluate their performance in area of global logistics activities.
- ✓ It is founded on "The 10 Keys to Global Logistics Excellence" model (SupplyChainDigest).
- ✓ The full, detailed description is available at:

http://www.scdigest.com/assets/Reps/SCDigest\_Global\_Logistics\_Excellence.pdf





### Global Logistics Capabilities Diagnostic – intro:

- ✓ The diagnostic tool (by RedPrairie) gives you a good idea
  of your capability position vis-à-vis both other companies
  and against your potential for improvement in both
  capability and result (BENCHMARK approach).
- ✓ It can be used to develop a prioritized roadmap for improvement in:
  - people,
  - process and
  - technology within global logistics management
  - etc.





### **Global LCD** – questionnaire structure:

- Section A: Total Delivered Cost Management / Global Logistics Process Automation.
- Section B: End-to-End Visibility / Supplier Portals and ASN Capabilities.
- Section C: Total Product Identification and Regulatory Compliance Dynamic Routing.
- Section D: Variability Management Integrated International and Domestic Workflow.
- Section E: Integrated Planning and Execution Platform / Financial Supply Chain Management.





#### Global LCD — detailed instruction:

- To evaluate your company's level for each capability, enter:
- LEVEL zero: 0 if you aren't even at Manual Level (no procedure exists),
- LEVEL I: 3 for only Manual execution,
- LEVEL II: 7 for Basic Competence Level capabilities (industry standard), and
- LEVEL III: 10 for Leadership Level capabilities benchmark level (being the BEST)

## Global Logistics Capabilities

### **Global LCD**

– the questionnaire:



The 10 Keys to Global Logistics Excellence, Red Prairie, Springboro Ohio USA.

#### Section A **Total Delivered Cost Management** Global Logistics Process Automation Score Level I: Manual/ Lagging Yourself Little systems support for global logistics "One off" analyses that manually estimate the total planning and execution processes. Significant logistics costs of different sourcing alternatives -□3 reliance on spreadsheets and other estimates that typically remain static. "improvised" technology tools. Characteristics: Rule of thumb cost estimates Characteristics: Infrequent revision of cost basis Dependence on freight forwarder to handle **10** Partial coverage of possible cost sources Phone call & fax booking procedures Booking is case by case, not a repeatable process Level II: Basic Competence Systemic approach to delivered cost analysis, Technology that solves the basic "ocean using a database of carrier rates, customs, booking" problem and automates the routine duties, tariffs, etc. tasks of global logistics execution. **13** Characteristics: Characteristics: **0**7 Spreadsheet-calculated costing Cross ocean shipper rate shopping Cost basis regularly updated Paperwork submission integrated into booking Versions of cost elements maintained **III** 10 Uploaded transit schedules Typical Results of Improvement to Level II Improved sourcing decisions from more accurate Increased administrative efficiency and reduction in data and the ability to compare more alternatives. time from when a movement is planned to when it is ability to estimate transport cost as cost of goods booked. sold with reasonable accuracy. Level III: Global Logistics Leadership Comprehensive, dynamic calculator of total Integrated ocean booking workflow including: delivered costs using detailed, highly accurate $\square$ 0 data across numerous cost categories, Automated paperwork submission including the cost of inventory. EDI booking transactions (tender/response) $\square 3$ Automated rate shopping Optimized domestic planning to international System calculated costing movement planning for best port of exit/entry Dynamically updated rate tables Determination based on cost and service Costs include both domestic and international movement components Typical Results of Improvement to Level III Best decisions with regard to lowest total cost Better tactical deployment of day-to-day shipping to sourcing options. Negligible differences between gain cost and transit time optimization. Automation expected total global logistics costs and actuals, of manual booking and paperwork activities. precise cost of transport accounting.

### **Global Logistics Capabilities**



### Global LCD - Final Score Ranking:

### Global Logistics Capabilities Diagnostic

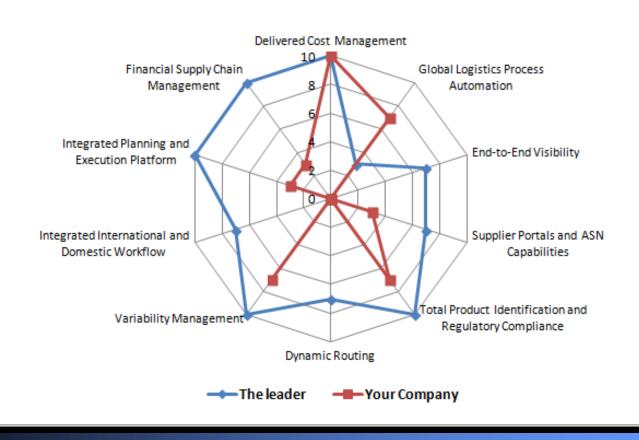
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#	10 Keys to Global Logistics Excellence	The leader	<b>Your Company</b>
1	Delivered Cost Management	10	10
2	Global Logistics Process Automation	3	7
3	End-to-End Visibility	7	0
4	Supplier Portals and ASN Capabilities	7	3
5	Total Product Identification and Regulatory Compliance	10	7
6	Dynamic Routing	7	0
7	Variability Management	10	7
8	Integrated International and Domestic Workflow	7	0
9	Integrated Planning and Execution Platform	10	3
10	Financial Supply Chain Management	10	3
	Totals:	81	40
	scale: 0-3-7-10		

### **Global Logistics Capabilities**

# TO U.S. COMM.

### Global LCD – Radar diagram:









### **Global LCD – Final Score Ranking:**



- **0 to 40 points**: Your company is significantly behind the average company in terms of global logistics capabilities.
- 41-60 points: Your company is probably about average for the market today, though many are rapidly adding capabilities.
- 61-80 points: Your company is well ahead of most other companies, and you are delivering major benefits to your lines of business and shareholders.
- 81-100 points: You are a global logistics leader; probably fewer than 5% of companies fall into this category, and we do not believe any could currently score a perfect 100 (?).

## **Summary**

(conclusions and recommendations)

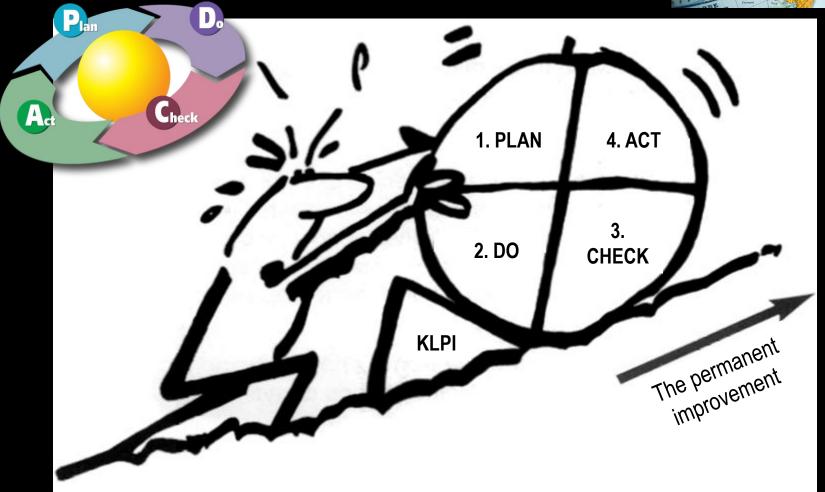




- Excellence starts with a desire to be the leader.
- It is necessary to define Key Performance Logistics Indicators (KPLI) / Key Logistics Capabilities (KLC) – recipe of success.
- It is important to build the model and set priorities to define what
  is really important to achieve the business objectives / goals.
- Just ACT, take the controlled risk and learn from your mistakes.
- You must be consistent and persistent in the process of implementing your recipe (business model) of success.
- Remember excellence needs time, so be patient and try to notice and reward any small success and improvement!



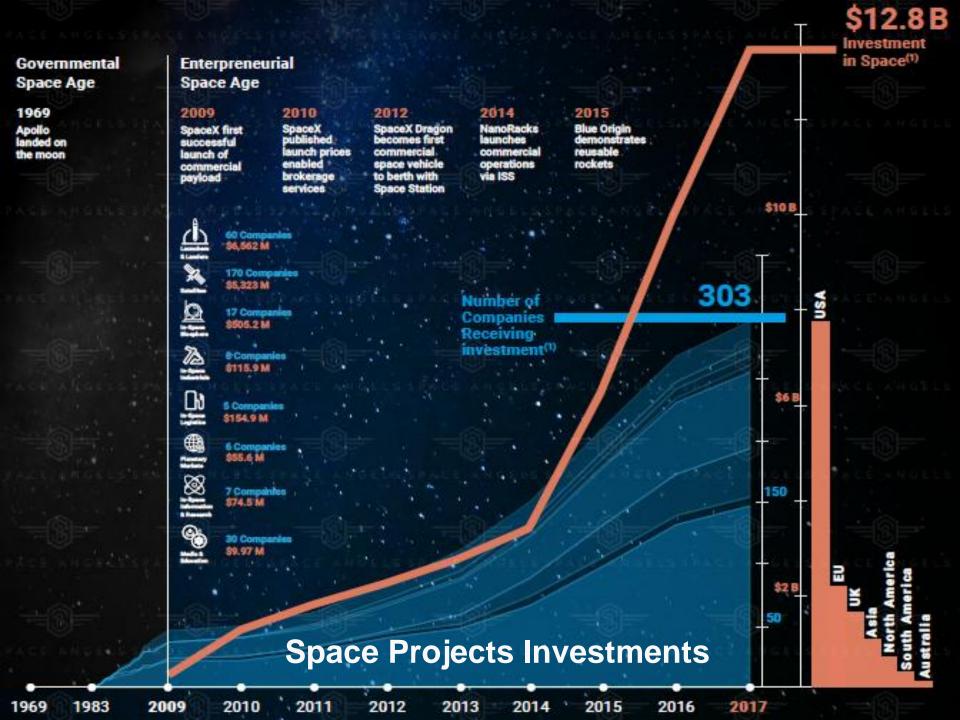




The road to excellence ...

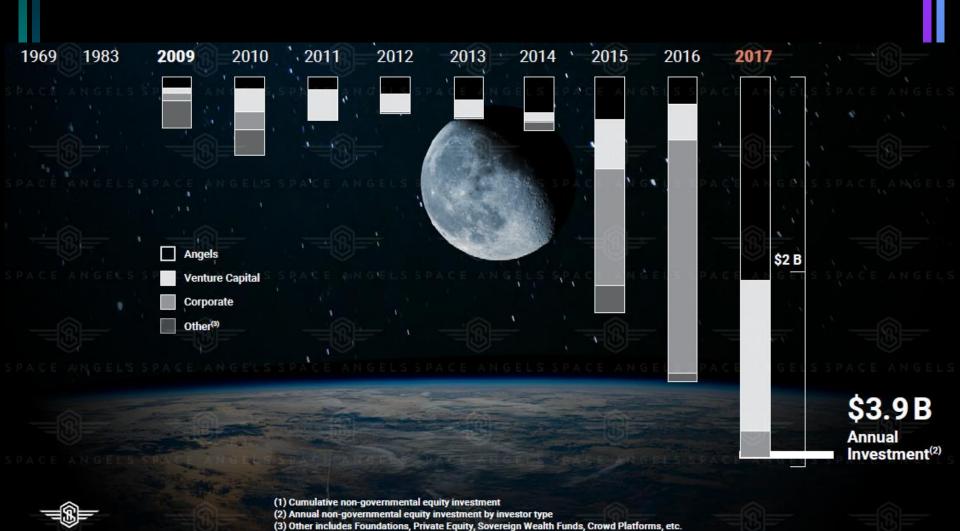
## **Excellence in the Space**

(Destination Mars)



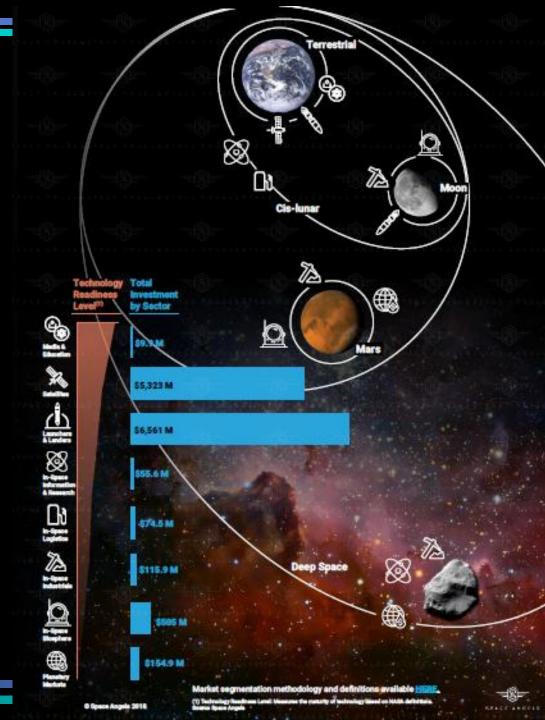
### "Venture Capital" Space Projects

Source Space Angels



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# Space Economy



## **Excellence in the Space**

### Case study

### **FALCON Project by SpaceX (Elon Musk):**





### **Project by Boeing and NASA:**





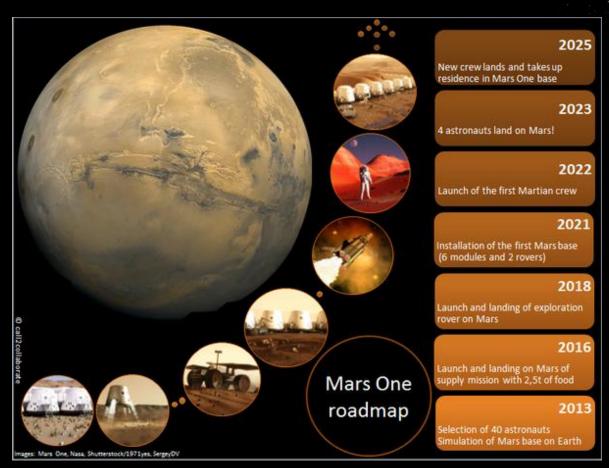
### **Project MARS ONE:**







### **Project MARS ONE:**





## **Excellence in the Space**





## Questions?



dr Marian Krupa

## Exam Questions (6):



- Highlight with short comment all keys to Global Logistics Excellence.
- Where Do the Lost Savings Go from offshoring and global sourcing initiatives?
- Explaine the Lack of Global Logistics Technology Enablement.
- What is the Global Logistics Capability Diagnostic tool?
- ✓ What is the advantage of implementing BI solutions in global SCM?