



## Logistics Association of Australia Ltd

### BREAKTHROUGH THINKING AT CLM CONFERENCE

In the following report, 1995 LMA International Study Award winner Bill Gobbe outlines his thoughts on last year's major global logistics event – CLM Conference in the USA.

The 1995 Council of Logistics Management Conference was held in San Diego, California in October. The venue was the San Diego Conference Centre, a huge complex with a roof of fibreglass sails epitomising the luxury yachts moored beside it on the San Diego Harbour.

The Conference Centre and adjoining five star hotels look out on the docks used by the various challenger and defence sailing fleets whilst competing in the America's Cup yacht race earlier this year.

The Dennis Conner "*Stars and Stripes*" yacht and its workhorse namesake are still sitting under the hazy cloudless skies of Southern California.

The Council of Logistics Management Conference is an extremely well planned and executed conference with a very high repeat attendee record. Half of the 5000 people present had attended the previous year in Cincinnati.

The Conference theme this year was "*Breakthrough Thinking*".

Almost 400 speakers presented more than 200 papers. Such an overwhelming range of papers made it difficult for first time CLM Conference attendees, to the extent that the CLM organised a "First Timers" forum the day before the conference.

The forum was arranged with circular tables, each hosted by an experienced CLM Conference attendee, willing to assist with advice on issues such as "how to walk out of a presentation if you find it doesn't suit you" and "how to sit at the back of the hall to make the escape easier".

The keynote speaker was **Joel Barker**, the "futurist" whose popular Paradigm video is considered responsible for adding that word to the everyday vocabulary.

Barker expanded on his video and tied it in with "*Breakthrough Thinking*" in leadership, exhorting the audience to think outside the boundaries – "A leader is someone whom you will follow to a place you would not go by yourself".

A manager manages within a paradigm whilst a leader manages between paradigms. Both are necessary depending on the phase you are at. Use your people as appropriate. It is very rare to find a person good at both.

He had some fascinating examples of success stories involving “outsiders” creating paradigm shifts. Insiders and existing experts are well respected in the current paradigm, he said, so have too great an investment in the present way of doing things – like Warner, who shortly before the introduction of talking movies in 1927 said: “Who the hell wants to hear actors talking?”

Barker graphically showed how change is accelerating and necessary. Just because you are big in the old paradigm doesn't guarantee anything in the new. The classic example is: IBM and the PC – “nobody wants a toy computer”.

He then went on to expand on “Ten Guidelines by **Dr Donald J Bowersox**, the John H McConnell Professor of Logistics at Michigan State University. The subject was a three-year research project commissioned by the Council of Logistics Management, culminating in the conference launching of the findings in a book titled *“World Class Logistics”*.

One full stream of seven presentations covered the findings in great detail. In summary, the research paper arrived at the following conclusions regarding the direction of leading edge logistical practice into the 1990s:

- The demand for logistical services will expand and will increasingly be viewed as a strategic resource.
- Environmental constraints will become increasingly restrictive.
- Logistics organisations will become increasingly global and transparent.
- Competitive advantage will be gained by those finely tuned to specific customer requirements.
- Increasing emphasis will be placed on establishing and maintaining strong supply chain relationships.
- Organisation structures will become increasingly difficult to generalise. Turmoil will continue as firms shift from functional to process management.
- Measurement will significantly increase in scope and importance.
- Reward and recognition systems will be revamped to encourage meaningful work.

The other presentations at the conference were categorised into 40 concurrent session topics including every conceivable subject to do with logistics:

- Supply chain management
- Quick response inventory management
- Third party logistics providers
- Transport – international and domestic
- EDI

- CEO's view – the value of logistics
- Activity-based costing
- Benchmarking
- Re-engineering; and
- ISO 9000 to name a few.

A number of research papers were tabled at the conference, some of a specialised nature such as:

- Logistics software
- Nation's largest shippers
- Career patterns in logistics
- Distribution costs and customer service levels.

Others were of a more generalised nature looking at trends in the logistics industry:

- Corporate logistics best practices
- Logistics practices in Canada
- Integrated logistics – progress during the last decade.

McDonald's Director of Global Purchasing, **Raymond Cesca**, presented a paper outlining an increasingly global logistics strategy in meeting the company's mission. As competition has become more global, so purchasing logistics has become a crucial strategic consideration.

Traditional local suppliers are making way for a reduced number of global suppliers. Logistics costs have become second only to the FOB costs of the component parts.

For example, a BigMac purchased in Jeda would consist of sesame seeds and onions from Mexico, buns made from Saudi wheat, Brazilian soy oil, New Zealand cheese, packaging made in Germany, and sugar, beef patties and lettuce from Spain.

**James Morehouse**, VP Supply Chain at AT Kearney Inc, outlined his vision in a paper titled *21<sup>st</sup> Century Supply Chain*. Supply chain management has been broadened to include all processes between mining or harvesting the raw material all the way to the unwanted end-of-life product being returned to nature.

Next century will see a 90% cycle time reduction in this supply chain, along with halving the costs involved.

According to Morehouse companies competing in a particular market will reduce to a maximum of three. Those companies will have succeeded because they

would have identified the one or two aspects of business they are best at and carry out those alone:

- Manufacturing
- Distribution
- Creating new product
- Listening to customers and translating findings into a supply chain.

The remaining tasks would be carried out by their partners in the supply chain.

The chief aim of business will become increasing market share by increasing value to the ultimate customer. This will be ahead of cost and inventory reduction.

The subject of another stream was the North America Free Trade Agreement which is attracting much high level attention in US companies. Particularly, the Mexican market is seen as having enormous potential for those companies willing to invest marketing and distribution resources in that country.

Whilst on the surface it would seem NAFTA has nothing much to do with Australia, its effect on Australia's relationship with the US becomes apparent in discussions with US management.

Much attention is being given to opening up further the North American market, and Australia will see a decreasing US interest in this region as a result.

This applies equally to the Chinese market. At the CLM conference, presentations were devoted to dealing with the logistics challenges associated with potentially massive volumes of product going into that country before the appropriate infrastructure and systems are in place.

Another presenter, showing the advancement in communication technology, covered the use of the Internet and keeping up to date with logistics developments via that communication method.

Networking expert **Anne Boe** presented a lively and entertaining session on "Is Your Net Working?" Bow showed cartoon slides as she let loose a fast flowing stream of one-liners such as:

"The only place success comes before work is in the dictionary."

"80% of success is just simply turning up." (Woody Allen)

"You have to earn the right to do business with someone else."

"Believe the world is conspiring **for** you."

“If you have lemons make lemonade.”

“Even if you’re on the right track, you’ll get run over if you just sit there.” (Will Rogers)

In addition to the conference meeting hall sessions, there were eight field tours throughout the Conference for those not interested in sitting through three days of presentations.

The tours included visits to the following:

- Two of the many US Navy facilities, the Navy having a strong presence in San Diego.
- The Californian hub of United Parcel Service which handles international operations as well as domestic air and ground package movements.
- The US Customs operation at the US/Mexican border, involving checks on hundreds of north bound trucks each day into the US with Mexican manufactured goods.
- Port of San Diego, including a 125-acre complex used for inbound cargo of timber and motor vehicles (37,000 Isuzu and Volkswagen vehicles passed through last year) and a bulk loading facility responsible for export processing 450,000 tons of soda ash, potash and sodium sulphate in 1994.
- Sony Video manufacturing facility in Tijuana Mexico, just over the border where 40-50 full containers of colour TVs and computer screens are manufactured and despatched daily.