



Logistics Association of Australia Ltd

LEADING LOGISTICS

1997 International Study Award winner, Glenn Baird, presents the first of his reports on the recent CLM Conference which he attended in the USA as part of his overseas research trip. The award is sponsored by Chep Australia.

"*From Desert Storm to Sears - Lessons on Leadership and Logistics*" was undoubtedly the most well attended session of the CLM conference. Close to 1000 delegates crowded the auditorium both times Lt. General William (Gus) Pagonis (retired) presented the topic.

Pagonis served in the United States Army for 27 years culminating in having direct responsibility for all logistics activities associated with the 3 phases of the Gulf War – Desert Shield, Desert Storm and Desert Farewell. Since retiring from the military in 1992, Pagonis has been the executive Vice President - logistics for Sears, Roebuck and Company.

Pagonis believes there are 5 keys to Future Logistics:

- Single Point of Contact/Control for Customers
Essential to provide clear and more importantly, consistent communication with customers. Also allows disciplined and most efficient response to issues when they arise.

For internal customers (other Sears departments and logistics operational staff), Pagonis has 4 full time staff each with the title "Ghostbuster".

The motivation is from the movie and it's best remembered line "*When something messes up - Who ya gunna call: Ghostbusters!*" Pagonis makes no apologies for the title. His ghostbusters get Sears Logistics Systems up and running again quickly.

- Tailored Logistics
Focussed to specific customer needs or common attributes. A familiar concept which embodies the principles of improving desired service and reducing costs by eliminating unwanted cost adding activities. Understanding customers and devising strategy are key drivers to delivering optimally tailored logistics.
- Flow - Don't Store

Another familiar concept which in Sears case, focuses on Vendor delivery performance combined with sophisticated cross-docking.

- Total Logistics Chain Visibility/Cycle Time Management

Sears commits to its customers that orders placed by 3pm today will be delivered the following day at a time specified by the customer. This is achieved through a network of major flow through Distribution Centres that combine with cross-docking centres for the local delivery fleet. Visibility is achieved throughout with the use of scanning and barcoding of products.

A condition of supply to all vendors must provide fully barcoded products. If the vendor is not capable of achieving this, Sears will provide a barcoding service at the vendor's expense.

- Training

Pagonis believes very strongly in providing complete training so that all team members have the skills necessary to perform to expectation. He also has a strong commitment to providing necessary equipment, resources and clear direction of what is to be achieved (see Communication below). Once resources, training and direction have been set, Pagonis says the worst a manager can do is to hang around - demonstrate trust in your people and get out there and let them get on with achieving the goal that has been set.

Underpinning these 5 key elements is the central role that Information Systems must play in providing the capability to manage Supply Chains.

They are key in providing the visibility of not only goods and assets in the Supply Chain, but also to allow performance and cost monitoring. Pagonis referred to a full cost system which leans toward ABC principles.

No costs are defined as sunk costs. He also believes that successful logisticians demonstrate a number of traits (sic):

- Leader of People
- Possess diverse Logistics skills
- Visible
- Integrator
- Know support role
- Surround themselves with people with different perspectives
- Capable manager of resources and assets
- Self starting, flexible and a team player.

Pagonis has a strong focus on leadership. A number of his people at Sears commented that his key strengths were the ability to:

- Draw ideas from the team and distil them into action plans (team builder)

- Take the action plans and lead the implementation to completion (integrator)

In his mind, leadership comprises three components:

- Command Climate

Provides focus by clearly defining goals and objectives for every member of the team.

The evaluation report closes the loop in measuring individual performance against goals and objectives.

In the same timeframe that many Australian firms have introduced performance management systems, Pagonis has implemented his system in Sears Logistics and has recently rolled it out through the rest of the corporation.

Centralised Control/Decentralised Execution is to control the direction of activities while giving empowerment to achieve the desired outcome. It, yet again is Pagonis' belief in leaving flexibility and opportunities for ingenuity at the point of execution provided that the overall goal is met.

Motivation and confidence to achieve the goals is provided through a strong commitment training and education.

Pagonis' point here is that "Management grooms leaders more than Organisations". Sears use a mix of formal, informal and work assignment based training.

All appointments are advertised internally and all applicants receive an interview. Feedback on success or otherwise is provided within 72 hours and coaching for unsuccessful applicants, often follows.

- Cultural Change

Pagonis' style is relaxed and infectious in both large and small groups. Cultural Change in terms of leadership describes the culture he believes allows organisations to flourish and maximise the benefit of all team members.

The Sears team commented on the openness of all meetings in the organisation. Pagonis has developed a focussed situation assessment culture within Sears. A key to this is the "Ups/Downs" process.

For any issue facing the group, the situation is distilled into the "Ups" (Positives/benefits) and Downs".

These meetings are conducted with "brainstorming" rules in force ie: no negatives, all members equal approach.

Attendees are expected to have fully considered the issues and put all concerns clearly on the table at the meeting. Positives and negatives are discussed without retribution and the meeting concludes with recommendations and an action plan.

In the Sears culture, it is not acceptable to come back with additional issues the week following the meeting - the action plan implementation has usually already commenced.

Economic literacy and about plans are also about plans are also features of the culture. Pagonis was very clear that he did not mind sharing Sears plans and intentions with employees and His belief is that it is not the idea, but the ability to implement the idea that is important.

And his record shows an ability to drive competition quickly. Like all good strategists, however, Pagonis only shares publicly the part of the plan that either is, or is close to being public.

My visit to Sears unfortunately did not include a visit to the strategy group.

Finally, sensing or feedback sessions are held throughout the organisation at all levels. Lasting about 90 minutes, they are based on open communication of any issues. Issues are responded to within 48 hours.

- **Communications**

Clear concise and timely communication is critical. Many people talk this but Pagonis has assembled what he refers to as his leadership or communications toolkit. It comprises a number of communications facilitating elements:

Matrix Papers

A single page summary of any issue to be resolved or piece of information to be shared with the organisation.

Each matrix paper must be maximum of 1 page and is structured into 5 sections: Topic, Background, Ups/Downs (max 3 each), Key points and Bottom Line.

The reverse page contains the "Chop block" where respective departments must either concur or reject the proposal including any comments.

Stand ups/Sit downs

Refer to meetings that are either informal or formal opportunities to share information. Stand ups are regularly scheduled "exception" meetings. Usually of very short duration, no one sits and there is no formal agenda. The meeting only lasts as long as there are points requiring sharing.

Sit downs follow the more formal agenda based meeting.

Visits/Walkarounds

Traditional management by walking around process. Supports Pagonis' strong view that leaders must be visible and accessible to all members at all levels of the team.

Please see me time

Regularly scheduled time made available purely for meeting with team members. Appointments not necessary but the principle is that team members can always rely on getting timely access to discuss either business or personal issues.

3x5 cards/email

A cut down version of the matrix paper. Another method used to record issues and share information. Doesn't always require a decision and the 3" x 5" format is very transportable fitting into shirt pockets, diaries etc. Email may well replace these for its ability to rapidly share information to remote or large groups.

These tools will not suit all logistics environments but are being used with great success within Sears, Roebuck and Company. Concise communication is an acquired skill – one which the Sears people developed over time but which now works very well for them.

Pagonis also had very clear views on strategy and outsourcing.

He believes his strategic capability is enhanced by the balanced team of "different people" he pulls together and referred to above. It is also important to preserve short term and long term focus in strategy development.

An example from the Gulf War was given where one day in June, with the ambient temperature at about 115 degrees F (46 degrees C), one of his young strategists came running up saying they needed to arrange 40,000 pairs of long underwear for the troops.

Pagonis, looking at the noon day sun above what the young sergeant had been smoking, was then briefed on near zero night temperatures, in the desert in January.

In order to fill the requirement, long underwear was sourced from many department stores in the United States to supplement the stocks available in Army supplies. Because of the forward planning and vision, sea freight, rather than expedited air freight was able to be used.

Outsourcing is also to be undertaken provided it is consistent with strategy and does not harm the preservation of expertise. Pagonis is one of a number of

people who believe that firms in the past have mistakenly outsourced strategic capabilities and expertises that are now difficult to recover.

Sears do outsource linehaul with a requirement around 60,000 trucks per annum.

His advice here is to clearly define the contract in plain, readable English - and define 90% at the lowest operational level so that it can be easily communicated and hence implemented.

If the concepts discussed here are of interest, the book "Moving Mountains – Lessons in Leadership and Logistics from the Gulf War" written by Lt. General William G Pagonis is recommended reading. It is published by Harvard Business Press.