



Logistics Association of Australia Ltd

EMERGING TRENDS AND CHALLENGES IN USA LOGISTICS

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In her final paper following the Annual Council of Supply Chain Management Professionals Conference held in Chicago in September 2009, Lisa Brown provides insight into Coca-Cola's CSCMP presentation about their 'Journey to Process Excellence' and recaps some of the key themes from the 2009 CSCMP.

Coca Cola's Journey

Coca-Cola's journey to process excellence has been a 10 year-plus journey beginning with a focus on processes and expanding to encompass total supply chain management including implementation of LEAN principles.

Prior to adopting CSCMP world class standards, Coca-Cola previously implemented the Supply Chain Excellence II (SCEII) system where 18 business aspects/processes (attributes) were audited and applied a rating from 1-5, these results were then examined in order to identify gaps and potential areas requiring improvement. The 18 attributes evaluated under the SCEII program were:

1. Inventory management
2. Demand management
3. Operations planning
4. Integrated Multi-Channel Retailing (IMCR) BCP ESLP
5. Network design

Coca-Cola's Journey

1990s

- 'The Basics'
- Manufacturing Resource Planning II (MRPII)
- Chris Gray audit
- Development of internal auditors

2000-2002

- 'Supply Chain'
- Value Chain assessment

2003-2004

- 'Network'
- Sharing information and building
- SCEI (Supply Chain Excellence I)
- Add Standards such as ISO/OHSAS

6. Supply management
7. Production execution
8. Customer engagement
9. Distributor Productivity Financial Report (DPFR)
10. Order management
11. Warehouse management
12. 3rd Party Logistics Providers (3PL)
13. Transportation management
14. Capability development
15. New products
16. Information Technology
17. Infrastructure
18. Technology

This improvement framework was later enhanced through the implementation of LEAN principles and in 2007 was replaced by SCEIII which aimed to keep basics in place, close gaps, measure compliance, and maintain explicit links to other standards and audits, such as ISO etc. One of the key differences between the SCEII program and the CSCMP/SCEIII program is that SCEIII examines a total of 39 attributes, an increase from the 18 original attributes from SCEII.

As with most organisational change requiring buy-in and a shift in organisational culture, key to the successful adoption of SCEIII was the Coca-Cola team, in particular the *core SCE team* which consisted of: a global business process lead, plant champion, operations excellence sensei and auditor pool. Together with a committed core SCE team and a rigorous 'audit' process, involving significant pre-work, onsite and post-work, SCEIII was successfully adopted by Coca-Cola's process plants and personnel.

Coca-Cola's Journey cont.

2005-2006

- Supply Chain Operations Reference Model ('SCOR' model)
- Implemented 'best practices'
- Aligned with SCOR
- SCEII

2006

- 'LEAN'
- Implemented LEAN principles
- Established sensei team (6 Sigma)

2007-2009

- 'CSCMP'
- SCEIII
- Adopted CSCMP World Class Standards

2010

- The journey continues.....SCEIV?

Some of the key lessons learned by Coca-Cola from the implementation of CSCMP/SCEIII included:

- Continuous improvement requires top-down buy-in
- Focus on basics and high priority attributes first (start small)
- Minimise or eliminate duplication with other audits as much as possible
- Always consider post-audit sustainability
- Benchmark using global standards
- Acknowledge the important role of plant champion and auditors

What has been gained? According to Coca-Cola process Executives the benefits of striving for process excellence have been far reaching, including: increased standardisation and collaboration among plants, demonstrated process improvements and a noticeable shift in company culture whereby SCE is now engrained in the fabric of the company from executive level to plant line operators.

The Coca-Cola journey to process excellence continues in 2010 with SCEIV and other initiatives.

2009 CSCMP Key Themes

In many ways the Coca-Cola journey towards process excellence provides a good segway into the key themes from the 2009 CSCMP, as many of these – like process improvement - are similarly concerned with sustainability, efficiency and optimisation. Infact, of the 20-plus tracks presented at the 2009 CSCMP the word sustainability featured heavily among most of them and just as SCEIII is now engrained in Coca-Cola's culture, sustainability has become firmly entrenched in the vocabulary of supply chain managers. Other key themes which also came out of the 2009 CSCMP included improved risk management, renewed commitment to collaboration and partnerships, improved monitoring up and downstream in the supply chain and validation of supply chain design and sourcing. Some of these themes have been consistently present in the logistics industry for some time, other emerging and topical themes of the conference included green supply chains, emerging markets and supply chain leadership.

Challenges

Common challenges espoused by many supply chain management professionals at the 2009 CSCMP included minimising inventory on hand, optimising supply/production, maximising availability and information technology.

Fundamental problems identified throughout the conference included a lack of understanding and general collaboration between departments i.e. sales, marketing and operations etc. This disconnect was often reflected by key performance indicators among the departments being in direct conflict with one another and therefore acting as an inhibitor to collaboration. Additionally, processes were often found to be wanting, fragmented, undocumented and/or fractured. In addition to procedural shortfalls, technology was also identified as a potential problem – not always acting as an enabler. Last of all, one of the other key challenges that many executive speakers found difficult to manage was change and change management. Many found motivating people to do something that ‘works’ differently a difficult task with some Executives citing that past successes can add to this challenge by acting as a barrier to future innovation.

Enablers

Despite these common challenges, many key enablers were also cited by Executives throughout the conference, these included:

- Lifelong learning and continued education
- Understanding requirements from bottom up
- Understanding processes in detail and possessing the ability to map them (in-house) when necessary
- Understanding supply chain design and being prepared to redesign if necessary
- Understanding the market place
- Understanding the concept of the supply/demand trade off and value adding always (‘never ship air or water’)
- Establishing and maintaining the link between marketing, sales, engineering and logistics (and other related departments)