

NDIA

27th Annual National Logistics Conference & Exhibition

Panel Discussion

“Developing systems and critical thinking skills in national security logistics”

31 March 2011
Miami, FL

Today's Panel

LtGen Chris Christianson, USA (Ret)

Director, Center for Joint and Strategic Logistics, National Defense University; Moderator

MajGen Joe Brown, USAF

Commandant, Industrial College of the Armed Forces, Fort McNair, Washington, DC

Mr. Rick Blasgen

President and CEO, Council of Supply Chain Management Professionals (CSCMP), Lombard, IL

Mr. Eric Peltz

Associate Director, RAND National Security Research Division; Director, RAND Supply Chain Policy Center, Santa Monica, CA

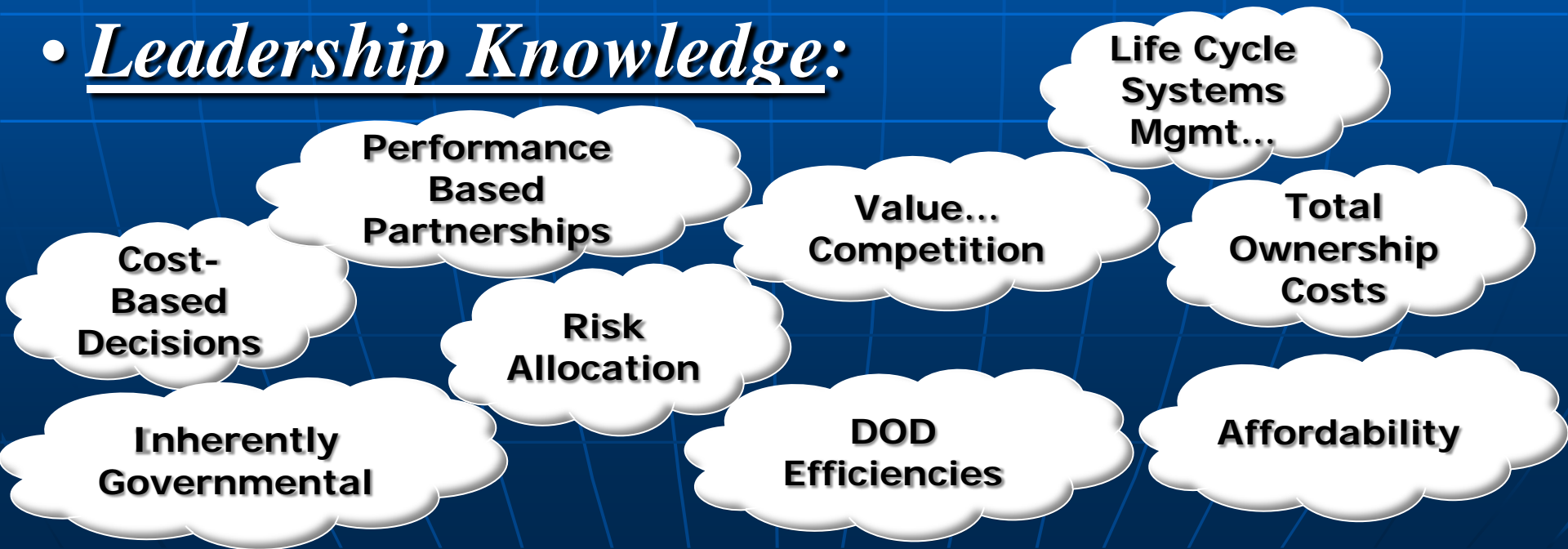
Systems & Critical Thinking...

“Why is it important?”

- *The Environment:*

- *Uncertain...Ambiguous*
- *Complex...Volatile*
- *Global Dispersion...Resource Constrained*

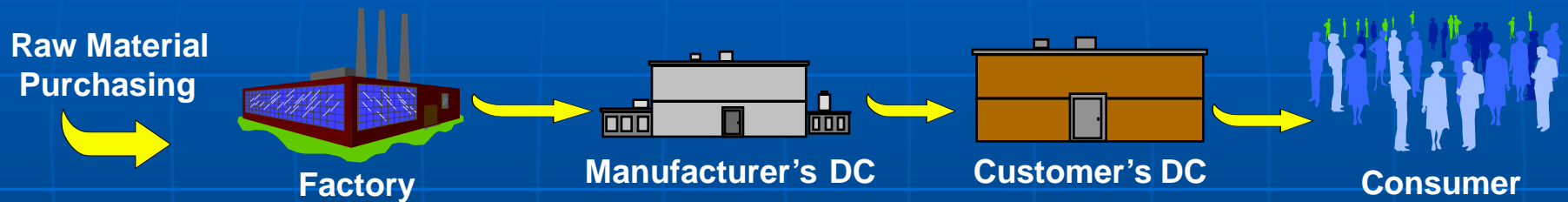
- *Leadership Knowledge:*



MajGen Joe Brown, USAF

*Commandant, Industrial College of the Armed Forces, Fort McNair,
Washington, DC*

Council of Supply Chain Management Professionals



Mr. Rick Blasgen

President and CEO

Council of Supply Chain Management Professionals (CSCMP)

March 31, 2011

Evolutionary Perspective

Focus

More Attention
From Senior
Management

Functional Orientation

- Purchasing
- Operations
- Marketing
- Package Engineering
- Transportation
- Inventory Mgt.
- Warehousing
- Manufacturing
- Suppliers
- Customers
- etc.

Supply Chain
Management

Logistics

1950

1960

1970

1980

1990

2000

Beyond

US State of Logistics

<u>Metric</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>%</u>
Logistics Costs	\$1.389 t	\$1.339 t	\$1.095 t	18.2% ↓
% of GDP	9.9%	9.3%	7.7%	17.2% ↓
Trans Costs	\$855 b	\$872 b	\$696 b	20.2% ↓
Inv. Carrying	\$480 b	\$415 b	\$357 b	14.0% ↓



Since 1988...

Logistics Costs have risen 187%

Average annual increase = \$24b

2009 decrease was \$244b

Also.....

As a % of GDP,

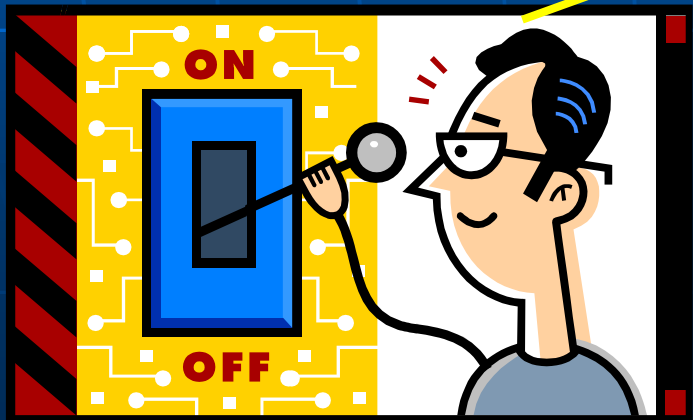
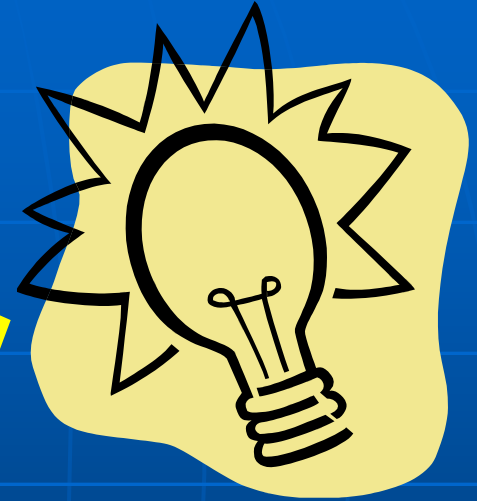
Logistics expense went from 11.5% to 7.7%

...A reduction of 33%

**Top management is interested
in what we do!**

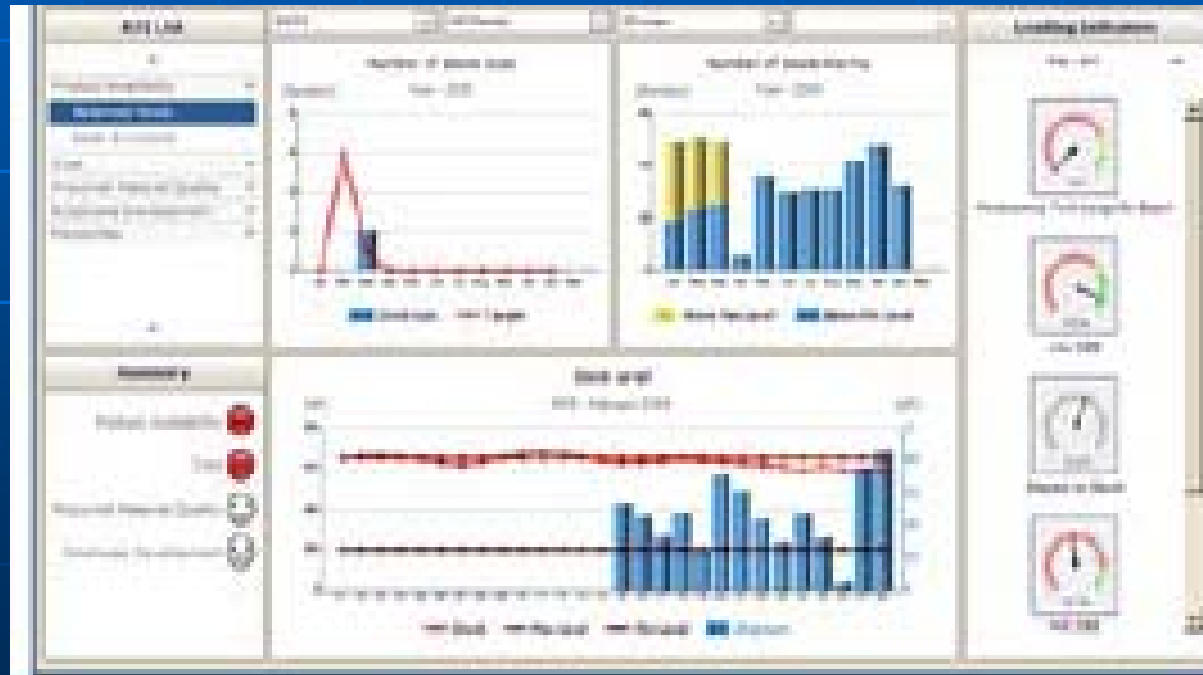
So why is this important?

Transparency!



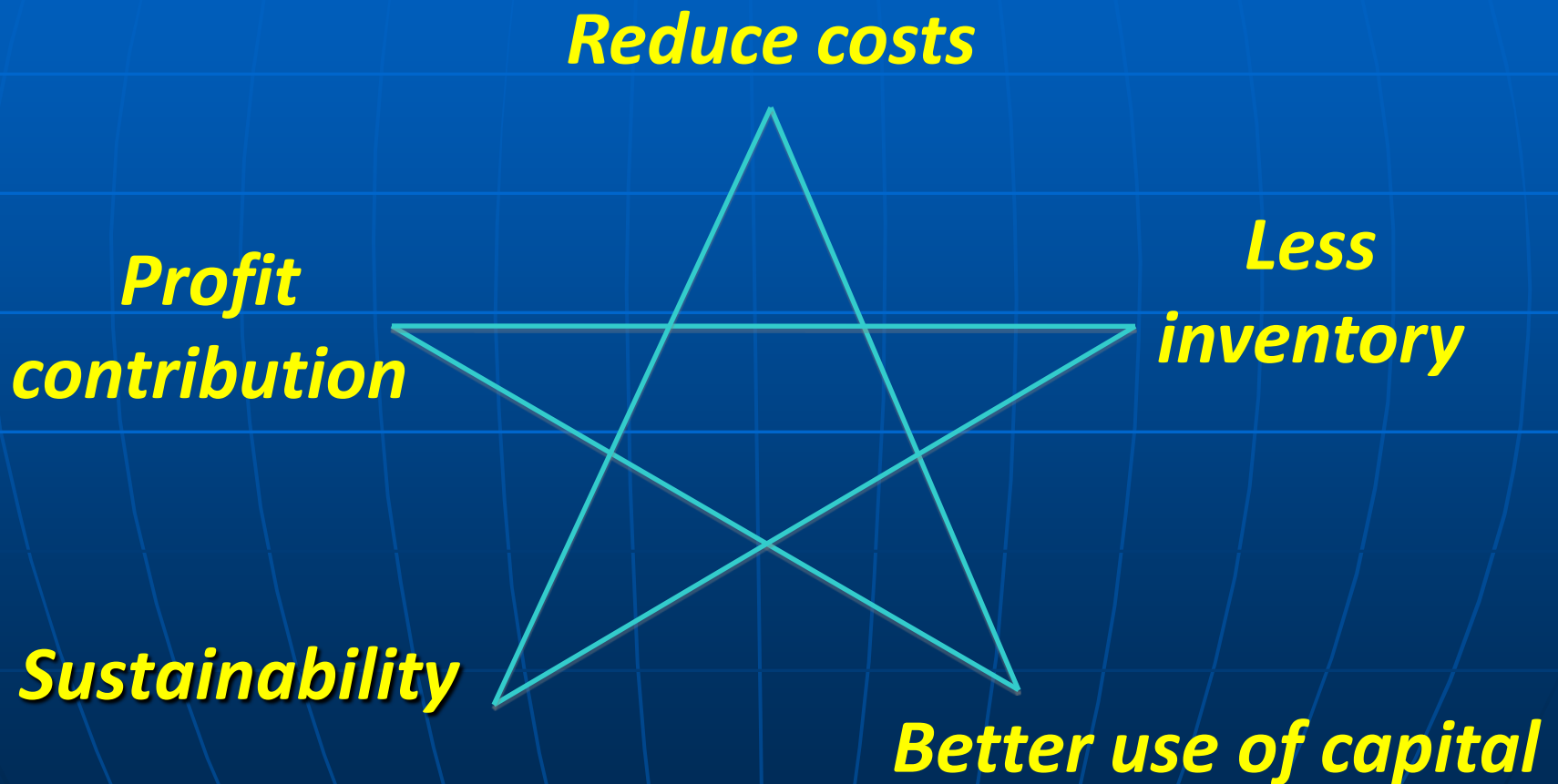
In the public sector, what keeps the CEO up at night?

Shareholder Value



- Revenue
- Cash Flow
- Profitability
- Market Share

New Boardroom Expectations of SCM



So, what do we do?

Examine the infrastructure

- *Number of Distribution Centers*
- *Location*
- *Configuration – Speed, Flexibility*

Working capital focus

- *Must smooth out spikes/valleys*

Move fixed costs to variable

- *ZOG*

Collaborate

- *It's not an option*

Relationships are critical

The essence of SCM is collaboration...

- *involves all key participants*
- *working toward common goals.*

Absent collaboration, the supply chain will be nothing more than a collection of firms, each following their own pathways.

Supply Chain Trends & Challenges

- **Globalization.** *Growing complexity and pressure of dealing with global partners, suppliers and competition. Culture and geopolitical issues.*
- **Emerging Asian countries.** *China, India and Southeast Asia will become major centers of growth. Development of supply chain infrastructure and services in these countries will be enormous.*
- **Increasingly complex customer demand patterns**
- **Information Technology** will continue to revolutionize the discipline.

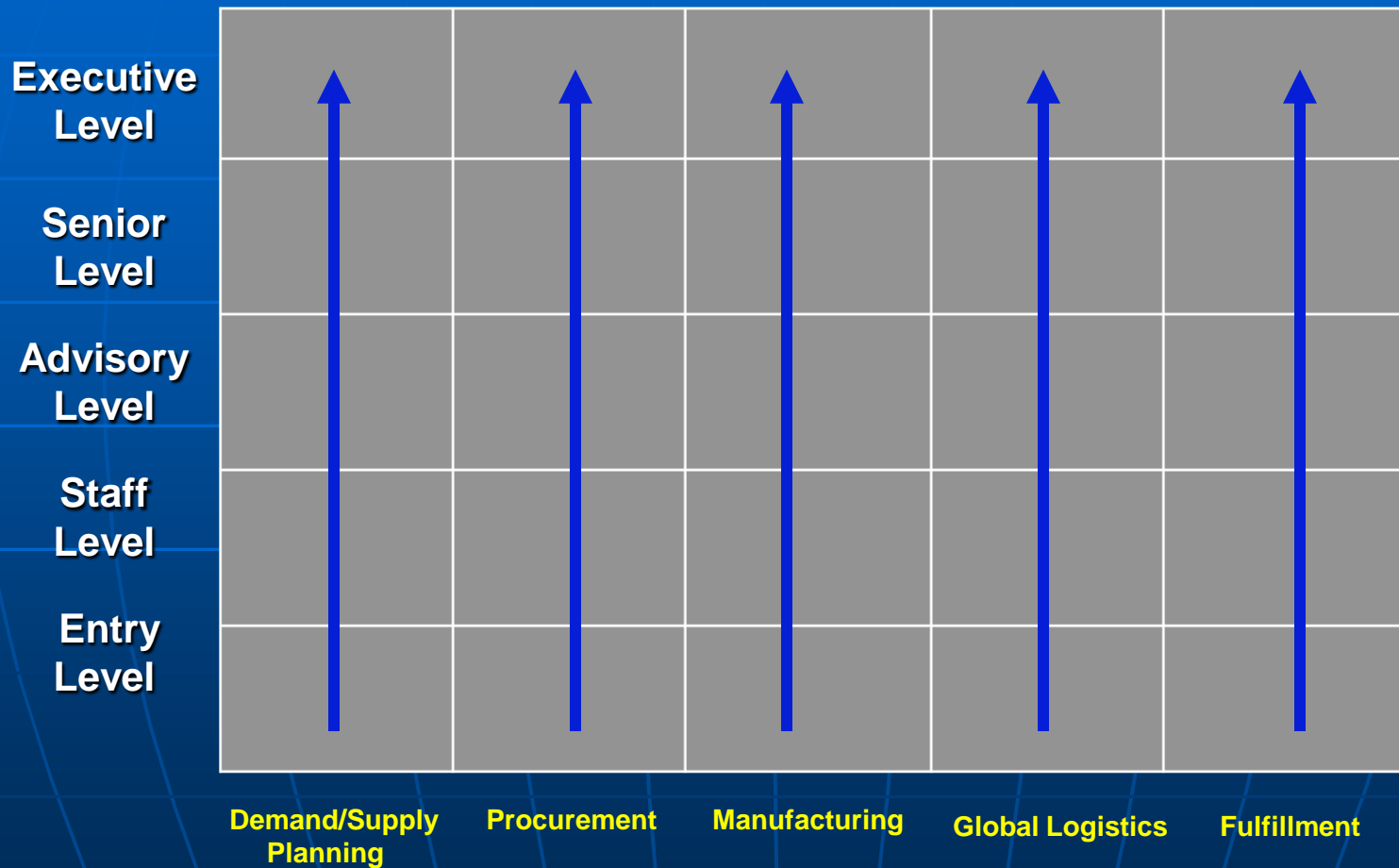
Supply Chain Trends & Challenges

- **Growing exposure to Industry Regulation:** *More local, national and global rules impacting supply chain activity and infrastructure.*
- **Automation through Technology:** *Greater dependence on ERP systems and other tools for supply chain management. Are we losing the human touch as our communications become increasingly electronic.*
- **New initiatives:** *Sustainable / green supply chains – may be being slowed by survival!*
- **Panama Canal expansion:** *Will provide more economies of scale and port diversification options to major US population centers*

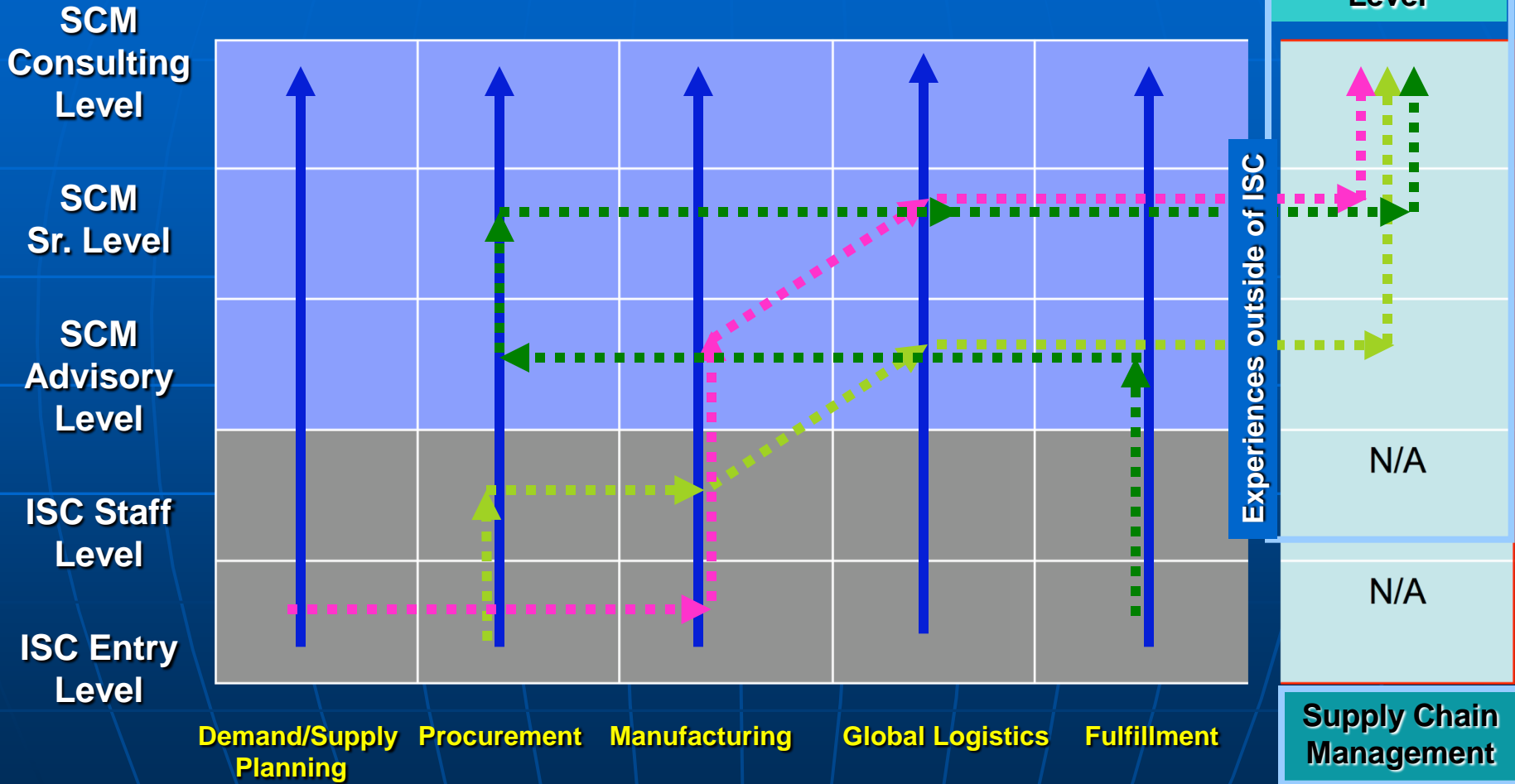
Supply Chain Trends & Challenges

- **Consumer Attitudes and Demographics.**
 - *Aging population.*
 - *Growing demand for environmentally sustainable and socially responsible products by younger consumers.*
 - *How to meet needs and maintain loyalty of the consumer?*
- **Lack of Predictability.** *Supply chain whiplash....oil prices, commodities, currency valuations.*
- **Supply Chain professionals have an important role to play in communicating with decision makers the value of collaboration and cross country business.**
- **We need to develop *cross cultural skills and a global mindset* to maximize opportunities in the increasingly globalized world.**

Traditional Supply Chain Functional Career Path



Leading Edge SCM Career Path



The Evolution of SCM



Prehistoric

2000

Warehousing
and Transportation
Physical
Distribution

Logistics

Inception of
SCM

How long will it take??

Full Implementation
of Collaborative
SCM

1950

1982

2???

Innovation!

Be Creative in your Response to Supply Chain Problems



We have witnessed a rapid pace of change in Logistics/SCM operations in 50 years.

Our greatest challenges lie ahead as we
with security, constraints, ha
nology and learn to e
laborate and share risk and r



You think you're having a bad day!



Our Challenge.....

It will not be easy, but . . .

It can happen.



Thank you!

Mr. Eric Peltz

*Associate Director, RAND National Security Research Division;
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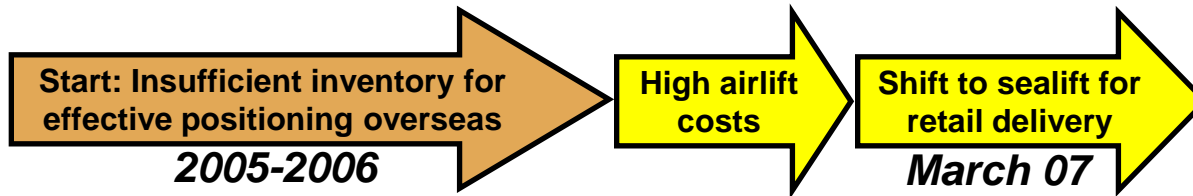


NATIONAL DEFENSE RESEARCH INSTITUTE

***From Supply Chain Silos to Integration:
the Case for Systems Thinking***

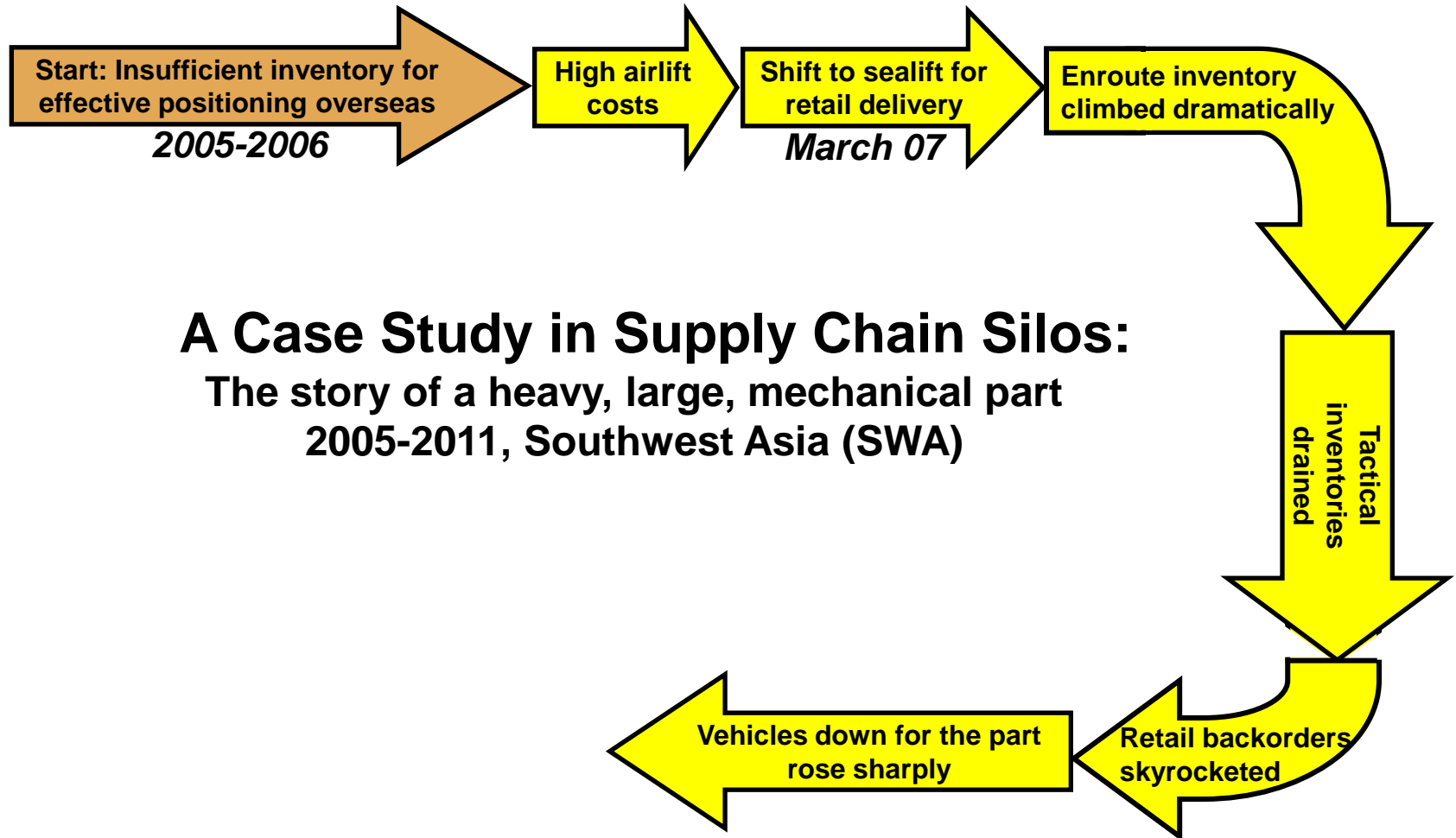
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Uncoordinated Actions Get Magnified as They Propagate through the Supply Chain



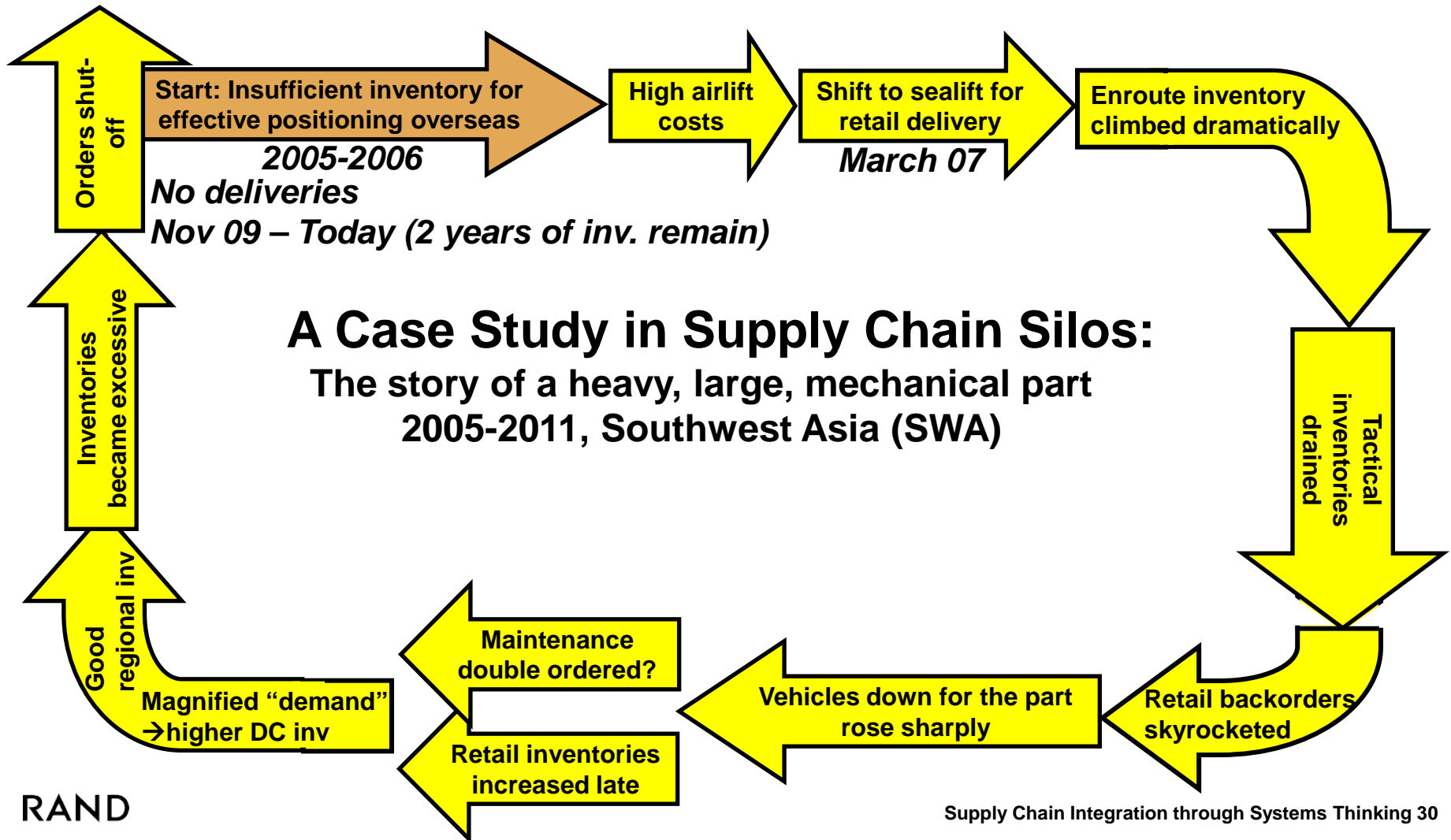
A Case Study in Supply Chain Silos:
The story of a heavy, large, mechanical part
2005-2011, Southwest Asia (SWA)

Uncoordinated Actions Get Magnified as They Propagate through the Supply Chain



A Case Study in Supply Chain Silos:
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Uncoordinated Actions Get Magnified as They Propagate through the Supply Chain



While Intent Was for Supply Chain Integration, Silo Thinking Overwhelmed the Systems Perspective

- **DoD logistics memo released with intent to reduce total costs**
 - **Through smart reductions in airlift use**
 - **Enabled by increased sealift use from**
 - **Overseas stockage improvements**
 - **Diversion of low priority shipments**
- **Through a series of misunderstandings, a switch to sealift for a set of critical parts occurred without the other conditions**
- **Led to 4-year series of cascading problems in the supply chain**
 - **Each functional silo executed in isolation, without comms**
 - **Next silo affected one lead-time away**

Without Pervasive, Ingrained Systems Thinking, Silo Views Sometimes “Filter” Guidance

- **A directive may describe an integrated approach**
 - **But implemented by people in functional jobs**
 - **Will they latch on to their part but not the rest?**
 - **“Utilize cheaper sealift vice expensive airlift when mission requirements allow.”**
 - **“divert, wherever practical, items to surface ... This would also involve an extensive review of items and levels we stock forward”**
- **What will keep them focused on the higher level goal?**
 - **Knowledge?**
 - **Metrics?**
 - **Coordinating mechanisms?**
 - **Processes/tools?**

Systems Thinking Needs to Guide Both SC Design and Supporting Reward Mechanisms

- **Some cases involve cross-functional/organizational integration**
 - **Example: High airlift costs for some low-value items**
 - **Systems solution: increase total inv. enabling forward stockage**
 - **Network design that minimizes total costs with same service**
 - **Implementation inhibited by functional/organizational barriers**
 - **Budget lines that cross**
 - **Account types**
 - **Organizations**
 - **Functional metrics**
- **Other typical cases involve level of aggregation**
 - **Shipments vs. flow through a channel**
 - **Item vs. supplier management**
 - **Supplier locations vs. delivery routes**
 - **Weapon system vs. unit**

Ensuring Systems Thinking and Action Comes through Comprehensive Treatment

- **Supply chain design**
- **Leadership emphasis**
- **Incentives: metrics, aligned budget lines, evaluations**
- **Analysis tools**
- **Decision authority**
- **Common lexicon**
- **Career development**
 - **Broadening assignments**
 - **Education and training**
 - **Functional/organizational domain knowledge**
 - **Other service, agency, and function awareness**

Knowledge, Skills, and Abilities Most Valued for Joint, Interagency, Intergovernmental and Multinational (JIIM) Positions Are Instructive

- **Interpersonal skills and other integration skills tend to be of primary importance**
 - **General interpersonal skills: development and maintenance of relationships**
 - **Knowledge of other organizations' capabilities, culture, and processes**
 - **Communication skills**
 - **Conflict resolution and negotiation skills**
- **Critical thinking skills also important**
- **Service or functional expertise provides the foundation**
- **Broadening experiences contribute significantly to competence**

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