

DSC Logistics

***Supply Chain Partnerships:* HOW TO KEEP LOVE ALIVE**

If winning an RFP is like getting married...and the start-up is like the honeymoon...what happens when the "seven year itch" sets in?

According to Ann Drake, CEO of DSC Logistics, the relationship between a company and its supply chain partner is too important to be allowed to become stale or complacent.

"It used to be that supply chain relationships were built on tactical matters," explained Drake. "The decisions and the ideas all flowed one way -- from customer to provider.

"But at DSC, we found that, in the day-to-day experience of managing a customer's supply chain, our people were in an excellent position to see things and learn things that could really help the business," she continued. "We began to take it upon ourselves to capture that information, analyze it, and use it to provide our customers with some answers and ideas. We also began making it a point to learn about our customer's business situation and goals. That was the beginning of our 'customers' becoming our 'partners.'"

Why Collaboration Matters

At a 50th Anniversary Business Symposium hosted by DSC last October, one of the panelists, Dr. Nancy Nix, talked about the value of learning as a critical element of collaborative relationships. Dr. Nix is a professor of supply chain management and the executive director of the Executive MBA program in the Neeley School of Business at TCU and recently was one of the leaders of an in-depth study about collaboration.

"What we found is that companies that have the ability to learn and take that new knowledge and apply it are much more effective in their collaborations," observed Dr. Nix.

Dr. Nix and her associates also found evidence that supply chain collaboration helps companies innovate and adapt more effectively which make it especially important in a business environment affected by intense competition, speed of change, economic and social pressures, interdependent global networks, infrastructure challenges, and supply chain risk.

At DSC Logistics, the roots of a formal process facilitating partnerships and collaboration date back to the mid-1990s when Drake was beginning her tenure as CEO. She and her leadership team developed what is now called the "Strategic Partnership Process" (SPP).

According to Ann Drake, “We believed that too often supply chain relationships were left mainly to chance – and the lack of a process meant that most of the communication and relationship building took place during the first six months, then began to wind down.

“But in an environment of constant and unpredictable change, we are convinced that the partnership has to be ‘dynamic’ – constantly refreshing and redeveloping itself,” she added.

Four Phases of Partnership

In developing its Strategic Partnership Process, DSC identified four phases in the life cycle of a supply chain: designing, integrating, managing, adapting. “Each of the stages is critical to a successful supply chain partnership,” Drake explained.

Phase 1: Designing

“Increasingly, prospective partners come to us at the very beginning of their search. They know their supply chain needs something different – but they don’t know exactly what it is,” said Drake.

What DSC does is focus on the supply chain from "customer back," understanding the business situation and the overall goals as well as potential of the supply chain to help achieve those goals. Many times, an important step in the design phase involves the DSC’s solutions team conducting network modeling to help the customer examine and choose between various scenarios.

"In other cases, companies have already begun their analysis before issuing an RFP. For example, in 2009 a Fortune 500 company worked with a well-known supply chain consultant to analyze the company’s Supply Chain network and develop a master plan. Through a subsequent RFP process, DSC was selected as the company’s lead logistics partner (LLP). DSC then joined the team established by the company and the consultant to refine the design, applying 50 years of supply chain experience to add details around what would become the optimal solution."

Either way, analysis and design take place at both a macro and a micro level. Modeling can be as broad as designing an entirely new network, as specific as validating a network that’s already been designed, or as focused as modeling inventory, transportation, or value-added services.

Phase 2: Integrating

When the network has been designed, Phase 2 begins, which involves implementing the design. During supply chain start-ups – either arising from a totally new relationship or as a result of a major change in the customer’s business situation or strategy (such as an acquisition or an expansion into a new geography) – one of the most challenging aspects is integrating the business processes between the companies and with other partners.

According to Drake, "We recognized the challenges, so like almost everything else we do, we created a process that included work flow and communication."

DSC's start-up process includes:

- Engineering a solution and systems infrastructure to accommodate all Logistics Center and Transportation Management tasks
- A in-depth review of all business rules and systems that govern the processing and flow of orders from receipt to storage and from picking to delivery
- Identifying opportunities for business process improvement as part of the startup
- Understanding and integrating our partner's requirements and their customers' requirements into the Logistics Center and Transportation processes and systems
- Establishing effective, value-added communication and a collaborative decision-making process between the customer and DSC

"Having a well-executed and well-documented process in place avoids problems and eliminates a lot of headaches down the road," said Drake

Phase 3: Managing

This phase involves the day-to-day management of the supply chain, including Logistics Center operations, transportation, and a number of other activities, including value-added services.

DSC's supply chain management approach focuses on people, processes, and technology. Over the past 15 years, DSC has put attracting, hiring, developing and training the right people at the top of the priority list. There are consistent leadership criteria and a process that involves an industrial psychologist to make sure future leaders have not only the skills and experience needed to be a capable leader, but also the cultural alignment – which includes being able to communicate and collaborate effectively.

DSC's commitment to process management is the foundation for consistent performance across the network. And these processes are supported by technologies that combine the best of DSC's proprietary systems with the best-of-the-industry systems for transportation management, labor management, warehouse management, and yard management.

Part of the ongoing partnership in the managing stage is to agree upon performance metrics – in terms of service, quality, efficiency, and safety, among others – and to communicate those regularly with visibility and transparency.

Phase 4: Adapting

Even with the best-planned and best-executed supply chain, there are countless situations that require supply chain professionals to be responsive and resourceful. DSC emphasizes this “ready-ness” – based on a strategy, structure, and culture called “sense-and-respond” – should be taking place at all levels of the organization.

By being alert and open to change, employees in DSC’s Logistics Centers have generated ideas with significant benefits to their customers. For example, one individual in the field whose job it was to stack boxes for a customer’s endcap display noticed that with a slight adjustment to the size of the packaging, a pallet could be loaded more efficiently, eliminating the cardboard being used to even out the stacks. The modification was made and the resulting annual cost saving to the customer was \$750,000.

DSC encourages this type of “dynamic management” with a process the company calls APEX – Achieving Performance Excellence. This process charts a path by which good ideas can become Best Practices.

Dynamic management is equally important at the strategic level. DSC’s strategic partnership team members are the drivers of innovative thinking and supply chain improvements for DSC customers.

Drake pointed out that it is during phase three that some relationships come to a standstill – but “actually, when a supply chain is up and running is exactly the time when the fourth phase of the Strategic Partnership Process becomes most important.”

Built into the Strategic Partnership Process is the stage where DSC leaders apply their knowledge, experience, and new learnings to address the customer’s changing needs.

“The adapting phase is where pro-active thinking comes into play,” said Drake. “We say, ‘OK...the supply chain is up and running. It’s going well – but what’s next? What do we need to do better? What’s likely to change?’”

“All of this comes down to understanding the customer’s business situation, goals, and needs -- and understanding that needs change,” cautions Drake.

DSC’s Strategic Partnership Process cycles back around to communication and collaboration, reviewing the changing circumstances and goals. DSC carries this forward in many different ways, including top-to-top meetings, quarterly reviews, and data-sharing through technology, including a proprietary program known as ASK! (Advanced Supply Chain Knowledge), a web-based tool that facilitates visibility into the supply chain in a real time format.

The Next Dimension of Collaboration

One of DSC's Advisory Board members, Ralph Drayer, former chief logistics officer for Procter & Gamble and P&G's first vice president, Logistics and Customer Service, sees new forms and increased levels of collaboration as the next big sea change in supply chain management. "This change is going to come from exploiting web-based technology to drive the use of collaboration to strategically transform the supply chain," said Drayer. "Significant efficiencies can be gained by linking the supply chain and removing unnecessary inventory, variation and cost and dramatically reducing cycle times to create an 'extended enterprise.' "

"In this extended enterprise environment, a couple of things happen," he continued. "There is a tremendous sharing of information across the entire supply chain. There's visibility and access to information that doesn't exist today. So, real time responsiveness and collaboration outside the physical walls of the enterprise are the new areas for value creation."

Whether through new technology or through more established ways of communication and collaboration, the Strategic Partnership Process opens an opportunity for DSC to bring new ideas to its customers.

According to Drake, "A customer once said to me, 'Keep challenging us. Keep asking us questions and getting us to focus on where we want to be in 5-10-15 years. We might not know the answers right away -- but it keeps us thinking.'"

An outgrowth of this Partnership Process and a new "frontier" for DSC in the area of collaboration is the annual Partners Summit. Now in its third year, the Summit brings key customers together to exchange ideas about challenges, strategies, and Best Practices.

"A lot of people are comfortable with the idea of collaborating in 'safe' zone,' i.e, with their suppliers or their vendors," explained Drake. "But what we've introduced for our key partners is a forum for networking with peers from other leading companies."

"We're beginning to define our business not just as "supply chain management" but as dynamic supply chain leadership," said Drake. "It's 'leadership' because our customers are looking to us for ideas and perspectives that will help take them into the future. And "dynamic" because if there's one thing we know for sure, it's that the world ahead will be a whole lot different than the one we're used to."