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LQ

Ideas for Leadership in Logistics

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INSIDE: CUSTOMS CONNECTION NEWSLETTER

The Council of Logistics Management Toronto Roundtable's Symposium

The Future of the Transportation Industry

CLM panel members: (left to right, front row): Carol West, president of the Canadian Society of Customs Brokers; Dan Goodwill, vice president, Business Development, QuikX Group of Companies Inc.; (back row) Patrick Byrne, senior partner, A.T. Kearney, Washington, D.C.; Dan Einwechter, president, Challenger Motor Freight; John Smye, CEO, Nadiscorp Logistics Group.

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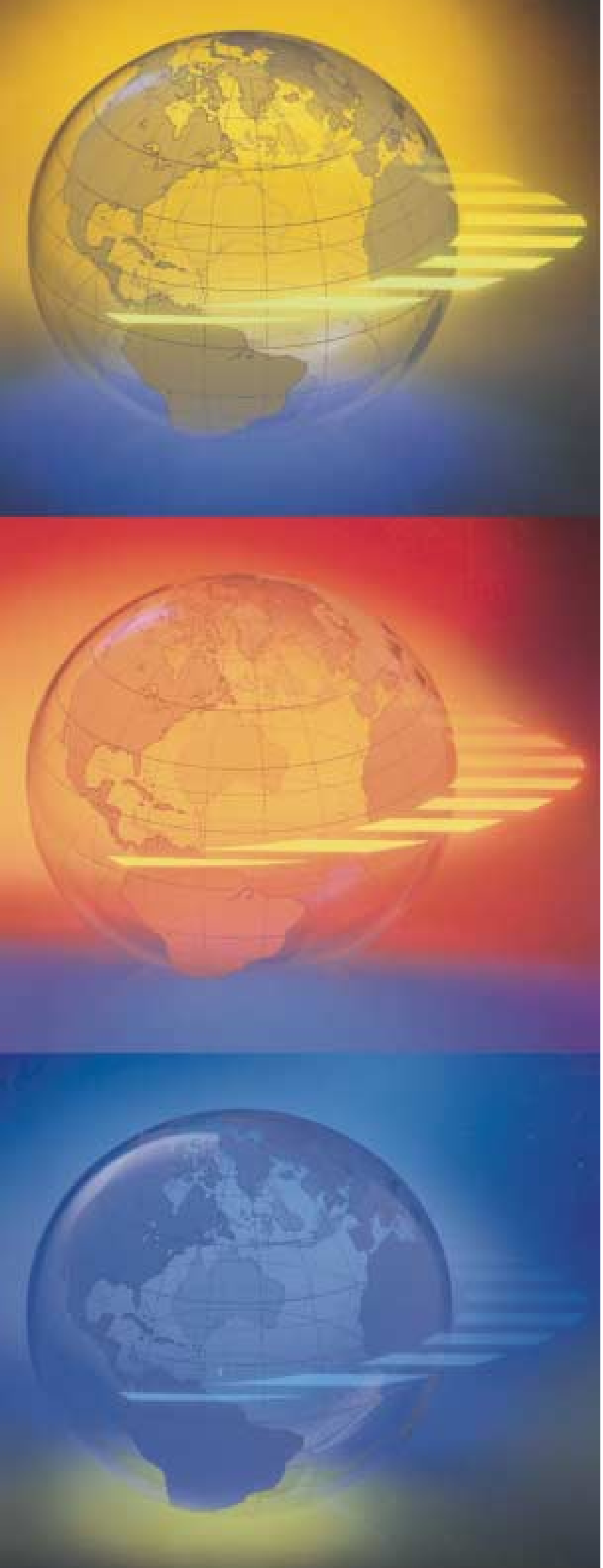

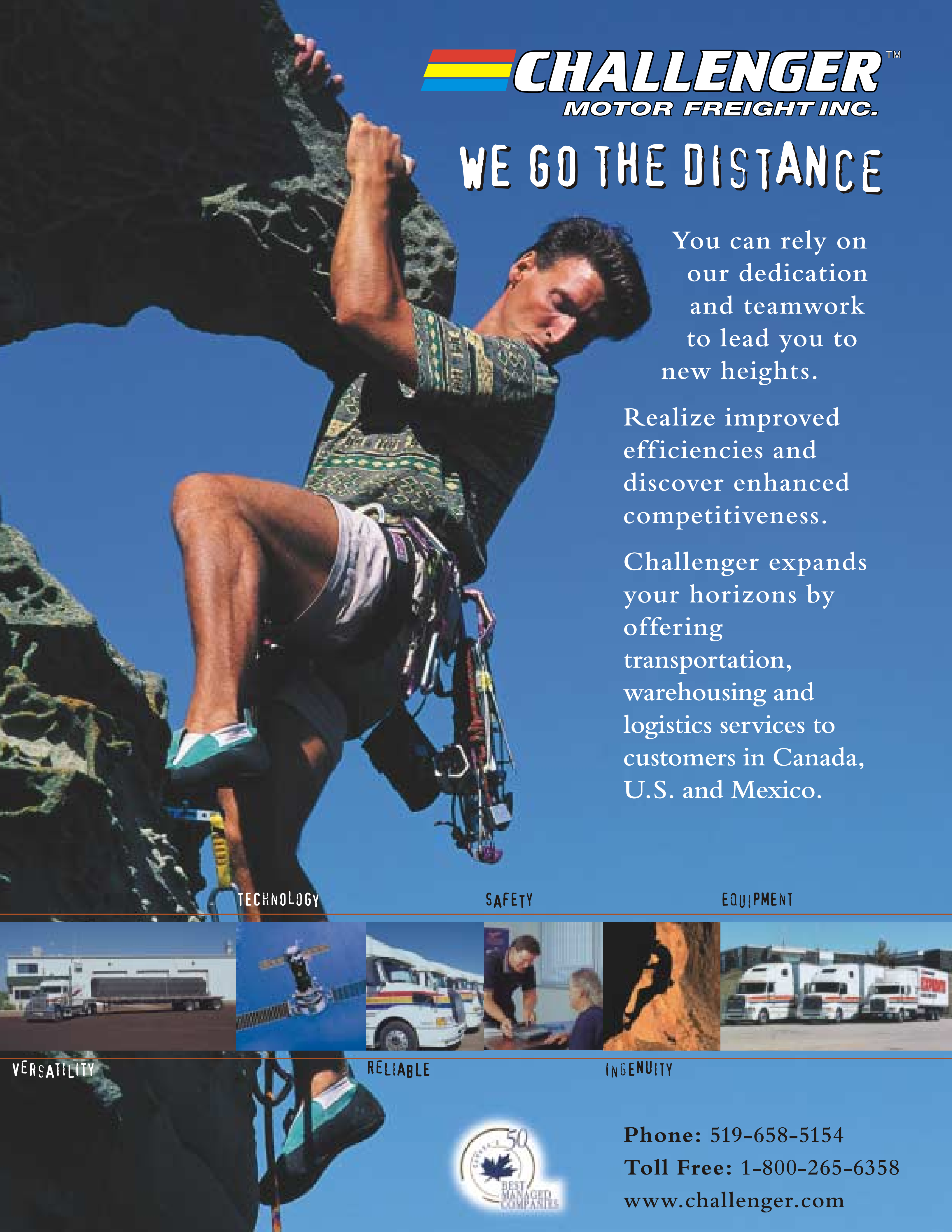
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News

Council of Logistics Management, Toronto Roundtable's Air Canda Cargo Tour

Add CLM Toronto Roundtable's Tour of Air Canada's newly opened state-of-the art Cargo Terminal at Toronto's Lester B. Pearson International, to your calender.

May 15th, 5:30 p.m. Pearson Cargo Facility

Toronto is Air Canada's cargo hub and the new terminal allows Air Canada to handle growing volumes with increased efficiency and enhanced customer service. This CLM tour presents an opportunity to see how.

This new facility rivals the most modern cargo operations in the world today. The automated technology, combined with a vastly increased storage capacity, allows Air Canada to move more freight more quickly, while the ICS Inventory Control System and AS/RS Automated Storage/Retrieval System and the use of bar code labelling, guarantees the sure tracking of every shipment Air Canada handles. The work environment for employees is modern, clean and bright. There are new furnishings and adequate space for customers and employees alike. This is an exciting step towards the future as Air Canada Cargo enters the new millennium!

Some main features to look forward to are:

- Access to accurate information about the location of equipment.
- More truck bays, enhanced truck interface equipment.
- vastly increased storage capacity, with ICS Inventory Control System.
- The AS/RS Automated Storage/Retrieval System will result in shorter wait times.
- Redesign of Customer Counter for optimum efficiency, closer to the main entrance.
- Separate live-handling areas for Import and Export.
- Enhanced security for every stage of cargo handling.
- A more customer friendly atmosphere with new furnishings and adequate space.
- Increased efficiency in dealing with all customer needs, by telephone or in person.

To join CLM on this exciting tour and learn more, register for this CLM event by emailing **Sylvia Bavaro** at **sbavaro@dc.com**. Sylvia can be reached to confirm or cancel a registration by calling **416-874-3144**. Or mail your registration to: Sylvia Bavaro, CLM Roundtable, c/o Deloitte, BCE Place, 11th Floor, 181 Bay St., #1100, Toronto, ON M5J 2V1

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President's Viewpoint

Good to Great

Opportunities. The Logistics Institute is highly entrepreneurial. Opportunistic is the key characteristic; "building the business" is the primary directive.

Staff are encouraged to be self-directed opportunists, dedicated to the success of the Institute. Personal achievement involves accepting risk, and satisfaction comes from winning in the end, despite the odds. We continue to earn our place in the world through skill, knowledge, character – and luck.

Luck was once described to me as "an opportunity that comes our way." Good luck is "opportunity grasped." As indicated in the last letter, the Institute has the good fortune of facing several significant opportunities to realize its mandate of professional certification in logistics throughout the world.

In all honesty, these opportunities are daunting, even a bit frightening. We are a "small operation" of five people, but we have an immensely powerful Gateway. Going "dot com" in 2000 has brought the world to us in 2002. The challenge is living up to the expectation.

Most of these opportunities came to us. We do not advertise; nor do we solicit. Members and directors, recognizing the value of their profession, speak with pride of their Institute whenever and wherever possible. As a result, people from far-flung places knock on our door.

One such opportunity launches the Institute into the meta-world of Peace, Prosperity and Productivity. We have been invited onto the board of directors of the World Confederation of Productivity Science (WCPS), and we thank David Poirier, our "chair emeritus," for opening this door.

This WCPS is a "non-government organization" (NGO) with UN status. It sponsors a world congress every two or three years focused on building peace through prosperity by implementing productivity values and principles. In the context of global trade, logistics/supply chain are core to productivity.

As part of the WCPS, the Institute enters the mainstream of global awareness. We will help organize World Congress XIII, and develop several conference tracks. This is our opportunity to stand before the world's leaders and speak about

- the strategic importance of logistics to building prosperity (wealth creation),
- the need for professionalism in developing productive and skilled practitioners,
- the role of the Logistics Institute as a model to be emulated in terms of labour market development, professional development, and leadership accountability.

Good to Great. The benefits of this new association with the WCPS are even now being realized. At the board meeting in New York City on February 14-15, WCPS President, Scott Sink, gave the directors a copy of the book *Good to Great* (Harper Collins, 2001), by Jim Collins. The insights in this book are worthy of consideration. This is the first in a series of my reflections on *Good to Great*.

As many of you know, I do not particularly like "management books." For entertainment, I'd rather read the chapter in Heidegger's Sein und Zeit titled "Preliminary Sketch of the Existential-Ontological Structure of Death," in the original German, than read "yet another great" management book.

For instance, Collins' first book ***Built to Last*** has no appeal for me. Billed as the "defining management study of the nineties," it showed how great companies triumph and how sustained performance can be engineered into the DNA of an enterprise. To quote my nephew, "Who gives!"

I consider *Good to Great* a "counter-culture book." It was born out of criticism lobbed at the first book: *Built to Last* is useless. "The companies you wrote about were, for the most part, always great. They never had to turn themselves from good companies into great companies…What about the vast majority of companies that wake up partway through life and realize that they're good, but not great?"

Using tough benchmarks, Collins and his research team identified 11 companies that made the leap to great results and sustained those results for 15 years. How great is great? After the leap, the good-to-great companies generated stock returns that beat the general stock market by an average of seven times in 15 years. This is better than twice the results delivered by a composite index of the world's greatest companies, including Coca Cola, Intel, General Electric and Merck. Few of these 11 companies are household names; none was led by a "larger than life" leader.

Pearls of wisdom pervade *Good to Great*. It is not a "how to" book; there are no formulas. There are surprises, however, and the challenge to any reader of this book is to be open to the unexpected.

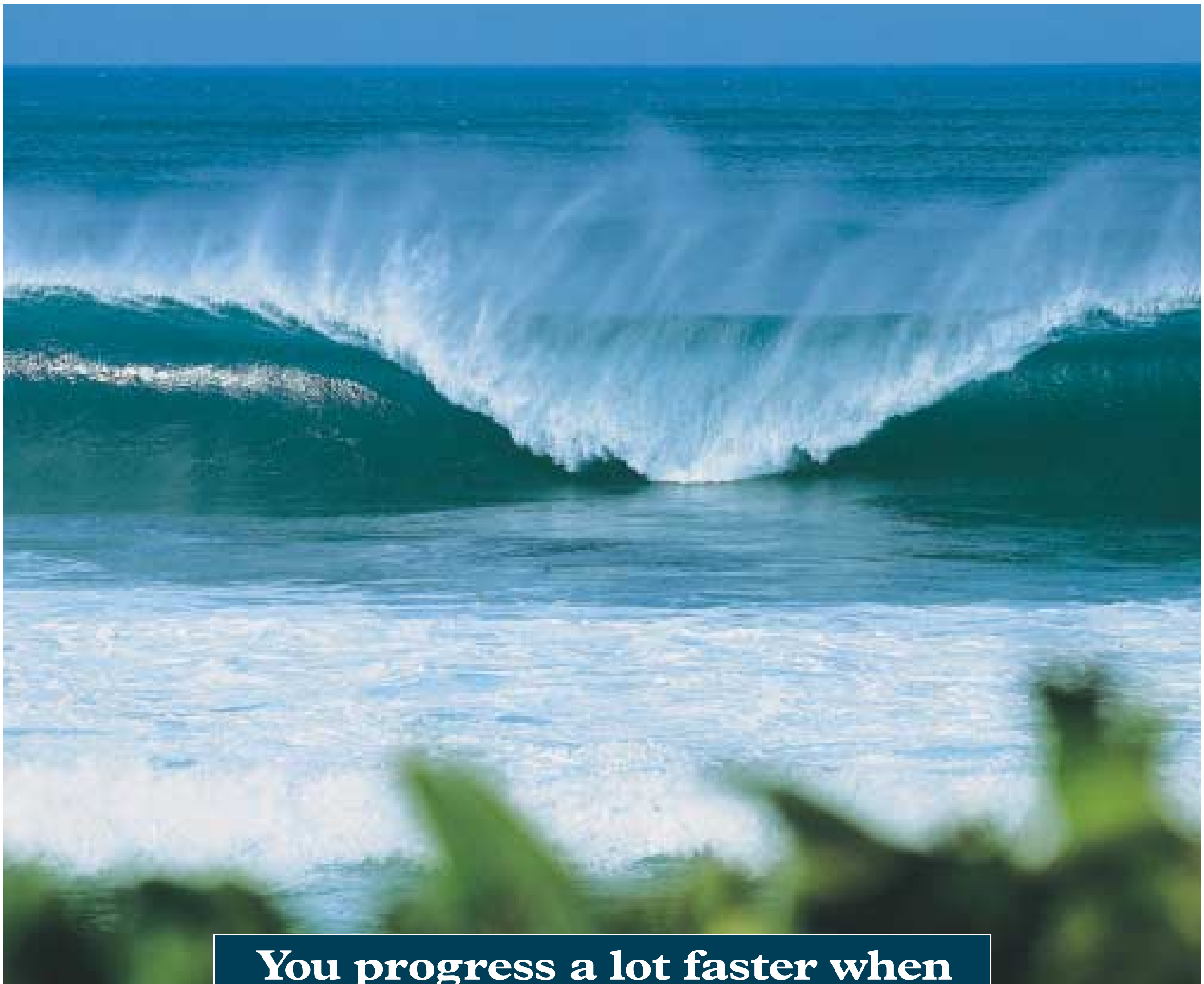
Good is the Enemy of Great. We don't have great schools, principally because we have good schools. We don't have great government, principally because we have good government. Few people attain great lives, in large part because it is just so easy to settle for a good life. The vast majority of companies never become great, precisely because the vast majority become quite good – and that is their main problem.

That good is the enemy of great is not just a business problem. It is a human problem. What does it take to turn good to great?

What's Different? Sifting through mountains of data over five years, Collins and his team kept asking, "What's different about these 11 good-to-great companies, compared to others in their field?"

The first insights were the "witness of silence," or as Collins puts it the "dogs that did not bark," alluding to the Sherlock Holmes story *The Adventure of Silver Blaze*. What the researchers did not find provided the best clues to the inner workings of good-to-great:

- larger-than-life, celebrity leaders who ride in from the outside are negatively correlated with taking a company from good to great
- there is no systematic link between executive compensation and going from good to great



- strategy per se does not play a significant role; there was no evidence that these companies spent a lot of time on long-range planning
- good-to-great companies focus equally on what not to do and on what to stop doing, as on what to do
- technology has virtually nothing to do with igniting a transformation from good to great; technology can accelerate the process but cannot cause the transformation
- mergers and acquisitions play virtually no role; two mediocrities joined together do not make one great company
- good-to-great companies do not focus on managing change, motivating people or creating alignment; under the right conditions, the "problems" of commitment, alignment, motivation and change are not really "problems;" they are the way of doing business successfully
- good-to-great companies had no name, tag line, launch event or program to signify their transformation; some were even unaware of the magnitude of the transformations while doing them; they produced revolutionary leaps in results, but not by a revolutionary process
- good-to-great companies are not generally in great industries; greatness is not a function of circumstance (right place-right time), but largely a conscious choice.

The Framework. The transformation from good to great is a process of buildup followed by breakthrough. This process entails three stages, and for each stage there are two key indicators:

Stage	Key Indicator
Disciplined People	Level 5 Leadership First Who….then What
Disciplined Thought	Confront the Brutal Facts Hedgehog Concept
Disciplined Action	Culture of Discipline Technology Accelerators

Level 5 Leadership: Compared with high-profile leaders with big personalities who make headlines and become celebrities, the good-to-great leaders seem to have come from Mars. Self-effacing, quiet, reserved, even shy – these leaders are a paradoxical blend of personal humility and professional will. They are more like Lincoln and Socrates than Paton or Caesar. Ultimately, leadership is about character, as well as skill and tenacity.

First Who…Then What: Good-to-great leaders first got the right people on the bus, the wrong people off the bus, and the right people in the right seats – and then they figured out where to drive it. The right people are our greatest assets.

Confront the Brutal Facts (Yet Never Lose Faith): The Stockdale Paradox – you must maintain unwavering faith that you can and will prevail in the end, regardless of the difficulties and at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be. The greatest fear we face is ourselves: our lack of self-confidence, and our lack of honesty about ourselves to ourselves.

Hedgehog Concept: Just because something is your core business…does not necessarily mean you can be the best in the world at it. And if you cannot be the best in the world at your core business, then your core business absolutely cannot form the basis of a great company. We must transcend the curse of competence – personal, intellectual, corporate, social and otherwise.

A Culture of Discipline: When you have disciplined people, you don't need hierarchy. When you have disciplined thought, you don't need bureaucracy. When you have disciplined action, you don't need excessive controls. When you combine a culture of discipline with an ethic of entrepreneurship, you get the magical alchemy of great performance. Discipline + risk + opportunity = success.

Technology Accelerators: Technology is never the primary means of igniting transformation. Technology is never the root cause of greatness or failure. Good to great leaders are pioneers in the application of carefully selected technologies. Technology does nothing; it only enables us to do what we should be doing anyway.

Read On. Those who launch revolutions, dramatic change programs, and wrenching restructurings will almost certainly fail to make the leap from good to great. No matter how dramatic the end result, the good-to-great transformations never happened in one fell swoop. There was no single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembled relentlessly pushing a giant heavy flywheel in one direction, turn upon turn, building momentum until a point of breakthrough and beyond.

Nothing beats the satisfaction of succeeding through relentless hard work. Next time: Level 5 Leadership.

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James S. Keebler

CHANGES IN THE U.S. TRANSPORTATION OF GOODS

Recent Transportation Statistics

Every four years the U.S. Department of Transportation collects data on domestic and export-bound freight shipments. The most recent years for which the Bureau of Transportation Statistics has published data are 1993 and 1997. Updated information for 2001 should be published by 2003. Trends established by the 1997 statistics are expected to continue into 2001, especially the increases in parcel, postal and courier shipments, and the value of goods moving as air freight. Between 1993 and 1997, the value of U.S. shipments grew by 17.4%. Tons shipped grew by 14.0%. Ton-miles increased by 10.1%. Transportation data by mode is presented in Tables 1, 2 and 3.

Table 1
Value of Shipments†
Domestic and Export-Bound Freight Shipments within the US

	1997 Value	1997 % of Total Value	1997 vs 1993 Growth in Value
Truck	5519	69.4%	14.4
PPC	866	10.9%	40.3
Other/Unk	448	5.6%	58.2
Rail	383	4.8%	5.9
Pipeline	330	4.1%	-3.1
Air	213	2.7%	40.1
Water	196	2.5%	-1.0
Total	7955	100.0%	17.4

Value of Shipments In $ Billions, inflation-adjusted
PPC = Parcel, postal & courier

Table 2
Tons Shipped†
Domestic and Export-Bound Freight Shipments within the US

	1997 Tons	1997 % ofTotal Tons	1997 vs 1993 Growth in Tons
Truck	7992	58.3%	25.2
Rail	1539	11.2%	-2.9
Pipeline	1881	13.7%	0.6
Water	1523	11.1%	3.9
PPC	25	0.2%	30.6
Other/Unk	754	5.5%	6.7
Total	13719	100.0%	14

Tons of Shipments in Millions
PPC = Parcel, postal & courier

†SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, 1997 Commodity Flow Survey: United States, EC97TCF-US, (Washington, DC: 1999)

Table 3
Ton-Miles Shipped†
Domestic and Export-Bound Freight Shipments within the US

	1997 Tons-Miles	1997 % of Total	1997 vs 1993 Growth
Truck	1095	27.9%	25.9
Rail	1051	26.7%	7.2
Pipeline	690	17.6%	7.6
Water	802	20.4%	-3.1
PPC	19	0.5%	40.8
Other/Unk	267	6.8%	14.4
Total	3930	100.0%	10.1

Ton-Miles of Shipments in Billions
PPC = Parcel, postal & courier

The Impact of Electronic Commerce

The real purpose of a supply chain is not to help companies get rid of products in their inventories but to help customers find and acquire them efficiently. Electronic commerce (e-commerce) has significantly changed the way companies "go to market." The Internet provides an opportunity for supply chains to work 24 hours a day, seven days a week, in all countries using the language of the customer to effect an exchange of values. The power of the Internet lies in its capability to connect companies, their trading partners and consumers easily, quickly and inexpensively. The impact of the Internet on the supply chain is nothing less than profound in its contribution to improved planning, improved asset management, shorter cycle times, tailored product positioning, and customer service. Adoption of the new technologies that enable this capability has been at a remarkably fast rate.

The concepts of aggregation of purchases, inventories, orders and shipments and slower cycle times to achieve logistics economies are being challenged by the e-commerce enabled supply chain. Concepts of make-to-customized order, transact in units of one or a few, and complete the fulfillment within hours, not weeks are being widely adopted. More and more, customer expectations for "overnight deliveries" will shift truckload to less-than-truckload deliveries and dramatically increase the freight moved by parcel delivery companies.

Shifts in the U.S. economy toward more services and high-value, low-weight products are influencing the mix of commodities, even as overall shipments increase. Such shifts affect the average value by unit of weight of commodities shipped (e.g., personal computers have a much higher value per ton than lumber). On average, a ton of goods shipped in 1997 was valued at $580, a slight increase from $563 in 1993 (both in constant 1997 dollars) (USDOT BTS 1998).

New Global Supply Chains

Changes in how and where goods are produced, and increase in international trade, have contributed to the rise in freight tonnage and ton-miles over the past few years. For example, the manufacture, assembly, and sale of a single product may involve several different facilities located hundreds or even thousands of miles apart. The importance of international trade to the U.S. economy can be seen in the increased value of U.S. merchandise trade in recent decades. Between 1980 and 1997, the real-dollar value of U.S. merchandise trade more than tripled, from $496 billion to $1.7 trillion (in 1997 dollars). In addition, the ratio of the value of U.S. merchandise trade relative to U.S. GDP doubled from about 11 percent in 1980 to 23 percent in 1997 (USDOC ITA 1999). During the past two decades, changes can be seen in the geography of trade. Trade with Asian Pacific countries grew greatly. In 1997, five Asian countries were among the top 10 U.S. trading partners, despite a slight downturn in trade in the second half of 1997 related to economic problems in the region. These five countries accounted for 26 percent of overall U.S. trade in 1997, up from 17 percent in 1980. Canada and Mexico were the first and third largest U.S. trading partners in 1980 and in 1997. While the rankings remained the same, the U.S. trade relationship with these two countries deepened. In 1980, Canada and Mexico together accounted for 22 percent of all U.S. trade by value. By 1997, this had increased to over 30 percent (USDOC Census FTD 1997). Canada accounts for approximately 20 percent and Mexico 10 percent of U.S. merchandise trade. U.S. trade with Mexico has grown more quickly than with Canada, and in 1997 Mexico surpassed Japan as the second largest market for U.S. merchandise exports (although Mexico remained the third largest trading partner overall). Between 1993 and 1997, trade with North American Free Trade Agreement (NAFTA) partners increased 62 percent in current dollars, from $293 billion to $475 billion. During this same period, U.S. trade with Mexico grew most rapidly, almost doubling from $81 billion in 1993 to $157 billion in 1997 (USDOC 1998, table 1323; USDOC Census FTD 1997). Changes over the past two decades also occurred in the commodities traded. Higher value manufactured goods now dominate U.S. trade, accounting for $1.3 trillion or 85 percent of the value of all merchandise trade in 1997. Of these goods, motor vehicles, computers, telecommunications equipment, and aircraft are among the top U.S. import and export commodities by value. While the value of manufactured goods increased as a share of U.S. trade, the share of agricultural commodities declined from 13 percent in 1980 to 6 percent in 1997. Mineral fuels accounted for approximately 6 percent of the value of U.S. trade in 1997, primarily imports of crude petroleum and petroleum products (USDOC ITA 1999).

In terms of commodities, motor vehicles and motor vehicle parts and accessories dominate trade between all of the North American countries. Other leading North American trade commodities include consumer electronics, telecommunications equipment, and aircraft equipment and parts. In addition, crude petroleum, natural gas, and petroleum products are important U.S. imports from both Canada and Mexico. Mexico is also a chief source of U.S. imports of clothing and textiles, while paper products, furniture, and wood products are among leading U.S. imports from Canada.

In their search for new markets and customers as well as more favorable sources of supply and production sites, U.S. companies have been pursuing globalization strategies as a means of insuring access to resources and growth in revenues. Joint ventures and strategic alliances with trading partners around the world are characteristic today of major American companies. Elimination of country tariffs and quotas and simplification of trade documentation has been pursued by the U.S. government and trade organizations. Market defensive strategies are being replaced by market prospecting strategies where the goal is to establish supportive, interdependent business relationships and influence emerging industries, technologies and supply chains.

New Technologies

Technologies exist today that can be used to create more effective and efficient supply chains. Examples include bar coding, scanning, data warehousing and data mining architectures and software systems, and use of the Internet to connect trading partners and customers. Applications of radio frequency and computer directed storage and handling systems, of satellite supported ground positioning systems (GPS) for tracking and expediting shipments, and of point of sale and point of use capture of demand data are examples of 'new' technologies being used. Progress toward improved supply chain management does not appear to be limited or propelled by available technology as much as the capability and desire of management to establish strategic, and mutually beneficial multi-firm relationships.

Emerging New Forms of Supply Chain Management

Today, Internet-based catalogues offer everything from consumer electronics, luxury goods, sporting gear, freshly produced foods, prescription medicines, and replacement parts. Demanding customers are expecting overnight delivery of this Internet-based e-commerce.

This can occur out of a network of market-based distribution centres filled with inventory, or more cheaply out of fewer fulfillment hubs, requiring much less inventory, where overnight delivery is still possible. Parcel express companies, like Federal Express and UPS are developing sophisticated new software for customer order fulfillment and electronic warehousing at strategic "pick and pack" hubs. Orders placed today over the Internet can be delivered anywhere in the U.S. from locations in Seattle, Memphis or Lexington. International shipments can be cleared by customs electronically before they land, overnight or the next day, in the destination country. Pick up and delivery carriers can be coordinated electronically on both ends to schedule the quickest and least expensive movements. The supply chains of tomorrow will be supported by virtual logistics networks where manufacturers and their suppliers and customers, repair vendors, delivery companies, and logistics service providers will be connected electronically via virtual data centers and web interfaces on the Internet. Internet-based collaborative relationships will provide enterprise-wide and supply chain visibility for improved planning and execution.

As we head into this new millennium the movement toward globalization, with emerging markets, cheaper supply sources, and new trading partners, is compelling enterprises of all sizes to build alliances and on-line commerce systems that efficiently deliver products to customers while providing a worldwide view of operations. Virtual along with traditional organizations are developing new strategies to track orders and react to changes in real time in handling and transporting materials as they move across the supply chain from originating suppliers to end customers.

The goal is to electronically link the entire forecasting, planning, sales, procurement, production, delivery, freight payment and revenue collection processes into one seamless flow of information across national borders, time zones, and differing languages, creating a global view of the supply chain flows. Transportation and fulfillment providers, including Federal Express, UPS, Sea Land, DHL and SkyWay, are opening up their systems allowing e-commerce vendors to access, track, and communicate logistics information in a variety of innovative ways. Web casting and publish/subscribe techniques allow all interested parties to be alerted to situations requiring their attention. This includes changes in customer demand, order revisions and cancellations, adjustments in quantity and/or locations for deliveries in progress, customs clearance problems, and on-time delivery or installation issues. An integrated, virtual solution can diagnose when a critical piece of equipment is about to fail, can tell when a hub is short of replacement or repair parts, and also locates the source of the problem, whether it is due to an en-route delivery, warehouse situation, or change in the scope of an order. These new Internet-based solutions have the potential to all but eliminate the strategic role of distribution centers for replacement parts, putting the emphasis on moving information, not parts. This new capability provides for dynamic decision opportunities, or fixing problems before they arise.

Automated online personalities that emulate human customer service representatives will become widespread in the Internet at a much lower cost than traditional support functions. These web-based "virtual reps" will be able to react to customer inquiries and handle frequently asked questions twenty-four hours a day, seven days a week, in any language.

Internet-based, extra enterprise-wide e-commerce applications are part of a fundamental shift in how computing is being applied to the business of managing logistics across the trading landscape. New strategies and software to support those strategies are being developed, tested and implemented in order to help companies to find the best balance between demand opportunities and supply constraints while enabling effective, controlled logistics execution. As trading partners work together to improve the overall performance of their supply chain, they are beginning to discover the solution might just be a virtual reality.

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Feature

Nicholas Seiersen

E-PURCHASING COMES TO CANADA

Some would say it has already arrived, but the truth is a mere handful of large companies are pioneering this very new way of doing business here. They are trading with a pocketful of vendors that have been drawn online by these big customers. If you are a mere "typical" Canadian company, should you be e-purchasing too?

What is e-purchasing, and why should you care? It has two roots. The first is the **indirect buy** that has generated the most hype. By channeling all of large companies' purchase volume in commodities such as office supplies or janitorial supplies, to single vendors:

- preferred terms can be negotiated,
- electronic catalogues can be built where only approved products are offered,
- electronic workflow can be used for approvals and transmission to suppliers.

The user prepares a requisition or purchase order with all the ease of online shopping with a browser, the request is automatically routed for electronic approval up the chain of command, and when the last approval has been given, the order is transmitted directly to the supplier. Online confirmations, ASNs, bill presentment or ERS, Pcard charges can be used to streamline the back-end processes. Such systems claim to reduce the cost to process a Purchase Order from benchmarks of $120 - $180 to a fraction, typically $20-$50. Since these savings are made in "fingernails across the organization" (a small amount of time spent by many different people), the real cash saved through payroll reduction is considerably lower. When you come to count the actual savings, they may have gone home early or used the time you saved them to do something else.

The other e-purchasing root is in **direct purchases**. These have typically had the attention of purchasing and senior management, with strategic sourcing to preferred vendors. Here, a new branch of e-purchasing called e-sourcing has been invented. These tools allow buyers to host reverse auctions and electronic RFx's (Requests For Information, Proposals, Quotes, etc.) Potential vendors are pitched against each other in a real time, price based fisticuffs. Early adopters boast price reductions of up to 40 per cent and even more.

Both these types of e-purchasing have a major challenge: **Vendor readiness**. For these great opportunities to deliver, the supply base must be "on-boarded," connected electronically to their customers. Just as few Canadian buyers are e-purchase ready, not many Canadian suppliers are online and ready to build online catalogues and accept purchase orders. Like the early users of telephones, faxes, or even e-mail, these systems are not much use until there are enough connections to communicate with. The early adopters praised above are strong-arming their preferred suppliers to onboard, and now even the Provincial and Federal governments are getting into the game. The e-purchasing software vendors are discovering unique Canadian issues such as federal bilingualism and its impact on content and catalogue management, a different dollar, and the delights of GST, PST, QST and HST.

E-Sourcing poses a different set of challenges for suppliers. The tools are easy to learn and to use, but the live ambiance can feel a lot like gambling. Suppliers must understand how far they can go before they get online. Helping your preferred suppliers keep out of trouble may be the best thing you can do to ensure continuity of supply at the quality you expect. Make sure you deal with a reputable host for your e-sourcing events, as technical difficulties will at best destroy the competitive dynamics and could discredit your entire initiative. Take the time to verify that all your participants have received the training (often on-line) and demand that all participants come to a "mock event" where everyone gets to try there hand a fictitious bid to check the technical environment and to see how the software behaves.

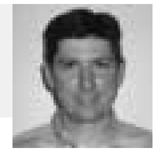
For the buyer, you usually get what you seek. If you threw a bundle of products you buy at a bunch of suppliers you may have done business with, you will probably get inconsistent bids for items that you might never want for free. The really successful events are the result of extensive preparation:

- Selecting the commodities that represent real opportunities in your business starts with large spend, poorly leveraged supplier arrangements, easily substitutable products from a large supplier base.
- Competitive intelligence on "benchmark" prices can also highlight where you can expect to save most money, but this information is very difficult to obtain.
- Determining the desired outcome is critical – a bid designed to squeeze better costs out of your incumbent supplier will be designed differently from a bid seeking new global suppliers. Pure price concessions are not obtained in same way that higher supplier value propositions are, such as performance guarantees or collaborative new product development.

An e-sourcing event without a clearly thought out strategy will yield haphazard results that will pose a real challenge to implement effectively and profitably for the buyer.

(Continued on page 24)

Feature



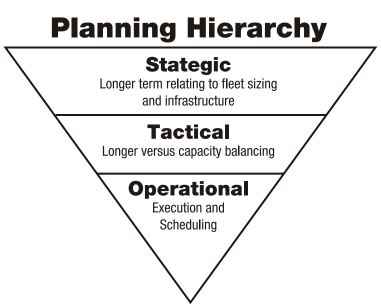
Paul Holland

ASSET PLANNING USING SUPPLY CHAIN OPTIMIZATION TECHNOLOGY

Depending on the mode and position in the industry, it is not uncommon for truck and rail companies with revenues greater than $500 million to budget upwards of $100 million on asset operating costs annually. Improving asset utilization continues to present an opportunity and a challenge for these companies as they look to reduce operating costs. An opportunity exists for substantial financial savings through improved asset utilization as asset costs account for a significant portion of operating budgets. The challenge, however, is to achieve the results while enabling revenue growth and improving service reliability. The solution for transportation companies is to obtain quality planning information which strikes a balance between revenue growth, cost reduction and service reliability. Today's solutions are delivering savings of 5-15 per cent of operating costs.

Advance Planning Technology

Advance planning technology can enable and enhance an organization's capability to develop reliable tactical plans. Tactical planning is defined as the ability to balance load versus capacity over an extended time horizon; traditionally a "blind spot" for many large carriers. In addition, advance planning can improve and extend an organization's capability to plan operationally as an information-rich environment is created. Operational personnel now have visibility to forthcoming asset requirements and can apply this information in their day-to-day decision making process to augment their intuition and experience.



Leading transportation companies are beginning to use supply chain optimization software as their advance planning technology solution. Supply chain optimization software uses advanced algorithms and emerging information technology to model supply chain networks and resolve complex problems against multiple constraints. Within a transportation network, the optimization algorithms focus on maximizing demand fulfillment of a carrier's primary service while minimizing costs related to empty asset moves. The application of this technology is intended to improve asset utilization, increase revenue and improve service reliability. The high level of configurability of the software allows it to emulate a transportation asset network and produce tactical asset plans for truck, intermodal or rail.

Components of the Technical Solution

There are three main data elements required by the software, a network model, asset inventory data and demand information. The network model is built through a data representation of an organization's transportation network. Facilities such as terminals, DC's, warehouses are configured as nodes within the network. Connecting these nodes, if applicable, are lanes with inherent properties such as lane restrictions, schedules and transit times. Asset inventory data provides the number of assets available, where they currently are or where they are destined. The demand data can be represented by shipper forecasts, shipper orders or a combination of both. Demand data is required, at a minimum, to span the operating plan horizon.

The software uses these elements to optimize the fulfillment of demand against the current asset inventory information using the constraints applied by the network model over the planning horizon. The software plans and registers the movement of assets over the network in order to build the detailed asset plans.

As with any system implementation, clean, timely operating data is a key to the accuracy and ultimate success of the technical solution. This application is no exception and may even be more dependent on a clean data feed since the "snapshot" of the inventory data is being extrapolated over multiple shipment cycles.

As an example, the inventory data needs to include assets that are available for shipments at the time of the data upload as well as inventory that is currently in-transit. In-transit inventory must have an ETA to allow the software to know at what date it will be available for its next shipment.

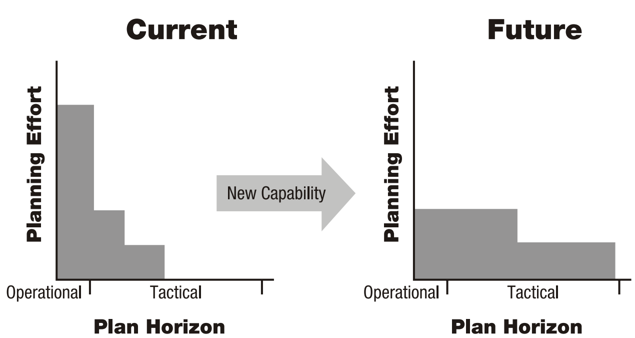
Another critical data component is the demand data. Historically, transportation companies have very little visibility into their shipper's planned shipment releases or equipment orders longer than a few days. As such, it is next to impossible to build asset plans which encompass multiple shipment cycles with order information. Therefore, an accurate picture of future demand data may need to be assembled from a combination of shipper orders, shipper forecasts or statistically generated forecasts based on historical data.

Supply Chain Optimization Systems have historically been applied to plan and optimize manufacturing supply chains. However, manufacturing supply chains are consuming supply chains where the materials being planned and optimized are consumed at their final destination and are not reusable. Transportation networks are not consuming but circular such that assets reaching their final destination are "reused" by the destination facility. The destination facility then becomes the origin for the next equipment directive. Fortunately, the software has functionality that allows it to emulate a circular supply chain and allow transportation assets to be used as supply at any destination facility.

Organizational Challenges

Implementing enterprise technology is a complex and difficult job; however, it is only one facet of the solution. A comprehensive advance planning solution is as much about implementing technology as it is about transforming the organization by building and harnessing the capabilities of its people, business processes and information.

Typically asset management departments are focused on very short-term operational planning or longer-term strategic fleet sizing. The scheduling and operational planning effort is a very intensive data gathering effort to support the decision-making process. However, the exercise is reactive with decisions being made with very little visibility to future events. Insufficient time is spent in the tactical planning zone typically due to a lack of high quality reliable information. Advance planning capabilities transform the planning process and effort. Advance planning operators address problems



and issues days and weeks in advance as opposed to reacting to crises and fighting fires within the execution window. Tactical planning addresses issues such as resource requirements, asset shortage issues and capacity load balancing.

Supply optimization software delivers value through solving complex problems involving potentially millions of constraints. Attempting to understand how the optimization works and how the software reaches its conclusions is next to impossible. Another level of complexity is a result of the software optimizing the entire network over the entire planning horizon. The resulting planning information may be counter-intuitive to an asset planner used to focusing on very short-term planning. Traditionally, operational planning decisions that may have seemed sound today are not optimal on the full network over one or two shipment cycles. Unfortunately, the technology can be viewed as a black box. Instead of attempting to understand complex optimization routines, an asset planner's time is better spent building their trust and confidence in the solution through plan analysis and interpretation. The job of the asset planner must fundamentally shift from a reactive data collector to an interpretive decision maker. This is not always a trivial transformation and is a key factor in staffing the transformed organization.

It is imperative that an organization have the capability to calculate and produce key metrics to ensure that they are receiving the return on their organizational business transformation and financial investment. These measurements must focus on all aspects of the implementation, specifically organization, process and technology. Effective metrics are simple, reportable, representative and controllable within the organization. There may be existing metrics that provide an indicative representation of the operation's performance or given the enhanced capabilities provided by the solution there may exist new metrics designed specifically determine success against the investment. Either way, the metrics are critical to determining that the organization is achieving its goals around cost reduction, revenue growth and/or service reliability.

Summary

The information provided by the tools is powerful for asset planners and operating departments. There are other effective applications of the information that can assist in achieving revenue goals as well. The planning solution provides an organization with highly reliable information regarding excess capacity and empty asset movements. A Commercial department should be able to leverage this information into capacity sales or spot sales initiated through price incentives. There are challenges to overcome using this operational information to influence the market but it is powerful. With the appropriate collaboration between Operations, Commercial and their shippers it is information that can be leveraged to achieve benefits for all involved parties.

The benefits of an asset planning solution are compelling for organizations struggling to improve their bottom line through improvement in asset operating efficiency. System implementations are ultimately deemed successful when ROI is met or exceeded. Many times an organization can fall into the trap that once the technical implementation is complete the initiative is complete. However, the entire solution needs to be sustainable to be successful. Sustainability and success is achieved through the entire organization harnessing the new capability and information to achieve business benefits.

Paul Holland is a Manager in the Supply Chain Practice at Deloitte Consulting. Paul recently led a successful implementation of this technology at a large North American transportation company.

Fred Moody

THE FUTURE OF TRANSPORTATION

This year's Council of Logistics Management (CLM) Transportation Roundtable, Toronto, kept logisticians and 3PLs better informed about global rules and business practices that have changed dramatically over 12 months. In addition to a snapshot of the panelists' presentations, we've provided some supplementary information in this article.

The good news is transportation is poised to grow in the second half of this year, according to a panel of experts that recently spoke at the Council of Logistics Management's Toronto Roundtable, entitled "The Future of the Transportation Industry."

This road to recovery, however, has daunting challenges to mitigate, as well as key opportunities in some segments of the industry, noted the four-executive panel, comprised of: Patrick Byrne, senior partner A.T. Kearney, based in Washington, D.C.; Dan Einwechter, president of Cambridge Ontario-based Challenger Motor Freight; John Smye, CEO, of Nadiscorp Logistics Group, Mississauga Ontario; Carol West, president of the Canadian Society of Customs Brokers, Ottawa. Dan Goodwill, vice president, Business Development, Mississauga Ontario-based QuikX Group of Companies Inc, chaired the event.

Transportation revenues in the United States, often considered a bellwether for Canadian corporate performance in this sector, are forecast to fall an estimated 2.8 percent to U.S.$587 billion in 2002, down from U.S.$604 last year.

Not surprisingly, the purchase of trucks, planes and rail equipment has diminished but the predictions for transportation in the second half of this year are brighter and earnings are expected to rebound with strength due to increased volumes and due to new efficiencies that transportation companies have honed during the downturn.

Several segments of the transportation industry, such as the Less Than Truckload (LTL) segment, non-asset-based Third Party Logistics providers, and logistics and transportation companies providing an integrated portfolio of global solutions, can be singled out as likely to give particularly outstanding performance in an improving economy. Internet-driven logistics companies, are also poised for growth. UPS Logistics, for example, is focusing on the management of supply chains and in an investors' conference, held in tandem with CLM's Roundtable, UPS' chairman and CEO, Mike Eskew, explained that... "More than ever, businesses realize there's still too much fat in their distribution systems. But these are costs that can be reduced and managed more effectively with better supply chain planning and execution."

The trucking industry, which carries up to 80 percent of Canada's and America's freight, has contended with a particularly difficult environment, noted Challenger's Mr. Einwechter. But since September 11, the trucking industry's importance in our economy has gained more stature, he said. Mr. Einwechter, who started the forerunner of Challenger Motor Freight in 1975 as a one-person truck operation, emphasized with candor that pundits such as the Citizens for Reliable and Safe Highways (CRASH) convey a message that often belies the outstanding track record and performance of the industry, and referred specifically to Challenger's research into fatigue management involving four trucks and 24 of its drivers.

Insurance rates for "good" carriers are rising as much as 60 percent and in some cases soaring 800 percent, he noted. Even though truck manufacturers are at an estimated 30 percent of their capacity, "... trucks will soon go up by $8,000 per unit," he cautioned, alluding to the federal government's rules for emissions for heavy trucks that are designed to bring Canada into line with the United States and accelerate the use of cleaner fuels and engines. Canada's fuel regulations, initially introduced in December 2001, will begin to take effect in October. They are expected to reduce emissions of sulfur content by 97 percent as was cutting emissions of other particulate matter.

Mr. Einwechter also referred to the crisis in finding skilled drivers to meet demand. (A Quebec Trucking Association poll recent indicated that the industry must fill up to 2,400 jobs immediately in that province.)

The Ottawa-based Canadian Trucking Alliance (CTA) is working with the Federal Department of Human Resources Development Canada (HRDC) to determine the scope of the problem and define solutions, which may include attracting skilled drivers from other countries, promoting the trucking industry to Canadian youth, and taking steps toward improved training.

A quick survey of some of North America's largest trucking companies clearly echoes Mr. Einwechter's overall view of the industry, reflecting the previous downturn in the economy as well as the convergence of other market forces.

ABFS, for example, a transportation holding company engaged in motor carrier transportation operations, intermodal transportation operations and truck tire retreading and new tire sales, saw its revenues fall 17 percent to U.S. $1.53 billion for the fiscal year ending December 31, 2001.

Yellow, one of U.S.'s largest trucking companies, reported a fall of 13 percent over 14 months starting in from mid-January. Revenue for 2001 was U.S.$3.3 billion compared with U.S.$3.6 billion in 2000. Nevertheless, Yellow Freight Chairman Bill

Zollars has stated that the second half of this year will likely bring growth to the economy.

All transportation sectors have been impacted by the rising price of crude oil, which has risen to as high as $28 per barrel, up from $22 a barrel last fall. Canadian Pacific Railway Ltd. has stated it is looking at moving ahead with a fuel surcharge, a step already enacted by transportation companies such as Air Canada.

In a comprehensive overview of the industry, A.T. Kearney's Patrick Byrne told CLM delegates that the primary market forces reshaping transportation in North America can be divvied into four areas, collectively driving a call for greater efficiency, expanded reach and integrated solutions. Evolving customer requirements, technology, supplier markets and globalization are the four key elements that are transforming the field, Mr. Byrne summarized.

Customers' quickly evolving business needs are have huge ramifications in driving change, demanding more outsourcing to 3 PLs, single-source providers and global solutions. The focus on technology has resulted in the development of freight exchanges, e-fulfillment and shipment visibility. But perhaps most impactful is the drive for globalization and international traffic.

Many transportation companies have not been able to meet these requirements as well as contend with harsh economic variables such as rising fuel prices and a dearth of truck drivers. For example, Mr. Byrne noted the trucking industry has witnessed a sharp increase in the number of bankruptcies, from 1,610 in the United States in 1990 to 3,670 a decade later. And according to some analysts, lower-priced Mexican truck companies, which are expected to gain access to the U.S. market this year, will result in heightened competition in North America. Mergers in the rail sector have decreased the number of U.S. Class 1 Railroads from to five from 14 over a decade in that country, and analysts forecast revenues for U.S.'s ten freight railroads to grow by two percent at best in 2002. Sea capacity is projected to grow by up to 14 percent this year, while demand lags at an estimated eight percent. In the airfreight sector, mergers are accelerating and U.S. domestic airfreight carriers have slashed their capacity since September last year by up to 20 percent overall.

Air Cargo volume fell 9.6 percent in February, according to the Air Transportation Association based in Washington D.C., exceeding January's 9.3 percent drop. February marks the 13th consecutive monthly drop. Air freight traffic declined to 11.64 billion revenue-ton miles as companies have not yet returned to production and inventory levels which were diminished during the economic downturn.

Mr. Byrne also emphasized that in the airfreight and logistics sectors there have been a spate of acquisitions, with UPS completing 20 acquisitions in the past year, including Fritz and Livingston, as well as Deutsche Post making acquisitions in more than 20 countries. Also noteworthy is FedEx Corp recently purchasing Viking and American Freightways.

This year's CLM transportation panel of keynote speakers also shared the perspective of last year's CLM panel concerning the blurring of modal boundaries. Parcel/small package and airfreight, and as well as LTL, TL and rail are coping with significant change. Heavier weight packages are now commonly sent via air freight and time-definite and critical shipments are often sent via LTL while TL are often transporting smaller shipments.

It's a trend also evidenced by companies broadening their scope of transportation and logistics services through buyouts. In addition to the recent spate of acquisitions by giants such as Federal Express, UPS and Deutsche Post, companies such as Roadway Express Inc., have broadened their portfolio. Roadway, for example, entered the freight forwarding business to inaugurate Roadway Air earlier this year. (Its predecessor, Roadway Global Air, started by Roadway Express's sister company Roadway Services Inc., was subsequently sold to FedEx, with its name changed to Calibre Logistics.)

The QuickX Group of Companies is another prime example, having recently launched an intermodal service to Western Canada under the brand name, QuiktraX Intermodal. In a press release, Gary Babcock, QuickX Group's president and CEO, states: "We believe we can take this service to another level by establishing QuicktraX as a scheduled LTL and truckload service." For 12 years QuickX has established itself as an expedited service provider.

Nevertheless, the outlook for some market segments looks brighter today than for others, Mr. Byrne noted. LTLs are particularly well positioned for a rebound in tandem with economic recovery, he said, referring in his presentation to companies such as ABF, Roadway, Yellow, Conway and USF, as performers in 2001 whose rate increases have held while passing on fuel surcharges, and maintaining cost controls. Mr. Byrne also alluded to these companies' network optimization to improve transit times and their success in offering premium service such as expedited time-definite service.

The demand for time-definite service has certainly been heightened on a worldwide basis, as recently evidenced, for example, by Schenker's announcement concerning its development of a new service standard for logistics services in land transportation to provide time-critical logistics services with an absolute and reliable deadline in most European centres.

There have been volume increases in the TL sector, largely due to the impact of bankruptcies and mergers, Mr. Byrne noted. Still, yields have remained weak.

The railway segment has lost considerable market share to the trucking sector, and suffers from persistent service problems, according to Mr. Byrne. Merger integration costs are declining, however, and synergies are taking effect. They are also starting to develop offerings and partnerships in the United States and Canada with other railroads to improve service levels while facing the prospect of a new regulatory framework.

Not surprisingly, UPS and FedEx were called the defining forces shaping today's integrator market. In both cases, service offering and geographic reach is expanding. For example, UPS has just announced its foray into the Asian market with a new intra-Asia hub based in the Philippines at the former Clark U.S. Air Force base that was badly damaged by volcanic activity in 1991. Today's hub is located at the Diosdado Macapagel International Airport, which features a pair of the world's longest runways, 50 miles northwest of the Philippine capital city of Manila. As the missing link in that company's global supply chain, UPS executives acknowledged recently in a conference call that their operations in the Asian market are smaller than those of FedEx, but UPS offers later pickups and earlier deliveries.

Both companies are becoming more like 3PLs, managing entire supply chains, pointed out Mr. Byrne. They are also facing intense competition from postal organizations. In Canada, UPS has challenged Canada Post with a law suit to the Canadian government based on NAFTA provisions. FedEx and UPS executives also have indicated that the U.S. post office has a monopoly on mail and it does not pay the same taxes - plus these couriers are required to set their package list prices at twice the rate of those of the post office in the United States. While UPS and FedEx have been likened to being the milkmen of the old days, some pundits have projected the post office's share of Internet-driven deliveries to holdholds to rise by as much as 20 percent in the next few years.

Nevertheless, both companies are predicating a significant amount of their growth on the idea that fewer products today are moving via pallets - with thousands of identical products delivered to the same destination, a warehouse or factory. Instead they are going to the end-user, such as individuals or small businesses.

Due to the fact that 10 percent of all goods of all goods is comprised of warehousing and transportation costs, internet-based logistics management tools have risen in value to many companies. UPS and FedEx have made sizable annual investments in technology. UPS spends up to $1 billion annually. Oracle, SAP, and PeopleSoft are some of the software companies these companies have worked with. The old days of keeping plenty of product in a warehouse, whether routers or running shoes, are fading with the drive to enable companies to accelerate parts of an order on very short notice to coordinate delivery. New systems will likely enable some companies to make more strategic decisions about where they locate factories worldwide and save them a fortune in tied up inventory capital.

John Smythe, CEO of Nadiscorp Logistics Group, Toronto, singled out an old paradigm of logistics founded on the traditional model of maintaining large inventories and money tied up in goods, coupled with the resultant opportunity costs, and dollars dedicated to inventory instead of business development elsewhere. This paradigm is quickly becoming obsolete, he said. In fact, Mr. Smythe called the cost of inventory a "sin" as it covers up the fact that companies cannot always match supply and demand. "It is really a bridge because we cannot match information between supply and demand," he stated.

Today it's important that logisticians look at all the components of the economy from primary to secondary manufacturing segments, to retailers and consumers, with a view of logistics and transportation as the glue or connector that tethers the economic elements together.

Mr. Smythe referred to technology as a vital tool in helping to mitigate the paradigms of the past. "It's more of a perfect world," he said, adding, "transportation is the winner." Integration, collaboration, smaller shipments, consolidation and outsourcing shipments to meet order fulfillment requirements, not warehousing requirements, is how the new paradigm is being defined, he suggested.

In his overview, Mr. Byrne clearly shared Mr. Smye's perspective about the heightened value placed on today's information systems. He also noted that 3PLs infrastructure investments are paying off in higher operating margins, mentioning UPS Worldwide Logistics, Menlo, Ryder, Excel, Tibbet (US), and APL Logistics.

He also emphasized that non-asset based 3PLs have traditionally outperformed asset-based providers.

Three items were top of the list formed by an A.T. Kearney global survey concerning 13 shippers' expectations of "value from logistics suppliers" in the future - global access, supply chain integration facilitation and supply chain integration implementation. These elements also signified the greatest ways suppliers can differentiate themselves from others in the market.

Today, however, 95 percent of the survey's respondents placed a premium on labor-cost savings and 100 percent valued transportation savings - versus projected values for the future where only 60 percent of the respondents noted labor-savings would be of great value and 66 percent signalled transportation savings as of high value.

In summary, Mr. Byrne stated shippers will likely continue to rationalize their transportation and logistics providers, while demanding single-source suppliers with global reach. This means logistics providers must develop comprehensive suits of integrated mult-modal systems with high service levels. The drive for state-of-the-art technology is also essential for integration with all supply chain participants and e-enable capabilities - and logistics suppliers must realize the convergence of information, funds and physical goods flows.

Carol West, president of the Canadian Society of Customs Brokers, emphasized that the world's two greatest trading partners, Canada and the United States, are dealing with a morass of issues at the border, and security instead of a "business first" approach continues to predominate customs at the border.

Canada and the United States have since taken steps toward developing an integrated North American security network by stationing U.S. Customs inspectors at the port of Vancouver, Halifax and Montreal. Canadian inspectors are now at work in posts in Seattle, Tacoma and Newark, N.J.

Customs is aware that of the 158,000 importers who conduct 10 million commercial shipments annually across the border, the top 1,000 of those importers represent 49 percent of the transactions and 72 percent of the import trade by value.

Ms. West noted that Canadian customs brokers handle up to 80 percent of all commercial importations and collect up to $16.5 billion annually for the federal government in taxes.

Some of the factors defining the future for customs are: the need to facilitate the movement of low-risk goods, to have more information in advance of importation and have it provided electronically.

One of the greatest challenges coming to the fore is the Customs Self Assessment (CSA). It's designed to facilitate low-risk transactions and focus on the high-risk transactions at the border, but of the 15 importers that have applied only two have been approved and of 21,000 truck drivers that have applied up to 1,400 have been rejected. The federal government is also calling the first phase of its Advance

(Continued on page 28)

Jennifer Saliba

Schenker Gives a Top Performance in Salt Lake City

Ever since the inaugural Winter Olympics in Charmonix, France, in 1924, the Games have steadily been gaining momentum every four years – Salt Lake 2002 is no exception. More than 2,527 athletes representing 78 nations competed in 78 events, up from 2,303 athletes and 68 events at the 1998 Nagano Games. New records were made, old ones were defeated and emotions were invariably running high.

The timely coordination and delivery of everything from bobsleds and skis to broadcast equipment is critical to the Games' success, so who better to call in for the job than the experts? Schenker's U.S. subsidiary, Schenker Inc. was appointed as the official supplier of customs and freight forwarding services for the Winter Games in February 2000, at the same time the Australian division was preparing for the 2000 Summer Olympics in Sydney. Schenker emerged triumphant in what was noted as one of the largest logistics events of the last millennium, and enjoyed recent success with the 2001 World Championships in Athletics in Edmonton, Alberta.

The groundwork was laid in July 2000 when the Utah division expanded its network and leased a 40,000 sq. ft. warehouse in West Valley City, Utah, a community neighbouring Salt Lake City. The 16 loading dock facility began accepting shipments a few months later. Schenker worked with dedicated teams around the globe to establish an Olympic Committee, and the standard staff of nine eventually increased to 30 in January 2002.

Oliver Bohm, Olympic team and branch manager, Schenker Inc., enjoyed the privilege of selecting his staff from over 29,000 employees around the globe. "About half of our staff is from our U.S. offices. The rest come from Australia, Switzerland, India and Japan," said Bohm, adding that the team members all earned their stripes working the Sydney Games.

Schenker of Canada Joins the Olympic team

The global team effort extended to Salt Lake's partners to the north when three teams traveled to Calgary, Alberta for training prior to the Winter Games.

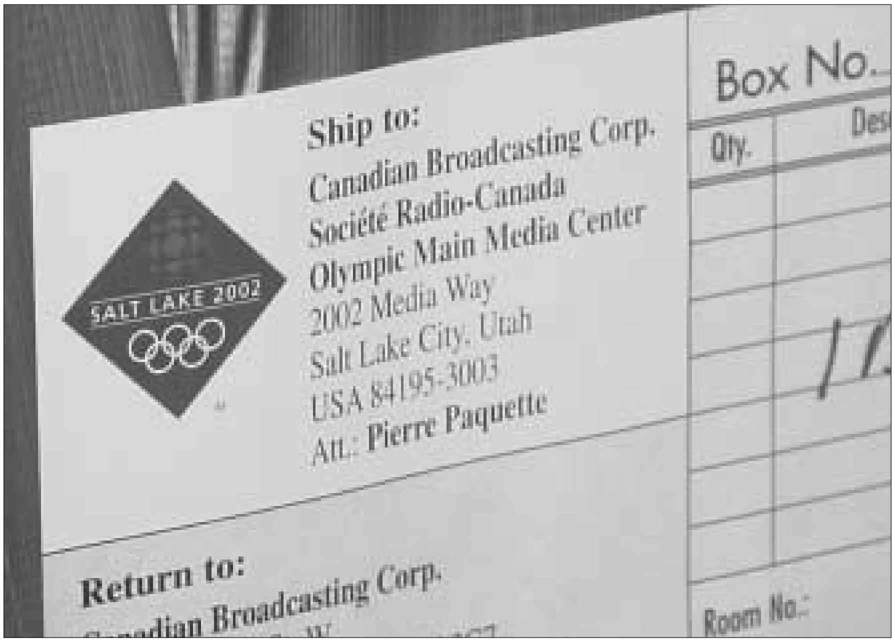
World class training facilities at Canada Olympic Park, the gateway to the Rocky Mountains, not to mention a comparable climate and altitude to Utah make Calgary the city of choice for many athletes.

Schenker Calgary was responsible for the import and customs clearance of training equipment, tools and medical supplies for the German biathalon team, the Finnish curling team and the bobsled team from Germany, Romania, New Zealand and France. Schenker coordinated the delivery to sites within the city and the movement of cargo to Salt Lake, the latest departure leaving on February 13, 2002.

"We collaborated with Schenker offices worldwide to provide the necessary services within the time frames required by the participants," explains Karen Pointer, inside sales coordinator, Schenker Alberta. "Due to the size of most of the pieces and the limited air cargo space available, shipments travelled by road with transit times varying from 24-72 hours, depending on the urgency of the arrival in Salt Lake."

Schenker Delivers For the CBC

The Canadian Broadcasting Corporation (CBC) enlisted Schenker of Canada's services in November 2001 to deliver television and radio broadcast equipment to Salt Lake City. Preparation for a nationwide telecast of this magnitude requires extensive planning and foresight, according to Pierre Paquette, manager of special events for the CBC. Research is usually initiated two years in



advance, with comprehensive planning of the space required, selection of equipment and shipping details.

"The transport of broadcast equipment has to be done with air-ride trucks and handling has to be done properly, because equipment is very valuable, up to $250K for one piece of equipment," emphasizes Paquette. "The total value of one 53' trailer could total up to $2 million."

Timely delivery of the equipment is also a priority since every delay could impede the installation process. The first crew arrived in Salt Lake on November 26, 2001, to install cabling between the various technical rooms. A total of eight loads of freight crossed the border from three Schenker originating points – Toronto, Montreal and Vancouver - with the last delivery arriving on February 1, 2002.

Global Event Logistics

The mass influx of athletes, media personnel, and associated staff directly connected to the Games reached an all-time high in mid-January 2002 – approximately 125,000. For several weeks prior to the Games, Schenker turned over the cargo in its West Valley City warehouse at least five times. The projected delivery of freight to the 10 competition sites throughout northern Utah is estimated between 35,000 to 40,000 cubic metres. In anticipation of the avalanche of cargo, the warehouse began operating three shifts as of January.

A smoothly working team is critical in a task as huge and complex as the Salt Lake City Games, Bohm emphasizes. During the peak of Olympic activities, he says his team will be concentrating on what they learned in Australia: the importance of reliability, timing and accuracy.

Linda Luchetti, spokeswoman for the Olympic Properties of the United States comments that Schenker pulled off its freight handling services without a hitch. "You'd expect that to be the case, though," she said. "They served as the customs and freight forward supplier for the Sydney Games – and this is much smaller."

The Final Stretch

While the Games were underway, business at Schenker was expected to slow down a few paces until the Closing Ceremony. "Then we'll be back to 24/7 as everyone tries to leave town at the same time," says Bohm.

Karl Seyffer, project manager for Schenker Montreal, knows how true that really is – his role in coordinating the outbound loads for CBC can become quite chaotic. "The CBC had two to three months to move in, two days to tear down and another two days to ship all the freight," Seyffer says, without the slightest hint of exaggeration. "All the freight for the CBC had to be returned by February 28th."

Not an easy feat, since every piece of equipment had to be placed in specific packaging materials. Peter Elek, logistics manager, Fairs and Exhibitions for Schenker of Canada explains: "Once the Olympics were over, Schenker returned with the empty crates. This is a timely process since every box had to be matched up with the correct serial number and seal. Rental equipment was a high priority, since it's so expensive."

Schenker's performance in Salt Lake City adds to its track record of managing logistics for Olympic events. "Dealing with Schenker for the Sydney Olympics was very successful,"

says Paquette. "Some elements of shipping can be planned in advance, but there are also many last minute requests and in the case of Sydney, everything was handled with the same priority which makes our life much easier."

Jennifer Saliba is a Contributing Editor to Logistics Quarterly (LQ™) for Schenker of Canada.

Bob Armstrong

Who is Shaping Your Customs Future?

What will the future look like for Canadian companies that move goods across Canada's borders? Are companies actually stopping to plan and help shape this future or are they letting various governments shape this future for them? In whose hands are you putting the success of your business? Are individuals from your company involved either directly or indirectly through an association in providing input to the government in terms of the customs processes your company needs in the future? If you do not have the answer and have not asked yourself this question yet, you better soon.

Canadian companies expect certainty and have confidence that regardless of origin of supply or destination of their final product, goods will arrive on time. Companies have become familiar with the expectations and have followed the procedures put in place by the Canada Customs and Revenue Agency (CCRA) to ensure that business commitments are met. To ensure that business commitments are met in the future, companies will need to ensure that they will be operating within the new electronic environment to be mandated by CCRA. For companies who choose to stick with the status quo, their goods will be delayed at the border until the new electronic requirements will be met.

A very important piece of CCRA's Customs Action Plan will be rolled out this spring. Phase 1 of Advanced Commercial Information (ACI), formerly Carrier Re-engineering, is targeted for May 2002 implementation. The full implementation of ACI is targeted for November 2003. How familiar are you with the new requirements? Will this new program apply to you? The purpose of this article is not to provide you with a crash course on what CCRA is doing or what some of the new detailed program requirements will be, but instead to underline the need for your involvement in helping to shape what this and a myriad of other CCRA initiatives will look like once fully implemented.

Does your company have a "security" focus for its supply chain or are you of the understanding that the security component is the responsibility of your supply chain partner(s)? It may be easier to visualize the control over the actual goods themselves but how about the control of the data that is to accompany the goods being shipped? Who will be providing the required CCRA data elements to Customs when and where they want it? Do you know whether your supply chain partners have the ability to provide the required data electronically? How well do you know your partners? These are all critical questions that must be discussed.

"Do you know whether your supply chain partners have the ability to provide the required data electronically?"

CCRA has opened numerous doors to solicit input yet Canadian companies have remained silent overall. Perhaps historically there has never been a real business need for your company to focus on the customs portion of the your supply chain activity, as there was no real financial incentive to do so. This spring, the "Grace Period" for the Administrative Monetary Penalty System (AMPS) will be expiring and non-compliance will have a direct impact on your company's bottom line. Has your company used this "Grace Period" effectively to identify the problem areas and to correct them? Keep in mind that CCRA will require future information to be provided to them electronically. Whether you provide the required information yourself or whether you rely upon your service provider(s), the information will only be as good as the process that is set up to ensure the integrity of the data. Where data is available electronically there remains a greater likelihood that errors will be picked up by Customs and an even greater likelihood that a company will pay for these errors.

Now is not the time for Canadian companies to be complacent. It is your responsibility to familiarize yourself with the changes coming in the realm of Customs and what the new requirements accompanied by the responsibilities for your company will be. There will be no "one solution fits all" scenario and that is why it is imperative for your company's voice to be heard. Unless CCRA receives information about some of your unique business requirements, CCRA will proceed based upon the information it has to date. Significant pressures are being placed upon CCRA by the United States to have commonality in data and processes. Some may make business sense while others may not. No one knows your business processes better than you do. Therefore you need to ensure that not only your trade chain partners are aware but also the associations that represent you before government.

The future is uncertain. Business, on the other hand, needs certainty to operate. Canada needs certainty in order to ensure the continued flow of foreign direct investment. What better way to achieve this than to have business raise its voice and make its needs crystal clear by identifying the future direction of CCRA, by raising concerns and by supporting CCRA where appropriate. None of this can happen unless you get involved. By not being involved the end result will be a customs environment which may not be conducive to the survival of your business.

Bob Armstrong, CITP is President, Canadian Association of Importers and Exporters Inc.

AJC (Allan) Smith

SUPPLY CHAIN VISIBILITY:
A MUST FOR COLLABORATIVE LOGISTICS PROGRAMS

The tools of the new millennium are allowing logisticians and marketing executives to model and implement collaborative programs that reduce inventories and transportation costs while reducing order cycle time.

At present, most large retailers obtain a landed price for goods at the appointed DC or retail location across the country. While shipping truckloads of goods to centralized DC's may be cost effective for manufactures and wholesalers, the standards of service are rapidly shifting. Most retailers are now or will soon be requiring direct-to-store shipments or individual orders palletized for cross docking with other suppliers at the customer's or 3PL centralized DC.

Although this may seem to be efficient from a retailers perspective, there may be an increase in cost and may pose operational challenges for the shipper; the customer may not always be willing to pay extra for this service. If this sounds at all common to you than this article is of great value.

With the onset of ASP Internet supply chain tools on the market we can implement WMS (warehouse management systems) and TMS (transportation management systems) solutions that allow full visibility of multi-client inventory at DC's and cross docks, as well as management and optimization of all modes of transportation, both domestically and internationally. Those players in the industry that do not offer such beasts to clients are scrambling to align, buy or develop this Internet visibility for their present and future customer base. This technology is in the present day, improving quality and transaction cost on an increasing quarterly basis.

There is great opportunity for manufacturers, 3PL's, and retailers to take the lead on these initiatives program, to shrink the supply chain, therefore reducing inventory levels and transportation costs while improving order fill ratios, or "perfect order ratio's." The real gain is that it has nothing to do with squeezing better rates from carriers and 3PL's providers and everything to do with using today's tools to streamline the process using visibility tools (Internet) and common sense.

Let's quickly walk through one such collaborative program in development today for a major retailer with more than 500 outlets and growing rapidly.

The retailer markets brand name products from eight major manufacturers across North America. The manufacturers, all global companies, sell their entire product on consignment to the retailer and receive payment at point of sale. However, the retailers predicament is that they may not always have the correct products in the store for the brand (style, size, etc.) and if the Sales Associate cannot move them to an in stock item, the result is a loss of sale.

The manufacturer may lose the sale or keep it at another retail customer, however they have no control over the process. At any rate, the manufacturer has a high cost of inventory to service accounts in a JIT environment. It involves factoring transportation expenses due to LTL and multiple stop TL moves to retail divisions instead of TL move to central DC's.

The visibility tools available today allow the retailer and the manufacturer the opportunity to get what they want. Retailers want to have their cake and eat it too because they can, and the manufacturer wants to service the account without the logistics costs slashing their profit margin.

The answer is Collaborative Crossdock/Strategic inventory facilities, usually operated by a 3PL partner with Internet TMS and WMS solution partners. This process allows manufacturer to maintain the supply chain edge that they may have over competitors, while reducing costs.

As an alternative to picking orders and delivering two or three times a week to each store via costly LTL and small package carriers or multi-stop TL moves, the manufacture is back to delivering truckloads of consolidated orders to centralized cross docks, daily, at assigned times.

The 3PL then operates centralized cross docks (usually about 2-4) to cover the North American market. These cross docks typically have some strategic inventory of high volume SKU's and merge the cross dock. Managing the crossdock will also allow for 3PL visibility for orders from the various manufacturers through advance shipping notices and builds truckloads. This usually means that product is cross docked the same day or, at the latest, next day.

To make this process work, the 3PL must operate, select and execute the transportation management portion as well as provide the visibility of inventory and track and trace of carriers to all parties. The 3PL needs to give the manufacturers secure access to their supply chain information as well as the retailers, stores and carriers involved.

Today these tools are available on a pay-as-you-play basis in various ASP formats that are very affordable and allow access from the most sophisticated supply chain systems down to a simple PC with a web browser. Some of these software solutions are multi-client and allow the visibility and ability to trace and invoice cost centres to multiple clients. Now the manufacturer has a variable cost operation that is collaborative with retailer and competitors, without sacrificing any supply chain advantages they may presently enjoy.

AJC (Allan) Smith is President of BCG Logistics Consulting.

Paul Ragan

Specialized Transportation – A High Value Perspective

There are as many forms of transportation as there are goods and services in our economy to move. It would take the entire space the editor has generously allotted here to list most of them. Many transportation companies and logistics companies aspiring to be transportation companies attempt to be wide ranging experts. The buyer frequently hears "we can do that" to almost any service request on the table; the reality often lies in the rest of the story. "We only do well activities that are our core service offering."

There are numerous and successful examples of transportation companies specializing in specific market sectors and they have generally been the more successful over the long term. The evolution of the Nadiscorp transportation business has followed a focused path. Acquire, and build organically, on a narrow front. That strategy continues to be more concentrated and that focusing activity remains a key element of today's business.

Making a decision on your core market sectors is the easy part. Keeping your sales force and operating people executing against that decision is a daily grind.

If your decisions are driven by business sector, revenue, mix, mode or any other criteria, everyone in the organization needs to know it, own it, wear it and be reminded of it constantly. There is no other way.

If your decision is to be a specialized transportation company and not a general freight hauler, then anything you do outside those boundaries will risk profitability and tarnishing your reputation with service problems. It is easy to be optimistic about new revenue, particularly in a soft market; the reality is, if it's not the right revenue you can do the organization harm.

At Nadiscorp, transportation to the manufacturers of high value products is a key market we service. We made this decision based on an understanding of our core competencies and a clear vision of where we could contribute and compete in the Canadian transportation industry.

This was based partially on the early genesis of the company but more fundamentally on our belief in our knowledge of what our clients and the market defined as success. When looking for acquisitions these were always the first criteria: Who were the clients, and in what sector was the target company operating?

Growing the business has followed the same track. Do not go beyond the boundaries of the sector; offer a superior product and be maniacal about customer service. While all business starts and ends with the client, there are important elements involved throughout – the people, processes and systems being the most important, after the client. We have paid significant attention to the details around these parts of our high value services business.

If you are responsible for handling an intricate piece of equipment, whatever size it may be, you have on your shoulders added responsibility. Mostly, you are not dropping that equipment on a pallet at some loading dock, but are going to the client's customer and interacting with those people, as if you were the client.

Installation, training and some level of technical expertise are involved with the typical high value services transaction. Our people need to be knowledgeable on many levels within differing industry groups and be the presentable and articulate face that our client and our company needs on a daily basis. We work hard to ensure that the "ambassadorship" is always present.

We follow a generic form of process control that includes documented standard operating procedures (SOP's), by client. All process flows are charted to facilitate training and understanding. Each one is specifically customized for the individual client, depending on the requirements that are developed at the start of the relationship. This is a dynamic process that continues to evolve along with our clients business and our ever-increasing value enhancements.

The business technology piece is always out there. It is important as a specialized transportation company that the hardware and software fit the model. The unique way that a high value client requires information, and the type of information needed, must dictate systems selection decisions. For example, real time notification of serial number-related activities is not a requirement in many transportation services relationships; in high value it certainly is.

Strategic outsourcing is the way of the future. Our clients and prospective clients need a focused solution from Nadiscorp that will drive out cost from their own operations. The design of a network as an end-to-end solution will enable us, as the outsourced network manager, to provide the efficiencies needed by the client. This will be accomplished through systems, partnerships and scalability.

The baseline in all business relationships is what continuing and sustaining value do you bring to your clients business? In our high value services business we have many long-term relationships that have advanced because of a flexible approach, based on the certainty of knowing the sector and using that knowledge to drive out cost at every opportunity.

The cost reduction component is always there and moves to the forefront as the business cycle moves through a period of slow growth. Having a network that is broad in the sector but narrowly focused on high value permits us to develop cost saving and value enhancing solutions while maintaining acceptable margins.

We are all on the threshold of new web-based tools that will change the way parts of our business operate and at Nadiscorp we are launching enhanced web visibility, developing the use of chat rooms for our clients and stakeholders and using web-based training for our employees and alliance partners. These are exciting and energizing activities and thinking about what is next is often more fun than today's reality. Transaction by transaction, operational execution is how you retain your clients over the long term.

The business revolves around people. Having dedicated and loyal people and growing them to become better is what will ultimately make any of us successful. That task, and keeping everyone focused on sticking to the plan, is management's every day job.

Paul Ragan is President of Nadiscorp Logistics Group Inc.

(e-purchasing, *continued from page 13)*

For the many merely **average companies** in Canada, the tier 1 solutions used by the pioneers might be too steep an investment and too large a risk. That should spell opportunity for the gaggle of tier 2 e-procurement vendors that have a lower price point for a different value proposition. Sadly, few of them are present and aware of the Canadian market and its specificities. The real issue is "what is your business case for e-procurement?" By analyzing where and how your company will achieve e-purchasing benefits, you will know what "must haves" to take to your solution selection, and how much you can afford to invest. Get help in this phase of your analysis; while e-procurement might be entirely new to your organization, there are many experienced advisors in this space. Consider the integrated suites of e-sourcing and e-purchase order systems, their decision support capabilities will be more readily available to the e-purchasing neophytes. This decision support is the heart of what makes e-sourcing effective – spend consolidation and analysis, commodity selection and bundling, vendor selection and qualification.

So which solution is right for your business? Obviously functionality and solution price point are critical issues. More importantly however, if your favored vendors are not online, then you will have to help bring them into the online family of your chosen solution. Therefore, make sure the effort and expense is not too onerous for a supplier to build and maintain online content (catalogue building and updating charges), to receive and post transactions online (transaction charges), and to stay part of the online community (membership charges). If you can share this effort with other buyers, everyone will benefit, so give consideration to the nascent vendor communities in Canada such as Commerce One's Global Trading Web, Ariba's Commerce Services Network, General Electric's GXS, or BCE Emergis' budding Order-to-Pay gateway. If you just want to try and see if e-purchasing is for you, you could start with Procuron for office supplies and equipment, travel, and various other corporate services. The experience will make you a smarter eBuyer.

In the final analysis, e-purchasing is a game of "chicken." Do it to your suppliers, learn how it works and where it hurts, and save some money, before your customers do it to you.

Nicholas Seiersen is a principal, KPMG Consulting LP, Toronto.

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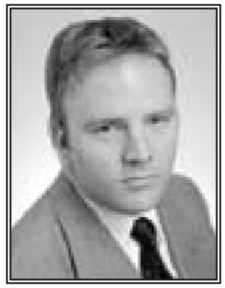
WHO READS LOGISTICS QUARTERLY?

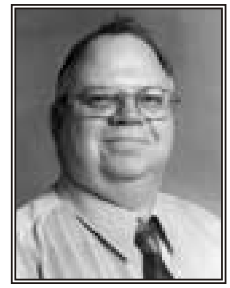
NEW PROFESSIONAL logisticians

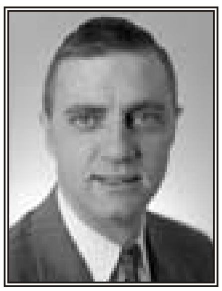

Ms. Dawn L. Bouffard, P.Log., Manager, Medbuy Corporation, London, ON


Ms. Natalie Briand, CITT P.Log., Manager - Bus. Dev. - Air Freight & Transborder, Rodair International Ltd., Mississauga, ON

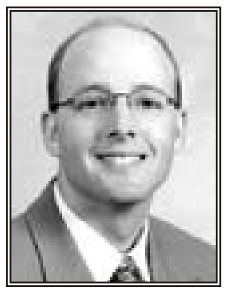

Mr. Ted Brown, P.Log., General Manager, Universal Contract Logistics, Mississauga, ON

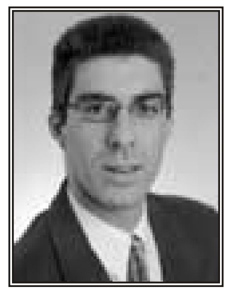

Ms. Susan Busby, P.Log., Logistics Supervisor, Chinook Group Limited, Sombra, ON


Mr. E.A. Sandy Charlton, P.Log., Manager PDC, Toyota Canada, Richmond, BC


Mr. Ken Clare, P.Log., Manager, Fitness Depot, Mississauga, ON


Mr. Larry Cormier, P.Log., Manager - Sales, iWheels International Freight Systems, Toronto, ON

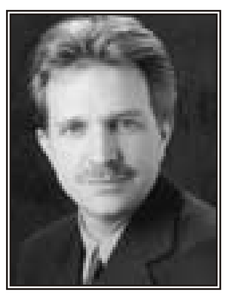

Mr. Dave deBoer, P.Log., Business Development Manager, Versacold, Calgary, AB


Mr. Jeff DeCandido, P.Log., Logistics Coordinator, Transfreight, Ingersoll, ON


Mr. Chuck Defede, P.Log., Business Development Manager, Ryder Transportation Services, Windsor, ON


Mr. Robert Delisle, CITT P.Log., Vice President, Clarke Transport, Montreal, PQ


Mr. Frank DiLeonardo, P.Log., Distribution Supervisor, Ayerst Veterinary Laboratories, Guelph, ON

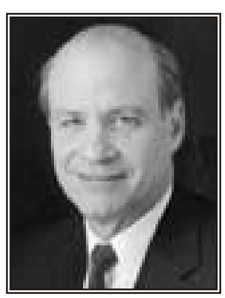

Mr. Marc P. Dufault, P.Log., Procurement and Finance Manager, Department of National Defence, Hull, PQ

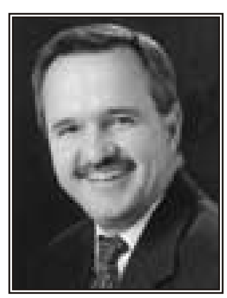

Mr. Peter Elias, P.Log., Co-Manager, Treasury Board Secretariat, Ottawa, ON

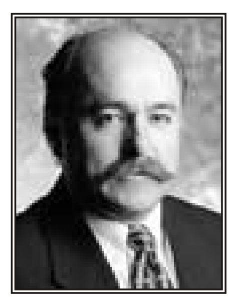

Mr. Gary Fast, P.Log., Operations Planner, Canadian Tire Corp., Brampton, ON


Mr. Kerry Faughnan, CITT P.Log., Regional Manager, Trans-West Logistics Inc, Brampton, ON


Ms. Gail Ford-Summers, P.Log., Export Coordinator, Robin Hood Multifoods Inc., Markham, ON


Mr. Dan Goodwill, P.Log., Vice-President, Business Development, Quik X Transportation Inc., Mississauga, ON


Mr. James Gowland, P.Log., Production Planning & I/C Manager, E.D. Smith, Winona, ON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NEW PROFESSIONAL
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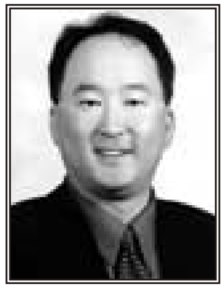

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Mr. Shawn Kuntz, P.Log.,
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Maple Leaf Poultry,
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Mr. Greg E. Libbrecht P.Log.,
King Optical,
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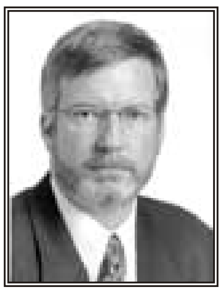

Mr. Steve Lintott, P.Log.,
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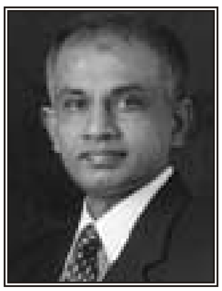

Mr. Chula Liyanage, P.Log.,
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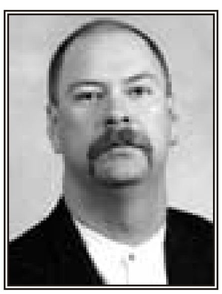

Mr. Alan McQuay, P.Log.,
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Mr. Jeff Moore, P.Log.,
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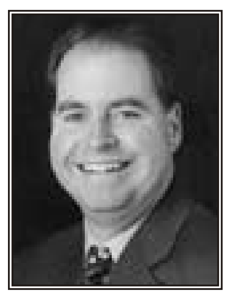

Mr. Peter O'Neill, P.Log.,
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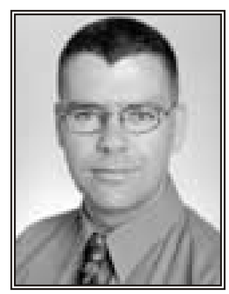

Capt. Joël Pilotte, P.Log.,
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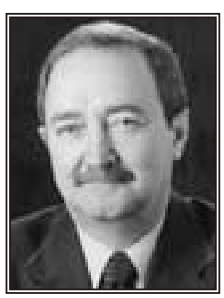

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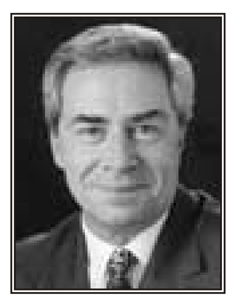

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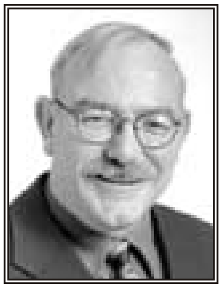
WHO READS LOGISTICS QUARTERLY?

NEW PROFESSIONAL logisticians



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CO ASU Mor,
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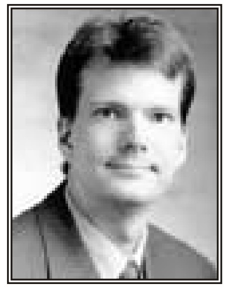

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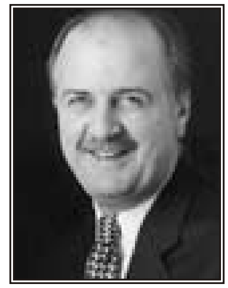

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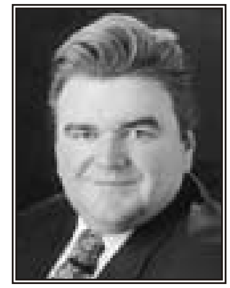

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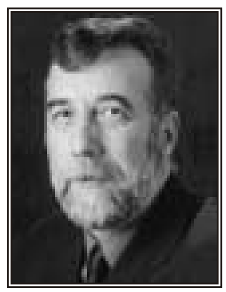

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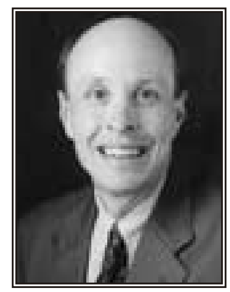
Capt. Barbara Winston, P.Log.,
DND, Eastern Passage, NS



Mr. David Yundt, P.Log.,
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Logistician's pictures unavailable at press time

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P.Log., DND, Ottawa, ON

Ms. Cheryl Pye-Finch,
P.Log., Branch Manager,
Locher Evers International,
Brampton, ON

(Transportation, *continued from page 18)*

Commercial Information System (ACI) to be implemented in May this year in regard to the mandatory usage of the Harmonized System (HS) code.

ACI, which is designed to ensure the admissibility of data is provided and transmitted electronically for pre-arrival purposes to automate the targeting and selection process at the border, will continue to roll out in phases until November 2003, before it is fully operational. This will include reporting in regard to mandatory cargo and importer data for all modes of transportation.

This means business will be required to follow mandatory HS classification, data elements compatible with the G7, liability of provision of data sets as well as other criteria.

One of the key problems today in this context is the process of matching customs brokers and their importer clients. It's both "expensive and imperfect," Ms. West noted. She suggested a new level of collaboration between carriers, importers and government. Getting information from source to maximize use of the pre-arrival processes at Customs, is of paramount importance in the solution process.

As the "unequivocal voice of customs brokers in Canada, committed to develop and support a broad, industry-wide solution," Ms. West noted to delegates that CSCB is in a unique position to develop collaborative solutions with its many partners.

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George Kuhn

International Red Cross logistics for Afghanistan

Afghanistan, a landlocked country in the heart of Central Asia, ravaged by war and mismanagement, is virtually unable to reclaim a form of normalcy and self-sustenance without outside help. So, despite the unstable political situation and concerns for safety, the International Red Cross has greatly intensified its assistance over the last few months.

It must be observed here that the ICRC (International Committee of the Red Cross) has been active in Afghanistan over the past 20 years and can thus tap into a wealth of experience to set up efficient transport chains to reach the designated areas in need of basic supplies.

Nearly 50 hospitals and first-aid stations are currently being restocked with a wide range of medication and health care necessities. In addition, needy families, clans and villages in remote areas are provided with basic foods, plastic tarpaulins and blankets to help them survive the harshness of the winter season.

In addition to the 10,000 tons of aid material already stored in Afghanistan prior to 9/11, the ICRC has supplied another 17,000 tons of such staples as clarified butter, dried peas, grain, rice and more than 1000 tons of materials such as blankets, plastic sheets and water receptacles in the short period between October and December of last year. Another 20,000 tons are scheduled for the period of January to April of this year.

By combining commodity pricing and logistics costs to bring goods to destination, the Red Cross attempts to stretch its dollars as far as it is feasible. Rice, for example, is bought in Pakistan and Iran, other grains from Kazakhstan, blankets from Kenya and plastic sheets from China. Medicine, hospital beds, water purification and sanitation equipment and other, more sophisticated products are sourced from Europe.

A further example of the ICRC's ability to adapt to local requirements is the distribution of 'sandaly,' traditionally used by the Afghan people for heating. The sandaly is a low table with a slow-burning charcoal fire underneath. The ICRC distributes some 500 sandalys to households daily, together with two bags of charcoal, two blankets and a sheet of plastic.

To set up an effective distribution program within the well known complexities of a country still at war and often exposed to banditry, the ICRC has set up four main hubs in the relative safety of Turkmenabad/Turkmenistan, Dushanbe/Tadjiikistan, Mashdad/Iran and Peshawar/Pakistan.

"By combining commodity pricing and logistics costs to bring goods to destination, the Red Cross attempts to stretch its dollars as far as it is feasible."

Strategically well positioned, the hubs of Turkmenabad and Dushanbe can serve the northern part of Afghanistan through a further hub at Mazar-i-Sharif. The western part of Afghanistan is served through Mashad/Iran and Herat in Western Afghanistan. The southern sector, including Kabul, by way of Peshawar and Kandahar, is serviced through Peshawar/Quetta in Pakistan.

The "local hubs" in Afghanistan are largely looked upon as "through-put" hubs with quickest possible re-distribution, mainly due to the lack of large, secure facilities, as well as to avoid the temptation for banditry or local "warlord interference."

In this context, high value goods are generally shipped by the ICRC's own charter aircraft from Europe directly, or by protected truck convoys from one of the hubs set up beyond Afghanistan.

The ICRC employs six logistics experts at the head office in Geneva to handle and coordinate the often complex logistics challenges for such crisis missions. All the different threads of the supply chain management process come together in Geneva and are then coordinated with staff stationed at the various crisis points in the world. An important prerequisite for the success of the ICRC is the rapidity with which efficient transport chains can be set up. The organization is supported in its efforts by transport operators and a large number of freight forwarders, usually hand picked for their special expertise in a certain area.

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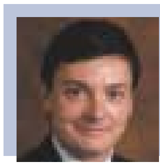

Fred Moody

Editor's Viewpoint

Leadership in Logistics

Quick fixes can often keep a company alive. Such stopgap fixes can end the bleeding for a short time. But when the hurdles to mitigate are too high, new business ideas, often unsettling or controversial, are required to put the company back on track. Today, insightful ideas and leadership are more critical than ever before. Certainly a rising number of companies are learning that leadership in the field of logistics can distinguish and transform an organization not only at the top, but profoundly at a grassroots level.

David Poirier, Executive Vice President and CIO, Hudson's Bay Company, spoke recently at a Council of Logistics Management, Toronto Roundtable, symposium and clearly articulated a charismatic vision of leadership that largely pertained to HBC's leaders and people who take charge and responsibility for their work within as well as outside the limelight.

HBC, which had a reactive and misaligned HR policy a few years ago, has formed alliances with companies that compete, such as Oracle, Microsoft and IBM, to create a showcase of excellence in terms of business practices. This technology is helping create a 360-degree view of customers, products and operations. It is also creating greater client retention rates and contributing to streamlined procurement processes.

But technology wasn't the most important part of this HBC transformation. The vision to transform HBC called for a realignment of values throughout the organization. Product, technology and even location were not considered "sustainable advantages" to HBC. But people, the company's greatest asset, were singled out as the means to create "full potential performance" through a comprehensive approach that put a premium on values such as learning, sharing, listening. Mr. Poirier admitted to CLM delegates that "it might sound strange for a CIO to discuss this soft stuff," but the metrics to bolster corporate performance have proven to be amazing.

Mr. Poirier noted that within three years we'll see new ways of doing business at HBC created by people working within an organization that is "value-based."

As you read this issue of LQ, you'll find its written by leaders in this exciting field, who have stimulating and insightful ideas to share with our time-crunched readership. I believe we have a rich menu of editorial to choose from and we don't expect you to read everything. Perhaps only those things that are germane to your work today. Nevertheless, as evidenced by Mr. Poirier's presentation, articles about leadership for today's logistics professional are certainly rising in value on today's business agenda, and we're looking forward to providing more coverage about this interesting subject.

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