



Logistics Network, Inc.
P.O. Box 382
Dumont, NJ 07628-0382

Phone: (201) 387-9420
Fax: (201) 586-0407

www.logisticsnetwork.net
sales@logisticsnetwork.net

Global Collaboration

To relate this story fully, I need to go back to 1999. I was engaged with a multi-divisional, multi-national organization having a presence on six continents. The lead logistics managers from the major divisional units in the U.S. had created a company-wide logistics council to perform carrier selection and rate negotiation collectively for our corporation as a whole. Prior to this, the process had been completely decentralized and, as a result, the agreements in place were weak and the approved supplier list was long.

The U.S. logistics council decided in 1999 that it was time to tackle our international freight forwarders as the next supplier group for a supplier reduction initiative. The members of our council started with a list 26 forwarders that, to one degree or another, had a relationship with the organization. We assembled a data set of our international volume, to and from the U.S., and released a formal RFP document. At that point in time, U.S. import/export traffic was the scope of our initiative. Upon receipt of the bids, we locked ourselves in a conference room for three days and sorted through all the submissions. Phew, 26 bids are a lot of stuff to weed through! With some sort of logic guiding our effort, we culled the 26 potential candidates down to 10.

We reformatted and refined the bid document and tightened-up our data, then re-submitted our RFP to the remaining 10 finalists. Out of that list, two companies merged and one dropped-out voluntarily, so that left us with a group of eight potential suppliers to choose from. By that point, it was March of 2000 and we were ready for supplier interviews with our eight candidates. We went through three days worth of dog-and-pony show from the candidates and after a detailed analysis of the bids; we selected three forwarders for endorsement.

We spent the next two months going through an implementation process to ensure that we had all our ducks in a row and the transition would be smooth and effective. So, you're thinking, the process is done, right? Not a chance.

In June of 2000, the organization launched a suite of global initiatives to reduce our supplier base and encourage collaboration across the various divisional groups. Guess what one of the selected initiatives is? Of course, international freight. Our U.S.-based group

was combined with some folks from the U.K. and we started the bid process over again. This time the stakes were much larger. We were given authority by the CEO of the entire organization to select the freight forwarders for the company on a global basis. And we had executive-level support to ensure compliance with whatever we decided.

To make a long story short, the effort was a success. We built upon the work we had previously done on the U.S.-centric effort earlier in the year, added a couple of additional contenders in deference to the new members of the team, had a successful week of supplier interviews in the U.K. and announced our winners by October of 2000. Out of a \$26 million freight spend, we had projected a total savings of approximately 10%. Not too shabby.

So we all deserved a pat on the back, a big bonus, and the much-entitled swollen head for doing such a great job, right? Heck, we saved the company a boatload of money, reduced the global freight forwarder supplier base to three endorsed partners, selected providers that were global players offering all the bells and whistles that you would expect from the big boys, and enforced a high-level of compliance with the program across the organization. Well no, not exactly.

See, while all of the above is true, most of my client's folks around the world hated the program. Why? Because they had nothing to do with the process. So while they were good corporate soldiers and supported it, they took every opportunity to point out its warts. Anytime the forwarders screwed something up, the complaints went out. Rather than making a legitimate effort to try personally to work with the forwarders toward problem resolution, they would dump the problem in the lap of the project team. No fun. We dealt with this situation for close to a year and a half.

Now fast-forward to April 2002. The U.S. Logistics Council was still an active and effective team. I had spent some time in Europe assembling a European Logistics Council, based upon the U.S. model and with some crossover members of the team that selected our forwarders. This team too was now an established group of professionals willing and able to work together toward the best interest of the corporate entity and willing to look past parochial interest. I was in Hong Kong at the inaugural meeting of our newly formed Asian Logistics Council. Senior management within their respective business units had established the membership. And these ladies and gentlemen were good. They were a diverse group of folks from China, Taiwan, Hong Kong and Singapore. They wanted their opinions heard.

We spent the first day of our meeting reviewing some of the activities the U.S. and European councils had undertaken, then

brainstorming some regional opportunities for collaboration. These folks were so enthusiastic and motivated. The one thing however, that was in the forefront of their minds was the upcoming freight forwarder bid scheduled for the Summer/Fall of 2002. They wanted to be a part of this. And so they were.

At that kick-off meeting, they laid the groundwork for the bid process.

- They developed the short-list of potential candidates.
- They identified the primary selection criteria.
- They helped determine the timeline.

Our meeting ended after three days of fruitful discussions. They selected co-chairs among themselves for their new team. They had timelines in place for their regional initiatives. And they were thrilled to be finally included in a major corporate initiative. One member of the team told me, "this is the first time that anyone from the U.S. has come here and actually allowed us to participate in a decision like this. Most of the time, you Americans just show-up and tell us what you have already decided for us. Thanks for involving us." And they were.

Through the spring of 2002, we refined the list of invited suppliers. We developed the RFP document and assembled all the relevant data. We released the bid request in July 2002 with the supplier responses going directly to all members of the three regional councils. The three councils had equal votes in determining which providers to invite to our supplier interview sessions.

In September and October of 2002, our group of finalist suppliers participated in supplier interviews in Singapore, London and Boston.

I attended all three meetings in an effort to ensure that a consistent message from both sides of the table was presented. All three councils had an opportunity to grill all of the suppliers. Each council had equal votes in the final selection process. The initiative was a huge success. It was successful for these reasons:

- We reduced our costs by about 15%.
- We upgraded our suppliers.
- We had broad-based global support for the initiatives by the logistics decision-makers within the organization.

The moral: give people a stake in the process and they will support it fully.

Everyone benefited. A more diverse group of people improved the decision-making process. We empowered a group of experts that

longed for a greater say in the decisions of the organization and an appreciation of their skills. My client has a group of suppliers that are fully supported by the user community. It was a great experience.

Copyright © 2007 Logistics Network Inc. All Rights Reserved.