



INTERVIEW Seizing the information sharing opportunity

Danny Wegman
Interviewed by Alan Mitchell

84 Thanks to the Internet, organizations can share much more information and at a much faster rate – in close to real time. This is creating new opportunities for greater efficiencies and more responsive supply chains. But attempts to seize these opportunities have hit an obstacle. Without common data standards – a common language – different companies' systems cannot 'talk' to each other.

Danny Wegman, CEO of Wegmans Food Markets and Chairman of the Management Board of the global industry body GS1, talks about the potential benefits of global standards and the challenge of developing them.

The better companies get at sharing data, the less time they have to spend sorting out technical difficulties and the more time they can spend being truly productive, he argues. We now have a chance to spend more time "talking about how we can grow our mutual businesses".

The quest for global standards is not just a quest for increased efficiency, he argues. It opens the door to new ways of working together.

Why fairness matters

by Ludo Van der Heyden
and Thomas Limberg

92 When companies focus strongly on 'making the numbers' and reaching targets, they often misunderstand the real nature of the management challenge and end up taking counterproductive actions.

Human beings have a strong ingrained sense of justice. We get angry when we feel we have been treated 'unfairly' (and then often seek revenge). We warm to those who we feel treat us fairly.

Organizational theorists have known this for a long time. Until recently however, their insights fell into the category of 'interesting but not important' or 'too vague to be operationally useful'.

New research is challenging these perceptions. There is a demonstrable link between 'fair process' and improved organizational performance. Fair processes are essential for anyone wanting to build successful collaborative working arrangements. They also lie at the heart of learning organizations' ability to deliver continuous improvement.

This article identifies what companies need to do to operationalize fair processes via some clear and easy-to-understand "do's and don'ts". It also discusses obstacles to implementation. People with their own hidden agendas are likely to resist the introduction of fair processes. And accepting that fair processes are key to superior performance involves letting go of 'managing by results'.

Innovating innovation: the case of Seven- Eleven Japan

by Hirofumi Matsuo
and Susumu Ogawa

104 Seven-Eleven (SEJ) is one of the most successful and admired retailers in the world. Recently, it struck out on a path that's different to most retailers. Instead of differentiating itself by prioritizing the development of private label products, it has worked with branded suppliers to create new products that are sold exclusively through Seven-Eleven stores.

At the same time, it has taken a broader view of innovation, to include supply chain and go-to-market processes as well as product attributes.

By adopting this approach, SEJ has been able to improve customer perceptions of choice and range well actually reducing the number of SKUs it stocks, thereby increasing sales and reducing costs at the same time.

By shifting its innovation focus to collaboration with branded goods suppliers, and by persuading suppliers to innovate not only the *content* of their brands but the *context* too – how the product is made, distributed and sold – SEJ is pushing the frontiers of innovation.

Turning waste into wealth

by Renato J. Orsato, Fernando von Zuben and Luk Van Wassenhove

116 Tetra-Pak's aseptic cartons are one of the biggest packaging success stories of the last half century. But the nature of their construction means they are hard to recycle.

To tackle this problem, Tetra-Pak Brazil has had to construct a completely new 'win-win' recycling ecosystem. This ecosystem includes manufacturers who use recycled materials such as paper fibres or aluminum as raw materials for their products, processors who turn used cartons into re-usable materials, technology researchers, educational institutions preaching the gospel of recycling, local municipal councils dealing with household waste, and large numbers of the urban poor who make a living collecting and selling this waste.

This recycling ecosystem has turned a former cost to society (landfill) into a profitable business opportunity for many different parties.

Constructing the new eco-system took a great deal of time and effort and not all of its elements can be transferred to other countries. But we can all learn from its underlying principles.

Warehouses without inventory

by Kevin R. Gue

124 Warehouses are one of the most glaring forms of waste in modern supply chains. What is more wasteful than tying up huge amounts of money in stock (and in special buildings that cost a fortune to build and maintain), and then spending even more money paying workers to put stock on shelves only to take it off again?

That's why more and more companies are taking an interest in crossdocking, where stock coming off one truck goes straight onto another truck, to reach its final destination with minimal delay.

But crossdocking is not a panacea. If a product has high, stable demand it might be better for a supplier to ship direct to its customers' stores. If demand is highly variable and the costs of stock-outs are high then holding buffer stock in warehouses may still be the best approach. And if crossdocking processes are not implemented well, they can cause more problems than they solve.

Deciding when – and how – to crossdock therefore requires a careful analysis of many different factors. If experience in the US is anything to go by, we won't be waving goodbye to the warehouse any time soon.

Asking for it

by Ananth. V. Iyer and Apurva Jain

134 Retailers adopting 'hi-lo' promotional strategies – deeply discounting a product for one period and then selling it at full price for the next – tend to create feast and famine ordering patterns for their suppliers.

This wouldn't be a problem for suppliers if one retailer's promotion of a particular product always took place when another retailer was selling it at full price. Then, one retailer's 'feast' would cancel out the other retailer's 'famine' leading to relatively stability and predictability. But often the feasts and famines take place at the same time. In these situations, manufacturers may find that during one period they have significant excess capacity, while during another period they simply cannot make enough.

To smooth these peaks and troughs, manufacturers feel compelled to keep high stock levels in warehouses – thereby adding extra costs. Yet, even with these warehouses, promoting retailers' demands for a particular product sometimes exceeds current stock levels. In this situation, by meeting the orders of one retailer, the manufacturer is effectively penalizing another retailer. Very often, the retailer causing the biggest supply problems may end up getting the best service, while others suffer out-of-stocks.

How should manufacturers tackle these knotty dilemmas?



Soft secrets of supply chain success

by Ulrich Thonemann, Klaus Behrenbeck and Ulf Merschmann

144 Supply chain performance has improved significantly over the last five years, with average efficiency boosts (in Germany) of 15–20 per cent. But some companies are improving much faster than others. What are they doing that their peers are not?

The biggest differences lie not in the technical details of supply chain execution itself but in different companies' approaches to change management.

Supply chain 'champions' who achieved results twice as good as the average tend to be highly critical of their own current performance (even when they are leaders of the pack), set high targets, demand rapid rather than leisurely progress, devote management resource to plan and control implementation of the changes and train their staff well – all with high-profile backing from the very top of the company.

The wisdom of the cherry tree

by Michael Braungart

152 Two assumptions lie at the heart of many supposedly 'green' policies:

- 1) industry is bad and we need to make it less bad
- 2) consumption is bad and we need to do less of it

These assumptions turn the quest for sustainability into something entirely negative: damage limitation and guilt reduction.

But sustainability can and should be a positive quest: a celebration of the joys of consumption and an opportunity for innovation and growth as well as a determination to eliminate waste and maintain the quality and level of available resources.

To see how to do this, we need to learn from nature. Nature is supremely profligate yet never wastes anything. Instead, it turns every 'output' into an 'input' of a new or different process.

Every product and every process needs to be designed from a 'cradle to cradle' perspective. They should create either 'biological nutrients' that are biodegradable and can become a nutrient for other parts of the eco-system or 'technical nutrients' that can be used again and again in a 'closed loop'.