

CEO Tip of the Month: What CEOs Need to Know About Logistics

by Guido Quelle

My view of logistics has radically changed since I started my consulting career. As a young consultant I thought that logistics was just about transport, handling and storage, but that all changed when I took on my first logistics projects, whether they were reorganization projects, outsourcing projects or—the pinnacle of our logistics project work so far—winning the German Award for Supply Chain Management, which we received for projects we set up together with ANZAG, now known as Alliance Healthcare. I realized that it's good for CEOs to spend more time on logistics than they may consider necessary. Here are five tips on how you can use logistics principles and expertise for the benefit of your company.

1. Logistics staff are familiar with almost all of their company's processes. A problem that is often mentioned in our growth projects is that the Logistics department is not asked for its opinion often enough. Logistics experts think in terms of processes—at least the good ones do! If you want to improve existing processes, ask your Logistics staff for their opinion more frequently.
2. There's a difference between seeing logistics as a cost factor and seeing it as a growth factor. Most companies I know still have huge untapped potentials when it comes to using their Logistics department as a growth factor. Too many discussions are about reducing logistics costs and too few are about using logistics to provide customers with better service, even though doing so could boost revenues and profits.
3. In many companies, the interface between IT and Logistics still tends to be neglected. This can be fatal, particularly where changing processes is concerned, since today IT is a part of every process. When the interface between IT and Logistics is not defined or doesn't function properly, it poses a risk that must be addressed with the help of a structured initiative.
4. The interface between Sales and Logistics is often even worse than that between IT and Logistics, and frequently only works on an "as needed" basis. There's a hidden danger here, because Logistics often has to deliver on the promises made by Sales. If there is no advance agreement, Sales and therefore the company will have wasted their efforts when customers are frustrated by promises that are made but can't be kept.
5. Many companies that consider logistics to be one of their core competencies and insist on running their own Logistics departments ignore the fact that they would be better off outsourcing the operative logistics processes and keeping the conceptual logistics expertise in house, which could then be used to complement the expertise of their new service provider.

However, this will only work if we recognize that the cost savings produced by outsourcing logistics is often grossly overestimated at the start of such projects.

These were just five thoughts on how CEOs can make better use of their Logistics department. There is still plenty to be said on the topic. If you'd like to draw on our experience, feel free to contact me: guido.quelle@mandat.de

Prof. Dr. Guido Quelle
Managing Partner
Mandat Managementberatung GmbH
Emil-Figge-Straße 80
44227 Dortmund
Germany