

WERC Sheet

CONFERENCE 2011 COVERAGE

Focus on Critical Issues, Vital Topics

Optimism ... excitement ... enthusiasm was the prevailing mood over the WERC 2011 Annual Conference. Perhaps it was the Disney Magic as almost 1,000 WERC members met in conference at the Walt Disney World Dolphin Convention Center in Orlando, Florida. But the draw obviously was the conference program and the educational sessions, which focused on the hot-button items and troublesome issues that daily consume and impact attendees on the job. This was borne out as the individual sessions were very well attended throughout the three-day event, with many being SRO, and a few even overflowing into the hallways.

Michael J. Mikitka, WERC chief executive officer, observed, "We're seeing a high level of energy this year as more attendees and exhibitors are participating. And the feedback we've received so far has been very encouraging."

In fact, one of the more frequent comments from the conference attendees has been, "It's good to be back." The other comment often overheard in conversations was, "That was a great learning session."

Supply chain talent challenges, solutions

WERC Conference attendees always quickly fill the room for the "From the C-Level" panel, and this year was no exception, as industry leaders provide their insights on some of the hot-button supply chain issues affecting the industry. This year's panelists were: **John P. Lanigan, Jr.**, executive vice president and chief marketing officer, BNSF Railway Company; **Jeanne R. Reisinger**, director, global supply network operations, Procter & Gamble; **Andy Smith**, president & COO, Kenco Logistics Services; and **Richard H. Thompson**, executive vice president, Jones Lang LaSalle.

The moderator was **Thomas W. Speh, PhD**, senior director, MBA programs, Miami University. The question he put forth to the panel was: **What is the single most pressing issue in your supply chain organization related to talent and what is your company doing about it?**

Reisinger: I have different issues globally than I do in North America. Globally, my biggest issue is retaining top talent, as the markets over there are a lot hotter than they are here. People can go out to lunch and come back with a much better offer.

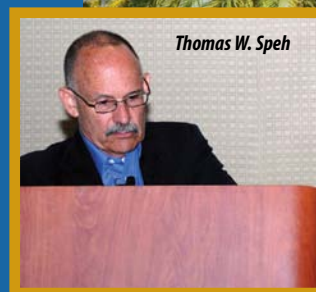
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Information for Members of the
Warehousing Education and Research Council

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Thomas W. Speh

The C-Level panelists included John Lanigan, Jeanne Reisinger, Richard H. Thompson and Andy Smith.



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Our challenge is to make sure that they understand their long-term potential with P&G, and that we've hired them for a whole career over many different jobs and not for just one job that the company wants to keep them in forever.

In North America our biggest issue is that as the economy has slowed so has our movement and promotion of people. As a solution, when we have people in the queue waiting we try to get them out and into a more challenging assignment to keep stretching them and giving them more responsibilities. Some we send on international assignments to broaden their experiences.

Long-term our issue is making sure that our people have both the breadth and depth of supply chain knowledge that they need. We're taking a two-prong approach here: we have a much more formal skill and qualification process within supply network operations, and we're investing much more in leadership talent and classes to improve their influencing skills.

Smith: At Kenco we have about 500 employees on our management team and 3500 associates in our DCs, who are spread out over 66 different cities in 108 different facilities, so succession planning is a major challenge for us and our organization.

The task for the management team is to take our written job descriptions and job requirements and marry them together with the various training programs that we've developed over many years. In this manner, when an associate wants to advance in the organization but doesn't have all of the skill sets required for the new opportunity, we can build a template and create a plan for them that will enable them to close the gap between

their current level of expertise and what they will need at the next level.

We're not yet finished with this, but our goal is to start using it in 2012 and begin to transform it into an orderly process over a period of years.

Thompson: I've spent half of my career on the consulting side, and from that perspective the skill sets that a lot of our clients look for are those technical skills: problem solving, the ability to analyze problems, and to create, model and execute solutions for the client base.

From a corporate standpoint one of the most critical skill sets is not only having that technical understanding, but also being able to translate that into real, practical solutions and to communicate that effectively.

Lanigan: We have a gap in the development of talent. In 1980 there were 600,000 employees; now there are only 200,000. We have a lot of senior people who have been in the industry a very long time, and a lot of junior people, and a ten-year gap in the middle where we don't have a large population.

So, succession planning has become extremely important to us. We have two formal sessions a year during which the top four levels of the organization go ten deep on the succession plan and discuss each of the individuals and their development plans, such as what their next move is going to be. For example, in my organization we move 20 percent to 25 percent of our people every year to a different role either within the organization or to another part of the company.

The other issue we face is that we're an outdoor sport, and a lot of folk coming out of college just don't have working for a railroad, outdoors and in safety boots, on their radar screen. Even though we do hire a lot of college graduates every year, we look increasingly to the military as a source, as they are used to working outdoors, nights, weekends, 24/7. Over the last five years we've hired 5,000 military veterans. •

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If I knew then ...

Large-scale system implementation projects, such as WMS, TMS, and ERP, are often complex and challenging. And typically the after-project postmortems cover the same issues and lessons learned over and over again.

Chelle Stringer, CEO, OCM, LLC, interviewed more than 40 project sponsors, steering committee members, and project managers spanning over 15 projects and asked the question: *What do you know now that you wish you knew at the beginning of the project?* They shared their good and bad experiences and described the practices that they put in place that ultimately led to project successes.

The research uncovered a significant finding: "There's a difference between hearing about a specific matter, issue or problem, really getting to understand it, and then actually developing a solution and transforming it into an accepted practice," Stringer shared. She then described some of the common themes that emerged from the research and the steps taken to resolve and improve the process.

Failure isn't an option! But what is success?

Success often means different things to different people. For example, often a project's stated goal is to complete it on time, in scope and within budget. This is too common and general in nature, and open to many different interpretations.

For example, some team members interpret the goal and success as delivering a phased rollout of the system to the business units. Other team members interpret the objective as being the development of an enterprise wide rollout solution. Obviously both are working at cross purposes.

Rather than have an open, undefined success objective, Stringer noted that the proposed and eventual new practice that was adopted involves several steps, all of which are directed to probe more deeply and to get more narrowly defined responses. The following are the specific steps that will lead to better defining—and achieving—"success:"

- Identify key stakeholders (all those who will be impacted by this project).
- Identify and reconcile the expectations of each group (what do they expect the result to be; what are the specifics they hope to achieve; what is success to them).
- Clarify and reconcile opposing goals (resolve the differences among the different parties and come to an agreement about the specifics, resources and other project details and outcomes before the project begins).
- Develop one set of success criteria and measures that will define success for the project (what are the metrics to be used, what is acceptable, what not, etc.).

"Go Live" is the end... isn't it?

A typical postmortem review often has the team questioning what is the end point of the project, especially when they are drawn into extensive follow-up and fine-tuning activities after the project has been implemented. "For the project team, 'Go Live' signals the end of the project, and that's what they're working towards," Stringer explains. "However, for the user community 'Go Live' represents the beginning, or the time when they start using it to do their work."

At this point the project team members usually separate and go back into the organization and return to their regular work assignments, or some even begin to look for new opportunities and different assignments elsewhere within the company. For this particular case,

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however, the new practice overturned the typical “the project is over shortly after ‘Go Live’ mantra. It was replaced by a four point process:

- “Go Live” is now considered the beginning (when people start using the tool).
- Planning is conducted with post “Go Live” in mind.
- Determine who will support both system and organizational processes (how long will the consultant support remain, what/who do we want to support, and to what degree, etc.).
- Detail who needs to be involved in the project, so they will be prepared post “Go Live.”

When confronting the challenges presented by projects, Stringer advises: Clarify the goals for your projects; align people processes and systems to your goals; and mitigate the risk associated with change. Most importantly actively change from the “old” practice and start applying the “new” practices and processes to begin realizing their potential benefits. •

The end of cheap oil—or is it?

Here’s the basic supply chain problem: In 1999, a truck starting in Charlotte, N.C., with \$500 worth of diesel in its tank and getting 6 mpg, could travel all the way to British Columbia. However, in 2008, with diesel at \$4/gallon, that same truck would only get as far as Nashville.

“Everything that we do, when you boil it all down, is about moving stuff,” declared **Charles L. (Chuck) Taylor**, principal, Awake! Consulting. “To do that, 95 percent of transportation is done with oil and oil products. And there are no substitutes for oil in the near or short term, and I’m talking about 20 years for transportation,” he continued.

Taylor’s message is sober, and somewhat depressing, but he does not believe it’s going to be the end of the world. “I do believe that we’re in for a very different and kind of painful transition period,” he says.

Peak oil theory

“The world will not run out of oil,” according to Taylor. There’s about 176-million barrels of oil in Canada tar sands, but it is not cheap, it’s not free-flowing, and it takes a lot of energy to extract the oil. But the focus of

PEAK OIL CHECKLIST

Charles L. (Chuck) Taylor has developed an extensive checklist of points to consider and address relative to the end of “cheap oil.” Among the items he recommends studying are:

Network and sourcing

- How peak ready is the supply chain network?
- How will the system function at \$6, \$7, \$8+ per gallon fuel?
- How can the network be changed to eliminate movement and reduce distance?
- Are plants, DCs and/or customers in non-carrier friendly places?
- Is energy usage monitored by facility and function?
- How can the network be made more flexible?
- Can facilities expand operations to include off-peak and weekends?
- Do sourcing strategies consider Peak Oil?
- Where are the opportunities for on-shoring, near-shoring and/or in-sourcing closer to markets?
- If FOB destination, how are transportation costs determined and included?

Transportation

- What is the plan to handle fuel shortages?
- Are transportation costs/fuel purchases visible?
- Do carriers and 3rd parties add value in an energy constrained future?
- How can the mix of transportation modes change?
- Can a slower more energy efficient mode handle base load?
- Are fleets disciplined, balanced and utilized properly?
- Are individual fleet assets measured and optimized for speed, load factor, maintenance and route planning?
- What are the plans to improve MPG, propulsion systems, scale, drag, payload ratio?
- What are the plans to use new technologies and smart traffic management tools?

Taylor’s argument is conventional oil, or as he describes it: Where you stick a pipe in the ground and it comes out under natural pressure.

“Over the years that pressure depletes and the oil well is never again as productive as it once was,” he explains. As a matter of fact, U.S. oil production reached its peak in 1970 and has been on a steady decline since. When world oil production will peak is open to speculation, with guesstimates ranging from 2005 to 2020. One report (2010), from the U.S. Joint Forces Command, states, “By 2012, surplus oil production capacity could



Chuck Taylor

entirely disappear, and as early as 2015, the shortfall could reach nearly 10 million barrels per day."

The world today consumes 88 billion barrels of oil a day, he relates. The oil fields are depleting at a rate of five percent per year (about 4.4 billion barrels per day), while demand is rising 1.5 percent (1.3 million barrels per day). "Every year just to stay in place there is a need for an additional 5.7 million barrels per day," he explains.

Saudi Arabia, for example, produces 11 million barrels per day, of which they export 9 million barrels. "That means that every two years the world needs to find a new Saudi Arabia just to stay in place," Taylor states.

"If there was plenty of oil available do you think anyone would drill six miles down in the middle of the worst hurricane zone in the world?" he queries. "We need to start drilling again in the Gulf of Mexico." But, there's no easy oil left, he maintains.

To find oil or any source of energy you have to invest in energy to get it. For example, during the 1930s for every barrel you invested in oil production, you got a 100 barrel equivalent out. This fell to 30:1 in the '70s. Today, it's about 15:1. And the ratio is even less for deep water (8:1), Canadian sand tars (4:1), and biofuels (1:1 in the U.S. and 8:1 in Brazil, which uses sugar cane and a different processing method).

This is the concern voiced by Taylor: "Somebody needs to let senior managers know that we shouldn't locate our DC based on some kind of tax break or other short-term benefit as we have in the past because many of these supply chains are now obsolete, or soon will be, with diesel at \$4 or more per gallon."

What to expect

Just-in-time supply chains dependent on worldwide long-distance transportation will be impacted first, Taylor warns. Further, he expects that peak oil is here or close enough, the liquid fuels problem could be rapid and severe, and it is not temporary. He further anticipates that the "U.S. will move, albeit slowly but surely, towards modifying our lifestyles to use less energy and that there will rationing, demand restraints and non-market based oil pricing."

There's an urgent need to do reasonable things. Among his suggestions:

- Develop a liquid fuel emergency strategy
- Speed vehicle fuel efficiency standards
- Develop technology to continue offshore drilling
- Maximize use of alternative fuels (LNG, hybrid, electric)
- Increase truck size and weight limits
- Begin a serious effort to replace air, car, and truck transport with rail/water •

It's all about building relationships

Establishing and maintaining business relationships that can further professional knowledge and influence career development are two powerful incentives for attending WERC's annual conference. This was strongly validated by **Keith Ferrazzi**, CEO, Ferrazzi Greenlight, who was the featured speaker during the Monday breakfast session. A leading authority in relationship development, he charged that "many individuals don't realize how critically important relationships are to their business success—and even if they do, most remain hesitant about taking the necessary steps to expand their relationships."

According to Ferrazzi there has been a dramatic transformation in the workplace and in the way of work is done during the last 20 to 30 years. No longer is everyone, supervisor and subordinate, co-located together under one roof or at one location where everyone knows each other fairly well. "With the advent of technology, especially communications technology, we have unleashed a new way of working, one that is highly collaborative and virtual," he explained. "Now the people you report to, or report to you, often are located in some other part of the world, leading us to feel more isolated, more segmented than ever before."

Proactively building relationships can ameliorate this condition and enhance your stature as a manager and leader.

Start with personal relationships

If you have three people in your life who "have your back" it's easier to connect with others, he claims, because you already have experience doing it. There are four characteristics associated with "having your back:"



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intimacy, generosity, candor and accountability. Ferrazzi explains:

- **Intimacy.** When you have three people in your life who know everything that is going on in your life, and you're not holding back out of fear, embarrassment or whatever, that's intimacy.
- **Generosity.** When three people in your life who, when you're not with them you know they are still thinking or worrying about you, that's generosity. You also think the same about them.
- **Candor.** How many people tell you the truth? How many people can you tell the truth to, even though they may not want to hear it?
- **Accountability.** Who keeps after you to make sure that you're going to achieve what you deserve? Who even cares enough to know what you want to achieve let alone pushes you towards it?

A "shocker" according to Ferrazzi's research is that 50 percent of Americans say that no one has their back.

Recognize the power of business relationships

Create a people plan and manage it proactively. Write down three names. But this time focus on those business associates who, if you had a better relationship with, you could have an improved career trajectory in the next 18 months. "Step outside your comfort zone and reach up and build a relationship two levels above yours," Ferrazzi recommends. Also reach out to peers, even those who may have been difficult in the past and

... 50 percent of Americans say that no one has their back.



try to transform that relationship by being proactive in your generosity and empathy by suspending some of the pre-judgments you had of that individual. He also recommends trying to find somebody that you can help.

Ferrazzi outlined "seven missions," that when practiced "will be quite helpful in building a more effective career based on the relationships around you." They include:

- **Mission 1:** Make relationships central to life by aligning "what" and "who." Connect a goal to three people who can help achieve it.
- **Mission 2:** Systematically manage your targets. Measure the intimacy strength of each individual.
- **Expand your currency.** Do your homework on one individual and prepare a way to help.
- **Mission 4:** Accelerate the relationship in each interaction. Find a way to care.
- **Mission 5:** Lifeline relationships are a way of life. Find lifelines, ambassadors and mentors.
- **Mission 6:** Build your brand. Establish your social media presence. Start with LinkedIn.
- **Mission 7:** Lead with generosity, intimacy, candor and accountability. Send a gratitude ping and ask for a long, slow coffee.

Based on Ferrazzi's research work, he shares: If you have one friend in the workplace today, you'll get a 30 percent higher level of employee engagement, which translates into a 17 percent higher level of productivity. "You can be the cog that changes the organization," he maintains. "Innovation, productivity, all of these things are unleashed with higher degrees of relational strength." •

UPDATE: Walgreens relationship initiative

At the 2008 WERC Conference attendees heard a poignant and inspirational presentation about an innovative hiring concept adopted by Walgreens, that of employing significant numbers of persons with disabilities for a new generation DC. Since that time a second, identical DC with a significant amount of new technology and automation was opened with the same design and workforce inclusion in place.

"Similar to the Anderson, South Carolina facility, employees with disabilities have been trained to work side-by-side with their teammates at the new DC in Windsor, Connecticut," **J. Randolph Lewis**, senior vice president of supply chain and logistics, reported during

the Tuesday luncheon session. "And like Anderson, nearly 40 percent of the workforce is composed of people with disabilities, who are held to the same work standards and earn the same pay as their 'typically abled' fellow workers."

Disabilities no hindrance in a "typical" DC

Lewis shared a significant learning that employing people with disabilities did not require all of the technology and automation associated with the new design. With that realization came the decision that people with disabilities could be employed in all of the remaining Walgreens DCs in the U.S. and Puerto Rico. "Our general managers and managers of operations came together and set a goal for themselves to hire 1,000 people with disabilities across the chain by the end of 2010," he said.

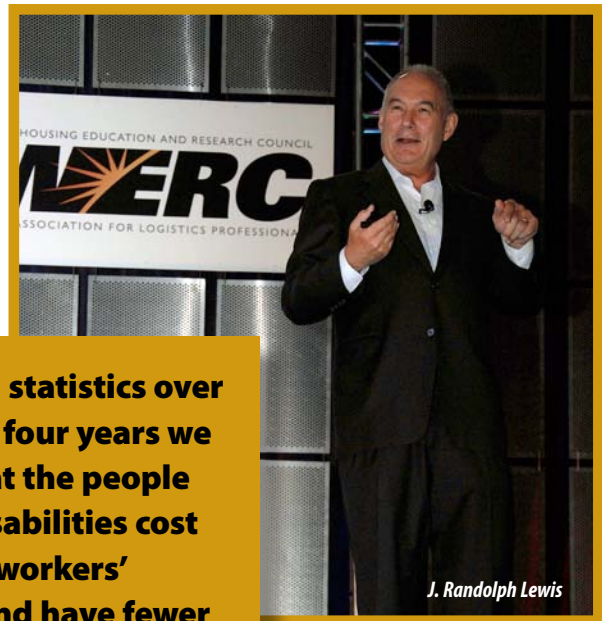
"We didn't quite make it as the recession kind of slowed our growth," Lewis noted. "But today we have 950 people and they're located in every building across the U.S. In fact, over the last two years one out of every three people that we hired in our DCs, that's 500 people out of 1,500, have disabilities."

Another myth was shattered: that people with disabilities can only do one kind of job and that they are not very flexible, said Lewis. "We once believed that people with disabilities could not work overtime, that certain people could not do certain types of jobs, and that they could not adapt to new jobs and situations," he related. "But we found these generalizations to be false as they meet and exceed the same performance requirements for all employees."

They also are safe workers. "One thing we expected was that we had a productive workforce, a dependable workforce, and a safe workforce," Lewis said. "As a matter of fact, from statistics over the last four years we find that the people with disabilities cost less on workers' comp and have fewer accidents than our typically able workers. They also record less absenteeism," he adds.

Knowing each person as an individual

"As we walk through the buildings in Anderson and Windsor, there is a sense of teamwork, common purpose and mutual respect unlike we had ever experienced," Lewis explains. "The difference in these buildings is that



"...from statistics over the last four years we find that the people with disabilities cost less on workers' comp and have fewer accidents than our typically able workers."

J. Randolph Lewis

we have to know each person as an individual. So when I listen to

someone speak I just don't listen to the words, I try to figure out why they are saying what they say."

Additionally, managers frequently communicate with Lewis and tell him about the joys of working there as a manager, and especially about making someone successful. "We have found that in making people with disabilities successful, it requires us to be so," he maintains. "That makes for a more powerful and enabled management. It has changed the way we manage and has made us better managers and leaders, qualities which have extended into our personal lives."

Companies, notably BestBuy, Lowes, Clark, Sears and GlaxoSmithKlein, among others, have observed the Walgreens model and adapted to their own facilities. Lewis concluded: "This is good business. This is good citizenship. You will look back on it as the best thing you've ever done." 