LogiSYM

The Magazine for Supply Chain Executive

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this issue

main feature

CHRO: Beyond being a Business Partner

Wayne Beel shares his insights on the evolution of the CHRO role conceptualised as a reflective partner.

page 18

contents

features

regular

from the editor

Are we ready for the changes on the Horizon ?

As we approach the summer vacation period in the Northern Hemisphere, we wish all our readers around the world a well deserved break. We hope that this will be a good time to catch up with this issue as well as past issues of The Magazine for Supply Chain Executives.

For many Q2 2015 has been a very busy period dealing with the impact of the Greek crisis and repercussion of the EU in all business sectors. Not least the supply chain industry has also been watching the impact of the China stock market events across Asia.

Industry feedback remains one of capacity outweighing demand in all sectors. This would indicate further consolidations are possible and the opportunities for more M&A's - an article featured in our June publications by Cathy Robertson from Transport Intelligence.

In this edition we are pleased to bring you several interesting articles in the Special Features Section. These articles are contributed by industry practitioners and subject experts, who share with us their valuable experiences and thoughts.

The CHRO: beyond being a business partner, is by Wayne Beel an HR Consultant and expert in transforming the HR function. It brings a very fresh and new dimension of the Corporate HR roles as partners to the business.

Cathy Robertson from Transport Intelligence, illustrates that Freight Forwarding is growing but remains cautions. Whilst volumes have edged up, strong pressure on rates prevails across air and sea traffic lanes.

From Logistics Executive, Cassandra Lee - General Manager for North Asia and Greater, shares her views on The Changing reality of the evolving Asian Sourcing and supply chain norms.

We also feature Part 4 of our regular Series on The Supply Chain Management Challenge, which features People and Competencies in the Supply Chain Execution Model.

We thank all our readers for the great feedback and contributions we have received. And we welcome your ideas and inputs. If you feel that you have something to share, do not hesitate to put pen to paper and send us your contribution.

We hope that you enjoy reading the articles in this issue, as much as we have enjoyed putting them together for you.

Joe Lombardo
International Editor

Please forward your comments and editorial enquires to **info@lscms.com**

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The Magazine for Supply Chain Executive

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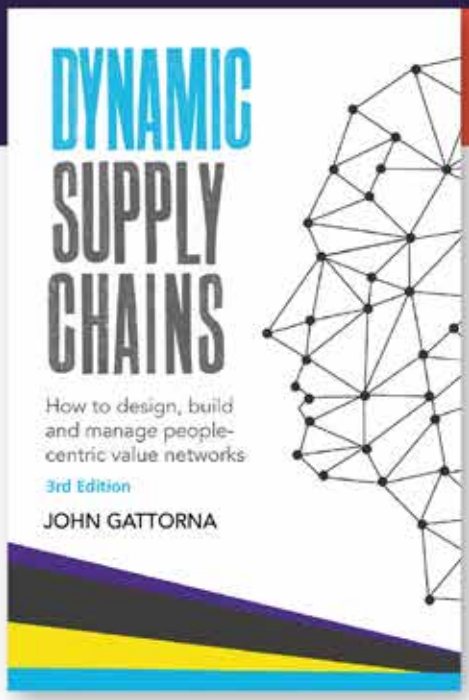

OFFICAL BOOK LAUNCH

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at the SUMMIT
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29 September 2015

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DR. RAKESH SINGH, CHAIRMAN, INSTITUTE OF SUPPLY CHAIN AND MANAGMENT, INDIA.

word from the president

Learning the ropes...

Welcome to the 2nd print edition of LogiSYM, the official publication of the Logistics and Supply Chain Management Society.

It has been 4 months since we started working on our first issue in April and we have learnt - and continue to learn a lot - on this very exciting journey that the team has embarked on.

Being a new magazine, the team continuously seeks new ideas to provide our readers with better content through a myriad of different platforms. Aside from the two symposiums we have in 2015, and our website, we also have this magazine and a number of smaller events that we are either hosting or collaborating with other organisations to run and we are always open to new ideas and approaches.

The latter half of the year is always filled with a number of conferences and seminars. I attended what used to be the largest Supply Chain conference in Singapore a couple of weeks ago and was disappointed to see that this year's event was even smaller than last years and the awards that they have been running for the last few years was scrapped. This just goes to show that like most everything else, as an industry body, we need to continuously review, garner feedback and re-invent and come up with new ideas and we count on readers and members feedback to help us do this.

Thank you to all of you who continue to do so and support us.

One topic that we continue to seek feedback on is how the LogiSYM magazine should be delivered. When we did a straw poll in March, it seemed to be a 50 / 50 split between readers who preferred to have a print versus a digital issue. This month we have received feedback that some readers preferred a pdf version of the magazine instead of flipbook version.

To help us plan for the next year or so, the 80,000 recipients of the digital copy this month will be asked to answer a simple poll to garner feedback on which version of LogiSYM they prefer, that is a print, pdf or 'flipbook' version. Of course readers can also elect to provide us feedback that they prefer not to receive any form of Supply Chain industry publication at all – although we strictly doubt and certainly hope that this is not the case!

Whatever the case may be, let us know what you think, keep that feedback coming and we hope you enjoy reading this month's issue.

Raymon Krishnan
President, The Logistics & Supply Chain Management Society

Please forward your comments and editorial enquires to **info@lscms.com**

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Air Freight Momentum Slows but Middle East Bucks Trend

The International Air Transport Association (IATA) released data for global air freight markets showing a 3.3% increase in cargo volumes (freight tonne kilometers or FTKs) in April 2015 compared to April in the previous year.

The International Air Transport Association (IATA) released data for global air freight markets showing a 3.3% increase in cargo volumes (freight tonne kilometers or FTKs) in April 2015 compared to April in the previous year.

While there is growth compared to the same month in 2014, there has been no actual growth in aggregated global cargo volumes since late last year.

April data revealed a slowdown from the growth for the first quarter of 2015, which averaged 5.3%, in line with a recent weakening in world trade growth.

Despite a cyclical pick-up in the global economy, acceleration in trade and air freight demand is unlikely in the near term as business confidence and export orders are flat or declining.

At a regional level, only the Asia-Pacific and Middle Eastern airlines reported growth in April.

Middle Eastern carriers saw demand grow by 14.1%, on the back of increased trade within the region, along with network and capacity expansion, while capacity grew 18.5%.

Tony Tyler, IATA's director general and CEO, said: "After a volatile start to 2015, the market is settling down, and it is clear that momentum in air freight growth is being lost.

"First there is the structural challenge of world trade no longer expanding at a faster rate than domestic production. Layered on top of that trend we now see a weakening of economic indicators in the crucial air cargo markets of Asia-Pacific and Europe.

"These factors point toward a need to kick-start trade by reversing protectionist trade measures. Implementing the Bali Trade Facilitation Agreement would be a good start, as well as commitments to help facilitate trade in emerging markets."

Also of note was the significant capacity increase of 5.5% in April 2015, driving the load factor down to its lowest for the past 12 months.

Tyler added: "After a brief optimistic period, the global outlook for cargo shows that once again the business is stagnating. But the good news is that with digital processes, new standards for pharmaceutical handling, and a focus on reducing end-to-end shipment times the air cargo industry is well-placed to stage a recovery."

The 71st IATA Annual General Meeting (AGM) and World Air Transport Summit began today and runs for two days in Florida, the US.

Toll Acquisition Brings Change to Virgin Australia

Written by Cathy Robertson

A change in air cargo providers has occurred since the Toll acquisition by Japan Post. Virgin Australia had had an exclusive contract with Toll for some time now but the tide has shifted towards Qantas, which has now landed a five year contract with Toll. Effective July 1, Qantas will carry express parcels and freight throughout Australia via its Qantas/Jetstar network on behalf of Toll.

Qantas' good fortune has been further extended with a renewal of its contract with Australia Post for an additional five years. In addition, thanks to its long-standing relationship with TNT, it could also likely benefit further once the FedEx and TNT acquisition is approved.

What's Virgin Australia's reaction to this loss of a major customer? Effective July 1, Virgin Australia Cargo will be launched. This will allow the airline to actively compete in the domestic and short-haul international cargo market for the first time.

An exciting time for sure but also a daunting one; the market is experiencing growth and as a result, increasing competition. Ti estimates the Australian express market for 2013 (latest estimate) to be worth AU$2,342.35m, a 5.09% increase over 2012. Domestic comprises the largest share of the market at over 80% and it experienced a 4.9% gain. Meanwhile, the remainder of the express market is International, which noted a 6.1% increase.

Virgin Australia will have a steep hill to climb but the company acknowledges and almost embraces the challenge. While the Toll contract is estimated at AU$100m, Virgin Australia expects to grow its new cargo division of AU$150m to AU$200m in annual revenue by 2017.

In addition, it stated that cargo sales on its fleet of five Boeing 777s which fly to Los Angeles and Abu Dhabi will continue to be managed by Virgin Atlantic. According to an executive for Virgin Australia, "We don't intend to take on the major players in the global freight market with five 777 aircraft so the outsourcing model we think is still the best model and we are very happy with the Virgin Atlantic partnership."

Furthermore, Virgin Australia Cargo is also introducing a new IT system which, according to the company, will help it optimize cargo capacity as well as provide tracking and customized reporting for customers.

For the time being there are no plans to add dedicated freighter aircraft to the airline's fleet, particularly as the current passenger aircraft are underutilized from a cargo perspective and the new division has not signed a major cargo deal yet.

Even though Qantas seems to have jumped into the lead for domestic express services, Virgin Australia Cargo is hungry and will be aggressive as it looks to take back volume from Qantas, as well as gain volume in the APAC regional market.

Image:
Virgin Australia's 737-800 Boeing

Bahri Orders Five VLCCs From Hyundai Samho

The National Shipping Company of Saudi Arabia (Bahri) inked an agreement with Hyundai Samho Heavy Industries (HSHI) on May 21, 2015 to build 5 very large crude carriers (VLCCs) plus 5 more optional VLCCs.

Eng. Ibrahim Abdulrahman Al-Omar, Bahri's Chief Executive Officer said that this agreement is in line with Bahri's plans to renew and expand its fleet to meet the requirements of both local and international markets.

The first 5 VLCCs are due for delivery during 2017. According to Bahri, these carriers are designed to the latest international technical specifications and are fitted with environment friendly and fuel efficient engines.

"This ship order will ensure that Bahri remain competitive in the shipping market, support its efforts to expand its customer base and ensure reliable and efficient services,"Al-Omar added.

Bahri is the exclusive provider of VLCC transport services for Saudi Aramco-delivered crude oil under a long-term contract of affreightment.

The company has recently signed a 10-year agreement with Korea's S-Oil Corporation. Under this agreement, it will transport crude oil cargoes on VLCCs from the Arabian Gulf and the Red Sea to Ulsan in South Korea.

NYK Launches New Asia - East Coast South America Loops

Nippon Yusen Kaisha Line (NYK) has announced a new service between South America's East Coast and Asia, due to start in July. The two-loop-service will be run in collaboration with CMA CGM, Hamburg Süd, Hapag-Lloyd, China Shipping Container Lines (CSCL), and United Arab Shipping Company (UASC), using 23 ships of between 8,000 and 10,000 teu.

The new loops will be named New East Coast South America Express 1 (NEX1) and New East Coast South America Express 2 (NEX2).

NEX1 willl be served by 11 ships between 8,000 and 9,000 teu as a 77-day weekly service following the rotation: Shanghai, Ningbo, Yantian, Hong Kong, Singapore, Port Kelang, Sepetiba, Santos, Itapoa, Navegantes, Paranagua, Santos, Port Kelang, Singapore, Hong Kong, Shanghai. The first sailing will be on 14 July.

NEX2 will be served by 12 vessels of 8,000 to 10,000 teu as an 84-day weekly service from 11 July on the rotation: Pusan, Qingdao, Shanghai, Ningbo, Chiwan, Singapore, Port Kelang, Santos, Paranagua, Montevideo, Buenos Aires, Rio Grande, Itapoa, Santos, Port Kelang, Singapore, Pusan.

PSA International awarded "Best Global Container Terminal Operator" by Asian Freight Logistics & Supply Chain

Global terminal operator PSA International has also been presented with the "Best Container Terminal Asia" at the 2015 Asian Freight, Logistics & Supply Chain Awards held in Hong Kong.

PSA Singapore Terminals were presented with the "Best Container Terminal Operator" and the "Best Container Terminal Asia (over 4 million TEU)" award at the same ceremony.

Mr Fock Siew Wah, Group Chairman of PSA International, said: "As an organisation, PSA has always endeavoured to listen and be responsive to our customers. It is this relationship based on trust and open communication which has made PSA's success possible and I thank our customers and partners for continuing to trust and support us."

Tan Chong Meng, Group CEO of PSA International, said: "The shipping and ports industry continues to evolve with the upsizing of ships and the formation of mega alliances.

Hardware and processes that have served us well previously need to be re-examined and advanced accordingly.

"PSA continues to explore the use of automation, intelligent technologies and systems to ensure best-in-class service for our shipping line customers.

We will continue to explore innovative ways to build on the close cooperation we have with all our port stakeholders."

Tan Chong Meng has previously stated that to be prepared for pressures created by ever-larger container ships, ports must plan as far ahead as two decades.

Asian terminals have seen the biggest growth in terms of TEU throughput in recent years with many Chinese Ports not only achieving the fastest turnaround times but also the highest throughput, with the Port of Shanghai taking 35 million containers in 2014.

It was previously reported that PSA International were the world's leading terminal operator, having achieved a total throughput of more than 61 million TEU in 2013.

According to Drewry Shipping Consultants, global container throughput will exceed 840 million TEU by 2018, with China and Greater Africa growing at the fastest rate.

R&D Key to Make Malaysia Asean Logistics Services Hub

Malaysia has to leverage on its strength to ramp up its logistics services sector with more tools and services via research and development (R&D) towards becoming Asean's next logistics hub, said Northern Corridor Implementation Authority chief executive Datuk Redza Rafiq.

"The 40 years of evolution of the northern region's manufacturing industry, which now boasts the production of high-precision and engineering products, has also influenced the logistics industry to evolve in tandem with industry needs."

"Due to this evolution of the logistics industry there, we are proud that about two-thirds of south Thai exports are handled through the northern region corridor gateways such as Padang Besar, Bukit Kayu Hitam and Pengkalan Hulu now."

"And for us to move to the next chapter, we need to strengthen our R&D efforts in this knowledge economy environment that is characterised by technological push and economic liberalisation," Redza told reporters after officiating the launch of the Asean Logistics Symposium themed "Malaysia – the next Asean logistics hub" by the Centre for Asean Logistics Studies (CALS) yesterday. CALS is the R&D centre of ALC College.

The six-month symposium is sponsored by PKT Logistics Group Sdn Bhd.

The Asean Logistics Symposium is a joint research programme between the UK's University of Hull, Universiti Utara Malaysia and ALC College. The symposium will be held from June to December, consisting of a series of 10 labs uniting experts from top local logistics companies with the two tertiary institutions.

PKT Logistics chief executive and managing director Datuk Michael Tio expects the symposium to be able to identify the country's key strengths and weaknesses to become Asean's next logistics hub.

"We must move up the value chain. Instead of delivering, storing and distributing goods and raw materials, we must add value to the services such as sub-assembly, re-packaging and procurement services.

"Singapore has been doing this and it can increase profit margins by leaps and bounds," he said.

Image: (above)
Redza says 40 years of evolution of the northern region's manufacturing industry has influenced logistics to evolve in tandem with industry needs. On the left is Tio.

Panalpina appoints new Executive Board

Panalpina, one of the world's leading supply chain solutions providers, promotes Andy Weber (55) to the position of Chief Operating Officer (COO) as of July 1, 2015. At the same time, the company announces that Ralf Morawietz (48) will assume the position of Chief Information Officer (CIO). He takes over from Rod Angwin (55) who will leave the company for personal reasons during the course of the year.

Mohebi Logistics Breaks Ground on $150m DWC Facility

Dubai-based Mohebi Logistics, one of the largest vertically-integrated supply chain management companies in the Middle East, has broken ground on its new facility within the Logistics District at Dubai World Central (DWC).

Building on its successful and sustained track record in FMCG logistics, the family-owned Emirati business is consolidating its entire group activities at DWC.

In a ceremony held at the company's new site, Mohebi Logistics, a subsidiary of Mohebi Investments and an affiliate of Zainal Mohebi Holdings, revealed detailed plans for the $150 million centre scheduled for completion by the end of 2016.

In a ceremony held at the company's new site, Mohebi Logistics, a subsidiary of Mohebi Investments and an affiliate of Zainal Mohebi Holdings, revealed detailed plans for the $150 million centre scheduled for completion by the end of 2016.

The new facility will be spread over 206,000 square meters of land and will encompass the Zainal Mohebi Holdings corporate office and storage capacity of 180,000 pallet positions; more than doubling the company's existing storage and logistics capabilities.

Commenting on the historic event, Mohammed Mohebi, CEO of Mohebi Logistics and Zainal Mohebi Holdings, said: "To stay innovative, you must be willing to constantly re-evaluate how well you work with your business partners.

"We are proud and excited to become a strategic partner of Dubai World Central and a key contributor to Dubai's continued economic growth.

"It is important that Emirati talent and know-how offered by homegrown companies is developed to support our leadership's vision of creating a knowledge-based economy.

"Dubai World Central will play a critical role in showcasing both Emirati talent and corporate capabilities, which in my opinion is crucial in serving our national interests."

His Excellency Khalifa Al Zaffin, executive chairman, Dubai Aviation City Corporation, added: "We are proud to welcome to the DWC family one of the oldest and most exemplary Emirati family business organisations in the UAE – Zainal Mohebi Holdings.

"The company reflects our nation's ethos of business excellence and progressive culture. We are confident that its corporate and operational growth will not only flourish under the DWC ecosystem, but shall also contribute to it.

Mohebi Logistics' development forms part of an overall $300 million investment that Mohebi Investments has earmarked to establish Mohebi Logistics as a major regional player.

In addition, Zainal Mohebi Holdings will consolidate its FMCG operations by also re-locating to Dubai World Central.

Image: (below)
The $150m centre scheduled for completion by the end of 2016.

Asciano Offered AUS$8.8bn by Brookfield

Written by Thomas Cullen

The Australian logistics infrastructure provider Asciano has received a take-over bid from Brookfield Infrastructure Group, a specialist logistics investment company based in Canada that already owns a string of global assets including Dalrymple Bay coal terminal in Australia.

The value of the Brookfield bid is AUS$8.8bn (US$6.7bn/€6bn), although both the bid and price are described by Asciano's management as a "confidential, indicative, non-binding and conditional proposal". It was received on June 26 but Asciano only revealed this on Tuesday (July 1), partly due to apparent leaks to the press.

The senior management of Asciano are being cautious about the deal, commenting that there is "no certainty that the proposal will result in an offer for the company, what the terms of any offer would be, or whether there will be a recommendation by the Board of Asciano". Despite this Brookfield's offer is 36% higher than Asciano's share price on the Australian stock exchange at closing

If the deal does go through it would be one of the largest purchases of an Australian company, larger even than the purchase of Toll Holdings by Japan Post several months ago for AUS$6.5bn.

Asciano's business is heavily focused on bulk infrastructure for coal and other commodities, such as iron ore and agricultural products. It operates a string of major maritime terminals as well as the Pacific National rail network which is the leading long-haul rail freight provider in the country. These assets have provided considerable growth in the recent past as the commodity sector boomed on demand from China. However the subsequent slowing of the Chinese economy has depressed this market over the past two years. Yet Asciano has continued to expand its already substantial container terminal business driven by the strength of the Australian economy, which has grown at over 3% a year for the past several decades.

Asciano was carved out of Toll Holdings in 2007, creating two distinct businesses with Asciano focused on fixed assets and Toll's more asset light approach. Both were the result of a highly acquisitive strategy by Toll which included the purchase of Patrick Corporation, Australia's leading port company and National Railways, one of its largest rail freight businesses.

ASEAN – The Future Labour Powerhouse

The structural change in the East Asian labour market and rising wages in China will shift a lot of labour towards Southeast Asian countries, especially the ones that still have low labour costs, experts say, reports menafn.com.

With wages in China increasing by 6.9% per annum, according to a Standard Chartered Bank study, the country sees its labour cost competitiveness waning and is preparing for an unavoidable shift from labour-intensive to high-value-added production. This is one of the factors driving costs for foreign companies up. Benefiting from this development are mainly Southeast Asian nations, according to Usara Wilaipich, senior economist at Standard Chartered's Thailand branch.

Southeast Asia will eventually displace China for the title of "world's factory", according to a study Australia and New Zealand Banking Group (ANZ). This is expected to happen over the next 10 to 15 years, "as companies move to take advantage of cheap and abundant labour in areas such as the Mekong [delta]".

Countries such as Myanmar, Cambodia, and Laos will mainly provide low-cost labour, while manufacturing in Thailand, Indonesia, and the Philippines will remain "cost-effective", the ANZ report stated.

Vietnam will provide both, low-cost labour and to some extent higher-value production, while sophisticated producers will look into Singapore and Malaysia.

The formation of the ASEAN Economic Community (AEC) by the end of 2015 by the 10 members of the Association of Southeast Asian Nations (ASEAN) will support the transition of the region to labour powerhouse status.

The AEC will partly enable the free movement of goods, services, capital and labour (in certain skilled professions) between the 10 member states.

This stands in stark contrast to the former low-cost manufacturing powerhouse, the Pearl River Delta in China with its immense factory belt spanning over nine mega-cities in Guangdong province and accounting for 27% of Chinese exports.

The region is suffering from labour shortages and wages that are constantly creeping up. Adding to that, the slowdown in China's economy is putting the brakes on private consumption and foreign investment, whereby ASEAN's high GDP growth rates and its rising middle-class affluence causes companies relocating their production away from the China to ASEAN to capture a share of the growing consumer market there.

Standard Chartered advised that "ASEAN stands to gain, with its lower costs and abundant supply of labour over the next 20 years".

Swisslog Unveils Robotised Picking Technology

Over 220,000 visitors attended this year's Hannover Messe, the largest industrial trade show in the world. Swisslog exhibited with KUKA, presenting its jointly developed Human-Robot Interaction (HRI) concept named 'Automated Item Pick'.

Under the 'Industry 4.0' technology concept, the Automated Item Pick workstation promises ground-breaking performance boosts for both picking operations and the supply of industrial assembly lines.

Developed for industrial applications, the concept combines two automated storage and picking systems from Swisslog, CarryPick and AutoStore, with LBR iiwa, to create what they claim to be the first-ever interactive human-robot picking station.

One of the first tangible implementations of the 'Industry 4.0' concept, the Automated Item Pick workstation allowed visitors to the KUKA and Swisslog booth to experience ultra-fast error-free picking. Innovative image processing technologies are used to allow humans and machines to work together seamlessly and without cumbersome protective barriers.

For Swisslog, the Automated Item Pick workstation is an intelligent enhancement of its Click&Pick portfolio, a modular warehouse logistics concept that offers flexible scalability as well as high throughput for storing and picking light goods. At Hannover Messe, KUKA's lightweight robot LBR iiwa, which realistically emulates human hand movements with its seven-grip axis, celebrated its successful entrance into the world of warehouse logistics.

"Automated Item Pick is the first major milestone of our emerging cooperation with KUKA," says Peter Hettich, CEO of Swisslog."The feedback we've received from visitors at the Hannover Messe has been consistently positive. For us, this is confirmation that Swisslog and KUKA have set out on the right path toward developing intelligent and innovative technologies for warehouse logistics."

YCH supports ZALORA to Launch the Biggest Fashion Warehouse in Indonesia

YCH Group implements its The Last Mile (TLM) solution for Zalora as the online shop launches its fashion warehouse in YCH Distri-Park located at Cibitung, West Java.

YCH Group, Asia Pacific's leading integrated end-to-end supply chain management and logistics partner, implements its proprietary The Last Mile™ (TLM™) solution for ZALORA as the online powerhouse launches its fashion warehouse in YCH DistriPark located at Cibitung, West Java today. The latest warehouse from ZALORA, covering an area close to 15,000 sq. meters, is the largest of its kind in Indonesia for a fashion

Leveraging on YCH's TLM™ solution to optimize route management and last mile distribution from its flagship warehouse, ZALORA will not only gain an overall increase in logistics efficiency for e-Commerce fulfilment across the entire country; but also benefit from a host of other complementary solutions including business intelligence and analysis to help with order fulfilment and return management. Apart from gaining visibility to 'on-the-road' data, ensuring predictability, reliability and the safe delivery of ZALORA's goods to customers, an electronic proof of delivery (e-POD) system will be implemented in the next phase to further enhance ZALORA's capabilities in e-commerce fulfilment, where delivery personnel are able to capture receipts and send status reports instantly through their mobile devices, thereby effectively shortening process lead times and improving information flow.

At ZALORA's launch of the biggest fashion warehouse in Indonesia, Mr Fredrik Thomassen, CEO of Zalora Indonesia commented on YCH's regional experience and capabilities in e-commerce fulfilment. He said, "We are pleased to partner YCH and have full confidence in YCH to uphold ZALORA's promise of excellent customer experience, especially in the area of last mile delivery. Given YCH's vast network and deep experience operating in Indonesia and the ASEAN region, we are happy to join hands with YCH on our quest to become Indonesia's best and largest online fashion retailer."

Amazon Developing an Uber-Style Delivery Service

In its ongoing effort to get packages to consumers as quickly as possible, Amazon may soon employ an Uber-like crowdsourced app that uses ordinary people as delivery drivers.

In its constant quest for speedier delivery, Amazon is considering paying normal people to deliver packages as part of a crowdsourced delivery program, sources tell The Wall Street Journal's Greg Bensinger.

The service - internally called "On My Way" - would recruit retailers in urban areas to store packages.

Then regular people wanting to make deliveries could use an app to see where to pick up and drop off goods as they were going about their day.

Bensinger's sources warn that Amazon is considering the program but that its efforts could end up getting tabled.

After all, there are a lot of big challenges.

It's unclear who would be responsible if packages disappear or get damaged (Amazon notoriously doesn't even trust its own warehouse workers not to steal from it).

Crowdsourcing is the process of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers.

The company would also have to strike a balance between paying wannabe-delivery people enough to incentivise them, with a cost structure that didn't break the bank.

Amazon's shipping costs swelled about 31% last year.

In 2014, Amazon briefly tested using Uber and taxi drivers to deliver packages for about $5 each in San Francisco, but didn't expand the experiment, sources tell Bensinger.

Currently, Amazon uses bike messengers in New York City to deliver packages for its Prime Now one-hour delivery service and its own delivery network in other parts of the country.

Uber itself has been struggling to create its own logistical network for delivering food, groceries, and other goods, and has six partners so far. Startups like Postmates and Instacart are also tackling same-day delivery, and Google has a hat in the ring, too, with Shopping Express.

With more than 85 million active internet users and an e-Commerce market reaching USD 18 billion in 2015, Indonesia will become the largest e-Commerce market in Southeast Asia. This collaboration with ZALORA, as well as other partnerships with e-Commerce players such as ShopClues and SnapDeal, furthers YCH's commitment to entrench a reliable system and excellent track record in e-Commerce fulfilment across the Asia-Pacific region.

Country General Manager of YCH Indonesia, Mr Iman Gandi said during the warehouse launch, "We are glad to be ZALORA's partner of choice in the area of e-Commerce fulfilment in Indonesia. This is testament to the advanced, proprietary fulfilment solutions that YCH is continuously developing to empower both traditional as well as online retailers, with proactive visibility and game-changing capabilities that will help them increase productivity and optimize resources in such dynamic and highly competitive businesses."

As last mile delivery is often a company's first touch point to the end-customer, having a smooth and efficient last mile fulfilment will enable ZALORA to build stronger levels of trust and brand loyalty with its rapidly expanding consumer markets. Having been in Indonesia for more than a decade since 2003 with presence across 15 cities, YCH continues to strengthen its niche in last mile fulfilment and further expand its extensive supply chain network across Indonesia for aspiring growth companies and MNC customers such as LG Electronics, Royal FrieslandCampina, EVONIK and ZALORA.

CHRO: Beyond being a Business Partner

Written by Wayne Beel

The CHRO has for some time considered their ultimate role to be defined as a business partner. This understanding of leading HR, which has been predominant for several decades, recognizes a core shift in identity from that primarily associated with the transactional administration of core people services to that of helping create value for the business and delivering capability based on organizational need. With businesses continuing to evolve and adapt, it is evident that the role of CHRO also needs to evolve into a new era conceptualized as a reflective partner.

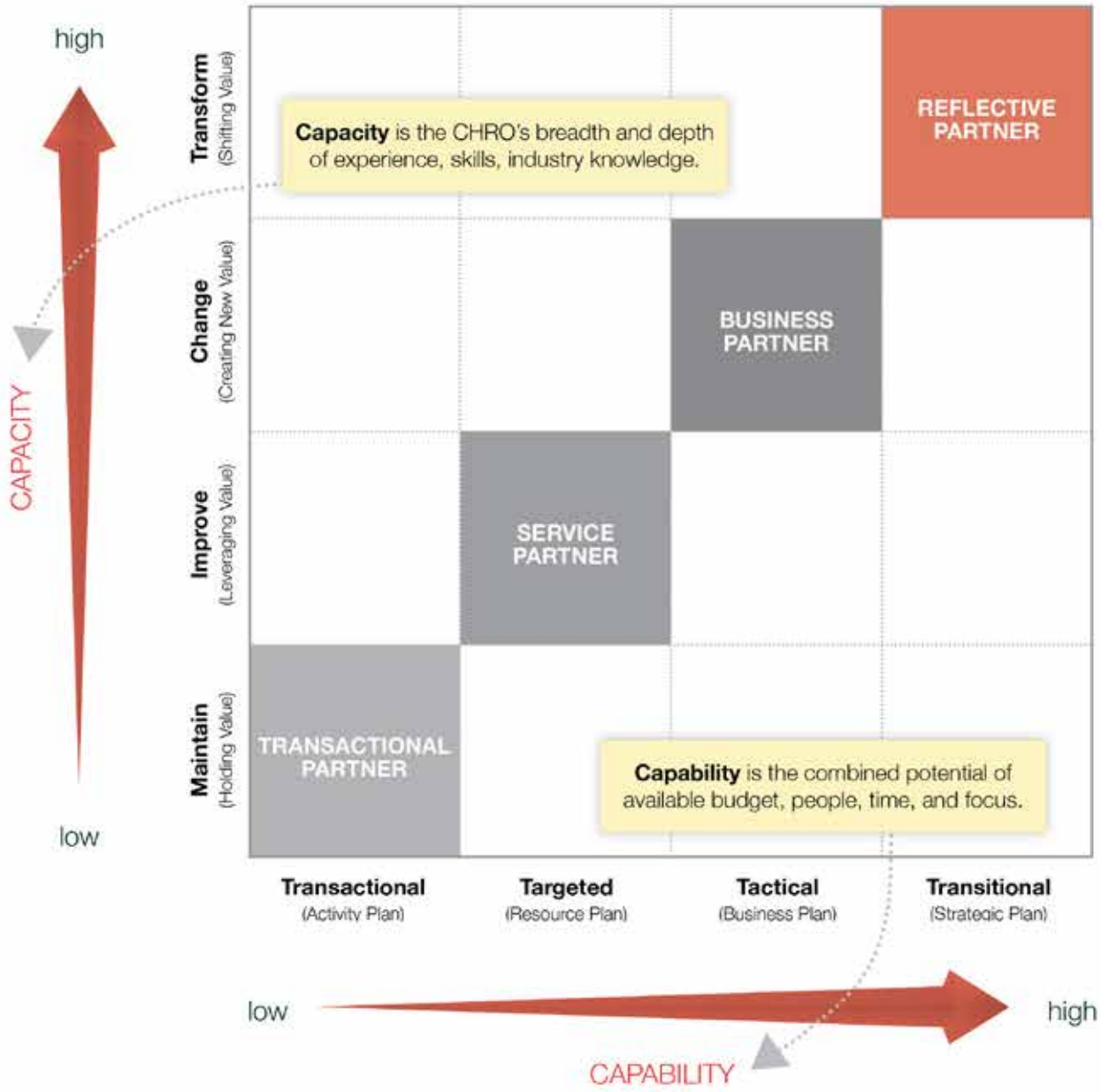
This new shape of CHRO is the culmination of a four-part evolution (see Figure 1). Each of the phases along the CHRO (and accordingly reflected in HR itself) journey can be considered as a mix of particular levels of capability (i.e., budget, people, time, and focus) and capacity (i.e., depth and breadth of experience, skills base, and industry knowledge) depending upon the purpose and role of HR within the business. Incrementally, this has broadly involved the CHRO evolving from their role in maintaining the business (as a transactional partner), to improving the business (as a service partner seeking to improve value), and most recently changing the business as a business partner.

As a business partner, the focus of the CHRO has been to change the value in the business by delivering on the HR priorities matched to the business plans and the provision of tools and frameworks to lead the change agenda. This most recent phase has involved a broadening of focus and the inclusion of specialist responsibilities that help create value from an individual and organizational perspective. It has included the CHRO leading human resources to expand its capability to include elements of talent management, workforce planning, knowledge management, and more recently, activities such as business governance and improvement. This shift has been instrumental in helping organizations better perform, more readily grow, and leverage their people and culture.

In a context that demands leaner structures, a higher capability for innovation, adherence to increasing compliance and governance demands, and increased organizational responsiveness, it is apparent that the current approach of the CHRO, that incorporates both transactional and specialist elements cannot adequately respond to current organizational needs. It is evident that the role of business partner does not sufficiently describe the evolving and growing demands of the CHRO today.

> "This region still has room for growth, hence they can not be ignored."

Whilst in the past these positions have been deemed as senior executives within the company structure, a reframing of the position is required in order to more fully encapsulate the qualitative nature of the relationship required between the CHRO, Executive Team, and the Board of Directors. Thus in order to meet the changing needs of organizations, a further specific shift is needed, moving the CHRO beyond that of a business partner to a reflective partner. Such an evolution is not relevant for every organization,



REFLECTIVE PARTNER *Shifts* current value (also fulfills all other aspects of HR), actively anticipating organizational leadership. Aligns business life cycle and the interweaving of stakeholder requirements and relationships.

BUSINESS PARTNER *Changes* the value in the business by delivering on the HR priorities matched to the business plans and the provision of the tools and frameworks to lead the change agenda.

SERVICE PARTNER *Improves* the value in the business by redesigning the HR processes to capture value from overall 'people spend' coupled with innovative approaches to removing distraction factor to the line manager.

TRANSACTIONAL PARTNER *Maintains* value by solely being focused on meeting the transactional activities prescribed either by company policy or external regulatory agencies by ensuring consistency and efficiency.

but assumes that the role of business partner has been established for some time and is operating with maturity.

A reflective partner seeks to not only strategically add value through the provision of high quality services and specialist functions, but also seeks to make a significant contribution to the business in alignment with the needs of the CEO in the endeavor of transformation. A reflective partner, working closely with the leadership team, is able to foresee the possibilities around the corner by having developed an excellent knowledge of the people and organization. Accordingly, it is necessary for the reflective partner to enable the executive leaders of the business to confide their thoughts, feelings, and business plans/actions. The depth and openness of such a relationship enables a closer link between people and strategy, in addition to creating a forum for continuous reflection and the opportunity to pivot based on current or future organizational need.

The nature of the reflection involves a reciprocal flow of information sharing in a manner that facilitates senior leaders to not only share their thoughts, feelings, and business plans/actions, but also for the CHRO to share valuable metrics, research, and trends that equips the leader to have more robust and informed reflection. It is not expected that the CHRO has every piece of data at their fingertips, but they will have developed a culturally-aligned set of external providers who can provide all of the necessary data points and additional capabilities.

Combined with this standing within the organization, the CHRO could be described as: a fixer of hard or sensitive matters (such as cultural and performance conflicts); a translator of expressions of intent that require timely and behind the scenes solutions; an early warning mechanism for probable events; and a conveyor of honest feedback of what is truly happening within the business.

Thus, the term "reflective" is deliberate in order to highlight that the CHRO is not necessarily the initiator of discussions, but a facilitator when occasions arise from one-on-one meetings with the CEO or senior executives. Such opportunities are usually informal in nature, often taking place outside the normal business parameters (e.g., on a plane, car/taxi trips, prior to or at the close of the business day).

In order to assume such a role within the company, the CHRO requires a detailed knowledge of the business activities along with a thorough understanding of the key individuals within the company. It is imperative that the CHRO has an understanding of both the business culture and the explicit needs of the CEO, executives, and Board. The CHRO should have a continuous and visible presence within and across the business in combination with a regular presence with the Board (e.g., REM, safety, and governance committees) and an understanding of the Board dynamics. To provide the sufficient capacity, it is also essential that the CHRO has developed a strategic set of relationships with specialist HR related service providers that are attuned to the organization (and responsive in their capability) with a comprehensive set of tools and frameworks that can be utilized within multiple scenarios and level of complexities to help create synthesis.

Particular competencies required to undertake this role comes with experience and wisdom that can only be acquired by many years of exposure to a broad range of business activities and cycles. To be credible, such a role requires someone with a significant depth and breadth of experience (e.g., across cultures, industries, and regions) and not simply a younger HR type, regardless of their strategic ability. Similarly, there must be cultural alignment between the CHRO and the CEO and Executive Team, else the potential of the relationship will be significantly inhibited. As a key catalyst for change, it is more important for the CHRO to have alignment with the current leadership team (and their goals) rather than the current state of the broader organization. Thus a local (or internal) appointment is not always best as it is not necessarily a predictor of alignment with the culture and intentions of the executive leadership - particularly if the executive team are all, or by majority, expats.

> A **reflective partner**, working closely with the leadership team, is able to foresee the possibilities around the corner by having developed an excellent knowledge of the people and organisation.

Any person wishing to succeed in this role must ensure that their workday/week allows sufficient time to be free of scheduled commitments that gives "space" to spend time in the company and with externally related agencies/consultants in order to bring in the specific skilled resources. Being the 'busiest' HR person will sabotage any potential for the reflective partner approach to be realized, inhibiting opportunities for deeper discussion and responsiveness with the executive leadership. Thus, the CHRO as reflective partner should be seeking to invest (and have available) a significant and proportionate amount of their time every day. Given that many of the most strategic opportunities for the CHRO to be a thought leader are unplanned, their schedule and presence must be sufficiently flexible to respond when needed.

In order for the CHRO (and HR) to succeed as a reflective partner, it is important to stress that they are known, understood, and accepted by the key players within the executive leadership. The CHRO must have a freedom to operate throughout the company whilst keeping the confidence of the conversations held with various people at all levels. There are three key signals that indicate the role of CHRO operating as a reflective partner. First, continuing invitations to attend (be that at customer, supplier, or team events) and observe executives in action and provide feedback to the leader based on the CHRO's key observations. Second, constant one-on-one time with the CEO to canvas views and input towards undertaking significant change, achieving strategic objectives, and making key appointments or separations. Third, conversations with individual Board members or committees in regards to cultural, people governance, or compliance issues and in particular improving the alignment with community and customer evolving expectations.

In the current context of organisations that have an increasing appetite for transformation, HR must continue to evolve just as business are required to do. In light of this, CHROs must fulfill a more significant role than that of business partner. In order to operate effectively in this new role as reflective partner, the highest levels of capability and capacity - that which only results from a broad experience and wisdom - are necessary. From an organisational perspective, it is essential that CHROs have sufficient 'license to operate' from the CEO and BOD. Without this permission in place, a CHRO simply cannot fulfill this role regardless of the title on their intent or business card. As a reflective partner, the CHRO must mirror the current intent and aspirations of the CEO and BOD and have a purposeful voice throughout all levels and functions of the organization.

With so much writing on 'what's next' in HR, it's clear that any conversation on the future shape of the CHRO must grapple not only with the past approaches, but also the enormous array of global challenges and opportunities - not to elevate HR for its own sake, but to help ensure organizations are best positioned with their people to perform and grow.

Wayne Beel *has more than 25 years international experience in transforming Human Resource Functions to meet current and future needs. Wayne has led HR change in a variety of settings in global, regional, and national organizations across a broad range of industries including steel manufacturing, mining, building construction products, and logistics. He has worked in NZ, Australia, Middle East, Asia, Europe, and the U.S.*

A person fulfilling a CHRO role, should be able to:

1. **Provide considered feedback**, immediate or delayed, to help process strategic thinking.
2. **Incorporate learning from other organisations (or across business units or functions within the same company)** who have experienced similar change or challenges.
3. **Foster trust** so that feelings on particular matters can be openly shared to sound out differing proposals.
4. **Anticipate** business risk and issues relating to organisational complexity.
5. **Be a source of confiding** on sensitive topics requiring delicate and confidential action.
6. **Seek out further data points** from various sources internally and externally (who must be also culturally aligned); and
7. **Triangulate a range of viewpoints** that need to be confidential.

The New Normal of Asian Sourcing and Supply Chains

Written by Cassandra Lee

Change, Evolution, Transformation… call it what you will, but the reality is that nothing is ever going to be the same again.

Asia evolves year on year in a way never seen before, even in Western markets. As a result, all organisations are faced with the challenge of how they respond and build cost effective and time efficient sourcing and supply chain operations to feed the phenomenal consumer growth across Asia and remain competitive in supplying their traditional western markets. All this needs to be done by incredibly lean, post-GFC business operations with a strategic focus on significantly reducing working capital, whilst having incredibly dynamic and agile operations. Things we all know and certainly have heard many times in our organisations, but the question is how is everyone else handling these dynamics?

China +1 is now China + 2 /3 /4…

The rise of wages in China and foreign exchange dynamics have pushed significant levels of manufacturing into a China +1 strategy some two plus years ago. Now, most organisations have diversified manufacturing/sourcing to encompass a combination of China, Vietnam, Thailand, Indonesia and the Indian Subcontinent. This has presented positive gains in reducing the cost of sourcing, yet has affected logistics costs, presented major talent, training challenges, and challenge quality assurance compliance.

> “Things we all know and certainly have heard many times in our organisations, but the question is how is everyone else handling these dynamics?”

Change, Evolution, Transformation…call it what you like but the new norm of sourcing and supply chain is driving changes in leadership writes Cassandra Lee, Logistics Executive Group's General Manager for North Asia.

These challenges are not unique to emerging markets. However, they are challenges that are only successfully being managed by organisations that took stock of lessons learnt during their China centric sourcing development. These organisations invested in their new emerging hubs. They moved leaders Vs. managers, they worked strategically with their logistics vendors and spent significant time investing in the development of their manufacturing vendors to get them up to speed, vs. purely focusing on short-term cost gains. Most importantly, they have been investing in the long-term training and development of their Asian talent to facilitate agile, proactive and collaborative cultures.

GDP growth - whether double or single digit across countries as populous as India, China and Indonesia has presented many organisations with unprecedented new market opportunities. However, these markets being on line/mobile-savvy, highly dynamic, geographically vast and internationally astute in many regards overshadow this. The demand for mature market practices, products and service delivery standards gives little room for organisations to work on their strategy to get it "right" for the said market and is compounded by the social media obsession of their consumers in these markets.

In navigating, these organisations are rapidly developing mega distribution hubs, retail storefronts, E-Commerce fulfillment centric operations; others are sourcing from or manufacturing in the said country to supply specifically to that domestic market. The common denominator of success is that organisations are building internationally experienced teams solely focused on planning and managing the end-to-end domestic supply chain with a rigor and a level of expertise that is unprecedented. Effectively this blends East and West experience, exposure and education and is enabling agile supply chains that are cost effective, efficient and ultimately profitable. These teams collaborate with their locally based colleagues executing similar strategies to supply their international markets but are no longer in their shadow.

Asia's love of technology, unrelenting consumption, vast geography and evolving free trade agreements are creating multi-channel, distribution demands that have the whole industry spinning. This just compounds the challenges of multi-country sourcing and supplying international and rapidly developing domestic markets and emphasizes the critical impact of the logistics function within the supply chains.

Whether you outsource all or part of your distribution there has never been greater importance on highly effective logistics networks which propel delivery speed and low cost. This is resulting in brands having a matrix of service providers to deliver competence across their requirements, fuelling an explosion of store growth and the hiring of trade and compliance specialists in-house to navigate the most cost effective ways of linking the logistics modes. Whilst Trade and Compliance is delivering extensive profit gains for organisations and embracing the rapid evolution of free trade, the yields are largely masking the increased costs of logistics networks as organisations start to fragment their supplier base in order to deliver consumer driven speed capability and the need to service exhaustive geographies.

At the Parcel and Post Expo held in Hong Kong earlier this year, Logistics Executive Group facilitated an exclusive panel discussion featuring brands such as E-Bay, Converse and Strawberrynet to share strategic insights with key logistics providers on how they need logistics providers to support the click, click & collect, Brick and Import challenges. The consistent message through this discussion was the wish to simplify and reduce the quantity of logistics vendors they deal with which is challenged by the depth of capability they require in express, contract logistics and freight forwarding services to deliver to each domestic market and international requirements.

To be continued on the next page

Integration and collaboration of capability amongst vendors is high on the wish list, but is the logistics Industry ready for this?

This is further compounded by Brands/ Retailers in Asia competing with their own Brands/Stores of other countries as internet savvy shoppers source the best price for their brand of choice globally leveraging free trade agreements and currency fluctuations and efficient and cost effective international express delivery.

What is consistently evident across these major shifts is the speed of dynamic change and the complexity of challenges facing sourcing and supply chain professionals in Asia.

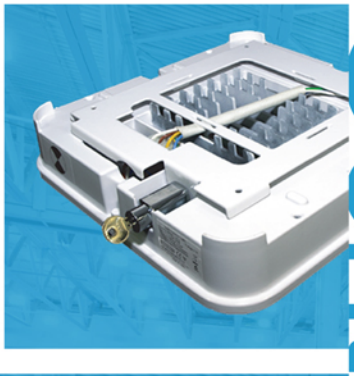
It is this complexity and rapid change that is driving the need for employees in the supply chain to be fully equipped skill-wise to cater for today's demands and tomorrows horizon. Traditionally supply chain education has been a bi-product of broader educational curriculums and the lack of suitable specialist supply chain courses has held back the advancement of critical learning development.

This is slowly changing and a good example is the launching of Logistics Executive Group worldwide partnership program with the US based Council of Supply Chain Management Professionals (CSCMP). A Partnership being launched in March 2015 will see Logistics Executive Group bring to a wider market CSCMP's accredited education programs.

This highly specialized range of educational training includes pathway learning from 13 basic one-hour video tutorials to the more advanced Supply Chain Essentials Management Courses through to the senior level SCM-Pro Certification. With a vast array of critical subject matter, industry professionals and organisations will now be able to access some of the Industries best education resources specifically tailored to managing complex international end to end supply chain challenges, all of which is hosted in an online environment.

More information can be found at **www.LogisticsExecutive.com**

Author Profile
Cassandra Lee | General Manager - North Asia & Greater China
Capitalising on more than 15 years of experience in the Supply Chain sector, Cassandra brings significant depth of expertise adding value to her clients and candidates as she executes local, regional and global searches. Having held leadership roles in mature markets, Cassandra has developed a niche in tailoring solutions for firms which require leaders with the depth of expertise, the cultural comprehension and respect to execute strategic goals in developing regions and market segments.



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Growth of the Freight Forwarding Market

Written by Cathy Robertson

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Present Situation	53.9	53.2	53.8	51.8	51.6	51.2
Expected Situation	60.7	59.5	60.9	60.7	63.2	62.5
Logistics Confidence Index	57.3	56.3	57.3	56.3	57.4	56.8

As part of the nature of the business, freight forwarders, by design, are accustomed to challenges in global trade – booking last minute cargo onto a passenger airline, chartering dedicated airplanes or booking full and/or less-than containers on ocean vessels. However, the air freight as well as the sea freight markets has struggled since the "Great Recession" with mixed demand, capacity adjustments and trying to balance these market changes with profitable rates.

Despite these ongoing struggles, Ti's latest report, **Global Freight Forwarding 2015**, finds the overall market was able to reverse its decline in 2013 and grew at a modest pace in 2014. Still not quite back to its 2012 global size, it benefited from improvements within airfreight with sea freight still showing signs of weakness.
Will overall growth continue in 2015? As the first half of 2015 wraps up, sentiment among forwarders appears to be one of caution. According to the Stifel Logistics Confidence Index, the overall present situation has declined since the first of the year. And, while the six-month outlook is higher in June than from January, it dipped 0.7 points from May.

The cause of this cautiousness it seems rest with not only bumpy economies throughout the world but also the sea freight market itself. According to Lloyd's List, Overall net fleet growth for 2015 is forecast to be 8.8%, exceeding estimated demand growth of 6%-7% and further exacerbating the overcapacity situation. As a result, there is pressure on rates. Drewry notes that sea freight rates have declined 28% within just the first three months of 2015 while fuel prices have increased 15% over the same period. As such, analysts do not expect rates to recover this year.
And indeed, if one looks at the latest Stifel Index for Sea Freight, the present situation has dipped into contraction territory, below the 50-level for two consecutive months.

It's interesting to see, however, that sentiment for six months out remains high. Perhaps this is due to an anticipated strong peak season ahead of the holiday season at the end of this year.

Airfreight has improved steadily for a while now but rates too have struggled. Still, thanks to one-off situations such as the US West coast port situation, airfreight forwarders were successful in tonnage gains as shippers shifted volumes from sea to air due to congestion at several US ports.

Since January, the air freight present situation has gained 1.1 points. It has leveled off since May but it seems airfreight carriers expected this particularly as the situation

with the US ports subsided. Mr. Herdman, General Director for AAPA (Association of Asia Pacific Airlines) noted in the association's data for May, ""International air cargo markets recorded further growth in May, albeit at a moderate pace compared to the preceding months when demand was boosted by congestion in US West Coast maritime ports."

Forwarders appear more optimistic for air freight's six month outlook versus that of Sea Freight. Since January, the expected situation has improved 3.0 points to 59.6.

The second half of 2015 will be one of great interest to watch. Will freight forwarders benefit from a strong peak season this year? Will sea freight rates in particular reverse their decline? And will air freight continue its growth improvement?

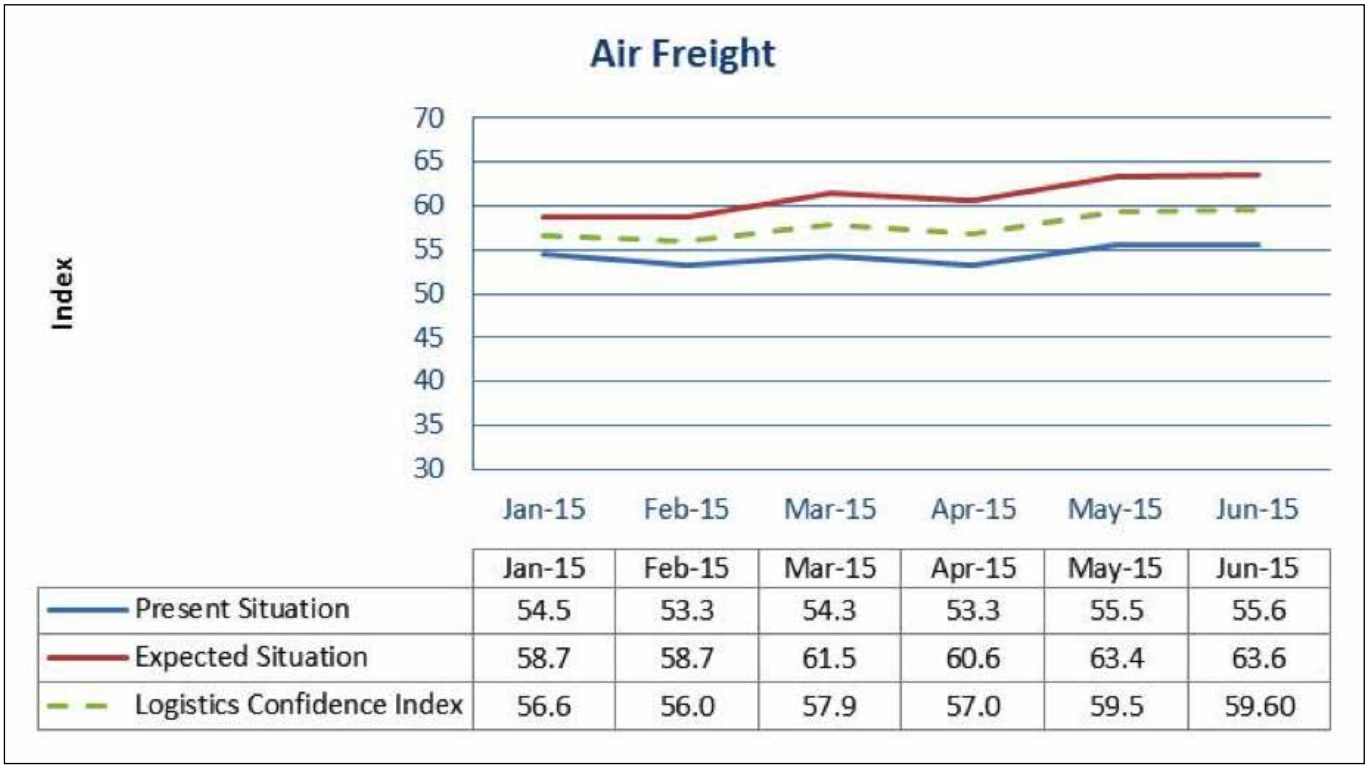
Transport Intelligence Survey
Each month Ti and Stifel conduct a 3 question survey to measure the ongoing confidence in the market.

To take part: https://www.surveymonkey.com/r/Logisym

To download the latest monthly Stifel Logistics Confidence Index: http://transportintelligence.com/articles-papers/

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Present Situation	53.2	53.1	53.2	50.3	47.7	46.8
Expected Situation	62.7	60.2	60.2	60.8	62.9	61.3
Logistics Confidence Index	58.0	56.7	56.7	55.6	55.3	54.1

Author Profile
Cathy Robertson | Senior Analyst, Transport Intelligence
Cathy is an experienced professional in knowledge management, combining an in-depth understanding of the supply chain industry with extensive market intelligence skills. Before being appointed Ti's Senior Analyst she spent several years at UPS Supply Chain Solutions as a marketing analyst within the Contract Logistics and Freight Forwarding groups. At UPS-SCS, she was responsible for researching and analysing a wide variety of topics along with competitive intelligence responsibilities. Cathy has also worked as a research analyst at a consulting company, where she specialised in global information technology and e-commerce topics. Cathy has a Masters in Library Science from the University of South Carolina and a Masters in Business from Mercer University and is a member of CSCMP and SLA.



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Present Situation	54.5	53.3	54.3	53.3	55.5	55.6
Expected Situation	58.7	58.7	61.5	60.6	63.4	63.6
Logistics Confidence Index	56.6	56.0	57.9	57.0	59.5	59.60

Supply Chain Management Part 4:

People and Competencies in the Supply Chain Execution Model

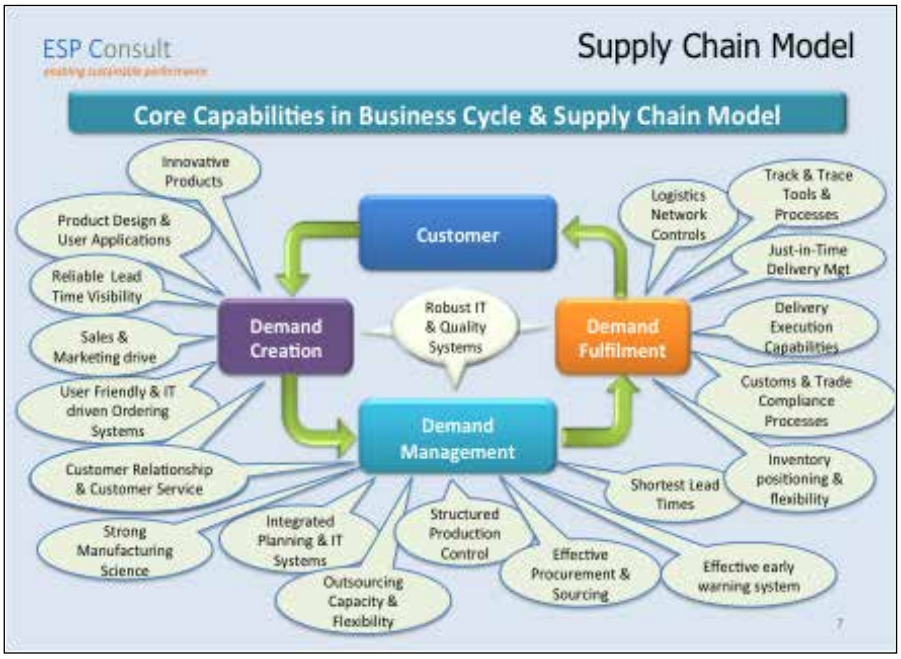
In Part 3 of this Series, we discussed how to Build and Sustain a Supply Chain Function within a company organisation. The approach to building an effective supply chain execution model is based around core capabilities that are essential to delivering the results expected from the business strategy.

We illustrated how the traditional functional organisations should be restructured from a silo configuration and refocused around the core capabilities that enable the supply chain to perform and deliver the targeted results. Adopting such a methodology also helps to focus better the abilities of the traditional vertical organisations and resources, ensuring the organisation is built on a capabilities matrix that can actually achieve the strategic objectives.

In many companies, top management define and cascade their company objectives and strategies within their various organisations. These plans are then translated by departments who define the detailed work actions, ideally reflecting the details of how the company goals and targets are to be achieved. But will this methodology achieve the best use of resources and attain the best possible performance?

Managing business performance is like managing performance in a sporting environment at a highly competitive level. There are great similarities between the two: the process of defining a game plan, deploying specific tactics and reaching for the best results from the player's performance. This approach seems fairly obvious and logical, however what aspects of the process can be translated from the high-performance sporting environment in order to achieve similar achievements?

People performance in the supply chain is crucial to the success and sustainability of an enterprise. Getting the best out of people is not only a question of driving the human capital harder, but also a question of managing this important asset smarter.



Note: *The charts contained in this series, are designed for illustration of the point of principle and are not intended to represent the optimum supply chain model nor the structure of any specific company or industry.*

Company strategies and tactical plans will have no meaning nor value unless the necessary capabilities to make them happen are put in place, and put them in place in the right areas of the organisation. This can only happen through attention to the people and their competencies, and how these competencies are manifested as they are deployed in the organisation.

In this part 4 of the series we will examine the many key elements of people delivering value in the supply chain.

The People Factor

In today's business environment customer demands dictate the speed of supply chain execution. This demand results in an ever-decreasing tolerance for error, and even less allowance for recovery. As such the supply chain operates in very exacting conditions. Short time cycles, fast response times and high service levels all need to be coordinated in a large part by people. Automation today, through data

processing, systems and instant information access, also plays a big role in our modern business environment. The derived benefits give us speed, accuracy and the ability to digest huge and complex amounts of data in minimal time horizons. But this technological innovation will not eliminate the need for competent people in the supply chain.

In Part 3, we saw how the Supply Chain Execution model spans across a whole organisation. Often the organisation and the people in them may not appreciate the relevance and the interconnections between themselves, failing to understand the importance of the organisation's supply chain model, and the impact they have on the outcomes of this model and the organisational strategy as a result.
This situation, whilst quite common, can be attributed to several causes. Primarily, however, it is due to a lack of formalisation amongst all stakeholders: an acknowledgement that the supply chain execution model is crucial to and part of the direct management structure.

If people are absent from their positions, there is a high probability that a process will fail and result in a knock-on effect within the supply chain. Whilst no individual can be considered indispensable in their roles, the capabilities of collective people clusters, functions and departments may not be indispensable, and as such the focus on the horizontal organisation is more relevant than the vertical organisation. This is what we advocate as the supply chain driven organisation structure.

The people factor and their support alone is not enough. All the people involved in the supply chain must understand their position in the overall structure and the impact of their contribution – regardless whether it is large or small. No single person, group or function can exist on an organisation unless they are connected and are contributing to the delivery of the product to the customer and/or consumer: a participant in the overall supply chain. If, however, people find that they are not connected and contributing, then their role should be challenged. It should be evaluated against the core capabilities in the business cycle, and redesigned to ensure that it does contribute, and utilises the capabilities of people in these roles in the best possible way.

Organisations have departments, functions, people, supervisors and managers that keep the organisation's structure in motion. However do we regularly evaluate this structure to ensure all these people are really engaged in the supply chain execution model and truly contributing to organisational and supply chain value?

Understanding the Value of the Right Competencies

It is not uncommon to hear top managers say that despite hiring experienced people to do the job, evaluating competencies and past employment history, going through the myriad of interviews, hiring policies and on-boarding protocols, that they are not seeing the expected results and feel that the new hire falls short of their expectations. Why is it that experienced and skilled people who have shown good credentials both in academic achievements and past work experience, can fail to deliver the expected results?

In seeking better outcomes, we often look to the selection and appointment process. However, the problem actually starts before the interview process. To optimise human resources to deliver the required performance levels, it is crucial to understand the capabilities required and environment in which the new hire is expected to deliver the organisational goals.

Attaching a label of experience & knowledge to a person's credentials is not enough for them to be effective in delivering the expected performance. This is because human capital cannot be measured in terms of experience or knowledge alone, but has to be measured in a holistic manner – both in terms of a defined set of competencies, as well as an understanding of the environment in which they are to operate.

So what is competency and why is it so important in the supply chain execution model?

The word competency could be a term confused and interchanged with many other terms and definitions. However competency in this context can be defined as having the "ability to perform a task with a high degree of success" (Adapted from the Oxford Dictionary).

Illustrated on the next page as follows:

Competency = Technical Knowledge + Business Experience + Ability to apply

Having the right balance of competencies in an organisation creates the necessary capabilities to deliver performance, enabling the organisation to attain higher levels of success. It is this link of people competencies, capabilities and being able to focus the abilities of the human capital that will make the difference in overall performance of the organisation.

Identifying Competencies

Identifying and using competencies effectively is fundamental to managing performance. Competencies are not easily identified by first impressions or limited contact with people. This is because a professional competence is related to an ability to execute a non-routine or complex tasks. However, there are some clues that will identify some competency types. The most obvious personal characteristics of competencies are manifested in behavioural display of confidence, quick thinking assessments and in the ability to communicate with clarity. But in general most competencies can only be confirmed when tested in a scenario that requires the execution of specific capabilities and deliverables.

Distinguishing between the various levels of competencies and relevance to the requirements to the supply chain, we can divide them into 3 major groups and summarised below, with some of their characteristics:

1. **Strategic Competencies** - Leading, Visualising, Anticipating, Simulating.
2. **Communication Competencies** Connecting enablers, Clarity & Precision of messages, Fact-based content, Diligence & manner of delivery, Empathy, Decisiveness.
3. **Execution Competencies** Agility in behaviour, Simplification of Complexity, Recognition of appropriate situations & Impact, Timeliness of Actions, Initiative & Drive to tackle complex issues.

These are the competencies associated with delivering high-level performance, and which are associated with the ability to attain an organisation's strategic goals. If such competencies are manifested by individuals, teams and management, then collectively these competent abilities would be a huge asset within the organisation's control, available to realise the business and strategic goals.

There are various processes and systems to identify and quantify competencies effectively. However we shall not be discussing these details in this article, but hope that our readers will find it sufficiently interesting to take this subject further.

Developing the Competency Model

As companies and organisations work in different ways, developing the right competency model that fits the company business model and execution capabilities is crucial. It is important that collectively, a company creates the necessary capabilities in the organisation to achieve and sustain their company business strategy.

Competencies create capabilities, which in turn through performance, delivers results. As illustrated in Fig1, converting key terms into relative definitions, we can build a coherent and effective model. Using this simple principle we can develop the model to link competencies to enable capabilities that will facilitate the delivery of supply chain performance results.

In fig 2 below, we start to build the model from a bottom up approach. This approach will give a more accurate dimension of the competencies already available in the organisation and the ones that will need to be developed or need to be acquired.

Fig 2. Illustrates the core composition of business competencies
Source: ESP Consult - Enabling Supply Chain Competencies

This model illustrates the importance and relevance of defining and structuring a competency model with a visual clarity. This is fundamental to building the capabilities to deliver the desired and expected performance. The next step is to analysis of the key competencies groups and categorise them into **Task Competencies & Personal Competencies**.

The **Task Competencies** will cluster all the job and technical related skills and experience, and will sub-divide them into sub groups such as **'Knowledge Base' and 'Skill Sets'**.

The **Personal Competencies** will cluster all the personal skills and related personal attributes, and will be divided into sub-group such as **'Attribute Bundles' and 'Performance Drivers'**.

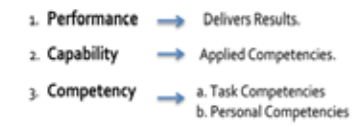


Fig 1 : High level drivers for achieving performance
Source: ESP Consult - Enabling Supply Chain Competencies

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In Fig 3 the full competency model is illustrated using a bottom-up approach.

The core part of the model is capturing the competencies. It is a very important process that will need a degree of time and effort to design and deploy within the organisation. The starting point should be the second and third levels of the organisation from the CEO and work down the organisational structure.

Expanding the Task and Personal competencies is not included in this article as it involves some deep analytical processes. However, we can share some of the key elements that form the characteristics of these competencies for reference.

1. **Knowledge-Based Competencies** are based on the industry sector specifics, experience, exposure and industry technical know-how.
2. **Skills Sets** are based on personal core skills and management skills and the application to a specific role.
3. **Attribute Bundles** are competencies that are acquired through work exposure, experience, technical knowledge or special training, examples of leadership, value creation, adaptive working styles and personal attributes.
4. **Performance Drivers** are competencies that make the difference between achieving mediocre & excellent results. In addition these competencies are also essential to enabling sustainable performance & enterprise growth.

The competency matrix is a fundamental blue print of the human capital in an organisation. The matrix needs to be refreshed and kept relevant, at least every 2 years, to ensure that the capabilities to deliver high performance are deployed effectively.

The Engagement factor

There are numerous papers, surveys and books written about people engagement. This is a very important subject to understand, both in terms of employment relations as well as the impact the to the supply chain. It is a common complaint, that company executives do not allocate enough time and resources to understand and sustain the people engagement factor in the organisation.

It would not be an exaggeration to state that many companies actually have an engagement score between 60% & 68%, based on an engagement survey conducted by one of the authors in the Asia-Pacific region in 2012/13. Does this surprise you? Whilst less that 70% are actually fully engaged to deploy their capabilities, the remaining population maybe partially engaged, or not engage at all with a low or zero deployment of their capabilities.

Let me give an example of a racing car with an 8-piston engine. If two pistons are delivering 100% of their power, two pistons deliver 75% of their power, two deliver 50% of their power and two deliver 0% of their power, then the whole engine can only deliver 56.25% of its rated power.

If we compared such a scenario to people in an organisation, can one be content to pay 100% for a resource and yet only enjoy just over half of its capability and contributions to the company's goals? An engagement factor of 70% or below from the human capital does not reflect a high performing organisation capable of growing. This also gives a strong signal that management has a problem in managing people and business performance.

So what are the reasons that an engagement factor may be 70% or lower ? Engagement Analyst Studies, show that there are many factors. Unfortunately we shall not be able to explore all of them in this series, however the factors that we shall address due to their direct relevance are leadership and competencies.

Like our engine, company management may have all the competencies they require, but are not benefiting from the full potential of the capabilities in their organisation. To assume that we can obtain a 100% people engagement factor in any organisation, is also not realistic. However, studies by HR Consultants and Engagement Analyst, would suggest that a CEO should expect to have a people engagement factor of between 75% & 80% - this is a baseline for growth, performance and sustainability of the supply chain.

Fig 3. The Competency Model illustrated from a Bottom-Up Approach
Source: ESP Consult - Enabling Supply Chain Competencies

Conclusions

As we have seen in the last four parts of this series, the supply chain is a crucial function in the management toolbox – one that spans across the whole organisation. The closely synchronised cross-functional processes required to drive a high performing supply chain execution model puts people in a key role to create the capabilities that deliver performance and achieve results that meet the strategic goals of the organisation.
However people need to have the right competencies for the role they play, and management needs to pay greater attention to ensure the balancing of resources, competencies, as well as sustaining a high engagement level from their human capital.
In part 5 of the series we will be looking at the risks and costs in the supply chain and how management need to address external factors that can affect the performance levels of the supply chain execution model.

For more information on the articles or to contact the writers please email **info@lscms.org**

Author Profile
Joe Lombardo | International Editor
Joe Lombardo has more than 30 years experience in developing & managing supply chain logistics solutions & driving business operations, in multinational environments & operating in 12 Countries.

SG50: Logistics Plays its Part in the Singapore Story

Written by Bob Gill

In a few weeks' time, on August 9, Singapore celebrates 50 years of independence. The landmark occasion and the death a few months ago of the architect of modern Singapore, Lee Kuan Yew, have caused many to look back and reflect on how this tiny island nation has transformed over the last half century to today's modern, high-tech and successful economy.

The former British colony, just 276 square miles in size (half that of London) and with no natural resources to speak of, has clearly over achieved in the years since 1965: its GDP per capita of US$78,763 is the fourth highest in the world; it boasts an educated workforce, high employment levels, low crime and minimal corruption; has world-class levels of infrastructure; is ranked first out of 189 countries in ease of doing business (World Bank), and tops the Economist Intelligence Unit's Business Environment Index for its open and efficient economy.

For most foreigners, Changi Airport, renowned for its salubrious environment and smooth processes – a key performance target is to have the first bag on the belt with 12 minutes of aircraft touchdown – is their first experience of the country. But beyond the airport, the relatively uncongested highways sit in marked contrast to those of Bangkok, Jakarta and Kuala Lumpur, and it is apparent that high quality logistics is a strategy the country has chosen to provide a foundation for economic growth and build competitive edge.

And it's a strategy that appears to be working: the World Bank's latest Logistics Performance Index – which measures aspects such as efficiency of customs and border clearance, quality of trade and transport infrastructure, and the frequency with which shipments reach consignees within scheduled delivery times – ranks Singapore fifth out of 160 countries worldwide and top in Asia.

Busiest Port

The country's shipping port is a prime example of the attention to achieving superior logistics performance. With 33.9 million 20-foot containers (TEUs) handled in 2014, the Port of Singapore is second only to Shanghai (35.2 million TEUs) in terms of container traffic and, notably, is the world's busiest in terms of transhipment cargo.

A successful transhipment hub requires not only high connectivity (Singapore is connected by 200 shipping lines to 600 ports in 123 countries) but also very efficient logistics – so that containers can quickly transfer from incoming to outgoing vessels. And as container volumes have grown over the years and port operations became more complex, the Port of Singapore Authority (PSA) has been quick to apply technology – both the information and automation variety – to keep port productivity and efficiency high.

Most well-known is the collaborative port community solution, PORTNET, which connects shipping lines, hauliers, freight forwarders and government agencies, helping them to manage information and synchronise complex operational processes. Online ordering of port services to facilitate vessel berthing and container handling, and extensive track and trace capability for container status (arrival and discharge timings) and vessel location are some of its features.

For planning and execution within the port, CITOS (Computer Integrated Terminal Operations System) automatically generates ship stowage and yard layout plans such that containers are stacked in a logical rather than random manner, to maximize asset utilization and optimize retrievals.

More directly at the equipment level, innovations include the Flow-Through Gate, a fully automated system that identifies and security-clears incoming container trucks (average traffic flow of 700 trucks per peak hour) and provides drivers with drop-off location instructions – within 25 seconds. Meanwhile, the ROCC (Remote Crane Operations & Control) system allows operators to be stationed in a control room, rather than on-crane, and remotely monitor and control crane movements.

Transforming & Developing

According to PSA, automation will continue to play a "transformative role" in port operations. Some evidence of that is a pilot project involving the use of automated guided vehicles (AGVs) to handle movement of containers between quay and container yard, and so reduce the need for prime movers and drivers. AGVs operating 24/7 in this manner are set to feature at a PSA's container terminals before too long.

In February, Kalmar, part of Cargotec, announced that successfully completion of the onboard navigation application for PSA's four prototype AGVs. Kalmar's software is responsible for automatically controlling the AGVs, guiding the vehicles along their given routes, and measuring their positions using transponder navigation.

Looking further ahead, consolidation of Singapore's current five container terminals (Keppel, Brani, Tanjong Pagar, Pasir Panjang 1 and 2) to a single location in the form of a mega port at Tuas on the western end of the island will further boost efficiencies through eliminating inter-terminal haulage and enabling economies of scale.

The new mega port, which is scheduled to open in phases from 2025, has a planned capacity of 65 million TEUs annually, almost double that of the current combined port capacities. It will also, no doubt, be highly automated and IT intensive, as Singapore looks to build on its strengths in logistics and maintain its position as a favoured hub in Asia and a key node in the global trade network.

Author Profile
Bob Gill | Contributor
Bob joined ARC Advisory Group after a decade-long career in industrial technology media, most recently as Editor-in-Chief at Singapore's Contineo Media, where he had editorial management responsibility for Control Engineering Asia, Asia Food Journal, PharmaAsia, Logistics Insight Asia, and Payload Asia, while also concurrently being Editor of Control Engineering Asia.

Bob Gill is General Manager, Southeast Asia of ARC Advisory Group

EVENTS

June

SUPPLY CHAIN LOGISTICS PROFESSIONAL NETWORKING
JUNE 11TH, 2015 (6.00PM – 8.00PM)
HONG KONG
sclp@markmillar.com

SCM LOGISTICS WORLD 2015
JUNE 23-25TH, 2015
SINGAPORE
www.terrapinn.com/scm

PROCURECON ASIA 2015
JUNE 23–25TH, 2015
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procureconasia.wbresearch.com

13TH ASEAN PORTS AND SHIPPING 2015
JUNE 24 - 25TH, 2015
JAKARTA, INDONESIA
www.transportevents.com/ForthcomingEventsdetails.aspx?EventID=EVE116

MODERN WAREHOUSE OPTIMISATION AND PERFORMANCE MANAGEMENT
JUNE 11–12TH, 2015
MELBOURNE, AUSTRALIA
http://www.marcusevans-conferences-australian.com/marcusevans-conferences-event-details.asp?EventID=21966#.Va_bFxOqqko

August

CHINA PHARMACEUTICAL SUPPLY CHAIN MANAGEMENT SUMMIT 2015
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SHANGHAI, CHINA
www.bmapglobal.com/pscm2015

SUPPLY CHAIN LOGISTICS PROFESSIONAL NETWORKING
AUGUST 20TH, 2015 (6.00PM – 8.00PM)
HONG KONG
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16TH QUEENSLAND SUPPLY CHAIN AND LOGISTICS CONFERENCE
AUGUST 20-21ST, 2015
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September

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SAN DIEGO, USA
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October

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November

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