



Beyond Best Practice ... Logistics Optimum Practice!

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Introduction

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lo-gis-tic [Pronunciation: IO-'jis-tik]

Function: *noun plural but singular or plural in construction*; Etymology: French *logistique* art of calculating, logistics, from Greek *logistikE* art of calculating, from feminine of *logistikos* of calculation, from *logizein* to calculate, from *logos* reason

1 : the aspect of military science dealing with the procurement, maintenance, and transportation of military matériel, facilities, and personnel

2 : the handling of the details of an operation [*Merriam-Webster Online Dictionary*]

We shall define contemporary business logistics as: The planning for, transport of and storage of materials incidental to the manufacturing and/or distribution requirements of a business. The logistics functions of a business include:

- Transportation (and fleet management) and Distribution
- Traffic and Shipping
- Warehouse management, Inventory planning, and inventory management
- Demand forecasting and demand management
- Procurement and inbound logistics
- Reverse logistics
- Supply chain planning and management
- Production scheduling
- Inventory deployment

The overriding objectives of business logistics are to deliver the right product, in the right volume, on time and undamaged and at least landed cost. Business logistics functions must be integrated in order to optimize operating efficiencies and to minimize costs.

In order to achieve these logistics objectives, companies often ascribe to benchmarking studies, and “best practice” measurements.

Benchmarking

Benchmarking is the practice of comparing ones’ own performance with those of others using specified measurements across all boundaries. The best performers are considered to have best practices, and others often attempt to adopt those practices

Benchmarking is a three step process:

1. Document others’ processes that are more productive or efficient than yours.
2. Diagnose ones’ own operation (or specific process) to identify strengths and weaknesses, and opportunities for improvement and cost reductions
3. Perform a “Gap Analysis” with the ultimate objective of adapting those more efficient processes.

As a product of Benchmarking, we can learn how leading organizations define and achieve excellent customer service and achieve the high levels of service, how those organizations positioning themselves to gain and retain market share; how to identify and implement others’ “best practices”; and how industry leaders measure performance.

BUT, Benchmarking can fall short! Every organization is different from every other organization ... even competitors in the same industry, producing the same or similar products, and selling into the same markets ... even to the same customers.

Organizations vary distinctly by such factors as

- Culture
- Location
- Vision
- Size
- Market position
- Financial condition
- Market potential
- Product lines
- Strategies
- Technological capabilities
- Entrepreneurship and risk acceptance

The concepts of “Benchmarking” and “Best Practice” are in fact an amalgamation of *others’* practices. Woody Hayes once quipped about “a woman who drowned in a lake with an average depth of 3 inches”.

Logistics Optimum Practice (LOP)

Indeed, a much more advantageous concept for targeting improved future logistics practices is “**Logistics Optimum Practice (LOP)**”

“Logistics Optimum Practice” (“LOP”) is an internally formulated set of standards and supporting practices that service a business at (or better) than defined benchmarked practices and standards of service and reliability ... and at least cost. LOP may be derived in whole or in part from existing internal practices of the business, or from other practitioners outside the business (benchmarking / best practices); and LOP need not necessarily be derived from any known or existing practice. Rather, LOP applies to a specific company’s business, and may or may not resemble any other practice of any other business.

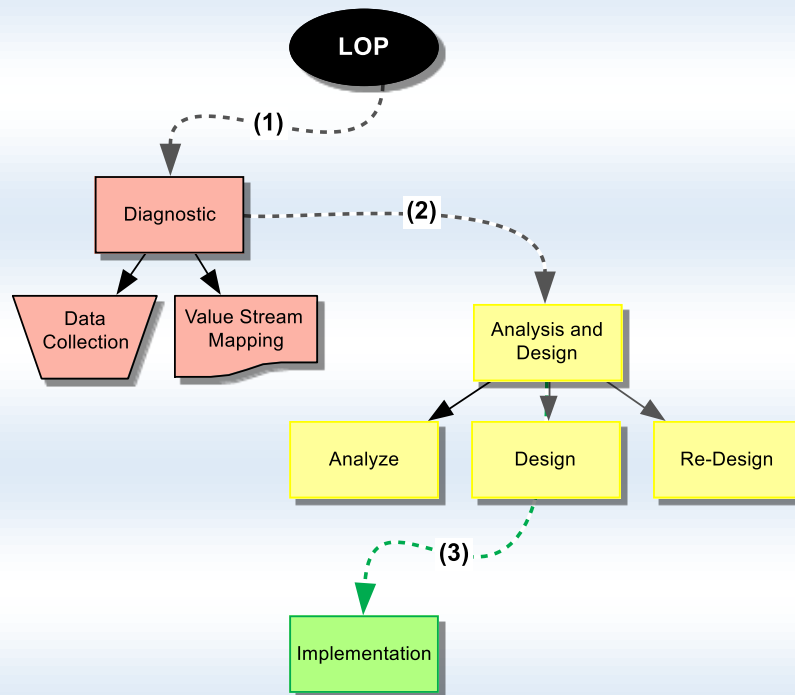
LOP is sensitive to an organizations’ culture, and limited by client capabilities and their willingness or ability to invest time, motion, and money into a given solution or solution set. LOP must also be structured within the client’s willingness and ability to change ... to move from current practice to LOP. It is a customized solution, and may not necessarily be founded on the same logistics tenets or within the same (or similar) business strategy as another.

The Diagnostic. The first step in developing an LOP concept is to perform an analysis, often referred to as a “diagnostic”, to collect accurate historical data against which future performance can be compared. After this collection of data, perform a value stream map of the organization’s logistics processes with the purpose of identifying tasks and processes that add value, and to segregate those that predominantly add time and/or cost.

Analysis and Design. The next step in developing an LOP is: Analyze, Design, Redesign. Design new or reengineered processes to eliminate non value-added tasks or processes. Forecast the operational and financial risks and benefits of these new or reengineered processes to determine feasibility which is tempered by your organization’s appetite for the defined risks. On the one hand, high risk often precipitates high reward. But our experience, to the contrary, has demonstrated that fundamental and rudimentary process changes, especially if outside the organizations’ four walls, need not carry much, if any risk.

Plan the implementation. Once management selects “the optimized” solution, implementation preparations can commence. Given the decision to move ahead with LOP, the implementation team needs to then perform two key tasks that will establish the foundation for the implementation itself:

1. Conceptualize the means, capabilities, and organization needed to manage the new or reengineered processes, and to integrate change; and
2. Build historical baselines by which accurate operational and financial KPI can be measured post implementation.



Avoid abbreviating the planning process!

A comprehensive plan is necessary to insure the successful implementation of the LOP, to enable a timely and cost-effective implementation sequence, to measure progress toward stated and quantified objectives, to avoid capability gaps on completion, and to anticipate change management contingencies.

Last, professionally manage plan implementation to prevent cost overruns, timing, and task completion, and augmenting new cultures through LOP integration performance measurements.

Conclusion

The perfect “best practice” solution for one company may well be perfectly wrong for another. Customized LOP solutions uniquely optimize a specific company’s logistics’ functionalities, given its unique capabilities, culture, and vision.

Any organization with logistics requirements can gain useful insights through benchmarking studies: by understanding others’ best practices. However, best **RESULTS** will ultimately be achieved by proceeding into a uniquely crafted Logistic Optimum Practice.