

Financial imperatives



**Under the scrutiny of CFOs, corporate logistics is adapting to the global trading model.
By Jim Preuninger**

As a result of the growth in global trading, chief financial officers (CFOs) are looking to achieve greater visibility and control over the financial aspects of trade management.

One result of this scrutiny has been a change in the character of logistics, which is now seen as a function that can deliver services to the wider organisation, coordinate efforts among

distributed business units, integrate the efforts of 3PLs and global trading partners and create a culture of measurement and performance improvement in line with board level expectations.

The results of this shift are dramatic. For multinational organisations, huge savings have been made simply by establishing a single control centre for global logistics operations thus harmonising contract negotiations, improving compliance, rationalising the supply base and eliminating manual processes.

Technology has an important role to play in supporting the corporate logistics model. Consider the issue of managing logistics

contracts and supplier performance. As supply chain networks expand, so the number and complexity of contracts with trading partners multiplies. In many cases these agreements are paper-based, manually administered, and rarely audited. The cost to business is huge.

On the other hand, by deploying integrated contract management systems, multinational companies can enforce standardisation on items such as freight pricing, carrier selection and billing that allow the corporate logistics team to optimise shipping, reduce total transport spend, audit supplier transactions and provide detailed reports on both internal and trading partner performance.

A leading consumer electronics retailer recently wanted to shift its supply base from 90 per cent domestic to 90 per cent international but had difficulty coordinating its replenishment operation with the now

geographically disparate network of suppliers and trading partners. By using an online visibility and event management system, the corporate logistics team developed a standard communication process with each party to track key milestones from international order to warehouse receipt. As a result, replenishment personnel have real-time visibility of the progress of orders, enabling them to respond immediately to new orders and allocate inventory in transit.

You may think this argument flies in the face of progressive logistics outsourcing and the capabilities of global 3PLs. But the two trends are complementary and a better organised, more efficient corporate logistics team is more likely to work effectively with its lead logistics provider for mutual benefit.

Jim Preuninger is CEO of Management Dynamics Inc

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