
“Supply Chain Value Creation: Finance Meets Supply Chain”

Center for Transportation and Logistics

Integrated Supply Chain Management Program

Affiliates in Logistics Program

Supply Chain Education Partners Program

James B. Rice, Jr.

May 28, 2003

© MIT 2003 jrice@mit.edu



Welcome!

- To our current sponsors and supporters
 - Affiliates Program in Logistics
 - Partners in Supply Chain Education
 - Integrated Supply Chain Management Program
- To our guests
 - Electronics Supply Chain Association
 - Invited Guests
- We appreciate your commitment to join us and to explore together



-
- Setting the context – CTL and you
 - Motivation – Why we are here
 - Agenda
 - Rules of engagement



Transportation, Logistics & SCM @ MIT

Logistics and SCM work done in 3 of 5 schools

- School of Engineering
- Sloan School of Management
- School of Architecture and Planning

And in numerous Centers & Programs

- Center for Transportation and Logistics (CTL)
 - Serves as the locus for Transportation, Logistics, SCM outreach consortiums and research at MIT
 - Four outreach programs....
 - Integrated Supply Chain Management (ISCM) Program
 - Affiliates Program In Logistics (APL)
 - Supply Chain Education Partners Program)
 - Executive Education – Logistics & SCM



CTL Role & Means

- Create value in society through improvements in transportation and logistics practice
- Means for achieving the mission
 - Education
 - Research
 - External Interaction
- Interaction with Industry
 - Consortia
 - Individually-sponsored



Supply Chain External Interaction

- Affiliates Program In Logistics (APL)
 - Symposia series covering logistics, transportation, SCM for manufacturers, carriers, 3PL providers together to identify frontier of critical issues
- Supply Chain Education Partners
 - New initiative focused on integrating companies with our educational programs
- Integrated Supply Chain Mgt (ISCM) Program
 - Collaborative research program to support accelerating implementation of SCM & advance state-of-art of SCM
 - Design
 - Research & Collaborative Exchange Among Sponsors
 - Activities (research, events) chosen by ISCM Sponsors



Current Initiatives (Examples)

- Supply chain visualization
- Network Master – Strategic Supply Network
- Supply Chain Response to Terrorism
- Intelligent Transportation Systems
- Urban and Regional Transportation
- Rail, Trucking, Air Transportation
- Transportation and Logistics Computer Systems
- Logistics and Network Analysis
- Supply Chain Management Contracting
- e-Commerce & e-Business
- Revenue Management
- Risk Management
- Age Lab



2003 CTL Outreach Event Schedule

- January 5-7** CTL Executive Course – Fundamentals of Supply Chain Management
- January 31** Partners Program Mid-Stream Thesis Review Session
- April 8** ISCM AudioConference – Research Review
- April 29** APL-Partners Symposium – Freight Lane Security in the Supply Chain
- May 13-14** ILP – Sloan Symposium – Driving Innovation Through Technology
- May 28** CTL Symposium – Supply Chain Value Creation: Finance Meets SCM
- June 3** Partners Program Final Thesis Review Session
- June 22-25** CTL Executive Course – SCM Thought Leadership
- September** CTL Symposium – Profitability Management via the Supply Chain
- October 28-29** CTL Affiliates Day Hosted by Lucent – Evolving the SC Organization
- December 3** CTL Symposium – Topic TBD

“Supply Chain Value Creation: Finance Meets Supply Chain”

Center for Transportation and Logistics
Integrated Supply Chain Management Program
Affiliates in Logistics Program
Supply Chain Education Partners Program

James B. Rice, Jr.

May 28, 2003

© MIT 2003 jrice@mit.edu



Motivation

- SC focus expands: cost → cost & service → revenues
 - 15-20% reduction in operating costs often cited
 - Speed-to-market, service seen as requirement to compete
 - But what is the quantifiable value of these capabilities?
- Evolution: Competitive advantage via new SC designs
 - Close collaboration SC by outsourced supply chains
 - Make-to-order supply chain by Dell
 - Customer & supplier integrated SC by Cisco (virtual...)
 - Now resilient SCs in response and in preparation for disruptions (Sept 11)
 - What are the cost-benefits for these various supply chain designs?
- Future entails coordinating the supply network
 - Optimizing the internal company SC
 - Coordinating the external 'extended' supply network
 - But how can firms coordinate investments across firms for higher performance, balanced risk/cost/benefits for each party?



Why We Are Here

- To begin answering some of these questions
 - What is the quantifiable value of SCM advantages?
 - What is the value of network improvements to each party?
 - How can firms coordinate investments for higher network performance and balanced risk, cost, benefit?
- To start the discussion among finance and SCM
 - We (SCM) still speak ‘Greek’ (cycle time, inventory turns, outsourced operations)
 - when business leaders need us to speak the language of business – ‘Finance’
 - Finance is a ‘new’ silo that SCM needs to integrate with
 - Different cultures, organization structures, systems
 - Are finance and SCM like oil and water?



One Sponsor's Starter Questions

- Strategy

- How critical is supply chain strategy to your business strategy?
- What is your business planning process? What is its influence on SC strategy?
- What are the tools/processes used to develop Supply Chain strategy?
- What is the vision for your Supply Chain?
- How is your company creating value from the supply chain?

- Financial Analysis Tools (FAT)

- What are the key FAT used to design supply chains?
- How is financial analysis work being extended beyond the firm's boundaries?
- What are the FAT & systems required in an outsourced & dynamic environment?

- Measures

- What are the key SC measures? Do you have a holistic measure for overall SC efficiency (financial, responsiveness, quality)? How are they executed/used?
- Do you use Centers of Excellence?

- Incentives

- What is necessary to provide incentive for collaboration among SC partners (both suppliers and customers)?
- How is "gainsharing" managed between supply chain partners?



Today's Agenda

- Morning
 - Overview Presentation:
 - Value Creation in the Supply Chain – Dr. Jonathan Byrnes
 - Discussion Primer Presentations
 - Finance & SCM Work Together – Sharon Bryan (CFO Rockport) & Lloyd Davis (VP – Logistics Reebok)
 - SCM, Finance and Strategy at P&G – Joerg Meiner, P&G Finance
- Afternoon
 - Supply Contracts – Prof. Yossi Sheffi
 - Discussion – Balancing Incentives, Costs, Risks
 - Real Options in SCM – Prof. Richard de Neufville
 - Discussion – Methods and Tools for Valuing Supply Chain
 - Synthesis of Learnings – Dr. Jonathan Byrnes
 - Affiliates and Partners adjourn at 5:00 pm
- Evening
 - ISCM, ESCA and Invited Guests Attend Dinner



Rules of Engagement

- Because we have visitors, we revisit our principles...
- We learn from each other by exchanging ideas and insights...
- We are here to learn & create a new collective wisdom
 - We encourage active participation from all the parties
 - We need to identify all pertinent perspectives
 - Learn from each other... So share and listen too
 - This is not a 'selling' environment
 - We are acting as an 'honest broker' to facilitate discussion
 - Please do share your knowledge and insights
 - But please do not promote specific solutions or your firm's capabilities
 - Value other's contributions, but do offer your own ideas
 - Stay on topic, lets use our time wisely



Housekeeping

- Phones...
- Services...





Issues and Themes Surfaced Today



Issues and Themes Surfaced Today

- Some progressive practices



Learnings

