



# People power



Logistics companies are so focused on streamlining systems they forget to cultivate the people skills necessary to recognise different customer types, reports [Matthew Flynn](#) in Hong Kong

“The biggest threat to achieving high-performance supply chains comes from within your own organisation, rather than external competitors in the marketplace.” So said logistics “thought leader” Dr John Gattorna at a DHL seminar in Hong Kong

He pointed out that much of logistics derives from management theory on optimised performance design. In fact, success for a logistics company relies on recognising four basic customer buying behaviour types and ensuring that you have the staff that can best serve them.

“Now is the time for logistics companies to spend more effort on human resources to hire the right people,” he said.

Perhaps the best type of customer for a company to have is those that want immediate top-notch service and will pay top dollar for the privilege. These customers are the easiest to please if you have the creative

solution they want, delivered fast.

There is a second demanding customer type who wants essentially everything gold plated but doesn't want to pay a premium. These customers will modify project scopes and reject deliverables regularly. They can be a drain on resources and the business relationship if allowed to take control. The other two customer types are not so easily recognised.

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One is the customer type that knows exactly what product they want, and only want to pay for that limited level of service.

“Very often companies will waste resources on this customer who does not want the extras. Neither side is well served by this unnecessary deployment of resources,” he noted.

The second hard-to-recognise customer type is the non-demanding customer. These customers have been in the relationship for many years and are often very satisfied with the service they receive. However the risk is that if they perceive that their trust has been violated, it is quite difficult to retrieve their patronage once you have lost their loyalty.

Every enterprise on earth has supply chains of some type running through them - product; service; private; and public enterprises alike.

By Dr Gattorna's count, the design



and operation of modern supply chains is 45% human behaviour, 45% systems technology and 10% infrastructure.

The potent effect of human behaviour is felt in two main areas, namely outside organisations with customers and suppliers, and inside organisations including boards, management, and employees.

“You cannot grow and prosper as an enterprise by incessantly cutting costs in these two areas of human presence; investment in performance-enhancing supply chains is essential for success in all businesses,” he insisted.

Much of optimum supply chain theory is built on the shoulders of standard management theory in which personality and culture are not factored in.

“In the supply chain industry, Michael Porter’s philosophy of competitive strategy alone will not be enough to deliver desired results to shareholders,” he said.

Instead, modern enterprises must be designed to meet the multiple needs of customers with the equivalent array of supply chains, all configured to align with pre-defined

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customer segments

“It is disappointing that after all the man-years of academic research, numerous articles in respected journals, a myriad of consulting assignments, and the work of practitioners inside enterprises, few if any commentators in the logistics/supply chain field ‘get it’, when it comes to understanding that human behaviour really powers modern supply chains,” he said.

For some reason, he suggested, supply chain practitioners behave as if people simply don’t exist in this context, perhaps because they don’t understand or feel comfortable dealing with the behavioural sciences.

“Instead we continue to put all the emphasis on technology/systems, and infrastructure as the solution,” he remarked.

In the dialogue that followed, the audience agreed that the better solutions were those in which supply chains would not function until there was a strong investment in people solutions – probably by spending the kind of money companies have spent on technology.

One executive suggested it would be useful to highlight the benchmarking of training spend in transport and supply chain companies against other industries. “Most of us have a pretty good feel for the technology spend benchmarks. Few of us know how our training spend compares,” he said.

Dr Gattorna estimated that most organisations dedicated 5% of expenses to managing human behaviour, 45% to technology and the remaining 50% to infrastructure such as distribution centres and factories. The more appropriate formula, he said, is 45%, 45% and 10%, respectively.

“Technology is still very important but it has to be balanced,” he said. “We have to be less preoccupied with technology and infrastructure – which are just the tools of the trade – and more preoccupied with understanding our customers and how people in the business operate.”

## Influencing performance

John Gattorna has been involved in supply chains since the days of “physical distribution management” (1975), through “logistics management” (1980s/1990s), to the current “supply chain management” era.

Over the past 25 years, he has taught and researched at several universities around the world, provided consultation services to many major multinational corporations and published widely on the emerging subject of supply chains.

He styles himself as a “thought



leader” in the supply chain management field and today holds visiting professorial posts in

Australia and the UK.

He has published 10 books and numerous articles and many of these have been translated into Chinese, Japanese and Russian language editions. His *Handbook of Supply Chain Management* (Gower Publishing) is in its 5th edition.

His latest book, *Living Supply Chains*, due out in May, contends that the biggest influencer of performance – human behaviour inside and outside organisations – is largely being overlooked in the search for ever-increasing corporate performance improvement.