Some 66 years ago, collaboration filled the news. Nazi Germany’s invasion of Norway on April 9, 1940, had been greatly helped by “fifth column” Norwegian collaborators under the direction of Vidkun Quisling (whose name became synonymous with a traitor who collaborates with an enemy of his or her country.)

Much like other terms with military origins, “collaboration” is part of today’s transportation industry standard vocabulary. While there is no clear agreement on what it means, collaboration is a logistical advancement, similar in scope to just-in-time inventory a generation ago. Just-in-time was intended to boost manufacturing efficiency, decrease waste and reduce inventory; companies didn’t receive goods until they were actually needed in the production process.

Unfortunately, just-in-time often became just-in-case. The re-engineering of inventory was often more financial than industrial. Although automobile manufacturers might receive parts just prior to assembly, their vendors were often forced to hold the parts at a nearby warehouse and to stage deliveries. The supply chain remained the same — only the vendor didn’t get paid until the parts were assembled. The intended “win-win” degenerated into the traditional zero-sum game of winners and losers.

While logistics and supply-chain management have reduced the cost of doing business, many doubt they will see further improvements as dramatic as the past generation’s. The rise in interest rates alone presents a challenge, but beyond that, four hurdles stand out:

- Transportation costs are increasing. Deregulation has run its course, and excess capacity has been consumed. Capacity is constrained, fuel is expensive, and rates are increasing.
- The rise of globalization means that supply chains are longer, more complex and prone to unforeseen interruption.
- SKUs are proliferating as companies introduce new products. Even generic products have been modified to attract specific market segments.
- Companies are holding more inventory because of customer requirements and the decrease in reliable transportation.

To achieve true collaboration, what is necessary?

- Technology that works: All involved parties need to exchange extensive data on a real-time basis. This is not one-to-one electronic data interchange initiated by a specific transaction. This is many-to-many. Not only are there a plethora of proprietary platforms, but there is still extensive less-than-real-time reporting, so data visibility is not timely enough to support collaboration.
- Business processes that really work: Collaboration needs to integrate multiple participants who may be customers, manufacturers, distributors, carriers or other vendors. All of these industries use different procedures that inhibit a seamless flow. There is a conflict between a need to defend against having one’s interests sacrificed for the “greater good” and maintaining individual excellence.
- Culture and trust: To many industry experts, the lack of collaborative technology and business process is indicative of a lack of trust.

Collaboration may feel more like unconditional surrender, because it means relinquishing competitive advantages and allowing one’s competitors to intrude more easily.

Let’s examine collaboration against the recent financial news from Wal-M art. To reduce inventory levels (and store clutter) — while improving return on investment — Wal-M art seeks major inventory reductions. The financial community estimates that a $6 billion inventory reduction would yield a return of more than 18 percent. This would free up funds for Wal-M art marketing and operational improvements.

Are Wal-M art’s partners benefitting too? Not necessarily. Trucking company YRC Worldwide lowered its first-quarter earnings estimate as a result of reduced volume. Swift Transportation and J.B. Hunt may have similar concerns because they earn nearly 15 percent of revenue from business related to Wal-M art. Consumer products companies such as Procter & Gamble also have seen an impact on sales.

Still, despite the obstacles, collaboration feels inevitable. Economic growth — and increasing constraints — mandate increased efficiency. As with many changes in the industry, we can expect to see early adapters who will enjoy the benefits, and the glacially inert who not only will spend more energy fighting and faking than they might have spent adopting, but also lag behind.

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