



LEADINGEDGE
GROUP

How Lean is your supply chain?

JOE AHERNE - LEADING EDGE GROUP

Most companies in Ireland have not achieved an optimised supply chain that are..



LINKED TO
OVERALL BUSINESS
OBJECTIVES



BUILT AROUND
CORE PROCESSES



ENABLED BY
TECHNOLOGIES



INTEGRATED WITH
SUPPLIERS AND
CUSTOMERS

Most companies have not identified what their real supply chain costs are or aligned their financials to their core supply chain processes.

Lean SCM can deliver significant benefits.

The first step toward supply chain optimisation is to conduct a full Lean supply chain health check, to measure performance and identify improvement opportunities.

Competition is ever-increasing

Driven by the ease of globalization, technology advances, growth of emerging market economies, new business models, lack of corporation tax harmonisation and increased economic risks.

Strategic adaptation can move facilities up the value chain

Companies in Ireland have adapted to many of these changes and have moved their manufacturing facilities up the value chain and expanded their activities so that many have become strategic sites, for example Boston Scientific, AbbVie and Google.

An “Opportunity Centre”

SCM is now recognized as a strategic tool for business performance and growth, at the heart of a business – it has moved from a “cost centre” to an “opportunity centre”.



Real competitive advantage can be leveraged through a sharp focus on Lean supply chain, from raw material supplier to end consumer.

Lean Supply Chain delivers better customer value by responding more efficiently, quickly and predictably to customer needs.

Lean vs. Traditional supply chain

	TRADITIONAL	LEAN
Production	Based on forecast	Based on actual orders
Customer Service	Not responsive	Responsive/flexible/agile
Plant Layout	By function/department	By product flow
Planning & Scheduling	Limited	Detailed/long term/focused
Processing	Batch and queue	Continuous
Quality	Lot sampling	Assured by the process
Logistics	Cost based/limited focus	Develop 'value' logistics
Supplier	Adversarial	Partnership
Returns/recyclables	Very limited	Growing and essential
Environment	Poor awareness	Integral for sustainable companies
IT	Slow/manual	Fast/automated – Lean System Thinking



There is a unique and significant opportunity for companies to differentiate themselves from their peers by assessing and streamlining their extended supply chain.

Can I prove it? Yes.

€164 million hard savings from Lean SCM

Year	UCC SCM Students	Cost Reduction Projects	Avg. Saving/ Project (€'000)	Total (€'Million)
2011	17	11	1,212	13.3
2012	15	13	1,368	17.8
2013	22	19	2,825	53.7
2014	29	22	1,460	32.1
2015	18	12	1,059	12.7
2016	18	12	619	7.4
2017	24	15	1,817	27.3

The above savings have been generated from SCM participants in the University College Cork (UCC) Post Grad Diploma in SCM: Lean Black Belt. The Lean elements of the programme are delivered by the Leading Edge Group

Where did these savings come from?

- ✓ Change in SCM Business Strategy
- ✓ Reduced product cycle times
- ✓ Reduced inventory levels
- ✓ 98%+ on-time deliveries
- ✓ Reduced supplier lead times
- ✓ Reduced scrap and rework costs
- ✓ Production costs decreased/improved yields
- ✓ Reduced direct material costs
- ✓ Reduced product development cycle times
- ✓ Reduced packaging costs
- ✓ Improved cash to cash cycle management
- ✓ Reduced procurement costs

In addition there are other non-cost enhancements that were delivered including better customer service, product quality improvements, increased product availability and enhanced asset utilisation.



The first step to achieving savings is to get a **full understanding of the performance of your supply chain** and **associated costs** through conducting a Lean Supply Chain Health Check

What to measure in your supply chain

Core Process/
System and
Effectiveness

Overall Risks
and Exposure

Structure/
Organisation

Costs/
Performance

Customer
Support
Relationships

Communications
and Culture

ERP and
Planning
Effectiveness

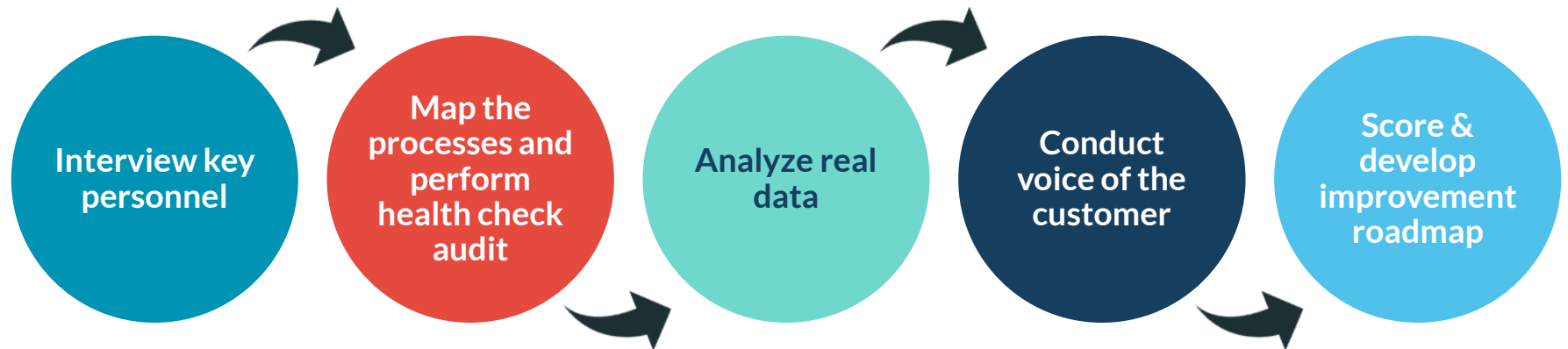
Stock
Inaccuracies
and Stock-outs

Policies/
Procedures

Working Capital
Exposures

Proprietary Lean Supply Chain Health Check

How does it work?



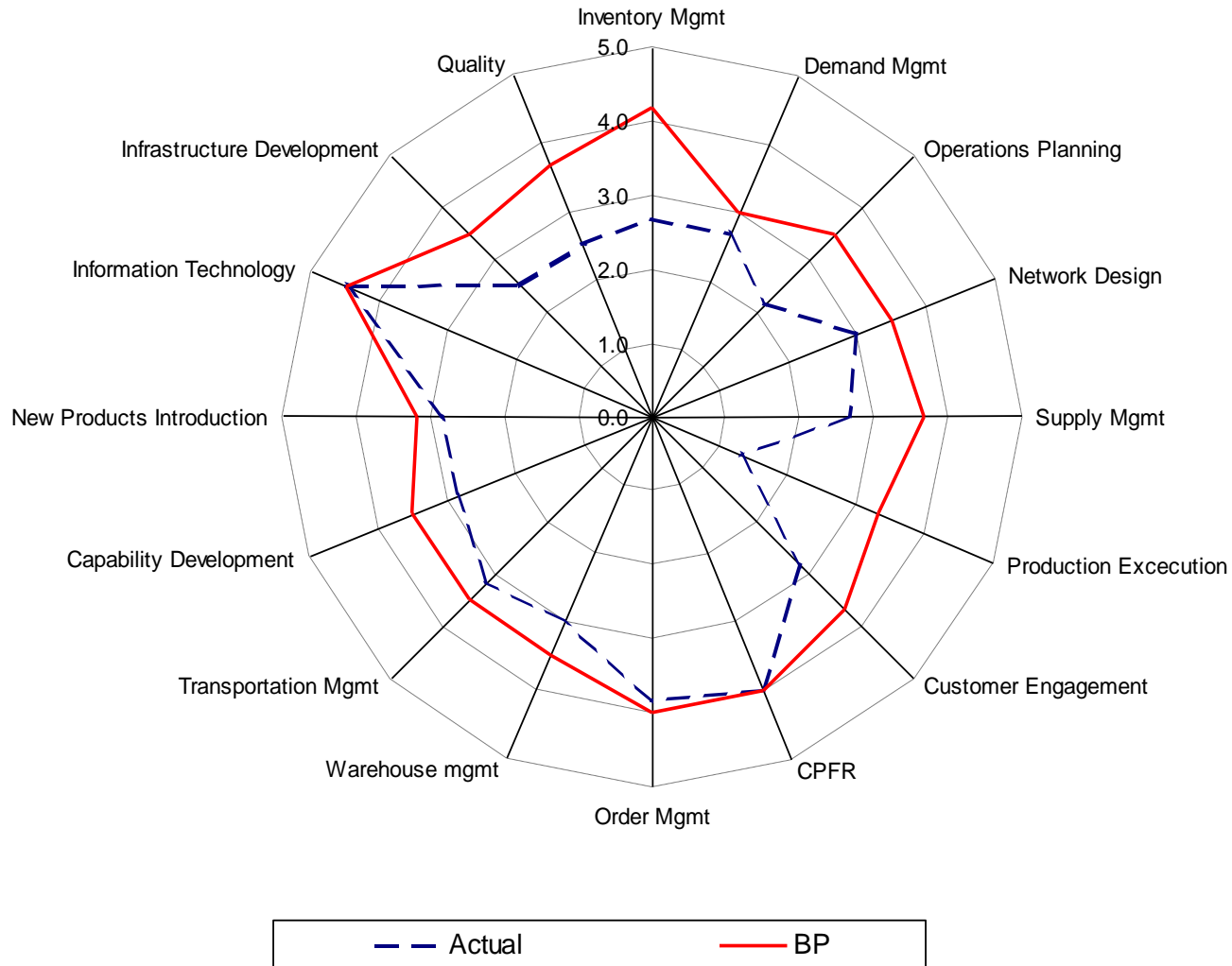
Lean Supply Chain Health Check

Activity	Deliverable	Inputs / Supports
Meet with company to finalise approach	Agreed Proposal	Meeting
Meet with senior management representatives	Feedback from key stakeholders on SCM process capability	Current Performance KPIs
Complete a high-level SCM overview	Overview of SCM operations presented and acknowledged	Resources familiar with the overall SCM process
Review P&L/Balance Sheet	Clarity on costs associated with main SCM activities	YTD management A/Cs & Year on Year comparisons
1-on-1 meetings with key SCM staff	Detailed feedback on areas of highest exposure and greatest competence within the supply chain	Staff availability
Complete Health Check and high-level process mapping	Definition of both information and physical flows with relevant metrics	Access to all key contributors to process definition
Conduct benchmarking against key SCM metrics	Benchmark scoring against key industry metrics where available	SCM metrics/Research
Allocate costs to core supply chain processes	Costing of SCM based on outputs of process mapping/financials – Plan, Source, Make, Deliver, Return	Process maps and detailed cost elements
Map the desired supply chain	Future state map – process, structure, systems, organisation	All inputs to date
Complete gap analysis		All inputs to date
Presentation of SCM Health Check and Costing Model to management team with gap analysis.		SCM Health Check/Costing Model
Present agreed roadmap and recommendations	Fully costed SCM roadmap with portfolio of recommendations and strategic direction.	

Lean Supply Chain Health Check categories

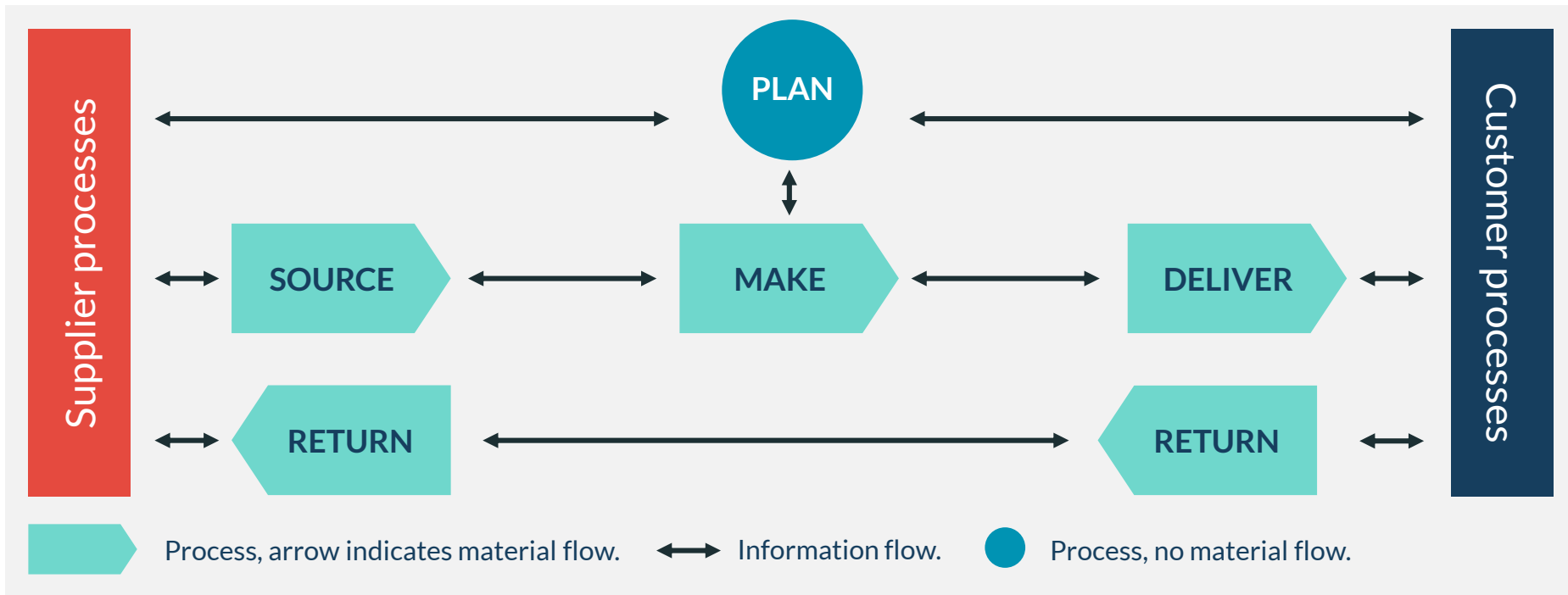
- A. Introduction
- B. Strategy
- C. Sales & operating planning
- D. Financial planning, reporting & measurement
- E. Forecasting
- F. MPS
- G. Material planning
- H. Capacity planning
- I. Purchasing
- J. Inventory & routing
- K. DRP
- L. Production – shop floor
- M. Manufacturing quality & continuous improvement
- N. New product development
- O. New product development
- P. Fulfilment
- Q. Warehouse/distribution section
- R. Duty
- S. Performance measurements
- T. Organisational structure, skills/training

Lean Supply Chain Health Check – Spider diagram



Supply chain cost model

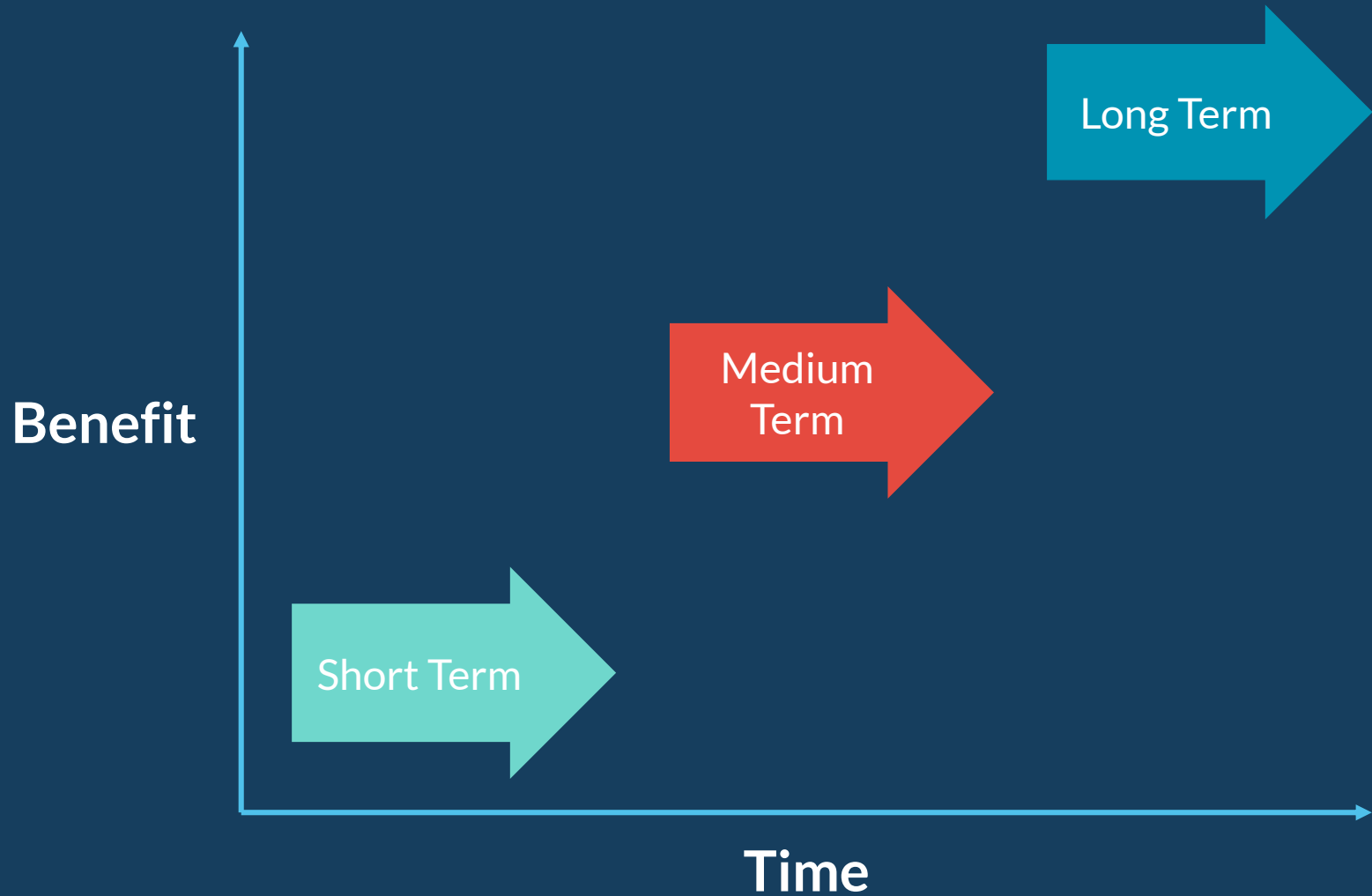
Allocate supply chain costs against the SCOR model – Plan, Source, Make, Deliver and Return



Costs broken down into:

- People costs directly related to the supply chain – gross payroll costs fully burdened
- Other non payroll costs related to the supply chain- rent, rates, outsourcing costs etc.
- Information systems
- Inventory carrying cost
- Overhead allocation

Roadmap of improvements



Summary

- Supply Chain has moved from a “cost centre” to an “opportunity centre”
- Adoption of Lean Supply Chain can deliver significant financial results - €164m example in UCC programme
- Opportunity for Irish companies to become best in class – put into practice Lean improvement activities and high performance systems together – Lean System Thinking
- Assess and benchmark your supply chain first, as a “baseline” to implement breakthrough sustainable improvements



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Thank You

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