

TAKING LEAN TO THE SUPPLY CHAIN



Most large manufacturers today have established Lean or Six Sigma programs for their own operations. It's practically a requirement to be competitive.

But the line between a manufacturer's "own" operations, and those of its partners, is getting fuzzier all the time. With today's increasingly connected supply chains, demand-driven supply networks, and global operations, it only makes sense that big opportunities for performance improvement and cost reduction might be out there in the supply chain, just waiting to be discovered.

The benefits of a Lean supply chain might be a good thing – or might not, depending upon your perspective. But is it realistic? Considering that Lean and Six

Sigma programs are all about consistency and control, and involve cultural and operational transformation, can a manufacturer really expect to extend these practices outside of its own organization? And, at what cost?

Pundit Perspective

A new report from Gartner, “Transform Your Supply Chain to Become Demand-Driven,” cautions that creating a Lean supply chain is a journey, and won’t be easy. The authors write, “Companies striving to become demand-driven must recognize that functional integration is a prerequisite — and that it is extremely difficult to achieve. Fewer than 10% of companies that have assessed their supply chain maturity, rate it as integrated.”

Nevertheless, Gartner recommends enterprises pursue the goal, and many are starting to do just that.

Early Signs of Success

A recent article in Industry Week called “[Lean into the Supply Chain](#)” describes several examples of global manufacturers who have taken up the challenge, some with striking success:

- Pratt & Whitney, the aircraft engine manufacturer, aims to triple jet engine production by 2020, with hundreds of suppliers. To keep control, the company

has created an “Operations Command Center,” which gathers and shares information about the delivery status of 400 suppliers worldwide, with early warnings if schedules might slip.

- USG Corp., which produces and distributes gypsum wallboard, joint compound and related construction products, has trained all 100 employees in its supply chain organization in Lean and Six Sigma; the company saved almost \$10 million last year while improving operational efficiencies. Says a spokesman, “If we have a warehouse in one region with stock-out problems, we’ll involve production, transportation, logistics, etc., to solve that problem. We’ll use enterprise value stream mapping from several locations throughout the entire process.”
- MTU America, a Rolls-Royce Power Systems and Daimler subsidiary, created a 400,000 square-foot aftermarket logistics center. They report “huge gains” in on-time delivery and productivity, but say “the biggest accomplishment has been improved customer satisfaction.”
- Even healthcare, an industry that traditionally has lagged behind in this kind of technology, is “leaning” its supply chain. Intermountain, a non-profit healthcare system of more than 20 hospitals in the southwest United States, opened a 327,000 square-foot Supply Chain Center equipped with the “latest warehousing technology, such as a new warehouse management system, a

cubing and dimensioning system, and an automated conveyor system.” They hoped to save \$80 million in five years. Instead, they did it in two!

Supporting and enabling all these efforts, of course, is ever-advancing technology that makes it possible for more and more people and operations to communicate and synchronize. As Paul Myerson, professor of supply chain management at Lehigh University, says in the article, “technology not only enables lean but it can help identify and eliminate waste by substituting information for inventory.”

In other words, success with applying Lean manufacturing methodologies across a distributed global supply chain is heavily dependent upon visibility, control and synchronization of material flows such that as issues present themselves, they can be quickly remedied to avoid potential for large disruptions.

Based on the experience of these companies, it looks like information is a lot cheaper to store and manage than inventory. And, it certainly can be transported far more easily!

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