Supply Chain Advancement: Making the Right Decisions

The Next Steps In Supply Chain Management
Your Presenter: Derek Browning

- **Career Focus:**
  Focused his career on end to end supply chain advancement, including transportation management, logistics network and route designs, PFEP and material flow, ROI assessments, lean cross-dock and distribution center projects and people development

- **Currently Responsible For:**
  Leading LeanCor’s Sales and Marketing team and developing Supply Chain Advancement solutions for LeanCor Consulting customers

- **Instructor for Professional Education Programs:**
  AME, UK Gatton College of Business, Lean Enterprise Institute, Honda Lean Network

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**Our Company**

- Lean Deployment Executives and Engineers delivering end-to-end supply chain advancement solutions

**Our Content Community**

- Global supply chain executive leadership
- Organizations embracing supply chain advancement and lean principles
- Industries ranging from automotive to medical
Who Is LeanCor Supply Chain Group?

Trusted supply chain partner that specializes in lean principles to deliver operational improvement. Three divisions:

**LeanCor Training and Education**
- Lean, supply chain, six sigma, and leadership courses that develop people capability and problem solving skills while building a culture of operational excellence.

**LeanCor Consulting**
- Project-based, end-to-end supply chain solutions that improve your processes, reduce inventory and Total Cost, and optimize your network.

**LeanCor Logistics**
- Custom, outsourced transportation, supplier, and warehouse management solutions that optimize material flow, reduce costs, and exceed your business goals.

Advancing the World’s Supply Chains
The Lean Enterprise System

Learning Organization

Long Term Thinking

Respect For Humanity

The People

Student & Teacher

Responsibility & Results

Systems Thinker

Problem Solver

“Go See”

Change Agent

The Process

Customer Focus

Waste Elimination

Quality at the Source

Flow - JIT

Stability

Standardization

Creating Customer Value

The Purpose

Business Strategy

Product Development & Life Cycle Management

Sales and Marketing

Supply Chain
Organizational Performance

- The goal of a business is to maximize customer value, at the lowest possible total cost, while treating people and the world with respect.
- Overall performance of an organization is reflected as the 10 Rights:

  - Fulfill the Right Product to the Right Customer
  - in the Right Quantity
  - in the Right Quality
  - at the Right Time
  - from the Right Source
  - at the Right Price
  - at the Right Cost
  - with the Right Service
  - all within the Right Complexity

- Many organizations turn to Lean and OpEx activities to help them increase this value to customers and reduce total cost.
- However, many organizations are not seeing the results they expect from Lean - OpEx activities.

- What is Value?
- Why does OpEx fail?
4 Core Functions

- **Business Strategy:** What is our core purpose? What value do we create?

- **Product Development and Life Cycle Management:** What products and services do we need to develop to deliver that value?

- **Sales and Marketing:** To what people, in which markets, through what channels are we going to sell these products and services?

- **Supply Chain Management:** How are we going to fulfill orders for these products and services?
Supply Chain Advancement

- Business methodology that drives improvements in all parts of a business by focusing on supply chain performance, maturity, and supply chain centric decision making.

- SCA is built on the premise that business decisions are made in all parts of the business; including:
  - When determining supply chain implications to these areas, an organization should evaluate:
    - What is our core purpose?
    - What value do we create?
    - What products and services do we need to develop to deliver that value?
    - To which markets and through what channels will we sell these products and services?
    - How are we going to fulfill orders?

...How will this decision add value or create complexity and waste in the supply chain?
Business Strategy

**Function**
- Strategic Decisions
- Management Decisions
- Budget

**Decision**
- M&A Targets
- Plant Locations
- Plant Functions
- Cost Reductions
- Plant & People Roles
- Annual Capex & Expense Plan

**Consequence**
- + Market Cap
- - Complexity
- + Lower Costs & Asset Optimization
- - Revenue & Equity Erosion
- +PDCA
- - Restricts to MBO
# Product Development & Life Cycle Management

<table>
<thead>
<tr>
<th>Function</th>
<th>Decision</th>
<th>Consequence</th>
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<tbody>
<tr>
<td>Product Quality</td>
<td>Change Orders</td>
<td>+Brand Protection</td>
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<tr>
<td></td>
<td></td>
<td>-Manufacturing Cost</td>
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<tr>
<td></td>
<td></td>
<td>-Warehouse Flow</td>
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<tr>
<td>New Product Family Launch</td>
<td>Move up or Delay the</td>
<td>+Go to Market Timing</td>
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<td></td>
<td>Launch</td>
<td>-Space and Variation</td>
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<tr>
<td>Component Selection</td>
<td>100% New Parts</td>
<td>+New/Fresh Design</td>
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<tr>
<td></td>
<td></td>
<td>+Functionality</td>
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<tr>
<td></td>
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<td>-SKU Proliferation</td>
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Sales & Marketing

### Function
- Promotions
- Packaging
- Contracts

### Decision
- Year End Monthly/Seasonality
- Loud Design that Pops on Shelf
- Favorable Returns Policy

### Consequence
- +Revenue
- -Unleveled Flow
- -Margin Erosion
- +Revenue and Market Share
- -Manufacture, Shipping, and Storage Costs
- +Customer Loyalty
- -Reverse Logistics
- -Scrap & Obsolescence
LeanCor Service Awareness

- **Business Strategy**: Strategy Development & Deployment
- **Product Development & LCM**: Inv. Assessments & Tactical Mgt.
- **Sales and Marketing**: Sales Strategy & Playbook &
- **Supply Chain Management**: Strategic & Tactical Assessments & Transformations
Supply Chain Advancement

SC Goals
Financial | Non Financial

Guiding Principles
Core Processes | SC Centric Decision Making

Management Systems
Present | Past | Future
SCCO Management Systems

Encourages employees to consider current and future supply chain implications when making business decisions.

How could this business decision create value and enhance performance within one or more of the Ten Rights dimensions?

What **unintended consequences** could this business decision create? Will it create unplanned complexity or other forms of waste in the supply chain?

What **planned complexity** does this business decision create? What supply chain systems are required to support this planned complexity?

How will we **objectively measure** and **validate** the assumed value or waste created in the supply chain relative to this business decision?

How will we create and sustain **feedback mechanisms** within the supply chain to determine how much value or waste is created?

Do we make supply chain–centric decisions today? What are examples to learn from?
SCA Guiding Principles

• Focusing on supply chain performance, which ultimately reduces supply chain operating costs.

• Focusing on people development and process improvement. Process improvement includes both value stream improvement and functional process improvement.

• Imparting a fundamental understanding of supply chain operating and management principles to all members of an organization.

• Encouraging supply chain-centric decision making within all four primary functions.

• Enabling supply chain centric-decision making by changing the organization's management system to focus on improving and re-designing supply chain processes that will deliver on the Ten Rights.
# Guiding Principles

<table>
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<td>Visibility</td>
<td>Real time visibility to material and information flow</td>
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<td>Value Stream Thinking</td>
<td>Internal and external End to End collaboration to manage total cost</td>
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<td>Lead Time Reduction</td>
<td>Flow, velocity, pull, JIT, and leveling</td>
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<td>Quality at the Source</td>
<td>Standardization, error proofing, and first time quality of core processes</td>
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<td>Complexity Management</td>
<td>Supply Chain centric decision making to manage planned complexity</td>
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<td>Performance Management</td>
<td>Clear targets, PDCA, and continuous improvement</td>
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**PRINCIPLE**
A rule or belief governing one's personal behavior.
Visibility

Real time visibility to material and information flow
Value Stream Thinking

Internal and external End to End collaboration to manage Total Cost

The defining characteristic of a system is that it cannot be understood as a function of its isolated components. First, the behavior of the system doesn't depend on what each part is doing but on how each part is interacting with the rest ...  

Kofman and Senge, 1993
Lead Time Reduction
Flow, Velocity, Pull, Just-in-Time, and Leveling

Value  Waste  Value  Waste  Value  Waste

7AM  9AM  11AM  1PM  3PM

Waste  Value  Waste  Value  Waste

LeanCor
CONSULTING

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Build to Order = No Overproduction...so what's the problem?

\[
\text{Supply LT} + \text{MLT + OL} < \text{Customer LT} = \text{BTO}
\]

\[
\text{Supply LT} + \text{MLT + OL} \geq \text{Customer LT} = \text{Forecast}
\]

LT = Lead Time
MLT = Manufacturing Lead Time
OL = Outbound Logistics / Shipping
Quality at the Source
Standardization, error proofing and first time quality of core processes

INFORMATION FLOW
- Purchasing
- Material Planning
- Production Planning
- S&OP
- Demand Planning
- Customer Service

MATERIAL AND PRODUCT FLOW
- Supplier Management
- International Transportation
- Domestic Transportation
- Inbound Cross Docking
- Trailer Yard Management
- Lean Manufacturing
- Intercompany Transportation
- Distribution Center Management
- Outbound Transportation
- Customer Focus

No Controls | Direction | Standard Work | Visual Management | Inspection | Stop Process | Avoidance | Prevention
---|---|---|---|---|---|---|---
Awareness | | | | Detection | | |
Complexity Management

Supply chain-centric decision making to manage planned complexity

• Leaders will look at all business decisions from a "what will this do in the supply chain" point of view.

• Leaders should always be asking, "how will this business decision result in value or waste in the supply chain?"

• Leaders should always be asking, "how will this business decision impact the rest of the business?"
Performance Management
Clear targets, PDCA and Continuous Improvement

We Must Add Pressure
1st and 10, Do It Again

Questions?
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