

# Supply Chain Operations

## Enterprise-Wide Operations

CASE  
STUDY

### Lean Supply Chain Transformation

#### Situation – How to improve supply chain performance by implementing lean in less than 6 months

For two decades the building products division dominated its competitors by getting its premium quality products specified for new institutional construction projects. The initial sale was profitable; later replacement and maintenance service was even more lucrative. But then disturbing news started arriving from the sales force. Architects were allowing contractors to ignore the specs and use substitute products. Maintenance service customers were doing the same. Competitors offered a 30 percent discount. Even worse, they delivered in 3 days. The building products division struggled to deliver in 3 weeks.

#### Client Description, Project Scope, Objectives

The president issued a supply chain cost analysis mandate. But operations management knew this would not deliver sustainable cost reduction or make the supply chain more efficient. They needed lean transformation to remove waste and improve supply chain performance. After reviewing The Lab's non-technology process improvement templates and lean supply chain transformation methodology, they saw how these could accelerate the effort.

The company manufactures commercial security products worldwide. More than 3,000 employees serve business and institutional customers in North America. The lean supply chain transformation project scope included cost reduction and increased productivity targets for all operations: sales, production, distribution and branch operations.

Within 6 months, the order-to-delivery cycle time was cut in half. Most savings came from implementing lean standard supply chain work methods in sales, engineering and plant management. This delivered knowledge worker productivity gains that recouped 30 percent of capacity without technology. A 20 percent cost reduction helped address competitors' prices.

Lean supply chain transformation implementation began with a 6-week, Phase I analysis of end-to-end supply chain operations. This delivered a self-funding, guaranteed business case and work plan that launched Phase II implementation.

#### Lean Supply Chain Transformation Improvement Examples

The Lab implemented nearly 300 lean non-technology process improvements. Examples:

**Streamlined Branch Operations**—Despite previous initiatives, branch operations were rife with avoidable work and errors. Corrections and rework increased order cycle time and late deliveries. Lean supply chain transformation eliminated three-quarters of the causes of avoidable work. This helped to cut order-to-delivery cycle time in half.

**Improved Customer Experience**—The organization lacked a clear understanding of customer priorities. Although the company delivered the highest quality product, customers also valued speed and accuracy. Knowledge work operational efficiency improvement delivered better order accuracy, faster fulfillment and sustainable cost reduction.

**Standardized Lean Supply Chain Processes**—Variance for low-value tasks often exceeded 7X. Over 50 percent of internal performance targets were consistently missed. Avoidable errors and ineffective communication made underperformance routine. The Lab's lean transformation templates and methodology standardized management and frontline operations techniques to achieve end-to-end sustainable process improvement in 4 months.

## Top 10 Global Security Products Manufacturer

### Enterprise-Wide Operations

North America

#### Project Sponsor:

#### Senior Vice President, Operations

Non-technology, self-funding operational improvement implementation:

- No new technology
- Enterprise-wide improvement
- 6-month implementation

#### Project Objectives:

- Accelerated order delivery
- Lean process improvement
- Cost reduction benefits

#### Project Scope:

- Order management
- Sales & operations planning
- Supply chain management
- Branch operations
- Production and distribution

#### Implementation Results:

- Operating cost . . . . . ↓ 20%
- Annual savings . . . . . \$9.5M
- Capacity improvement . . . . . ↑ 30%
- Order-to-delivery cycle time . . . ↓ 50%
- Revenue productivity . . . . . ↑ 10%
- Break even point . . . . . 5 mos.
- ROI (12 month) . . . . . 4X

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