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YOUR COMPANY'S NEXT IMPROVEMENT STEP

by Bill Belt

After vacation, the new work year begins, with economic challenges heretofore unknown. A company needs to determine, with respect to its strategy, where it is on the road to improvements to meet these challenges.

Let's do a "back-to-work" checkup in terms of the three dimensions of modern industrial and logistic management: Direction, Anticipation and Acceleration:

LEAN SUPPLY CHAIN MANAGEMENT

Direct the company/supply chain with S&OP

Anticipate flows with MRP II

Accelerate flows with Lean Production

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In **Direction**, the typical company that we meet has created its Sales and Operations Plan, but either (a) Top Management doesn't attend or (b) the S&OP contains only demand or (c) it's a comparison of load vs. capacity, with no demand.

The Supply Chain Manager of a large multinational said to me, "Oh, really? Capacity should be in the S&OP too? I thought it was just demand!"

In the S&OP, we reconcile customer demand with company capacity, and with inventory policy. See our Newsletters Nos. 64, 56, 54, 41, and 39.

In **Anticipation**, the typical company (a) inserts the forecast or customer orders directly into Material Requirements Planning, forgetting about the Master Production Schedule or (b) has an MPS but doesn't check it against demonstrated capacity, or (c) plans over a horizon too short for procurement.

A Logistics Manager told me, "We run MRP from all our firm customer orders. We don't plan anything before that because we don't want to have any inventory." Our Newsletters Nos. 67, 65, 61, 55, 52, 49, 48 and 47 cover these subjects.

In **Acceleration**, the typical company (a) has mapped the current value stream but not the future one or (b) has mapped the future flow but has not started using takt or (c) has implemented Lean to reduce inventory and increase productivity instead of creating a Total Quality culture and supporting operators.

A machining company created a current value stream map worthy of being displayed in the Louvre. But they used it to identify a few problems and create actions plans. That's like using a Rolls to get the groceries.

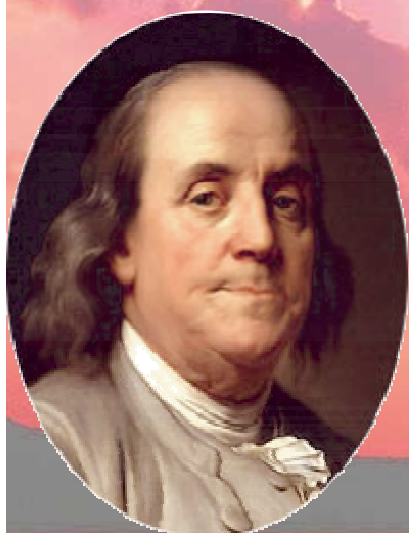
Our Newsletters Nos. 68, 63, 62, 58, 57, 53 and 51 talk about Lean.

(A fourth dimension about which we'll have more to say, is **Costing**. The typical company calculates standard costs, which can serve for legal reporting but which lead to erroneous decisions. Just spreading indirect cost over products according to their direct labor hours, encourages offshoring to "reduce" costs. But indirect costs don't go down with offshoring, and the company incurs new costs which were unknown previously.)

What is your company's next improvement step? Where is your horizon of improvements with respect to the examples given? Knowing where you are, is important because we progress faster by working just beyond what we've already done, neither too basic nor too advanced.

Autumn can be a beautiful season, with lots of colors and beautiful skies.

During the Constitutional Convention at Philadelphia in 1787, Benjamin Franklin had noticed the image of a half-sun carved into the back of a wooden chair. He said, "When we started, I wondered whether this sun was setting or rising. Now, at the end, I know it's rising."



The challenges that they faced in their time were different but no less difficult than the ones we face today.