

The Issue: Following a major ERP implementation for its order to cash and financial processes, this global food manufacturer needed to redesign its order to cash process to drive supply chain savings and provide greater reliability to its customers. Benchmark studies indicated that inventory turns were adequate, but service levels and supply chain costs needed to be improved.

The Solution: A three-phased project plan was developed, focusing on distribution, customer service, and finished goods planning. Because 65% of most manufacturers' logistics costs are in freight, distribution became Phase I. Savings from this area helped get the project off to a quick start and created momentum and engagement for associates. Following that, Phase II then redesigned the customer service area, and finally the inventory planning area was addressed.

The project started with SCOR benchmarking. The team learned its existing metrics, and, with direction from its management team (following a "Chip Exercise", which drives alignment on supply chain strategy), understood and embraced the performance targets for the future state.

Cross-functional teams then mapped each current state process. Once the team visualized each process, the problems and issues were readily apparent. Using the SCOR model as a guide, the team crafted the future state processes which eliminated or minimized the problems from the current state process.

The benchmarking and mapping exercises were platforms, from which over 20 deployment projects were undertaken, each addressing the problem statements. These deployment projects closed the gap between the current state and future state, making the future state a reality.

The Results:

Each project's results were tracked monthly and audited by the company's finance team. The new processes drove a collective change of over \$4 million, roughly 4% of its logistics cost. Some of these savings were soft costs (human capacity increased, enabling future acquisitions to occur with no incremental headcount); some were in cash flow savings (inventory levels were reduced); and some were in decreased expenses (improved customer service levels reduced the volume of expensive backorders; a redesigned invoice minimized postage expense).

To maintain momentum and improvement, the company then established a formal continuous improvement process, where key metrics were tracked and reviewed on a monthly basis. For each metric not achieving its target, "SWAT teams" of front line workers were deployed. Using Lean Six Sigma methodology, the teams corrected each problem by addressing and killing the root cause. Process changes were then documented and approved by the owner of the process, ensuring compliance and sustaining the improvement.



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