



Empowering Supply Chain Transformation with BeLean™



The last 5 years has wreaked havoc on supply chains across the globe. Corporations are facing the reality that they were unprepared to manage their supply chains in a time of crisis and are questioning whether they're prepared to manage their supply chains as the market recovers. Just as there is a new economic reality, so too is there a new reality for corporations to transform their supply chains to be agile, adaptable, aligned and lean.

One of the more daunting challenges faced by companies across industries is to efficiently manage their supply chains, while still meeting the needs of their customers and business partners. Supply chains are extremely complex and unforgiving organizations, making the job of managing them a challenging proposition, even under optimal business conditions.

Consider the impacts of a prolonged global economic downturn and a rash of unpredictable natural disasters coupled with geopolitical hot spots. This makes for a "perfect storm" in supply chain management for many companies operating on a global footprint. Some have become so overwhelmed by the challenges imposed by the current business environment that they have forgone any attempt at supply chain management and instead are focused on supply chain survival.

In an attempt to adjust to the new economic reality, many corporations took drastic cost-cutting measures that produced short-term gain and long-term pain. Many lacked a cohesive strategy and organizational structure to adapt to changing events, while some corporations across every

industry simply disappeared from the business landscape.

The focus of this report is to identify solutions as to how corporations can better manage their supply chains in the best of times and how such solutions will prepare their corporations to survive the worst of times. We will also detail new operating paradigms, taking advantage of BeLean™ thought leadership.

The Dangers of Being Fast and Efficient

The Clarion call for supply chains since the 1980's has been to operate as low cost, high speed, uber efficient entities capable of transporting products from suppliers to customers across the globe. Executives touted the need for such a supply chain mantra, and some leading organizations were celebrated in industry journals and held up as shining examples of what other corporations should aspire to achieve. As the 80's became the 90's, however, academics and supply chain consultants began to examine data related to the performance of corporations with a focus on low-cost, high-speed supply chains and the results were nothing short of astounding. As supply chain efficiency increased, corporations were not achieving a measurable competitive advantage over rivals with less supply chain focus. The results of the data led researchers to ask the most important question of all: why?

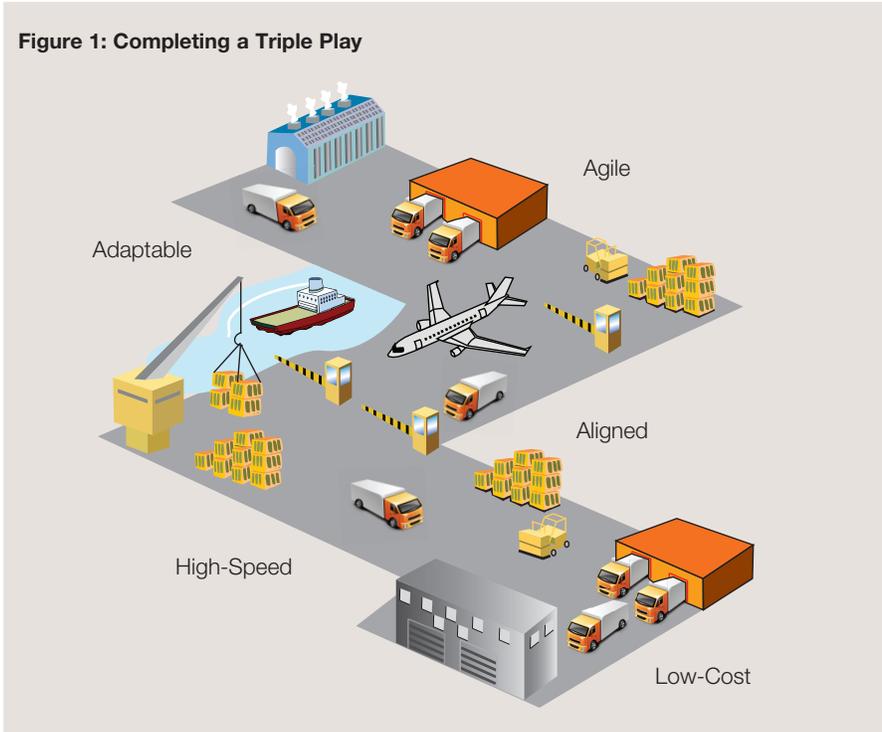
According to Dr. Hau Lee, the Thoma Professor of Operations, Information and Technology at the Stanford Graduate School of Business, recently completed groundbreaking research of 60 leading companies¹. He contends that companies with low-cost, high-speed supply chains have historically failed to gain a sustained competitive

advantage over their rivals because they are not able to respond to unexpected changes in and challenges to their demand or supply. Furthermore, Dr. Lee's research also identifies certain companies that appear to have established "bullet-proof" strategies relative to their supply chains, thus leading them to achieve a sustained competitive advantage. These companies' supply chains are not just low-cost and high-speed, but, most importantly, they also have the characteristics of being "Triple-A Supply Chains" (see Figure 1), a term coined by Dr. Lee. These characteristics include:

1. **Agility:** They are designed to respond quickly to sudden changes in supply or demand. They handle unexpected external disruptions smoothly and cost-efficiently. Additionally, they recover more quickly from shocks such as natural disasters, product recalls and economic turmoil.
2. **Adaptability:** They are built to evolve over time as markets are reshaped by such forces as economic growth and contraction, political shifts, demographic trends and technological advances.
3. **Alignment:** They are envisioned to align the interests of all participants in the supply chain with their own. As each partner maximizes his own interests, the supply chain's performance is optimized as well.

Regardless of business conditions, companies can and should implement supply chain strategies that provide immediate and sustainable value to their shareholders. Companies risk their supply chain survival by attempting to time the next cataclysmic business, natural or geopolitical event. Therefore, if they have not already begun, companies would be wise to begin exploring "Triple-A Supply Chain" strategies that could well be the

Figure 1: Completing a Triple Play



key differentiator in keeping them ahead of the competition.

The best supply chains aren't just fast and cost effective. They're also agile and adaptable and ensure all a companies' interests stay aligned.

Achieving Agility

The importance of having an agile supply chain is reinforced by the unpredictable outbreak of geopolitical tensions, natural disasters and product recalls that have proliferated over the last few years. Great companies create supply chains that respond to these types of sudden and unexpected changes quickly and efficiently.

Agility is also critical, because, in most industries, both demand and supply fluctuate more rapidly and widely than ever before. Most supply chains cope by playing speed against costs, but

agile supply chains respond both quickly and cost effectively.

To clarify, agility is the ability to act vs. react. When a hurricane strikes, all supply chains in its path must alter their daily routines to adjust to the impact on customer needs. An agile company maintains a laser-like focus on weather conditions around the globe, analyzing point-of-sale data to ascertain which items sold more frequently in past hurricanes and then trucking in those extra items to stores to meet customer demand. An agile company would also pre-position trailers loaded with items such as water and food that could be distributed easily.

Another example of an agile company would be a retailer that captures and analyzes Point of Sale data and, after determining that certain SKU's are

selling better than forecasted, the retailer adjusts to meet the new demand. A company's ability to act quickly is directly related to having an agile supply chain.

Becoming Adaptable

In addition to short-term fluctuations in supply and demand and compressed product lifecycles, markets themselves are constantly changing more rapidly than before, especially with the expanding global economy. Supply chain strategies and networks that once served a company well can soon become obsolete as market shifts occur.

To create an adaptable supply chain, Dr. Lee suggests companies should:

- Closely monitor global supply chain economics
- Outsource more where possible as outsourcing can enable more rapid adaptability
- Understand completely the impact that new product design has on the supply chain
- Build different supply chains for specific market and product characteristics
- Understand the impact and benefits of adopting new paradigms, like Green Supply Chain, to drive benefits across the supply chain.

Creating Alignment

Supply chain alignment can only be achieved through strong leadership and a well-crafted supply chain strategy. Effective leaders understand the importance of identifying the role each partner plays in the supply chain and then creating an environment that embraces collaboration among these partners. Collaboration is essential in fostering a sense of shared responsibility that enables the supply chain to operate at peak efficiency across all performance drivers including:

- Facilities
- Inventory
- Transportation
- Information

Once a collaborative environment is established, companies and their partners can cooperatively build an overall supply chain strategy. With expanding global supply chains, companies that choose not to include supply chain partners in their strategic initiatives do so at their own peril. Companies should foster supply chain alignment with their business partners based on shared core values that include:

- Information exchange: Share data and knowledge freely with partners, vendors and customers
- Clarity in process and task ownership: Identify roles, tasks and responsibilities clearly for all stakeholders involved
- Equitably share risks, costs and gains of improvement initiatives

The Difficulty of Achieving Supply Chain Transformation

The challenge for any corporation wanting to improve the performance of their supply chain is turning vision into reality. Becoming agile, adaptable and aligned will return significant improvements across the supply chain, but achieving such a state will require

transformational change across the corporation: A positive shift in the business culture of an organization can occur as a result of a change in the underlying strategy and processes that the organization used in the past. Achieving transformational change is critical as supply chains impact corporations across nearly every department internally as well as externally across suppliers, customers, and supply chain partners. Without a holistic approach to improving the supply chain, organizations run the risk of achieving improvement only across isolated aspects of the supply vs. improving performance across all six drivers of supply chain performance: facilities, inventory, transportation, data/information, procurement, and pricing.

Companies are approaching supply chain transformation by realigning their organizational structure to optimize the execution of critical-path processes. These companies are deliberately analyzing how their supply chains are managed, resourced, and streamlined to focus on eliminating non-value-added activities.



With the help of Capgemini Consulting, companies are specifically employing traditional Lean-Six Sigma practices in driving organizational and behavioral change to optimize supply chain transformation. This approach, known as BeLean™, helps companies focus their supply-chain organization and processes on doing the right work, working the right way, and managing the right way.

BeLean™ strives to achieve repeatable and reproducible transformational change that reduces organizational complexity within a company's supply chain. As a result, organizations can:

- Achieve greater levels of collaboration – leading to better alignment with internal and external customer needs
- Become more agile to adapt to changing business requirements, customer demands, and economic realities
- Embed the desired behaviors, competencies and governance within the organization for sustainable success.

By utilizing such an approach, improvements are achieved more broadly across the corporation, and not just the supply chain (see sidebar).

There are countless examples of corporations that have followed a similar strategy when attempting to improve the performance of their supply chains and each failed to achieve the desired results.

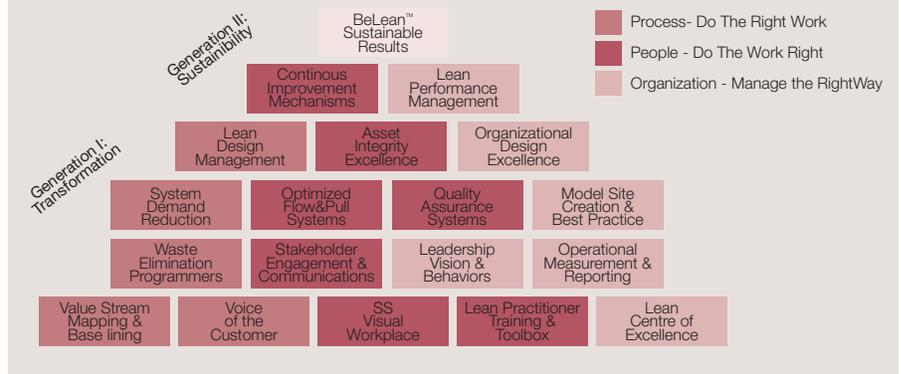
Although not easy, achieving supply chain transformation is possible for any company that is willing to invest in the process. The time to begin is now.

Case Study: Lessons Learned

A global manufacturer attempted to improve the performance of their supply chain by focusing primarily on implementing supply chain technology to improve Sales & Operations Planning (S&OP), demand planning and forecasting, and transportation management. Over a two-year period, millions of dollars were invested in the implementation of the software and integration with the corporate ERP platform. Upon completion of the project, the corporation expected to achieve double-digit improvements across inventory reduction, forecast accuracy, and reduced logistics costs. As with many such projects, however, the metrics failed to achieve the desired results for the following reasons:

- Without changing the organizational structure of the corporation to take advantage of the increased capabilities provided by the software, the same people remained in place and resisted using the software or changing their processes.
- The scope of the supply chain transformation was too narrow and failed to adequately identify a myriad of other issues negatively impacting the performance of the supply chain.

Figure 3: The BeLean™ Approach



Getting Started with Your Transformation

As a first step, companies should ask themselves the following questions before embarking on a supply chain transformation:

1. Do we have internal resources with the required expertise to design and implement a supply chain transformation?
2. What technology enablement will be required?
3. What should we measure, and how do we baseline our current supply chain performance?
4. How do we define what constitutes an optimal supply chain for our business and industry?
5. How do we identify additional opportunities to reduce our costs?
6. Do we have strong enough relationships with our suppliers and customers to foster their engagement and collaboration? How do we know we have the right suppliers and customers to maximize the profitability of our company?
7. Once we have designed an optimal supply chain, how do we maximize its capabilities and sustain its performance across the business enterprise?

8. How do we design and implement the optimal supply chain for our business today and the future?

Resolving these questions is crucial due to the difficulty of enabling a supply chain transformation. Many companies come to realize that undertaking such an effort is beyond their capabilities and seek the assistance of consulting partners to provide supply chain expertise across process, people and technology.

For example, companies may need a partner that can immediately identify specific links in the supply chain that can be improved through various diagnostic and assessment methodologies. This can build a sense of confidence that all aspects and drivers of a supply chain overhaul have been considered.

Another advantage for companies that solicit the services of a consulting firm is the access they provide to software and other technologies to support their supply chain transformation efforts, such as supply chain modeling and execution tools. Modeling the supply chain provides a clear understanding of baseline supply chain costs and

“ Although not easy, achieving supply chain transformation is possible for any company that is willing to invest in the process ”

configuration. It also provides output identifying a “to be” supply chain configuration, balancing the lowest costs with the highest throughput.

As companies often do not have a true appreciation of the operational complexities and costs of running their supply chains, in-depth supply chain modeling and analysis can provide many “aha” moments. Supply chain modeling identifies opportunities to reduce costs across the supply chain drivers of facilities, inventory, transportation, procurement and pricing (see Figure 4). It focuses on two core areas:

Supply chain design is the process of determining the supply chain network and infrastructure — the plants, distribution centers, transportation modes

and lanes, and production processes that will satisfy customer demands.

- Supply chain execution is the process of determining solutions to more tactical issues, such as local inventory policies and deployment, manufacturing and service schedules and transportation plans.

Average companies model their network every 2 ½ years but best-in-class companies model their network every quarter.

Organizations that utilize the tools and principles of Lean Six Sigma in conjunction with network modeling achieve an additional benefit of being able to capture the voice of the customer and align the business to ensure the changing needs of the customer are being met. Companies that don’t utilize Lean Six

Figure 4: Building Supply Chain Models

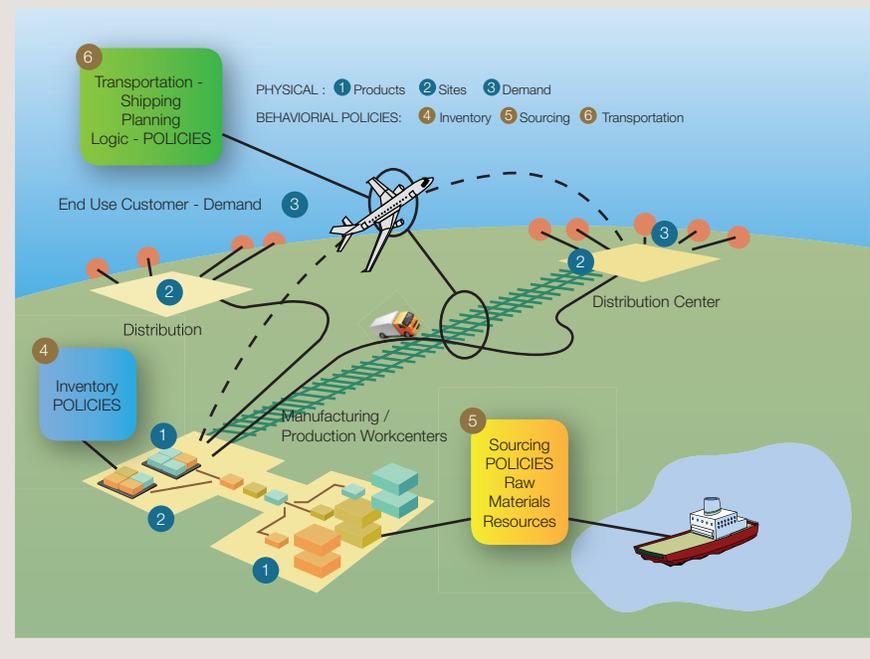
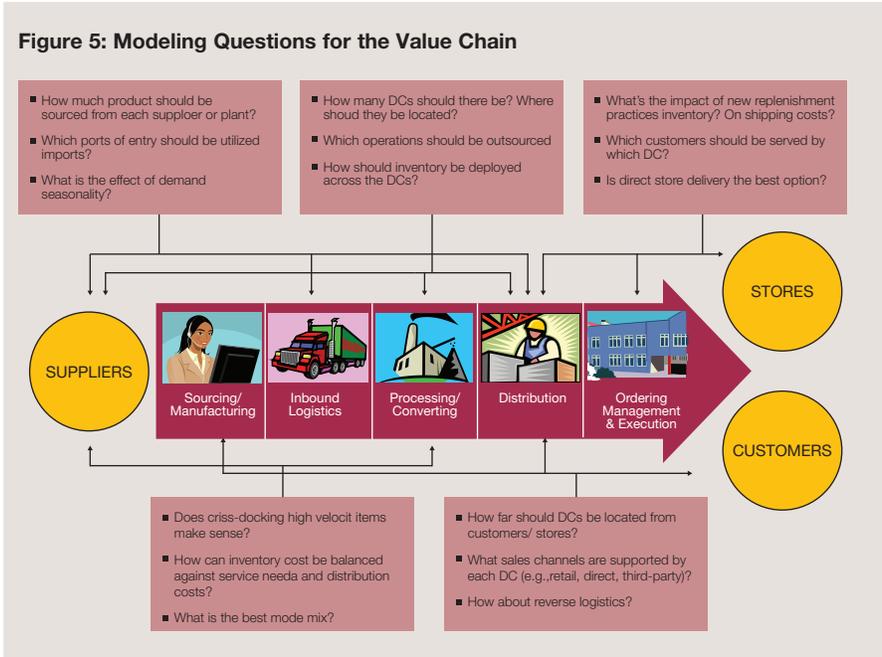


Figure 5: Modeling Questions for the Value Chain



Sigma are confronted with the ugly reality of complexity within their departments and across their organization and find it nearly impossible to make continuous changes to their network even if they're utilizing supply chain and network optimization software.

An Inside Look at Achieving Supply Chain Transformation Utilizing BeLean™

A global food manufacturer who supplies their products to hundreds of retailers was experiencing logistics and operational challenges within its supply chain and partnered with Capgemini Consulting to identify the root cause of the issues and to identify the required solutions. Recognizing the importance of applying the principles of BeLean™ in conjunction with advanced supply chain modeling and analysis, Capgemini Consulting engaged in an approach to immediately begin adding value for the customer by conducting assessments across people, process, and technology

that would position the company to achieve their desired goals.

Results of the assessments and supply chain modeling indicated the following opportunities for improvement:

1. The corporation was organized in such a fashion that silos were allowed to exist, thus limiting collaboration across internal departments and external customers and suppliers.
2. Supply chain technology could enable improved performance, but critical job functions lacked skilled employees.
3. Although available, data was not collected and analyzed to identify opportunities to reduce costs, improve performance, or make better business decisions.
4. Procurement of transportation and 3PL providers was based primarily on lowest cost, resulting in transportation cost reduction, but leading to poor customer service levels.

5. Many processes were manual or redundant throughout the corporation leading to increased complexity and reduced performance.
6. There was too much inventory and not enough of the products customers wanted.

After reviewing the results of the assessments with the customer, we designed and implemented a holistic and detailed transformation plan to achieve the desired goals of the customer becoming agile, adaptable, and aligned across the supply chain and the corporation. Among the changes implemented were:

1. Reorganizing multiple departments to eliminate silos and increase collaboration across internal and external personnel. Note: This is a key first step within BeLean™ to eliminate complexity
2. Hiring and assigning personnel experienced in the use of supply chain technology as well as experience in maximizing the capabilities of such software to increase ROI and streamline operations
3. Designing process improvement strategies in collaboration with corporate personnel to ensure continuous improvement became part of the corporate DNA vs. being viewed as nothing more than a project.
4. Holding collaborative sessions with suppliers and customers to capture "Critical to Quality" and "Voice of the Customer" requirements. Sessions focused on identifying opportunities and real-world strategies for increased collaboration

5. Applying the use of sophisticated statistical and mathematical modeling to mine data to capture true operating and performance metrics as well as identify opportunities to make better business and procurement decisions
6. Creating operational dashboards to provide “one version of the truth” related to actual performance with a key focus on measuring data designed to help the client continually align the supply chain with the voice of the customer and the business as well as identify potential problem areas across production and food safety
7. Conducting an SKU/activity profile analysis to identify the optimal SKU’s to carry and align the layout of the DC’s with the required technology and operational strategy.
8. Applying the recommendations from the supply chain modeling and network optimization to consolidate and close facilities, thus reducing fixed costs and inventory while increasing operational performance.

The relationship with the customer has advanced from that of consulting partner to strategic partner as a result of the significant achievements from the supply chain and corporate transformation. By attacking and eliminating non-value added processes and functions across the corporation, the client actually reduced their overall size while increasing their operational capabilities. That’s the power of incorporating BeLean™.

The Bottom Line

Supply chains that are agile, adaptable and aligned — in addition to being low cost and high speed — have been shown to provide a significant competitive advantage. Achieving this, however, requires the ability to implement transformational change not only across the supply chain, but across the entire organization.

Balancing the art of supply chain management with the science of supply chain optimization and incorporating the BeLean™ methodology, provides an unequalled strategy for supply chain transformation.



About Capgemini

Capgemini, one of the world’s foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 35 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion (approximately USD \$11.6 billion) and employs 100,000 people worldwide.

Capgemini Consulting is the Global Strategy and Transformation Consulting brand of the Capgemini Group, specializing in advising and supporting organizations in transforming their business, from the development of innovative strategy through to execution, with a consistent focus on sustainable results. Capgemini Consulting proposes to leading companies and governments a fresh approach which uses innovative methods, technology and the talents of over 4,000 consultants world-wide.

For more information:
<http://www.capgemini.com/services/consulting/>

Rightshore® is a trademark belonging to Capgemini

¹ The Triple-A Supply Chain,” Dr. Hau L. Lee, Harvard Business Review, 2004.

References

- Brittain Ladd, In Search of Supply Chain Excellence, 2009, The Pennsylvania State University
 Sunil Chopra, Peter Meindel; Supply Chain Management, 3rd Edition.
 Dr. Terry Harrison, Global Supply Chain Design, 2001. The Pennsylvania State University
 The Triple-A Supply Chain, Dr. Hau L. Lee, Harvard Business Review, 2004
 Lora Cecere, AMR Research, 2007

Craig Jones
 Principal
 North America Supply Chain
 Management Group
 Phone +1 703 928 5157
craig.e.jones@capgemini.com

Brittain Ladd
 Managing Consultant
 North America Supply Chain
 Management Group
 Phone +1 214 470 1249
brittain.ladd@capgemini.com

