



Running On Empty

It always seems to happen when you're in the most vulnerable spot. The worst possible situation, the worst possible place, The worst possible time. The sickening feeling goes through you; you know what is about to happen. You are out...the outcome is inevitable. You're stuck, in a jam. The situation is embarrassing. Your thoughts race. "**How could I ever let this happen? What am I going to do?**" Your thoughts immediately begin to focus on recovery. How will you get out of this predicament?

Taking dramatic steps to become agile is necessary to be a manufacturing or distribution contender in the next decade. Organizations must focus on moving information and products quickly through the entire supply chain, distribution, assembly, manufacture, and supply. All physical events must be enacted swiftly, accurately, and effectively. The faster that parts, information and decisions flow through an organization, the faster it can respond to customer needs and orders.

Out of gas? No such thing--you wish you were. You outsourced your parts overseas, you're out of a critical component, and you can't make delivery to a key customer. So, what do you do? You make something you don't need...to keep the shop busy. Unusual? By no means...it happens all the time...and it's sad, because in this day and age, with all of the tools that we have, MRP, JIT, TQM, CIM, it shouldn't happen. As a matter of fact, in most companies, it's a way of life. Think about it.

Most production schedules in the U.S. today are driven by material availability. What you have in stores or on the receiving dock determines what you produce today. You can regard this as scheduling by default, or.... running on empty.

Water in Our Tanks?

It's not too hard to figure out what's wrong. If you step back for a moment and look at the way that we have organized ourselves over the years: component plants located states and countries away from assembly, corporate purchasing located away from the key hub of activity, spaghetti factory flows to confuse what materials are needed and when,..... poor communications, physical walls, functional walls, etc. have all strangled our efforts to run smoothly. Plus, the results of the way that we work(or don't) with our suppliers drives the rest of the service chain and stifles our ability to deliver quickly and cheaply.

Consider that our tendency in the past has been to get many suppliers to quote items on a unit price basis. We order in volume taking unit discounts, then pound our supplier for expedited deliveries. Purchasing's focus has been only on the cost of materials rather than the total operational costs of a company and the effect that product quality and timely delivery have on production costs. The most common practices are supplier "jumping" and price negotiation, which result in a cost escalation beyond any saving that occurred at the purchasing level.

High Octane for the Future

It's no secret that competition is tough and will get stiffer in the next decade, as a global resegmentation of markets emerges. The winners and leaders in the 21st Century will be world-class competitors, organized to respond to a dynamic market with precision and unprecedented speed in delivery and new product introduction. Those companies will have refocused and redesigned their businesses--both physically and logically--to meet the demands of the market.

This will require a smooth flow of materials and information, and velocity within the service chain: that chain of events that occur from the time that a customer inquires about an order, through complete satisfaction of the order: distribution, assembly, manufac-



Winners never give up. Mistakes are learned from, techniques are mastered, skills are honed, weaknesses are strengthened, barriers are overcome, and the athlete becomes a relentless competitor. A vision of crossing the finish line in first place drives the athlete until the sweet smell of success is realized.

ture, and supply. All of the physical events must be enacted swiftly, accurately, and effectively. The faster parts, information, and decisions flow through the service chain, the faster the response to demand.

Radical Change

To accomplish this, we will need to make some dramatic changes in the way that we work with our suppliers. First, we will need to develop closer, long-term agreements to motivate suppliers to make the changes critical to achieving our goals. We should think in terms of working out a mutually beneficial operating arrangement:

- Provide incentives to motivate the supplier to induce velocity within his own facility
- Buy capacity instead of a few parts at a time: negotiate long-term agreements with high volume incentive
- Provide forecasts to your new partner with a window with which to operate:
 - long-term forecasts to arrange raw materials
 - shorter term forecasts to produce longer lead time items
 - line schedules to meet your real demand
- Involve your partner in the design process, he most likely can tell you how to produce a better part

How Radical is Radical?

Physical proximity is extremely important in inducing velocity. Distance makes it hard to respond quickly or to have regular face-to-face contact to form a good solid long-term relationship. We need to physically close the distance, locating supply close to component manufacture and assembly. A supply facility should operate as an extension of your own facility; as, a remote cell producing and delivering upon real demand.

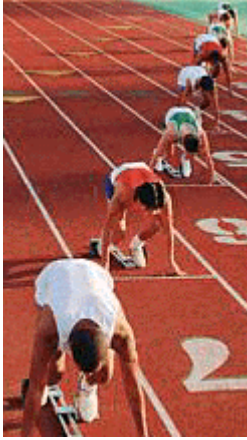
Quality must be part of the focus to detect an error as early as possible in the manufacturing process: certification is a goal The result should be less rework, less scrap, and less schedule disruption.

To support physical activities, the agile supply chain structure also requires emphasis on velocity throughout, eliminating and simplifying natural points of delay. The supply information chain must be streamlined and electronically linked, so that the flow is direct--without interruptions and delays--again eliminating queues and excess paper. The supply cycle time must be reduced to the time it actually takes to efficiently process information, supporting the fast movement of physical parts, and not inhibiting them.

Good Mileage for your Efforts

In turn, you should require the changes that allow you to induce velocity and lower cost in your facility, and operate as planned, and not by shortage:

- Improved cost targets
- On-time JIT deliveries to the point of use
- Exact delivery quantities
- Supplier certification for consistency in high quality
- Packaging in negotiated quantities
- Long-term Contracts
- Minimal paper(electronic releases, instead)
- Reduced lot-sizes



The vision of future supplier relationships with the agile supply chain is one of a strategic alliance that promotes a mutual objective: satisfying the supply chain as quickly as possible. Working hand-in-hand, these partners will be world-class competitors, organized to respond to a dynamic market with precision and unprecedented speed in delivery and new product introduction. Each company will be developed uniquely to suit its particular needs, but one characteristic will fit them all--they won't be running on empty.

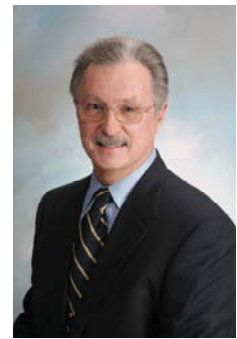
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Why is this important? Competing is taking on tough, new proportions. A global resegmentation of markets is emerging that is changing the world economy. U.S. manufacturers face stiff offshore competition in most markets. Companies failing to respond to the challenge will find themselves left behind eating someone else's dust.

Author

Richard G. Ligus is President of Rockford Consulting Group, Ltd., located in Rockford, IL., with over 30 years experience in manufacturing, procurement, transportation and distribution. He specializes in developing and implementing manufacturing, distribution, and supply chain strategies. Rich is an author and a speaker, and has developed seminars with the American Management Association. He is certified by both the Institute of Management Consultants and the National Bureau of Certified Consultants.



Rich has a bachelor of science degree in mechanical engineering from the New Jersey Institute of Technology, and a master of business administration degree from Rutgers University. He is a member of CASA/SME, and has been listed in Jane's Who's Who in Aviation and Aerospace. He has been a speaker at IMTS, USCTI, APFA, NEPMA, MCAA, Hand Tools Institute, CASA/SME, and others. He has appeared several times on WREX-TV, Mid-Morning Magazine.

About Us

Rockford Consulting Group is located in Rockford, IL, a city with a substantial manufacturing and machine tool history. An Illinois corporation, our company specializes in supply chain management, focusing in manufacturing and distribution operations management consulting. As companies search for ways to react to intense competitive pressures, we offer a unique group of integrated, dynamic state-of-the-art services to help clients develop world-class performance capability.

We facilitate the development and execution of supply chain, manufacturing, procurement, logistics, information systems, distribution, and organizational strategies that reduce delivery time, reduce cycle times, reduce costs, streamline information flow, streamline the organization structure, reduce manufacturing time, quicken the decision making process, and build a cohesive management team.

Rockford Consulting Group has a cadre of the best consultants in the world today, providing high quality professionalism through the use of experience and innovation. We subscribe to the Institute of Management Consultants Code of Professional Conduct. We provide high-quality professional consulting services that span both technical and cultural issues. Our clients are treated as our highest priority. Everything that we do is client driven and for the client's ultimate benefit

Through our affiliate offices, we serve North America, Central America, South America, Middle East, Southern Africa, and China, with over 1000 specialists worldwide.



World-class performance requires speed, quality, agility, and endurance. In a highly competitive race for world market domination, there are no silver or bronze medals. You win or you lose. This degree of performance doesn't simply happen. It requires years of commitment, conditioning, and a vision of a gold medal.

Consulting Services

These are the various services and applications we offer, as part of our Supply Chain Management consulting portfolio, for purchasing, sourcing, and outsourcing implementation efforts in both manufacturing and distribution:

- Value stream Mapping
- Purchasing Cycle-time Reductions
- Inventory Reductions
- Increase in Purchasing Throughput
- Requisition to Receiving Lead Time Reductions
- Collaborative Planning Forecasting and Replenishment (CPFR)
- Annual Purchasing Spend Reductions
- Annual Raw Material/Component Cost Reductions
- Cycle-time Reductions
- Supply Base Defragmentation
- Make/Buy Analysis/Planning
- Supply Chain Operational Audits
- Supply Chain Modeling/Simulation
- Inventory Analysis/Planning
- Capacity Planning/Simulation
- Supply Logistics Analysis/Simulation
- Identification/Development of Core Products/Processes
- Product Line/Component Sourcing
- Global Sourcing
- e-Procurement Services
- Virtual Distribution Services
- Virtual Warehouse Services
- Outsource/Reengineer Assessments
- Supplier Partnership Negotiations
- Procurement Organization Design
- Business Process Reengineering
- Kan-Ban Supply Logistics Development/Implementation
- Project Management



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