

Lean, Agile and Adaptable Global Organizations – An Information Technology Perspective – Part 1

By Ned Blinick, Blinco Systems

Fact: The globalization of the world economy is accelerating and those companies that manage it best will win the competitive wars. A current Accenture study of 238 senior purchasing executives indicates that in 2005 55% of product is purchased outside of the domestic market and this is expected to grow to 64% in the next 2-3 years.

Fact: Global sourcing/distribution organizations that have implemented integrated and synchronized enterprise solutions to manage their global commerce have been able to “lean” their organizations and drive dramatic value by eliminating needless waste. Companies that “leaned” their global commerce environment have seen operational efficiency increase from 30-300%, inventory reduction across the global supply chain of 30-50%, improvement in asset utilization of 50-200%, reductions in total landed cost compared to domestic sourced products of 15-30%, and reduction in total landed cost compared to pre-lean globally sourced products of 2-3%.

To compete in the global economy, it is critical to perform at levels that meet or exceed customers' expectations. Price, quality and service continue to be the three variables that determine a company's competitive position. The Wal-Mart and Dell effects – reasonable quality and service at the most competitive prices – are the benchmark against which businesses and consumers make their purchasing decisions.



Achieving market leadership in today's global economy requires a global supply chain - suppliers, carriers, agents, customs and government agencies, and distribution networks – that can react quickly to changes in the global environment and adapt to longer unforeseen developments. To be a world class participant in the global economy requires supply networks that are efficient, streamlined and are able to move quickly to balance the three variables; price, quality and service, to meet consumer driven demand. Depending on the organization the exact configuration of the global supply network will be a shifting blend of domestic and global manufacturing and

sourcing.

Creating a lean, agile and adaptable global organization that is efficient as well as effective is becoming a critical strategic imperative for many, if not most companies. Consumer goods, electronics, pharmaceuticals, food, automotive, furniture, clothing and apparel, footwear - the industries that have become truly global is as varied as the number of industries that exist.

The concept of lean is not new when applied to manufacturing principles, but in the specific context of supply chain management and global commerce it is. However, the overriding principle of lean - the elimination of waste from a business system – applies equally to the global commerce environment. Waste manifests itself in the underutilization of physical assets, the inefficient use of financial assets, and the unproductive management and use of information.

A 2004 study by Aberdeen, “The Lean Strategies Benchmark Report” shed some very interesting light on the adoption of lean within the manufacturing environment. The enlightened conclusion from the study is that lean is a concept more in theory than in practice in the vast majority of American organizations. Lip service is paid to the concept of lean but top management commitment falls very short of the mark in over 75% of companies surveyed by Aberdeen. Not surprisingly the findings indicate that those companies that actually do implement lean practices, broadly and deeply in their organizations significantly outperform their counterparts and competitors. Not surprisingly there has been no significant study of lean implementation in a global commerce management context.

Lean requires a dedication to continuous process improvement, skilled people, and strong supporting information systems. The Aberdeen study found that of the three cornerstones of lean the one element that was consistently downplayed was the role of information technology. However, they concluded that companies would not truly achieve lean leadership without powerful information systems supporting their people and processes.

Applying these principles to global supply chain operations is critical – and not easy or even intuitive. In our next column, we’ll look at these issues in more detail.

Ned Blinick is Vice President of Blinco Systems, a provider of integrated Global Commerce Management Solutions. The solution suite is called 3rd Wave. www.blinco.com.