

CONSULTANTS [corner]



James B. Ayers
Principal
CGR Management Consultants
7526 Rindge Avenue
Los Angeles, CA 90293
Phone: (310) 822-6720
E-mail: jimayers@cgrmc.com
Web Site: www.ayers-consulting.com

Question: My company is pursuing lean and Six Sigma. How does supply chain management (SCM) fit with these efforts—supports, competes with, no impact?

Jim's Answer: Lean, Six Sigma, and like initiatives should support a supply chain strategy. Many companies view initiatives that turn to lean, Six Sigma, and even SCM as separate efforts. They can't, or don't, "connect the dots" between them. In extreme cases, one department chases lean while another is pursuing Six Sigma. Typically, these departments become rivals for management attention.

Not infrequently, these efforts, having been touted widely as a solution for all ills, follow a common path—from wild enthusiasm to well-meaning projects, which are always counted and boasted about in company newsletters—to disappointment and second-guessing. In fact, SCM may ultimately fit this pattern. "We did SCM last year and this year moved on to lean," could be a remark heard in the near future.

Today's manager needs to understand what each technique has to offer. And some companies are taking the message to heart. One response is to pursue a "cocktail" of methodologies. The US Air Force recently asked for consultants to apply "lean, Six Sigma, Theory of Constraints, and common sense." The Air Force RFP even asked for a "master" consultant to help sort it all out.

Of all the qualities requested, common sense is by far the most important because it helps an individual know what to use and when to use it. Many applications of common sense are in the category of "management" decisions, only peripheral to engineering approaches like lean and Six Sigma. Management decisions include tough actions like cutting facilities, dropping suppliers and products, and devising strategies for the supply chain and product mix.

Too often, methodologies such as lean and Six Sigma are pursued for ROI-driven operating improvements like cost reduction or quality improvement without recognizing the potential for contributing to these tough decisions. For example, a common strategy for the supply chain is to shift from "push" to "pull," from forecast-driven to demand-driven. This requires replacing forecasts with actual demand as a basis for production and replenishment decisions up and down the chain.

Lean and Six Sigma can help achieve the demand-driven supply chain. Lean implementation includes cells, kanban, and removing non-value steps in processes. All these reduce lead time, and lead-time reduction helps a supply chain become more demand-driven. Six Sigma establishes reliable processes to reduce waste in forms like defect correction and overproduction. This improves process flow, also an aid to being demand-driven.

A supply chain effort, by definition, should be a multicompany approach. A major obstruction to a company becoming demand-driven may actually be a supplier, not someone inside the company. As a multicompany effort, chosen trading partners should pursue lean and Six Sigma for the sake of the supply chain.

Effective improvement efforts are like the three-legged stool. The legs are a strategy for the supply chain, common sense applied to difficult management decisions, and operations improvement methodologies like lean and Six Sigma. Successful companies will balance these three legs. ■

This article appeared in the Council of Supply Chain Management Professional's newsletter, *Supply Chain Comment*, Volume 40, Sept./Oct. 2006. *Supply Chain Comment* is published six times a year by CSCMP.

If you're a consultant, 'Supply Chain Comment' would like to feature you in an upcoming issue. Please send your contact information to mholodnicki@cscmp.org.