



What is Going Wrong with Our China Supply Chain?

I recently purchased a sofa from a well known owned furniture chain. My sofa was not in stock and the lead time from China was going to be 10 weeks. My first question was why did it take 10 weeks to get a sofa from China when it takes about a few hours to build one and no more than three weeks to ship it. The Store Manager did really understand that, so I settled down to wait my 10 weeks. Toward the end of my long wait I called up to arrange pick up to be told that there was a delay and my sofa was going to be another 10 weeks. This is not an unusual story and not unique to furniture. It takes much too long to get things from China. The consequence of this is unhappy customers, excessive inventory, and frequently expedited freight.

The great rush of the last 10 years to source things from China was driven by unit cost. Suppliers were found, prices obtained and orders placed. Little thought has been given to what goes on at the supplier and in the supply chain. The response to late deliveries has been to increase inventory, increase standard lead times and complain about the Chinese. In fact most Chinese businesses I have dealt with take great pride in quick turnaround and on time delivery. So what is going wrong?

Very few Chinese factories and even fewer Chinese supply chains are built on lean principles. Most supply chains are based on ineffective “push” scheduling processes that depend on inaccurate forecasts or simple make to order processes. Suppliers and freight forwarders tend to be treated at arms length and there is little discussion around supply lead times beyond “here’s your order, what’s your lead time”. . Most shipping lead times from China are actually quite short and shipments frequent. In our experience lead times of 4 weeks from order to delivery are readily achievable. Coaching your supplier to map their process and identify the causes of waste and long lead time can help them improve their process. Combining this with mapping of the overall supply chain including your own ordering and inventory management processes and even the supplier’s supply processes is where the really big benefits can be achieved for everyone in the chain. Work with your supplier to set clear improvement objectives for the future state and establish a regular shipping pattern with regular routine communication with your supplier and freight providers.

Some Chinese manufacturers will be initially reluctant to introduce lean change. They tend to take understandable pride in the businesses they have built up. However they are usually canny businesspeople and once they start to see results they will get on board and implement rapidly. Consulting support can help provide lean skills and mediate across the various stakeholders involved. Avoid the many companies offering training or workshops and select a company with a proven track record of implementing lean and achieving results in China such as TXM.



Above: Images like this are common in Chinese Factories where the focus has been on output rather than efficiency

TXM News

TXM Launches China Website

TXM this month is launching its Chinese language website. The site provides background around TXM as well as an increasing number of articles (and newsletters) in the Chinese language. The Chinese Website can be accessed from the link at www.txm.com.au or from www.txmchina.com

TXM Expands the Team

TXM’s rapid expansion in 2010 means that we have a number of experienced new team members:

Robert Chittenden joins us after a long manufacturing career with Boeing, Comeng trains and Ronstan. Rob combines excellent practical lean knowledge with the practical experience of around 20 years in supervisory roles in manufacturing operations. Rob is based in Melbourne and will work around Australia.

Darran Allen joins us as an Associate in Christchurch, New Zealand. Darran spent 12 years with Toyota in the UK and is skilled in the Toyota Production System, skills he has honed with 12 years consulting in Australia and New Zealand.

Robert Mitchell joins our Shanghai office as China Business Manager. Robert has 20 years manufacturing experience in the plastics and chemicals industries initially in New Zealand and Thailand. He has spent the last 9 years in China running operations for major global companies there. For TXM Robert will be our key point of contact in China and will focus on growing our business there.

Jay Garland joined us in August as Office Administrator in our Melbourne office. Jay is now the key point of contact for TXM accounts and also in regular contact with our customers scheduling consulting visits.

Managing Major Operational Projects

Projects in operation take many forms from new machinery to plant relocations to computer system implementations and major new product launches or tenders. Poor project management can have catastrophic consequences with cost over-runs, lost business and employee turnover. Many businesses have failed as a result of a poorly managed major project. From our experience some simple principles can be followed to avoid the most serious problems with projects.

Projects are outside your normal day to day activities and require additional dedicated resources. If you ask the people who run your day to day operations to manage the project as well, then either the management of the project will be poor or ongoing business will be compromised. The first step in project management is, therefore, to identify the human resources needed to carry out the project. This can be achieved a number of ways; an external

project manager such as TXM can be hired, routine tasks can be delegated to lower level staff and/or temporary staff engaged. Don't proceed with the project until you are able to properly resource it.

Good planning is critical to a successful project. Microsoft Project is a good tool to help develop a project plan. This helps you identify the project duration and the key milestones along the way. A key cause of project problems is the failure to make timely decisions. Make sure that everyone knows that the key project milestones and ensure decisions are made on time. The second aspect of planning is managing risk. Things go wrong in projects and you need to plan for them. Develop a list of the things that might go wrong, the likelihood of that occurring and the steps you could take to mitigate those risks. Risks can include customer supply interruption, delays in regulatory approvals, cost over-runs, delays in customer product approvals, industrial disputes, loss of key employees, or many other issues that will be specific to your business. The third element of planning is the budget. Every project involves expenditure which will be out of the ordinary for your business and you need to accurately quantify this and plan for the impacts it will have on your cash flow.

Another key reason why projects fail is poor communication. Set up a project meeting at a regular time every week. Keep minutes in the form of an action list and make sure that actions are completed in a timely fashion. If the project involves new business, then make sure you have regular contact with your customer. You should present your project plan to your customer and get their feedback. Understand the customer's key milestones and that they understand yours.

Good project management need not be difficult or complex. However it is time consuming and involves a degree of business discipline. The results of poor project management are extremely costly. Developing good project management skills can reduce your capital costs, build stronger customer relationships and greatly reduce the stress on you and your business.

[Read the full version of this article in a coming issue of Australian Manufacturing Technology and find it at www.txm.com.au](http://www.txm.com.au)



Above: The Relocation of the Rosebank Engineering Ultra-precision Machining Operation was highly complex and needed detailed planning.

Four Points to Understand Lean and the Toyota Production System

Probably the most concise summary of what makes up the core of the Toyota system was provided by Stephen Spear and Kent Bowen in their 1999 Harvard Business Review article. Spear and Bowen identified four key elements to the Toyota "DNA". They were:

Rule 1: All work shall be highly specified as to content, sequence, timing, and outcome. This means standard work. If you do things in a consistent way you will get a consistent quality result. Ensure improvements are made to the standard so that change is sustained.

Rule 2: Every customer-supplier connection must be direct, and there must be an unambiguous yes-or-no way to send requests and receive responses. This means internal customers as much as external customers. For maintenance, engineers and quality staff the customer is the operator on the line, while for the operator his customer is the next process. Kanban is an example of an "unambiguous way to send requests and receive responses". Receipt of a card means send more stock. No card means no need to supply.

Rule 3: The pathway for every product and service must be simple and direct. This refers to the need to remove complexity from both plant and processes to ensure a straightforward flow of product and information that minimizes non-value added time and actions.

Rule 4: Any improvement must be made in accordance with the scientific method, under the guidance of a teacher, at the lowest possible level in the organization. The Plan Do Check Act cycle describes the scientific approach. We find a root cause, develop a solution, test the solution, measure the results and either adjust the experiment and try again or, if successful, we lock in the new process and make it our standard.

Think about your business and whether you apply these rules.

Ref: Spear, S. and H. K. Bowen. 1999. Decoding the DNA of the Toyota production system. Harvard Business Review (September-October): 97-106

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