Applying lean
logistics to scm

Applying Lean Logistics to SCM The system of interconnected businesses used to push a product from supplier to consumer is defined as a supply chain. Supply chain management (SCM)[1] focuses on managing the supply chain in an effort to improve the quality and time it requires to manufacture a product. The marriage of lean production and supply chain management creates lean supply chain management, which provides a much leaner and more economical supply chain for the product to flow through. Much uncertainty about what supply chain management entails is present in today's society.

Many people treat supply chain management as being synonymous with logistics, which is the management of the flow of goods from the origin to the consumers. However, supply chain management encompasses much more than the purchasing or management of goods to the consumer. Supply chain management is the combination of art andsciencethat goes into improving the way your company finds the raw components it needs to make a product or service and deliver it to customers. The following are five basic components of SCM. [2]

The concept of Supply Chain Management is based on two core ideas. The first is that practically every product that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain. The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their " four walls. " Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer.

The result was disjointed and often ineffective supply chains. Supply chain management, then, is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective and efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.

Lean is how a properly designed and operated supply chain should function. A lean supply chain process has been streamlined to reduce and eliminate waste or non-value added activities to the total supply chain flow and to the products moving within the supply chain. Waste can be measured in time, inventory and unnecessary costs. Value added activities are those that contribute to efficiently placing the final product at the customer. The supply chain and the inventory contained in the chain should flow. Any activity that stops the flow should create value.

Any activity that touches inventory should create value. Supply chains gain waste and non-value added activities for many reasons, both internal to the company and external. Regaining the lean supply chain may mean addressing many of the same issues that created the problems of extra and unneeded time, inventory and costs. The ideal approach is to design the perfect supply chain and fit your company's operation onto it. Supply chain management is meant to reduce excess inventory in the supply chain. A supply chain should be demand driven.

It is built on the pull approach of customers pulling inventory, not with suppliers pushing inventory. Excess inventory reflects the additional time with the supply chain operation. So the perfect supply chain would be lean with removing wasteful time and inventory. A supply chain, with the pull, flows back from deliveries to the store or to the customer warehouse back through to purchase orders placed on suppliers. Anything that delays or impedes this flow must be analyzed as a potential non-value added activity.

To develop a lean supply chain, firms should: understand lean is an ongoing, continuous improvement approach as compared to business process reengineering which can be viewed as a one-time change, build a multi-discipline team for the project-one that understands lean supply chain management, analyze the total supply chain process, not just the outbound part or just the inbound part, calculate the risks of the lean supply chain, rationalize the process, improve the process to drive change.

Lean supply chain management is not about " fixing" what someone else is doing wrong. It is about identifying and eliminating waste as measured in time, inventory and cost across the complete supply chain. This requires continuous effort and improvement. ----------------------- [1] http://en. wikipedia. org/wiki/Supply_chain_management   [2]   http://www.   cio. com/article/40940/Supply_Chain_Management_Definition_and_Solutions