

Lucent technologies

Technology



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Case analysis on Lucent Technologies: Global Supply Chain Management By, ROOPANVI DANDU Lucent Technologies: Global Supply Chain Management Lucent technologies are a manufacturing company that was a part of American Telephone and Telegraph Corporation (AT& T) until 1996. Lucent's main product was the 5ESS switch. The switch was worlds most reliable and widely used switching system. Prior to 1996 the Asian supply chain has not been a high priority.

The demand for Asian joint ventures was easily met by the manufacturing unit in United States. The high volume of production in Oklahoma City led to low production costs. Also AT& T's large cash flow from the phone bills had insulated its manufacturing wing from the consequences of inefficient asset management and long time delivery times. Lucent's independence made them loose the deep pockets of AT& T.

At the same time many other factors like the booming Asian marketplace, significant price erosion for telecommunications equipment, original part resourcing and manufacturing capabilities forced them to redesign the Asian supply chain. After the redesign the results were dramatic. 82 percent of parts were sourced with Asia, which led the factory to be three times as productive, inventory days of sales fell by more than half, time difference and long distance that had inhibited responsiveness were eliminated.

Also due to its intimate knowledge of product cost, the factory was able to steer many bids towards configurations in which the switch had great cost advantage leading to competitive advantage needed to win the bid. They were many factors that led to revisit the Asia supply chain strategy. Due to unprecedented growth in cellular and Internet sectors, components demand

outstripped supply, and huge material shortage developed. Leading edge procurement arrangements were sorely tested and in some cases broke down.

The main five problematic areas were sole -sourced component lead times more than doubled, inventories increased by about 25 percent as assemblies could not be completed, the Taiwan factory had to commit to early parts delivery to ensure availability, product shipment to costumers were jeopardized and orders were at risk due to an inability to ship on time, premium prices were required in order to obtain expedited shipments of missing parts. Also the contract manufacturers were starting to get more involved in sophisticated telecommunication electronics.

The switch was reaching the mature part of its life cycle. All these external and internal factors forced to rethink about the strategy. I would recommend reevaluation of supply chain to reduce the competition. To reduce material shortage I would suggest to design newtechnologythat uses general products, forecast the demand, use contract manufacturers where their own manufacturing assets are not so profitable, order the parts beforehand so that premium prices can be avoided for missing parts.

The main lesson learned form thiscase studywould be to reevaluate your supply chain strategy every few years to be successful and ahead of the competitors. In order to effectively balance risk and opportunity, manufacturers, distributors, and retailers need to periodically rethink their strategies. . To improve the Supply Chain network Enhanced Collaboration should be implemented. It would dramatically minimize the delays and also reduces the costs. Work with suppliers to create contingency plans. Also to

make supply chain more flexible increase product component standardization.