



*"We are no longer the soccer team that keeps passing the ball. Now we score."*

Paul Arnold, director Selexyz Zakelijk



In 2009, Selexyz Zakelijk, together with R&G Global Consultants, introduced a project to improve their administrative work processes.

The introduction of the Integrated Daily Execution (IDEX™) system provided the ability to perform process measurements to monitor and manage their daily processes.

As a result, the understanding of processes increased and Selexyz obtained much better grip on its business operations which resulted in improved customer service.

Paul Arnold talks about the project.

### What was the reason to initiate the project?

Paul: *"We were too busy with the operational tasks due to the fact that we had insufficient transparency into who was doing what.*

*Customers demand quick responses about the status of their orders. Typically our commercial employees dropped their work to look for immediate answers, oftentimes by directly contacting publishers or otherwise bypassing the systems."*



### Metrics

The principle of measurements is key to successful implementation of IDEX™. At Selexyz process inefficiencies were discovered by measuring the speed of each of the processes and the respective process variations. As a next step wasteful process steps were identified and subsequently eliminated. By doing this the workflow was simplified by using clear common understanding and agreement. Selexyz standardized on two daily measurements, which were the same for each department:

- Activities performed right first time
- Unfinished orders (Work In Progress)

The target was defined that departments would be up to date every day and activities be executed right first time.

### Result

*"IDEX™ has brought us transparency. Before, I saw piles of papers everywhere,"* notes Paul.

*"Because we were unable to perform to a sufficient level of right first time everyone was busy solving problems and often each other's problems as well. I sometimes compare it to a soccer match; we kept passing the ball without ever scoring.*

*It was common practice to have backlogs. We were completely reactive. Only when customers complained were the delays solved with priority.*

*Since the introduction of the new approach we have been up to date on a daily basis more often. The work that needs to be done is clear to everyone and we avoid duplication."*

*"Now, finally, we can quickly inform our customers and publishers about the status of their orders. We are in control. That is the greatest benefit."*

*"For employees, the new way of working means more transparency and less stress. Some miss the liberty they used to have, but all see the benefits for the company. Our management is much more visible at the shop floor which means they are much closer to the action. With the new performance measurements they, and their teams, know precisely what to manage."*

### Company Name:

Selexyz Zakelijk

### Profile:

Engages in the delivery of books and subscription-titles to organizations. A division of the Selexyz chain of bookstores with locations across the Netherlands.

## Working capital opportunities within your supply chain

For many companies their supply chain is at the core of their business. It's this (complex) process or cluster of processes their customers experience most frequently. It is the book ordered on the Internet being delivered to your door the next day or your new car ready at the dealer -customized to your needs and specifications.

Many supply chains in essence work according to this simplistic model:



A smooth on time delivery process usually is achieved by having the right products in the right quantities in stock and the right amount of work in progress (WIP) underway to replenish that stock (either in your own production or on the boat coming from e.g. China).

A large part of the company's working capital is 'stored' in the supply chain, so many companies are trying to optimize (= reduce) the amount of stock they have in their supply chains, either as finished goods or WIP.

### Why is reducing stock levels a challenge?

The fear to not be able to supply what the customer wants, makes this a challenge. Customer demand unfortunately is not equally spread in time and often seems to follow a statistical distribution pattern all by itself. This makes it hard to determine the right stock levels and replenishment quantities/cycles. A natural escape to guard the customer against stock-outs is to maintain more products on (safety) stock.

Enabling the organization to control that fear is essential and therefore reduction of stock levels should always start with a sound metric to measure On Time Delivery.

### Cycle times drive stock levels

Out of the many factors available, one of the less obvious factors to work on when reducing stock levels is cycle time (stability).

Cycle time is the time from the 'physical' start of a product/service in a process until it finally ends at a stock shelf. High and unstable (= variable) cycle times are both symptoms of and reasons behind costly stock levels. This works three ways.

1. Science shows that longer cycle times by definition lead to higher WIP levels and if this is not offset by a higher output the

proportion is 1:1. This means that if the cycle time in your process is 6 weeks and that of your competition is 3 weeks, and your output is roughly the same, you will need twice as much WIP.

2. Planning software, which determines the stock levels and replenishment cycles/quantities, automatically adjusts (safety) stock levels upwards for higher cycle times, because a longer period of demand risk has to be covered.

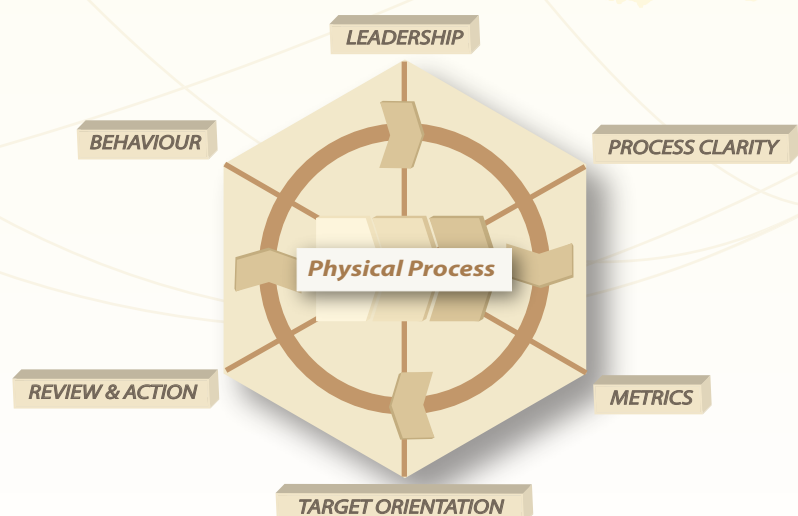
3. The variability in the cycle times can be a larger problem. In many operations standard cycle time parameters are calculated and set at, e.g. an average of 6 weeks. However frequently cycle times are not normally distributed and tend to fluctuate strongly. This can have a serious impact: it starts to change human behaviour.

A study for a client showed the following effects of highly fluctuating cycle times within production:

- The highest observed cycle times for similar products were set as the standard parameter.
- For those products for which specific frequently occurring reasons for longer cycle times were known (e.g. non quality), the standard parameter was adjusted as if that delay would always happen.
- Planning started to order products earlier than standard parameters would indicate.
- Also sales started to order products earlier than parameters and planning would indicate.

These are all examples of people trying to build 'time buffers' in order to handle the cycle time instability and delivery uncertainty. However all these actions lead to higher stock levels and are self re-enforcing.

In this way you can get stuck in a downward spiral, where your supply chain needs more and more capital in order to deliver on time. It will reach equilibrium and after this equilibrium has been accepted for a certain amount of time, it becomes hard to persuade people that the same service level can be delivered with lower stock levels.



## How to start improving?

Systematically finding out the reasons behind cycle time variation and making sure cycle times stabilize, is a core challenge and precondition for continuously reducing stock levels.

You must bring back cycle time confidence within the total supply chain. This means every department must deliver on time (within the agreed cycle time) measured against the initial requested/confirmed date. After this success, the journey for cycle time and stock level reduction can be continued for which there are many other factors that can and should then be taken into account.

## R&G Global Consultants

R&G Global Consultants supports business leaders and their teams to drive business performance by way of:

- Improving business results through programs with proven change management methodologies.
- Selecting, leading and implementing business improvement projects at key business processes.
- Developing new skills and competencies.

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