

SECORA

Case study – Major Logistics Organisation

Using SLIM to Improve the Management of
Third Party Contractors



Background

Secora was engaged by a major logistics organisation to review and optimize the business processes surrounding the management of third party contractors within its IT Department.

This was in response to concerns that:

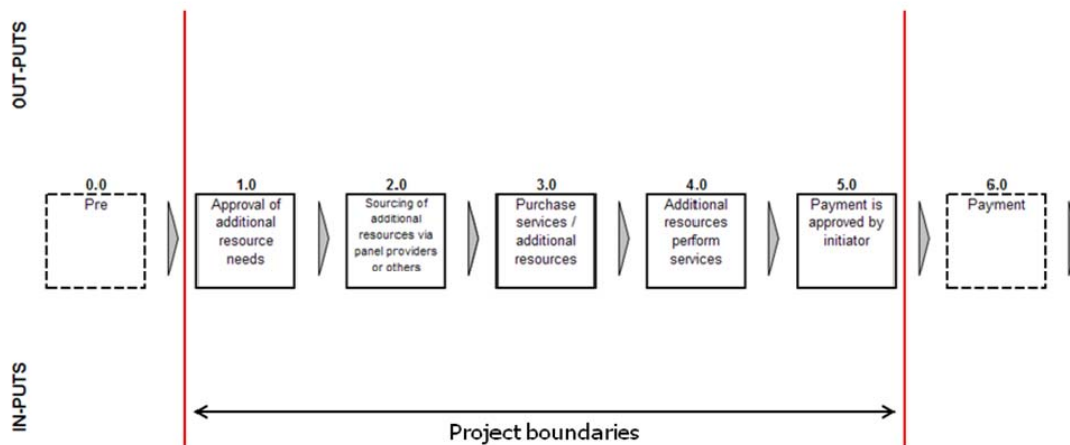
- 380 third party contractors were not being efficiently managed
- \$80million per annum spend on contractors could be reduced
- The contractor management unit was suffering from high levels of stress as a result of a backlog of work as it was “used” by other business units as the problem solving or “go-to” unit for any queries and problems associated with contractor engagement.

Secora’s engagement was to address these concerns, identify the root cause of the problems and to make recommendations as to how the business processes could be improved.

Scope

This engagement focused on the contractor management process within the IT department, specifically from the approval of a resource to the approval of payment.

HIGH LEVEL PROCESS MAP



Steps outside of the agreed boundaries were NOT reviewed in detail for this particular exercise. However, there are future planned optimization projects to address these.

Methodology

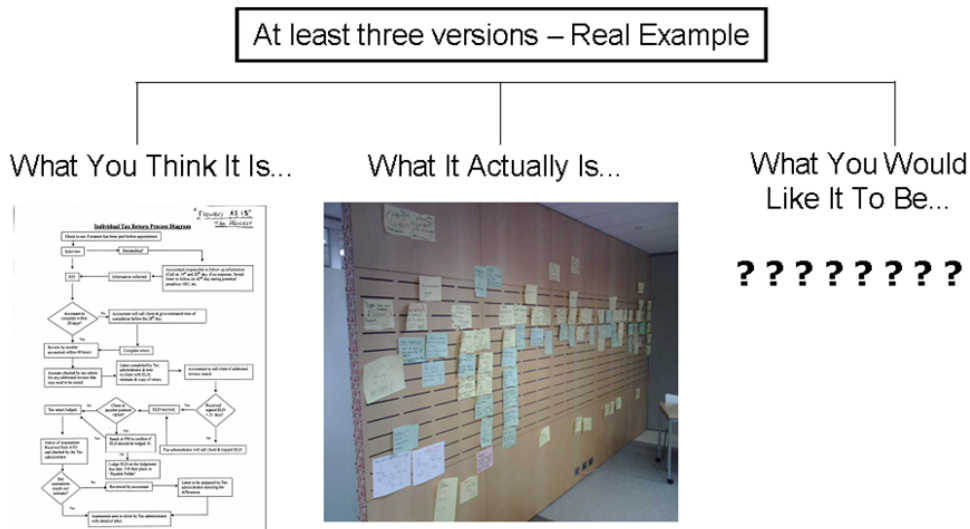
In this engagement Secora Lean Implementation Methodology (SLIM) was utilized which originates in Lean Thinking.

SLIM focuses on waste elimination and addresses the following types of waste:

- Transportation
- Inventory
- Motion
- Waiting (Time in queue)
- Overproduction
- Overprocessing
- Defects (Scrap, rework and inspection)
- Lost opportunity

To identify waste (including non value added process steps) Secora utilizes process mapping tools such as value stream mapping.

There are usually three versions of a process:



Secora uses process mapping to show what the actual process is, which provides a basis for creating an optimised future state. This exercise also produces “quick win” projects which can be implemented immediately and show direct results.

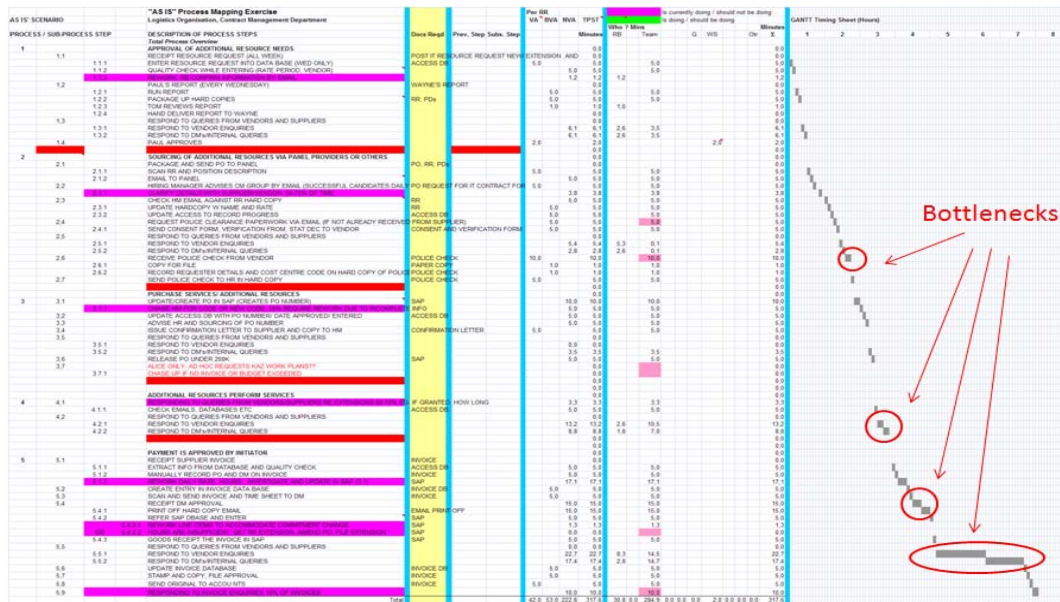
Using SLIM, Secora assists clients in achieving a streamlined work environment, meeting deadlines and ultimately reduced costs and increased profit.

In this project, Secora used a four phase approach:

- **Phase 1** - Scoping & High Level Process Mapping.
- **Phase 2** - Documentation of the 'real' process, highlighting bottlenecks, iterations and hidden processing steps. Preparation of a 'hit list' of improvement areas for process optimisation.
- **Phase 3** - Perform Kaizen 'problem solving and continuous improvement' workshops with stakeholders targeting the ideas described on the hit list, preparation of feasibility study and implementation plans for the improvement ideas.
- **Phase 4** – Control

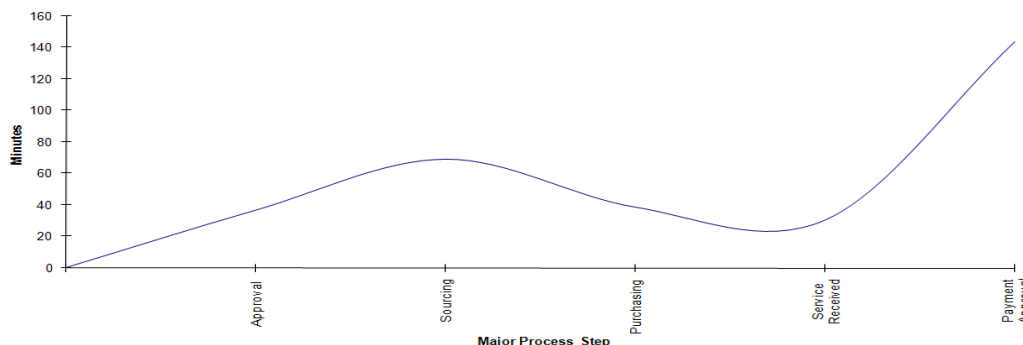
Project Findings

The process mapping exercise identified numerous bottlenecks which were largely the results of enquiries from contractor suppliers and hiring managers.

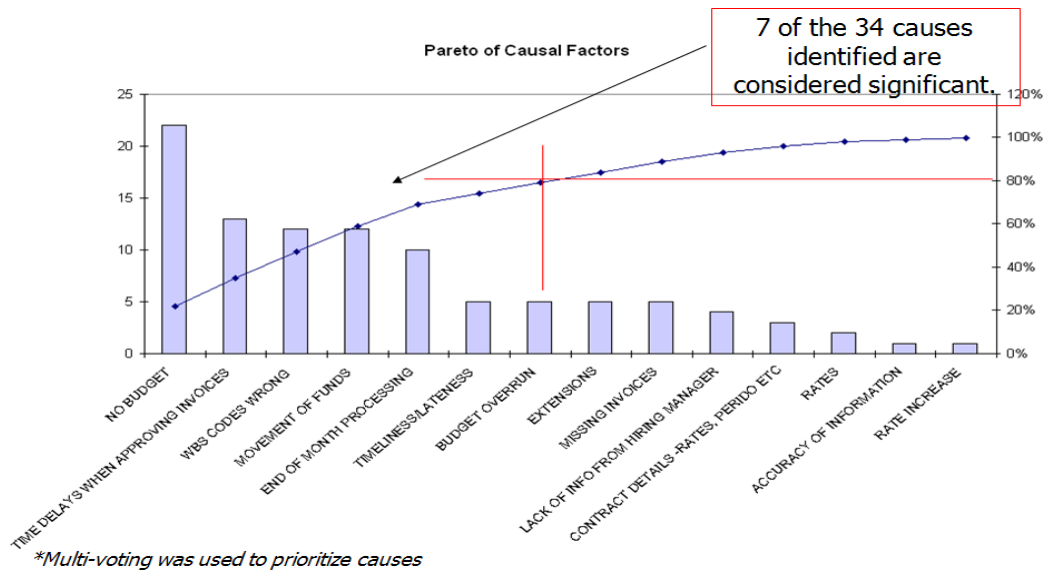


The activity analysis also showed that the majority of time was spent at the end of the process, confirming that the process was **reactive** rather than proactive.

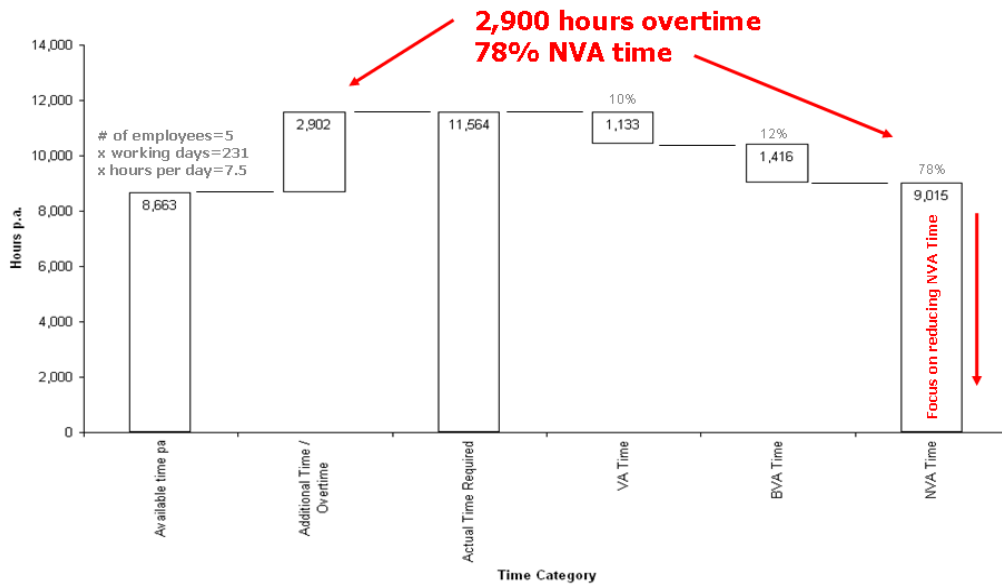
Logistics Organisation
Contractor Management Team
Total Time required
Per Major Process Step
Per "RR"



Together with the team, the major causes of the bottlenecks and rework (waste) were identified. Using a Fishbone diagram and conducting a Pareto analysis, 7 of 34 causes were found to be significant. These were:



The value analysis shown below revealed that 78% of work done was non value added, which gave the team a starting point for improvement activities.



Non value added time was spent on redundant approval steps, a large amount of obsolete paperwork and on compensating for other stakeholder's incomplete work.

Phase 2 of this project also showed that there were numerous process documents but that most people were working to their own process. Discretionary decision making on multi levels was common place. Further, no measurement system was in place, making the tracking of work volume and time spent difficult, which meant there was no accountability.

Improvements

The hit list of improvements produced in Phase 2 was further developed during the Kaizen workshops in Phase 3. These were subsequently implemented:

- Scrap concept whereby incomplete or incorrectly filled out resource requests are returned to sender with explanation. Records were kept of "repeat offenders" together with numbers of rejects and type. A process of educating all business units on the required standards of resource request begun.
- Staged invoicing by vendor to standardize billing terms allowing for work flow smoothing.
- Standardized invoice period rather than completely random terms ranging from 1 week to 3 months. This significantly reduced invoice volumes and variation.
- Reduced the number of approval steps to only what was really necessary and pushing certain responsibility back to the business units.
- Making hiring managers accountable for invoice approval turn around and budget discipline with a consequent reduction in non value added time.
- Implemented a PDF writer. When Secora began the project, no pdf writer was available to the contractor management team. This meant spending a lot of time on printing and scanning documents. A PDF writer was introduced immediately, reducing the work load for the team.

There were further improvement ideas which will be implemented as part of the new continuous improvement mindset that Secora introduced to the organisation:

- Issuer invoicing system
- Induction process for contractors
- Database review

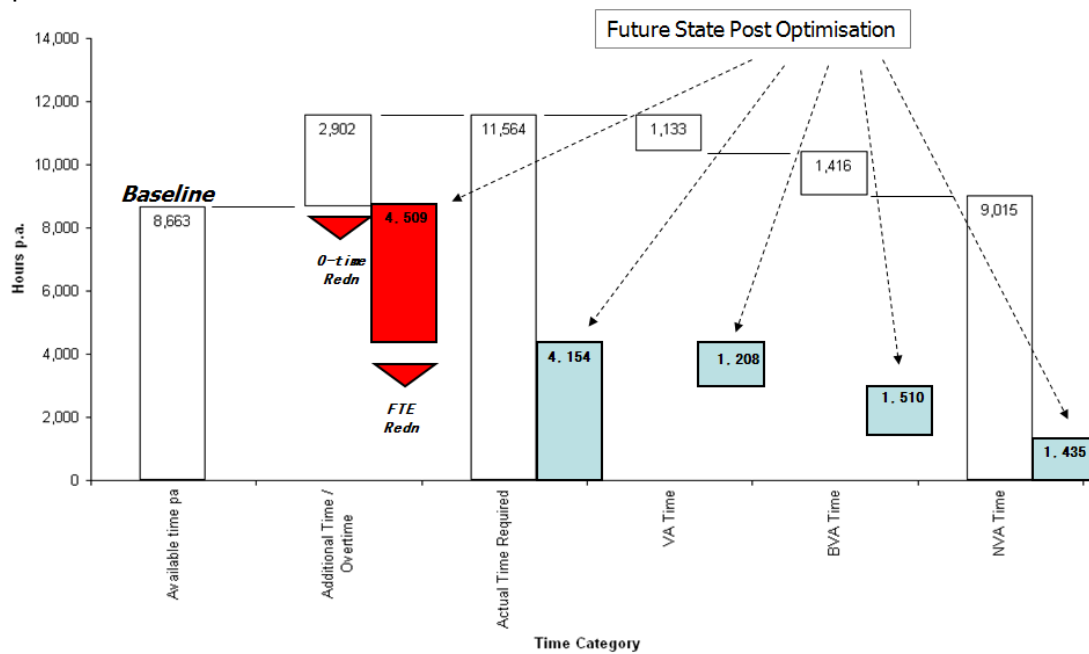
These are expected to be implemented by the end of the financial year and provide further significant reduction in time spent and non value added activities.

Outcome

Through the implementation of SLIM, this project achieved:

- 64% reduction in time required to process contractor invoices
- Reduction in overtime of 2,900 hours per year
- Reduction in FTE hours (redeployment) of 4,500 hours
- 84% reduction in Non Value Added time (wasted time) associated with the business processes
- 20% reduction in invoice volumes

This is shown in the following waterfall comparing current state and future state time spent.



The future state map created by Secora now provides a basis for this department's continuous improvement activities and is reliable and predictable with very little variance in the system.