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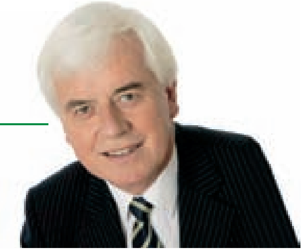

David Hurley

SUPPLY CHAIN EFFICIENCY – WHAT ARE WE MEASURING?

A recent white paper published by a company targeted at the food manufacturing sector makes interesting reading. It flagged the fact that executives in the food and drink industry are operating with inaccurate metrics on production processes. It also highlighted the real costs of ignoring these key performance indicators. Furthermore, it tracked the reasons why these conditions exist despite the best efforts of shop floor operatives to provide more accurate data.

The report highlights a nine per cent gap between actual and reported efficiencies. We are talking here about the reporting of lost production time. It highlighted the fact that in most production units, shop floor supervisors and workers are measuring and reporting their own performances without checks and balances. Key variables such as minor changeovers may be left out of the equation as some managers reason that changeovers are inevitable. However, the real reason is that recording every changeover would lower overall equipment effectiveness (OEE) performance.

In the past, this was not regarded as a critical issue for food companies. In the current and future economic client, doing more with less is the only way to deliver a high quality product at a lower price point to the consumer. Companies that can achieve this will be better placed to take market share from their competitors. So why are they not doing it already?

The key reason identified was the unreliability of their data capture mechanisms. Where paper-based systems are in use, operators try diligently to accurately capture the information but this becomes too much of a burden. By the time that the data is transferred from paper to spreadsheets, it is outdated and watered down. This gives senior management an unrealistic view of plant performance.

The reason that this is so serious is that the report highlighted that on average, 60 per cent of lost production time could be attributed to unplanned stoppages and breakdowns. A lack of visibility of these symptoms by management means that the root causes of these inefficiencies are not tackled. This leads the company to believe that it has capacity constraints whereas if the causes of the stoppages were identified, action could be taken to increase capacity without significant cost increases.

The key messages were that this situation represents both a problem and an opportunity. To capitalise on the opportunities, management must first get a handle on the real OEE figures. The report highlights that 19 per cent of the problems were plant related, but a massive 81 per cent were people and process issues. Implementing disciplined day-to-day review points, strict adherence to procedures and appropriate basic skills training could hold tremendous opportunities to increase capacity and/or reduce costs.

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