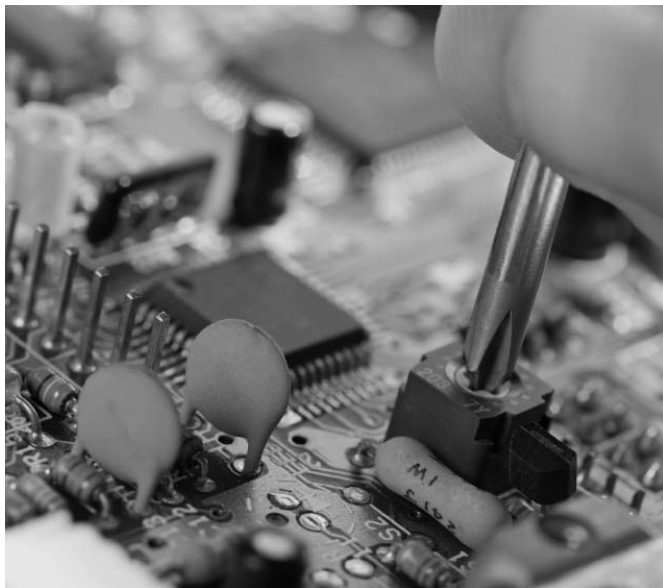


Lean supply chain reduces ‘fat’ by 13%

“Through the use of Lean we are now a leader in our field, because we understand what our customers want – and can deliver it efficiently.”

Paul Fraser – Head of Logistics, Fujitsu



Customer’s Challenge

Fujitsu Services is a leading European information technology services company, with an annual turnover of £2.46 billion (€3.59 billion) and over 19,000 employees in 20 countries. Its Sourcing & Supply Services operation provides purchasing and supply services for its major customers. In addition, its Technical Integration Centre (TIC) offers IT engineering, configuration and repair services, recycle and disposal solutions. These are both supported by a warehousing and distribution facility that provides secure bonding and storage.

With customers in areas such as banking, government and defence, Fujitsu’s Supply Chain operation has to run without error or delay. However, in 2006 it faced some serious issues as Paul Fraser, Head of Logistics, Fujitsu, explains, *“Quite simply we were failing. Delivery to customers on time was down to 95% from 99.9%, with significant costs being incurred for rearranged engineer visits and penalties for late installations.*

“In addition, picking errors were running at over 4%, which meant having to rework many orders. Morale was low, with 14% absenteeism. Productivity was running at a minus figure, SLAs were being missed and we had to pay for off-site storage to handle 1,000 pallets of kit as our own 141,000 sq ft warehouse was full! In short, our reputation was badly damaged – customer expectations were low, complaints were increasing and new and key contracts were in serious risk of being lost. Something had to change significantly to improve the situation.”

Fujitsu Solution

Drawing on the experiences of world class companies who use Lean operational practices together with Fujitsu’s own unique Sense and Respond approach to continuous service improvement, Fujitsu’s Supply Chain embarked upon a program of change utilising elements of Lean, Kaizen and Six Sigma.

“We had to remedy what was going wrong before we could enhance the service we offered,” says Paul Fraser. “So we analysed the situation and found that we had a significant amount of customer-owned stock, much of it aging, and kit that needed to be recycled, but we had no instructions about what to do with it. In fact, it turned out that there were almost 90,000 units of redundant stock taking up space and just getting in the way physically and logistically, so it was inhibiting efficiency, morale was low and accidents were happening.”

Fujitsu realised that it needed to change the way it did business with its customers, so that it was clear about their needs, what had to be done to meet them and what was wasteful. Paul Fraser adds, *“The most important thing is to talk to your customers and understand what is really of value to them, so that you can decide what to do away with without affecting customer service.”*

So, Fujitsu initiated a Lean programme, called ‘The TIC Way’, through which it developed a vision of where it wanted to get to and how it would measure its progress and success. This was captured in a detailed Transformation Plan, covering everything from leadership and processes, through to inventory controls and management.

SUMMARY OF KEY FACTS

Organisation

Fujitsu Services – Sourcing & Supply Services

Service/s delivered

The application of Lean, Kaizen and Six Sigma principles, tools and techniques in order to create a culture of continuous improvement

Key Metrics

- Over 200 Supply Chain employees
- 141,000 sq ft warehousing and distribution facility

Benefits

- **Enhanced customer service** – customer satisfaction has increased by 10% from 6.8 to 7.8 out of 10
- **Increased staff satisfaction** – has improved morale and absenteeism has fallen from 14% to just 3%
- **Improved resource usage** – productivity has increased by over 23% and headcount has reduced by over 14%
- **Reduced costs** – has delivered 13.6% cost savings on a budget of £12.6 million, saving of £1.7 million in the first year
- **Created new revenue opportunities** – has increased volume throughput by 10% and enabled the development of new service offerings
- **Enabled continuous improvement** – has created a sustainable internal capability, which is focused on permanently eradicating problems and waste

CASE STUDY FUJITSU

Fujitsu also created core team of employees to drive the change process. The team was built around the people directly involved in either identifying or creating the issues that need to be addressed, because of their key role in the problem solving sessions.

The rigid, command and control style of management previously used in Logistics has also been replaced. Today a more empowered workforce is instrumental in developing strategy and external relationships and involved in the problem-solving techniques used to understand and address the root cause. In particular, Fujitsu is using Visual Management techniques to monitor performance against targets, ensure actions from problem solving sessions are put into place and to monitor ongoing results once solutions are applied. These measures are openly displayed in each department used as a 'Communication Hub', with teams being encouraged to contribute to the discussion and resolution and general updates. This information is then used across Sourcing & Supply Services to create awareness and initiate change across the wider capability.

"The introduction of Lean has had a positive effect on the way we work. Our workforce has become more involved with the processes and is taking more responsibility for the results we aim to achieve. Lean is also bringing the different departments together to work leaner and more effectively," comments Tony Huddart, Operational Shift Manager, Fujitsu.

Paul Fraser agrees, *"The vision we have is simple: get it right first time and with minimal touch points. Thanks to the use of Lean techniques our people now share that vision and the long term view of Supply Chain and Fujitsu Services and are passionate about the success and indeed the journey we have taken. Our next steps are to understand and address a further 30-40% non-essential time wastage through double or even triple handling and poor work flow, so that our customers get even more value from our services."*

Benefits to our Customer

Through the use of Lean operational controls Fujitsu has:

- **Enhanced customer service** – the identification and resolution of key operational issues enables faster and higher quality service delivery, which has seen customer satisfaction increase by 10% from 6.8 to 7.8 out of 10
- **Increased staff satisfaction** – active involvement of staff in the change process has improved morale and absenteeism has fallen from 14% to just 3%, largely because there are fewer injuries
- **Improved resource usage** – productivity has increased by over 23% and has enabled headcount to be reduced by over 14%, with the development of staff skills allowing them to work in other parts of the business
- **Reduced costs** – has delivered 13.6% cost savings on a budget of £12.6 million, saving of £1.7 million in the first year. In particular, supplier deviations have been reduced by 18%, inventory is down by 19%, the need for off-site storage has been removed as redundant stock has dropped by over 90% to just 7,500 units, and costs of third party handling and transport have been reduced
- **Created new revenue opportunities** – better use of resources has enabled Fujitsu to increase volume throughput by 10% and develop new service offerings, such as engineering and workshop repair facilities
- **Enabled continuous improvement** – involving and empowering people has created a sustainable internal capability, which is focused on continually identifying and permanently eradicating problems and waste.

"Through the use of Lean we have restructured our operation and processes to ensure the work flows and relationships with suppliers and customers are enhanced and we are more flexible within a highly controlled environment," comments Paul Fraser. *"As a result, we have a very capable back-end to a very efficient and proficient front-end capability in the procurement of equipment and the delivery of engineering services, such as our break-fix and recycling capabilities. We are now a leader in our field, because we understand what our customers want – and can deliver it."*

Our Approach

First developed in the manufacturing industry, Lean is a systematic approach for identifying and eliminating waste or unnecessary activities through continuous improvement of the product or service in response to customer needs.

Paul Fraser says, *"The involvement, inclusion and development of our people is key as it enables new processes to be put in place much more quickly than would otherwise be possible, because they have an understanding of the overall strategy. We've now got a team of people who question, recommend, advise and are always looking for involvement in customers' needs. In fact, because we can now tap into the experience of our people in many cases we know what our customers want before they've recognised it themselves. And that mean they have pride in what they do, which is enabling the cultural change necessary for sustainable success."*



Thanks to the introduction of 'The TIC Way' Fujitsu's Sourcing & Supply Services recently won the award for "Best process improvement initiative" at the 2007 CIPS Supply Management Awards, for the second successive year. To win the award Fujitsu saw off stiff competition from BP, DWP and EDF Energy, and the judges said, *"This people-led project was leading-edge in a complex, competitive environment. The turnaround was very rapid."*

Our Expertise

Fujitsu has been delivering consistently high levels of service to organisations across the UK for more than 30 years. Its business is helping its customers realise the value of information technology through the application of consulting, systems integration and managed service contracts. As such, its support infrastructure is constantly being developed and refined to stay ahead of the demands of new technologies and evolving business practice, so that services can be delivered effectively and economically.

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