

Standing on Eli Goldratt's Shoulders

Management attention to build the ever-flourishing state

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Presentation Flow

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1. Management Attention, how it is commonly invested?
2. Where to focus?
3. Solution Criteria
4. Viable Vision for Ever Flourishing
 - a) Build
 - b) Capitalize
 - c) Sustain

} ...a Decisive Competitive Edge
5. Current system status
6. How this process impacted the management team reality?
7. Next challenges



Management Attention

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Our management attention is constantly being consumed by challenges across functions, across strategic layers...

Launch a new product

Delay introduction.

Reduce Price
Protect margin

Build up stock
Control Capital

Introduce new system

Stay with current

Reduce OE

Protect loyalty

Increase capacity

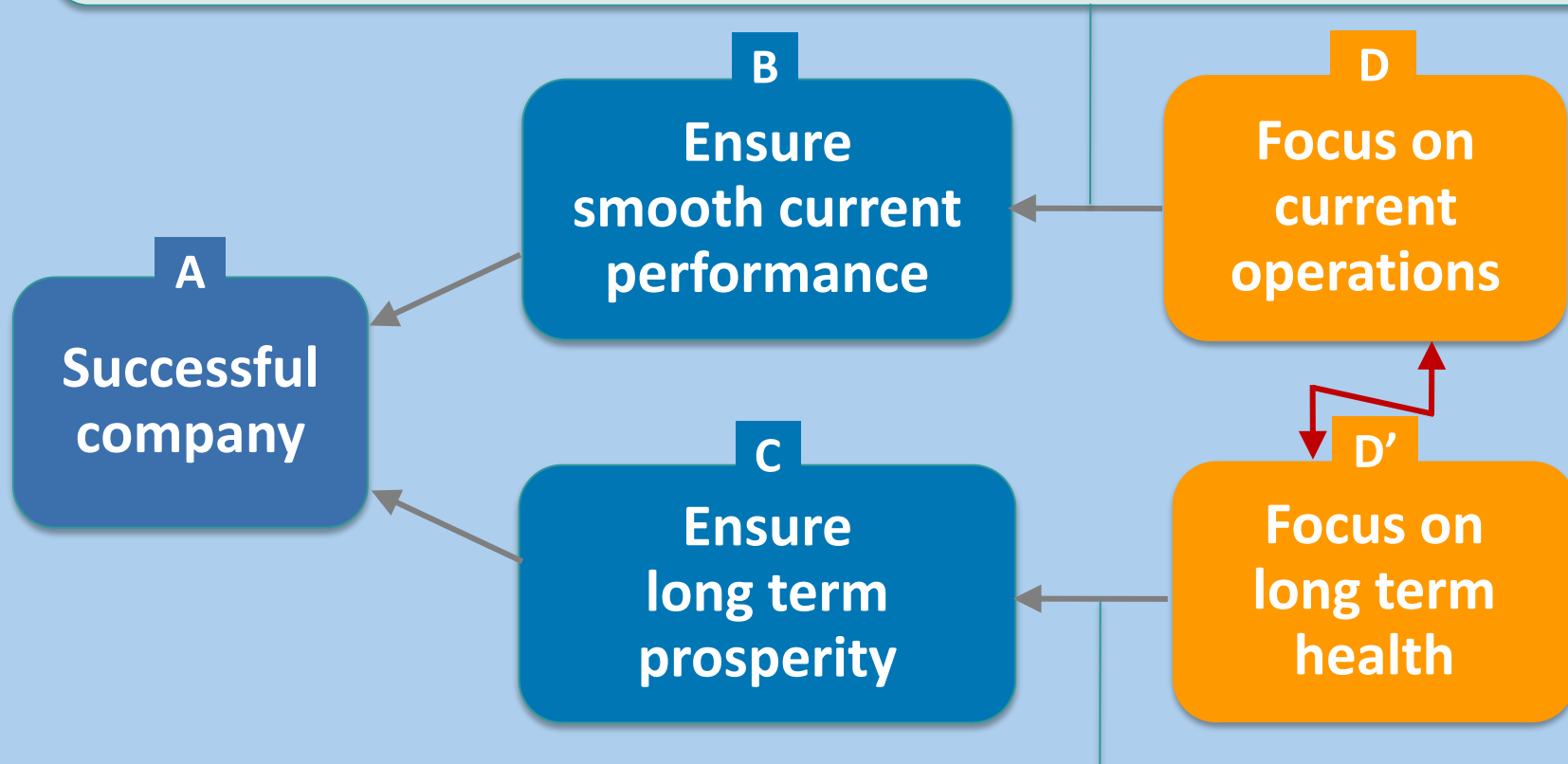
Reduce investments

Make changes in project

Protect due dates/budget

A core conflict...

- Cut back on cost / investments
- Maximizing efficiency's (get the maximum of current resources)
- Focus on short term profit (and cash)

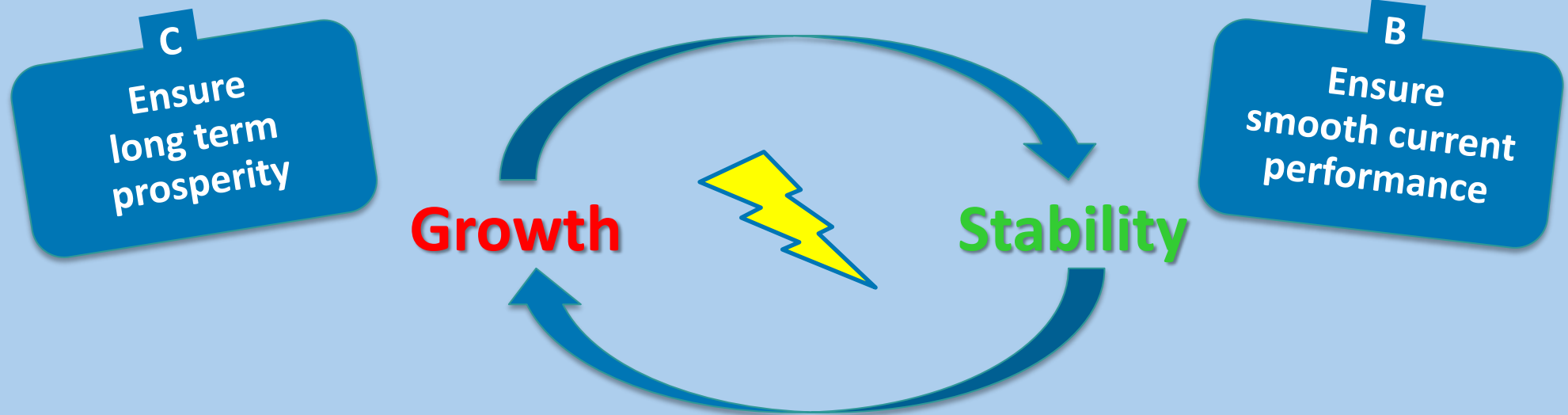


- Make investments
- Allow protective capacity
- Focus on long term profit

Management Attention

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A root conflict...



One is a condition to the other. But..

Actions for one are in conflict with actions to the other

Having actions to achieve both Grow and Stability generates the ever flourishing state

- **Good solution must allow us:**
 - **Act over reality ensuring simultaneously stability and growth to be ever flourishing**
 - **Release management attention to focus on different new important aspects of the system**
 - **Solve conventional undesirable effects and start to experience new challenges**

Solution Element - DCE

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- The way to have a decisive competitive edge is to satisfy a client's significant need to an extent that no significant competitor can.

When most cash is tied up in inventory and availability is still an issue, improving inventory turns is a client's significant need.

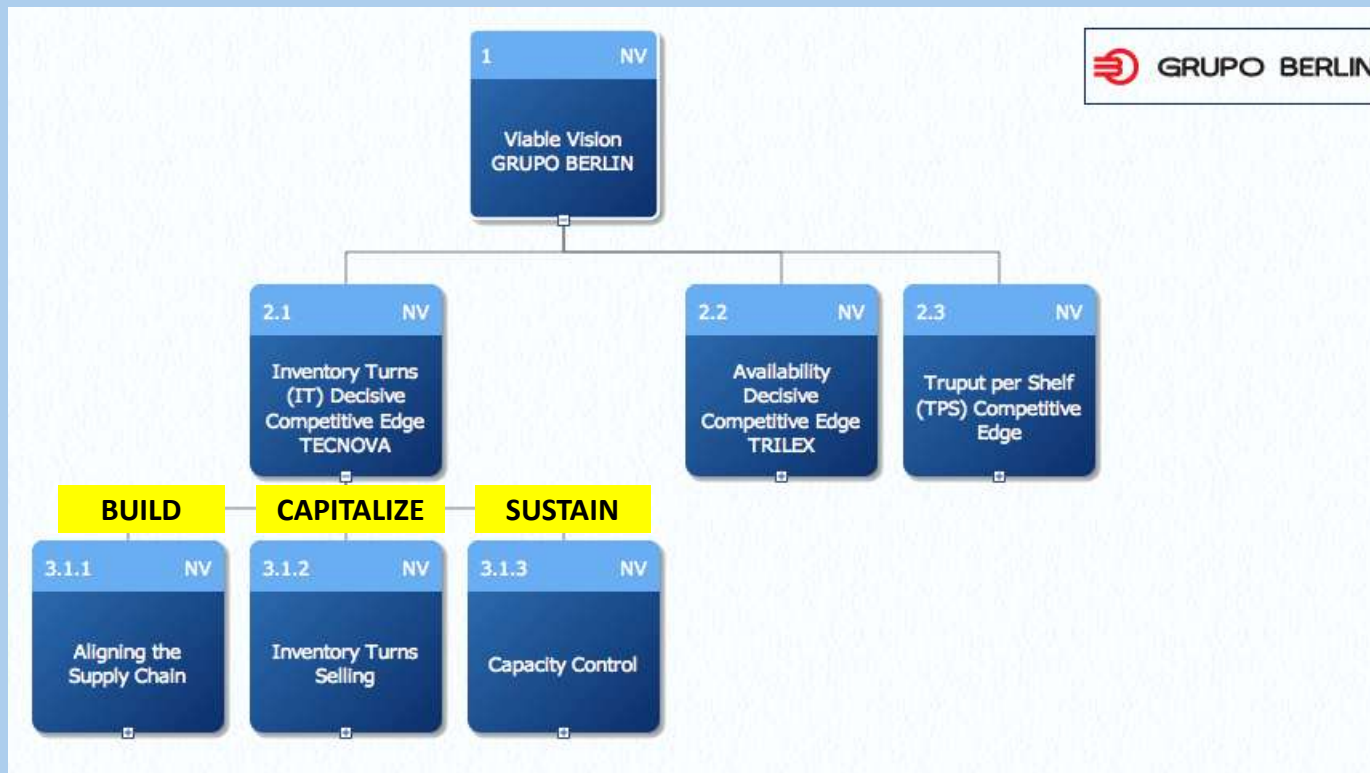
- And because of it.

A decisive competitive edge is gained by providing a "partnership" that delivers superior inventory turns (better availability coupled with substantially reduced inventories), when all other parameters remain the same.

How to do it?

Solution Element – S&T

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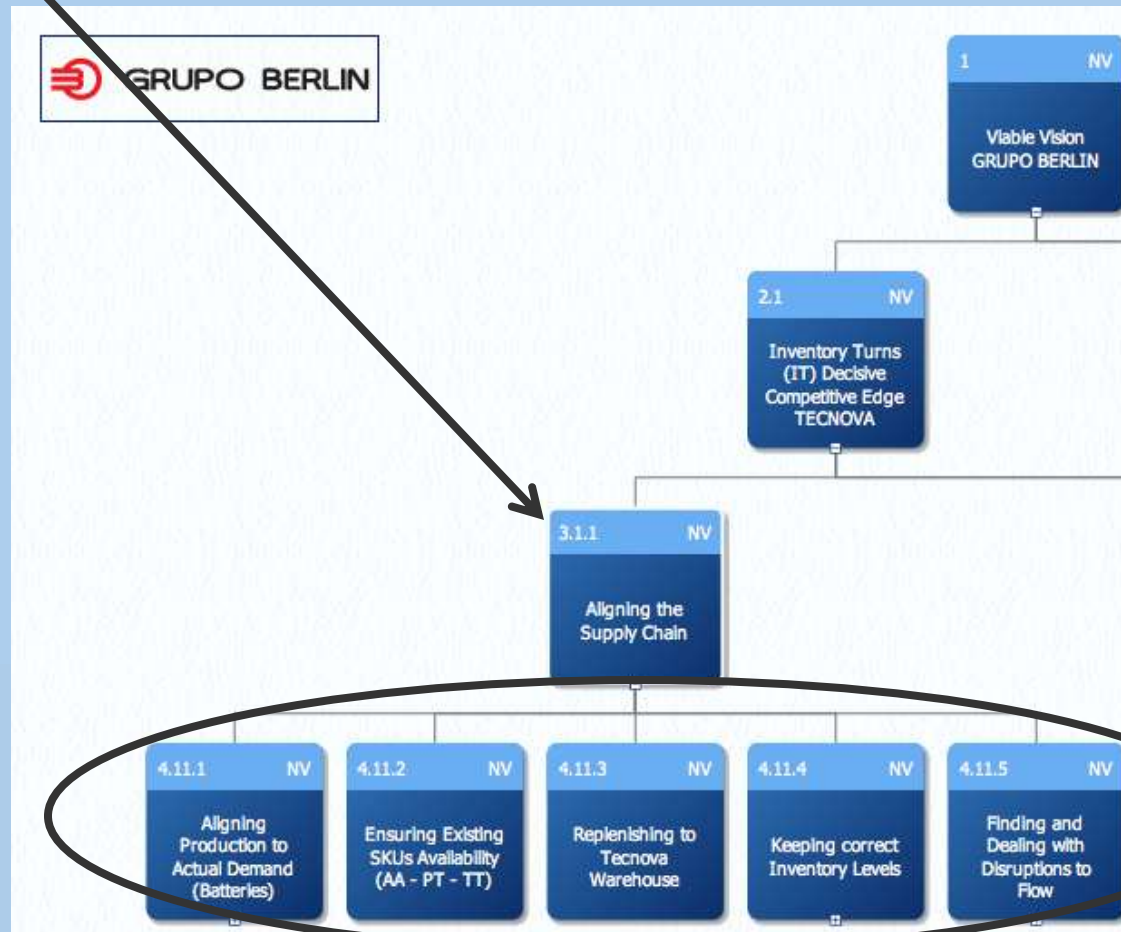


- Logical tool to ensure synchronization and communication along different levels and functions
 - Allow us to focus the management attention to BUILD, CAPITALIZE and SUSTAIN the DCE
- Explaining the full logic behind the proposed change
 - Why is needed?
 - What for?
 - How?
 - Why it is possible but difficult?
 - Why is this not sufficient?

Build



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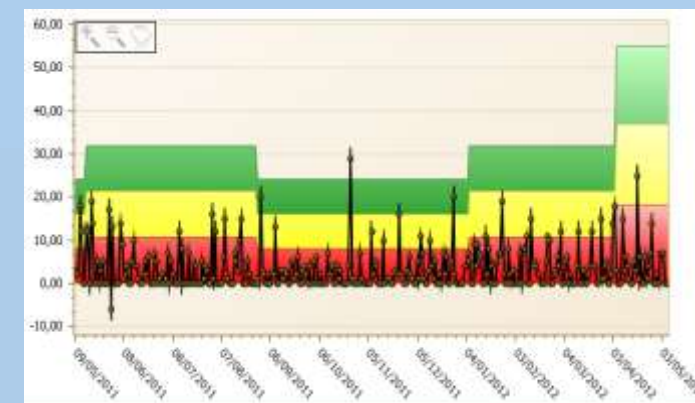
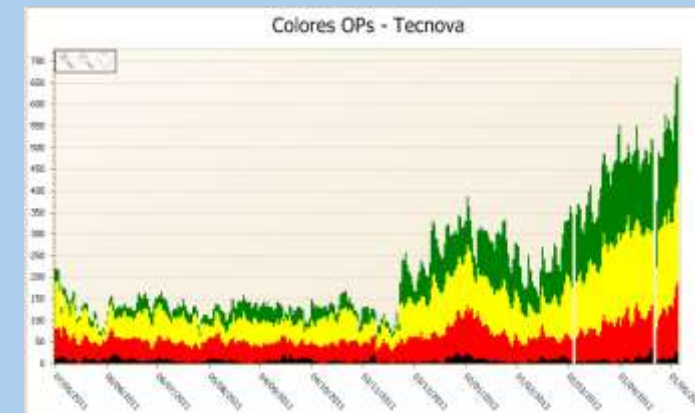
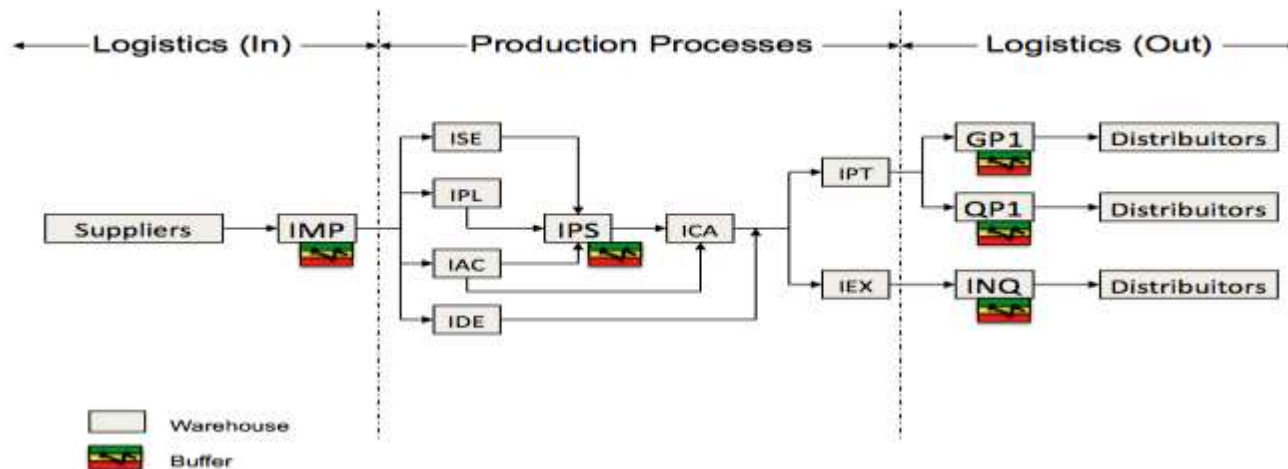


Relevant Aspects

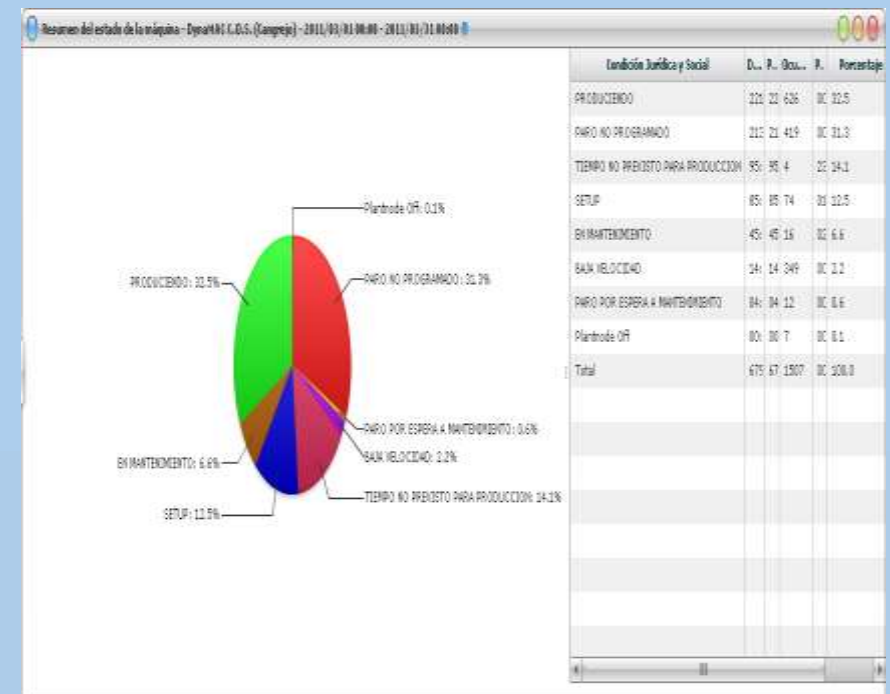
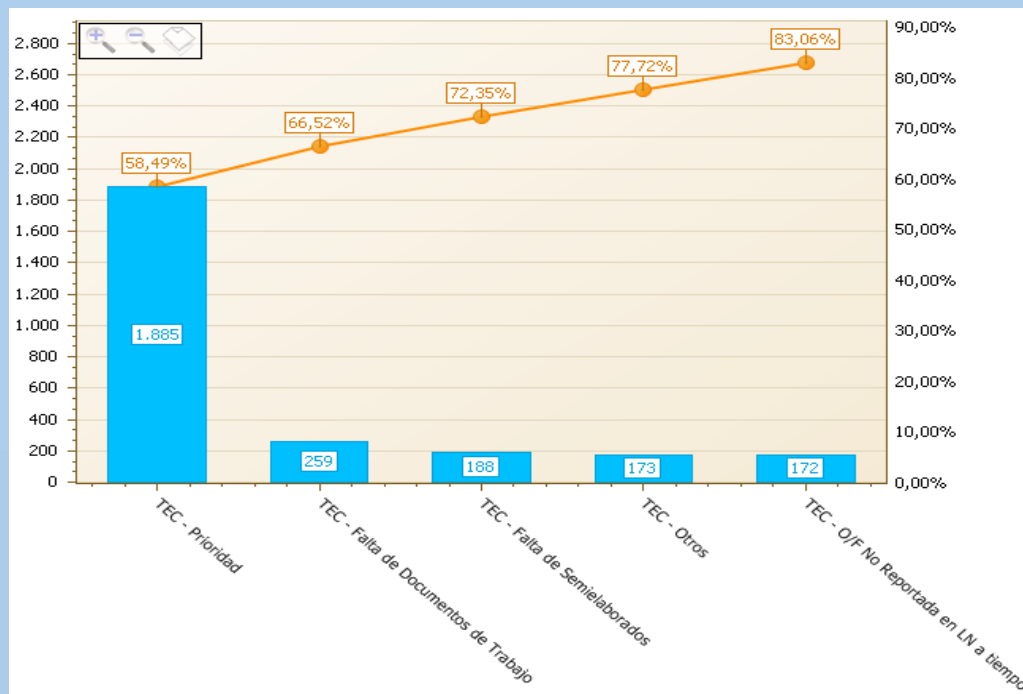
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- Modeling the System
- Set the buffers
- Start the Replenishment to consumption
- Start Dynamic Buffer Management

Tecnova Supply Chain (Production)



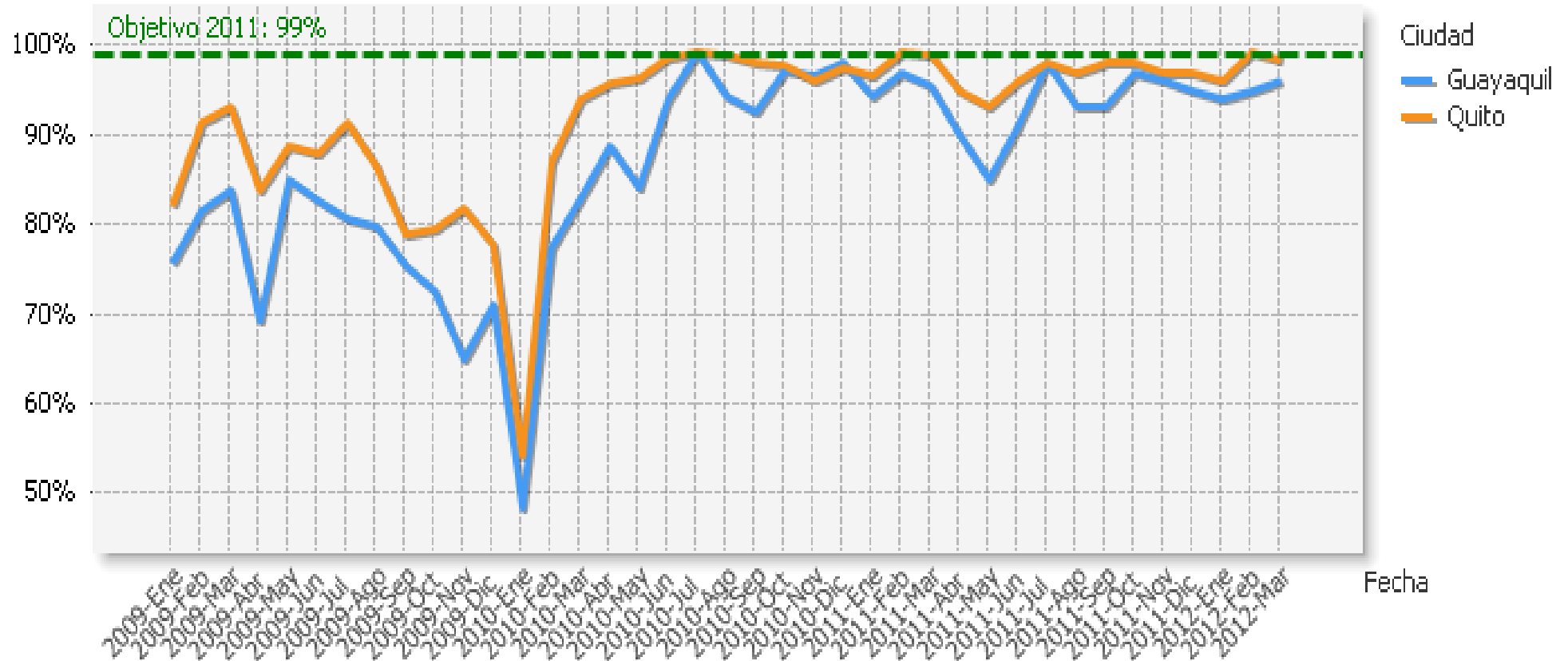
- Now we are accumulating causes that limit/reduce the flow on the CCR and also along the process
- Management team is focusing the effort to deeply understand the cause and effect of the main disruption and then defining and implement a solution to remove it from the reality



Current Results for Grupo Berlin

Operational Results = Availability

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Expected vs. Real Results

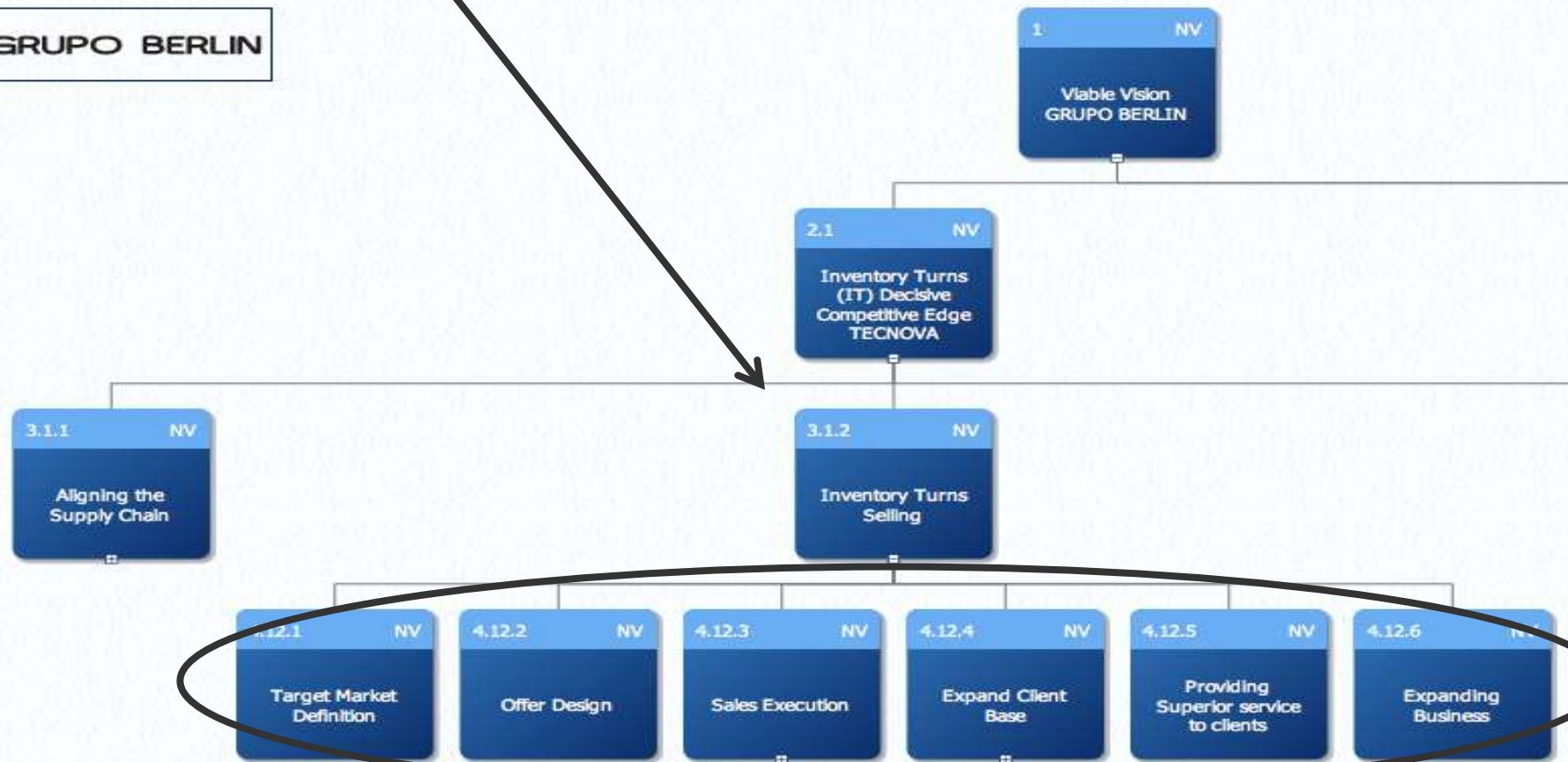
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TECNOVA			
KPI	Expect result	Current Result	Status
Inventory level	-30% PWH	-30% PWH	Checked
Availability	>98%	98%	Checked
PLT	-20-30%	-20-30%	Checked
Capacity (at CCR)	Increase Capacity at assemble	Master Plan	In process
WIP	-30%	-30%	Checked
Urgencies (reds)	10% reds PWH, CDC, Plates	10% reds PWH, CDC, Plates	Checked

Capitalize



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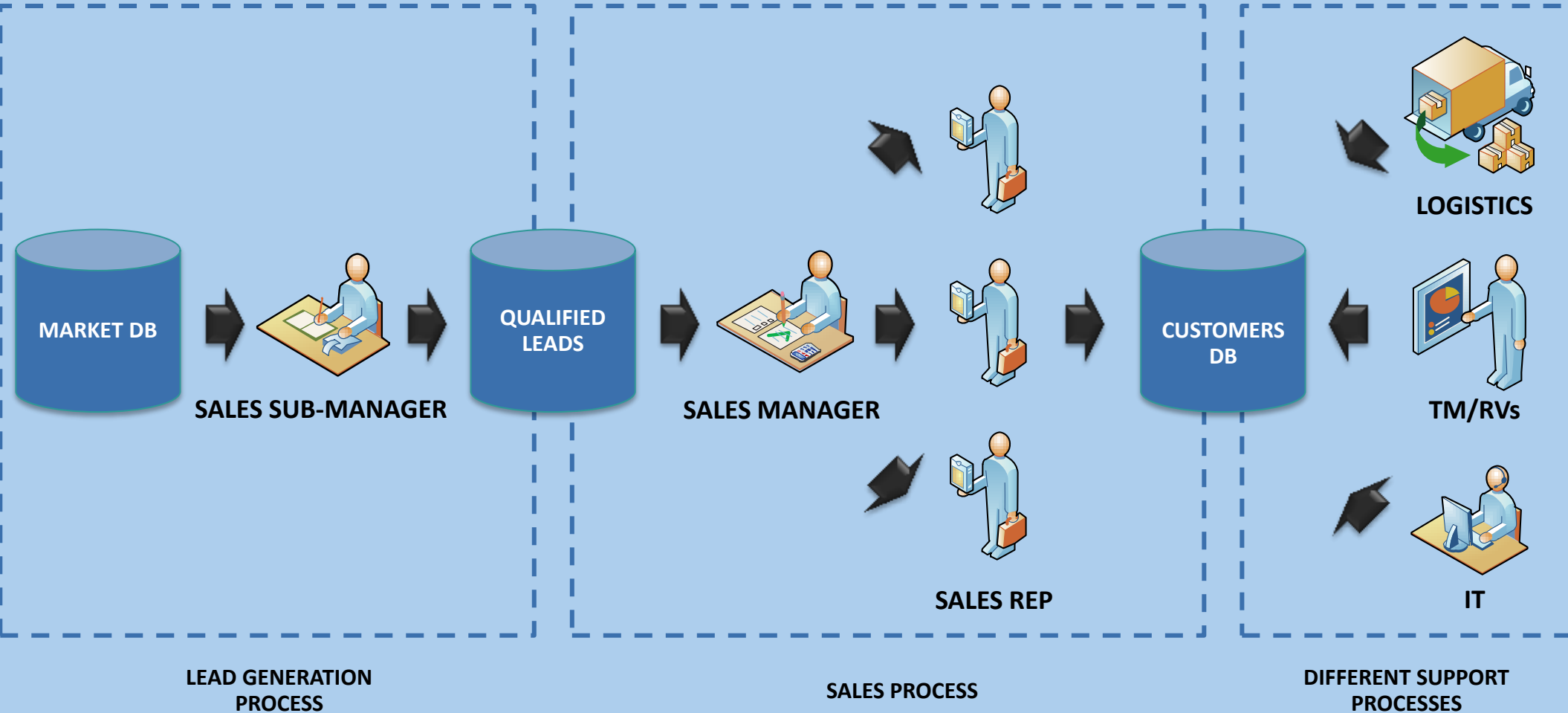
Relevant Aspects

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- **Sales is a process**
- **Flow concepts can be implemented**
- **This cause different implications in the conventional way we deal with sales**
 - **More effective interaction between sales and other functions is required**
 - **New interaction patterns between sales and other functions are required**
 - **Some functions MUST change the way it contributes to the system.**
- **All functions must be subordinated to develop robust processes that cause and accelerate the sales system flow rate.**

Sales System

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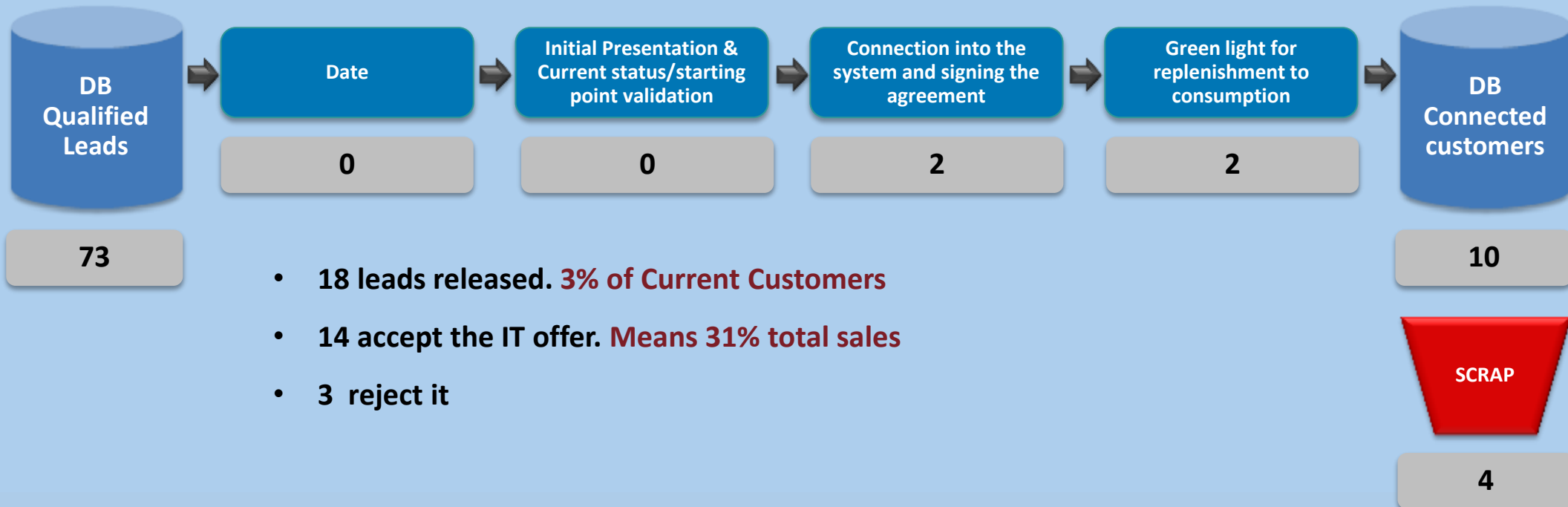


Implementation:

Key Performance Indicator of Sales System

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Tedasa 275 días.
El Motor 120 días.
MC Tires 51 días.
Lomucia 24 días.



Hit Rate: **83%**

WH under control: 39

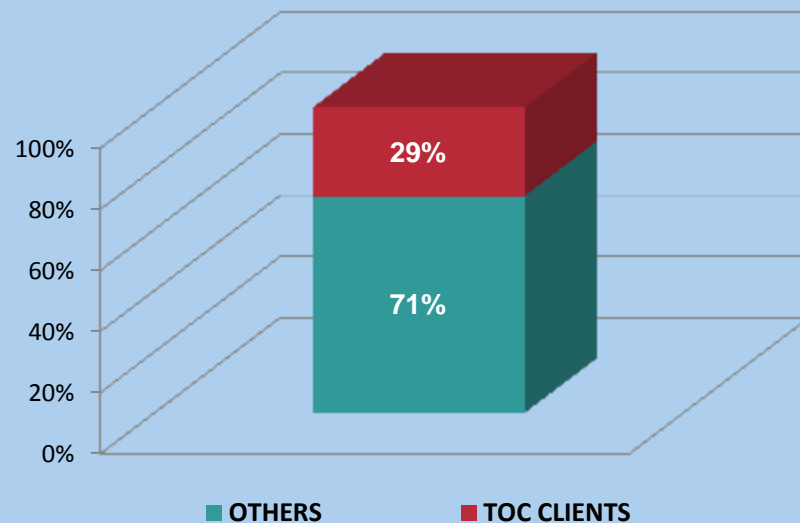
Rejection Rate: **17%**

WH to be connected: 10

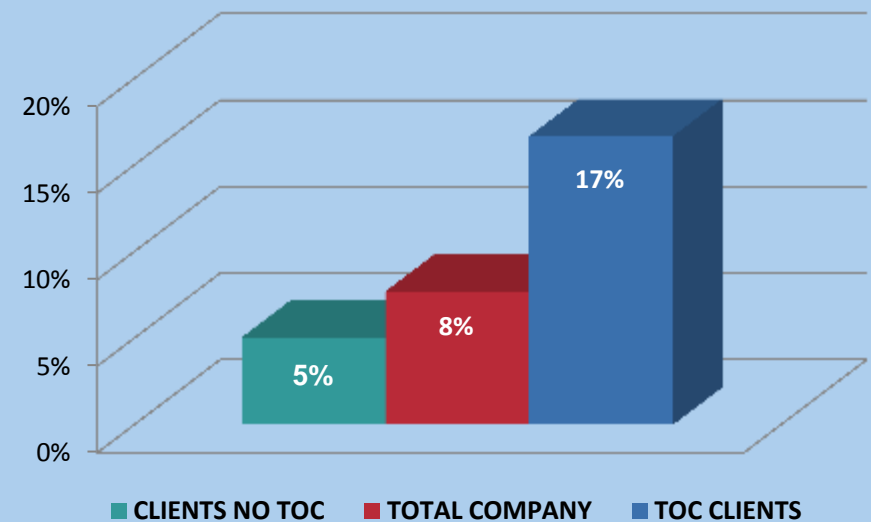
Tecnova's Results

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SALES DISTRIBUTION



SALES GROWTH TOC CLIENTS vs. COMPANY

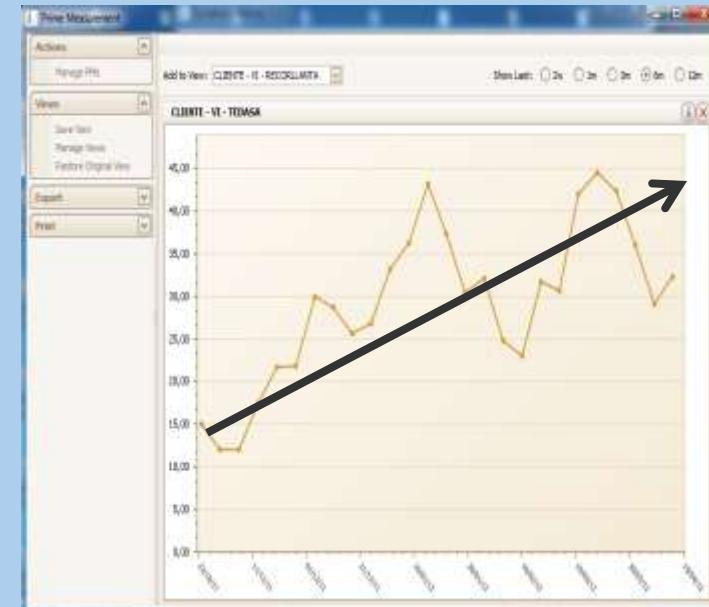
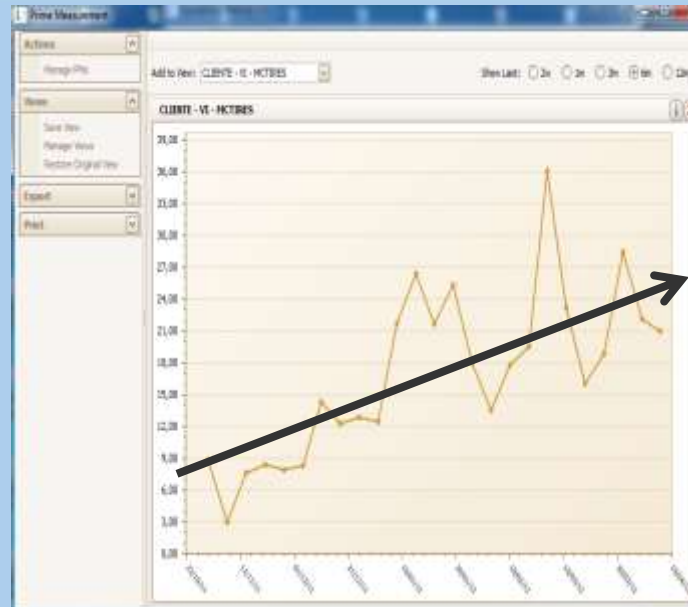
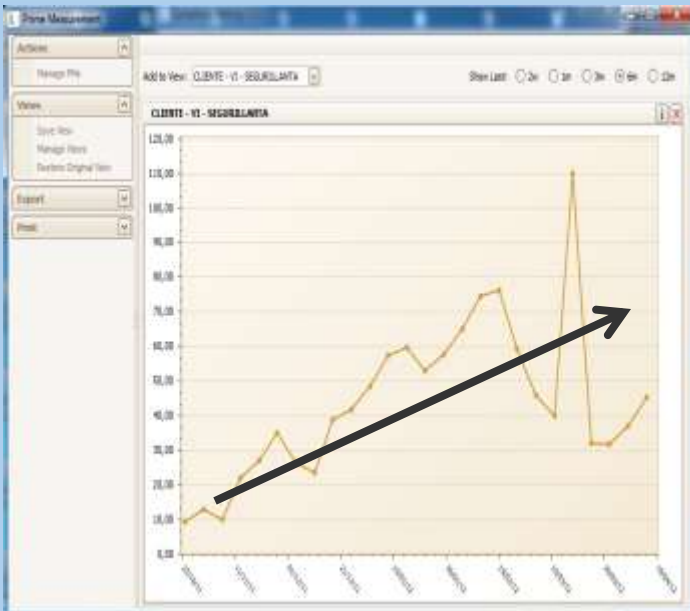


- Company has +/- 80 clients = 80% of sales
- TOC Clients has growth 116% more than the rest of company.

Current Effect of IT on Customers System

Client's Results

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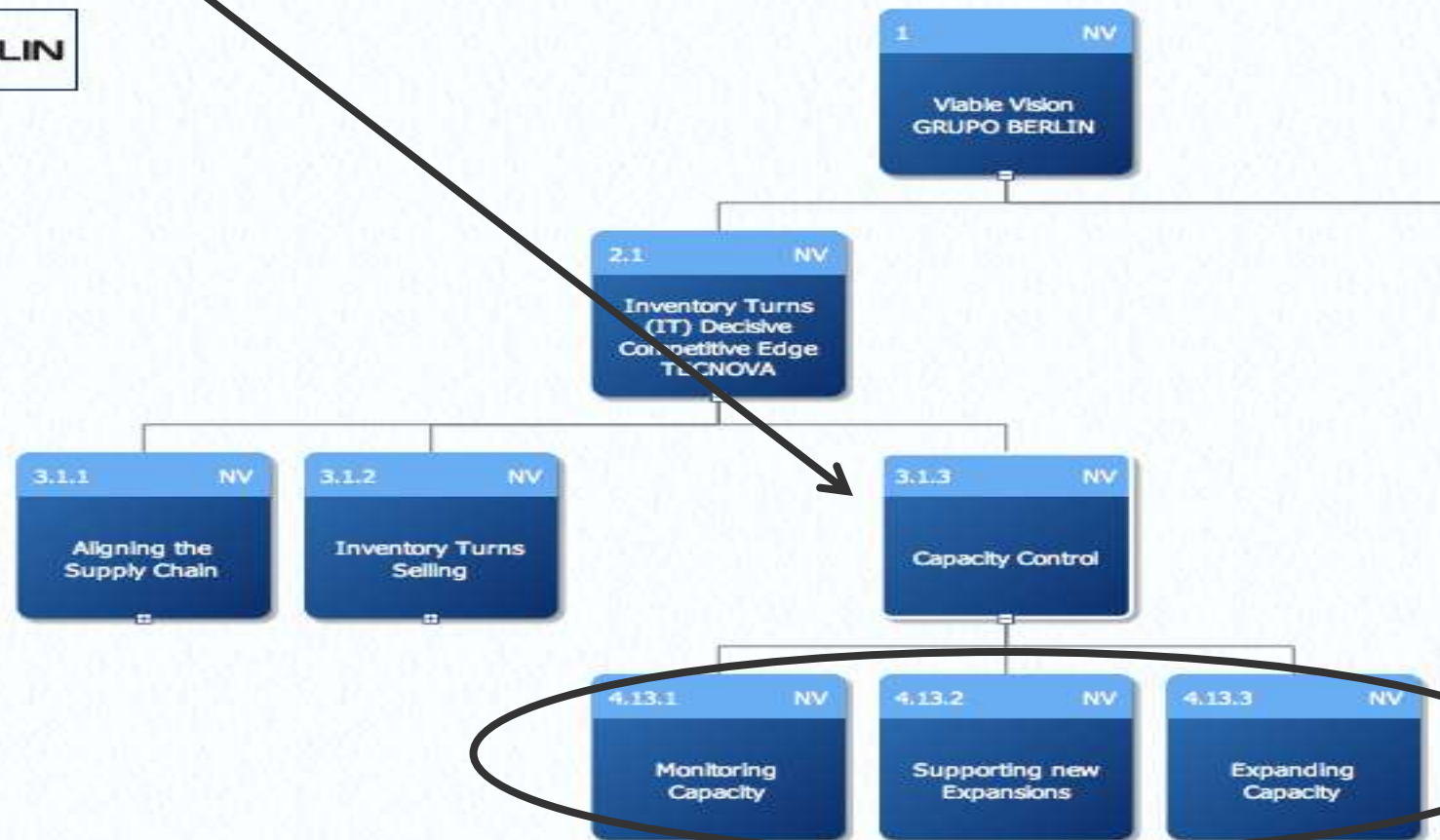


- We are making business with this customers long time ago. Nevertheless...
- The magnitude of the improvement using this new approach based on replenish what was consumed is evident. Now we know it and we also know how to reply it
- While maintaining the same mode essential mode of operation competitors cannot offer something similar.

Sustain



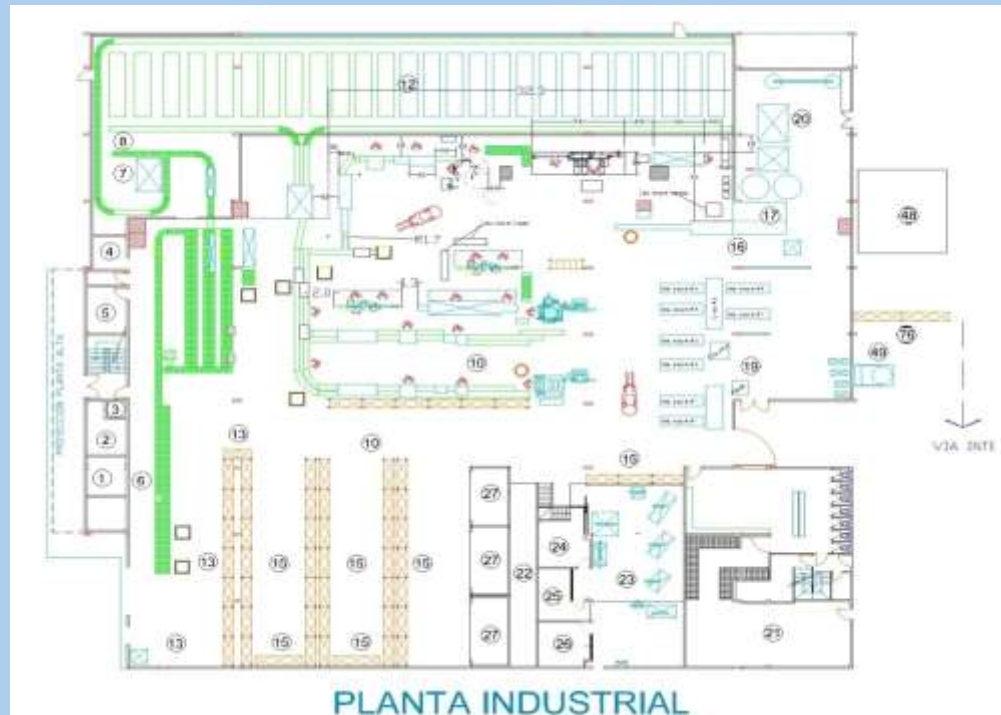
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Expanding Capacity

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- Appointing a Project Manager for the Masterplan (completed)
- CCPM Initial Training (completed)
- Third Assembly Line installed in current production facility (testing)



Are we solving the dilemma?

How this process impacted the management team reality?

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- **Are the criteria being satisfied? What is the effect for the management team to be focus on Build, Capitalize and Sustain the DCE? Some quotes from the last audit done last April**
 - We have different new KPIs for the next months. This is nice. Now we are concern and you can feel it about how to capitalize.
 - It is very important to assess the effect of VV on our resources and procedures. This is generating different kind of effects in the way our resources work
 - I have fewer calls going into my cellophane blaming and screaming. This is a very good KPI for me.
 - I am proud about my team. We have big and important challenges ahead. We will be achieving them.

Next Challenges

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- **Reinforce the sales system**
 - **More customer connected**
 - **More and better results for the customer and for the company**
 - **Review and plan how to include AA parts on the IT offer scheme**
- **Increase the system capacity to go over more market share.**

1. Why Change?

Managers need to understand how to improve the way they operate as a whole unit.

2. What to Change?

The constant dilemma between focus management attention on current operation to protect the short term expected results vs. focus the management attention on long term prosperity.

3. What to Change to?

Actions to protect the short term can be the same to build the long term prosperity.
Focus the management attention to BUILD, CAPITALIZE and SUSTAIN a DCE.

5. How to create POOGI?

Frequent audit process to discover and close GAPS in the implementation process.

4. How to cause the change?

Focus management attention to implement, step by step their strategy and tactic tree.

