



GETTING MORE VALUE FROM YOUR SAP SUPPLY CHAIN

What we recommend **to do**, and **not to do**, when
engaging in an SAP supply chain optimization





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For many SAP using companies, Go-Live is the end of their efforts to configure and customize the applications. Competitive companies are recognizing the benefit of optimizing their SAP system to see how they can be more automated, increase their flexibility in the manufacturing process, enhance visibility into the supply chain, and keep inventories low but service levels high. But watch out! “SAP supply chain optimization” comes in many different facets and not all will give you a valuable outcome. To maximize your benefit, you must be careful to put time and effort into what will provide the most benefit to your organization, use the right tools, and partner with the right consultant. In the following I have listed Do’s and Do Not’s that come from a long history of optimization work and engaging with many clients from many industries. I’ll break it down into the different parts of an optimization effort.

Defining the Optimization

First and foremost you need to define the individual activities that add value for the business. For that to be possible you will have to measure the existing supply chain, uncover weaknesses and sub optimized states, select the areas of operation, build a sequence of activities and set a benchmark to measure progress.

Do take a benchmark measure before you start the optimization. Know where you are standing, list your inefficiencies and potentials, be honest about your company’s competence with SAP, see how much automation you get out of the current system, measure your inventory performance and service levels, evaluate the level of visibility and transparency in the supply chain, and try to increase flexibility from the level you are at right now. A good consultant should be able to quickly lay out that benchmark and direct you towards an effective optimization program. When I start to engage with a new client, I offer them a visit free of charge, to personally meet and discuss their SAP and process setup on location. This benefits both parties: it helps me to understand what they are doing and gives me the opportunity to make some preliminary suggestions; and the customer can personally evaluate my methodology and level of competence.

Do Not spend money on a so-called “wellness assessment” that lasts for a week and costs you an arm and a leg. If you get it for free, go for it, but only if they don’t tie up your staff. Exercises that require your employees to spend time away from their work will not benefit your company, and only help the consultants to sell you on more work. A good, experienced consultant knows what you need to do, by engaging in a conversation with your users. Since experienced consultants know how materials planning, production scheduling and an automated procurement process works best in SAP, they do not have to spend a week at your facility, poking around your productive SAP system without supervision and possibly stirring up your staff’s emotions and introducing friction when they present pre-mature and possibly false insights into your SAP supply chain to the executives.

Do engage in a modeling exercise to establish a point of reference. Models (I use Lego) – are a great way to design future, optimized states. You can grab a Lego brick and move the inventory / order interface tangibly down the value stream and demonstrate the impact, and everyone can follow the impact for themselves. A good model is your best companion throughout the initiative.

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Do engage with a partner that will be with you for the long haul. Before you sign up with the consultants, check their ability to sustain relationship with clients for a long time. Beware of the Optimizer who goes from project to project – most of them last for three to nine months before the client sees through the BS – and very rarely gets an added engagement. You want to work with the consultant who has many clients and those clients call upon them over and over again. Make sure you get some references and talk to those references - ask if the consultant is still there and if the project successfully delivered on optimizations. But be aware of the selective reference provision. Don't let the consultant pick the reference company. You should be able to go to the consultant's website, find the page listing their past clients and pick 5 to 8 of those listed. A consultant in good standing with their past clients should be able to provide references with ANY of their past clients.

Do not engage with an SAP consultant who puts more effort into changing your business practices than altering your SAP functionality. Be clear what you're looking to do here! Your goal with an SAP consultant should be to get the most out of SAP functionality, not to completely change your way of doing business. If your business process didn't work, chances are you wouldn't be in business! It is definitely worthwhile to evaluate how much manual effort is required to run the processes on SAP, because SAP does enable many processes to be automated. Automating SAP transactions can free your staff's time and make the process faster and smoother. That is the only valid process change you should be expected to consider. When an advisor tells you to change your organizational structure or buy the book 'Who moved my cheese', then it's about time to tell them to start their own company and put their money where their powerpoint presentation is.

Most importantly: Do Not engage in a gain share program where you hand the consultant more money based on an inventory reduction! Some of these programs border on fraud in my mind. First of all, an inventory reduction is not always a good thing! Reduced inven-

tory can lead to stock-outs and failed availability checks. Also, many external factors influence your inventory holdings, so when inventory value decreases, it's often not clear whether your consultant deserves credit for it. Maybe the inventory value goes down, because someone in the warehouse scrapped obsolete stocks. The parameters with which a gain share is defined, are mostly shady to say the least and often set up in a way that the consultant has some 'wiggle room' when it comes to report on the results. Taking a bunch of materials with inventory out of the MRP Controller key, or including the obsolete items in the initial report but taking them out for the final measurements, are common practices that sometimes happen because the consultant's involuntarily mismanage the selection criteria, and sometimes because of a lack of competence when they compare apples with bananas. Sometimes, however, it is downright cheating.

Beware of anyone who wants to make more money that way, and work with those people for whom better inventory levels are a natural by-product of an SAP supply chain optimization.

Do check on the proposed team, resources and consultants! I've seen it so often - the consultant's sales staff comes in with a team of 'great talkers'. They sell you an optimization and then you'll meet a lot of new people at the kick-off meeting and during the project. The bad ones roll off and are replaced by worse! Not only may your project be staffed with inexperienced SAP 'experts', but on top of everything else they throw in Project Managers, Business Maturity Managers, Thought Leaders (whose thoughts are they leading? And leading where?) and Account Managers. Do you really need someone to manage these efforts? Do you need all these people? They cost a lot of money for sure. How about consultants that have vast experience with SAP, optimization efforts, understand supply chain theories and principles and know how to effectively apply them... and can manage all the efforts themselves and in collaboration with your team? Do you really need to pay an SAP premier consulting rate for someone who does nothing but schedules meetings and manages change or business maturity? Your change? Your business maturity? In an SAP supply chain optimization?



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More Effective Materials Planning

Do learn about policy setting. It is the most important, game changing, cost saving, automating piece of an SAP optimization puzzle. Without regular policy setting, you don't stand a chance in this ever changing world... unless... none of your competitors do it either. It is a great opportunity to create an advantage over your competitors.

Do Not work with someone who tells you that collective updates are bad and you should never get Add-On Tools. It is a fact that SAP has white spots in its functionality. To ignore that is simply bad. You can't do an XYZ analysis in standard SAP. Instead of using a spreadsheet, why not using a totally integrated, SAP native MRP Monitor that lets you update the policy as well? Nobody, except for someone who does not want you to succeed and is only interested in their own gain, can possibly deny that the SAP Add-On Tools are absolutely essential for effective Materials Planning.

Do educate your users in all aspects of effective materials planning, inventory optimization and the way the SAP master data drives automation, integration and visibility or transparency. Run them through hands-on workshops that are driven by experienced consultants and make sure that the knowledge transfer happens. Your users need to come out of this with a feeling of empowerment. Don't let your staff become frustrated because someone taught them how to set up only one material, leaving them to figure out how to set up thousands more by themselves.

For Inventory Optimization Do Not put all your eggs into the LIS basket. The Logistics Information System is still available in your SAP-Enterprise software. I am not discounting it, since it has a lot of good reports and KPIs. However, it is a product of the 1980's. It is simple nonsense to build an inventory optimization program around the LIS

only. You would have to call up too many transactions, copy and paste data, move it to a different location, create an insanely big number of variants and setup customized info structures to manage data. On top of everything, it is very slow and SAP will never advance it, or ever speed it up with HANA. SAP says: "We do not support the LIS anymore!". You can still use it, but there will be no new releases or any efforts to make it easier to use. It's the poor mans (or the 'stuck in the 80's ' mans) reporting and evaluation system.

Some consultants however, still promote it fiercely and try to make you pay... for them to build an inventory evaluation package that will embarrass you when you tell the user that they will have to use this from now on. **Do Not, I repeat, Do Not pay someone to move you backwards in time and efficiency in your efforts to get a handle on your inventory controlling.** They recommend it because it's all they know, not because it's what's right for you.

Do make use of the SAP Add-On Tool MRP Monitor for automated policy setting. It has been proven that effective materials planning, prioritized portfolio management or continuous inventory optimization is not possible without the MRP Monitor. You can simply not keep the most effective replenishment policy updated if you have to manage more than 500 materials. With the MRP Monitor you can classify and segment your materials portfolio and set policy for entire classes. That ensures manageability and saves the materials planners a lot of frustrations.

Do have a look at the Add-On Tools Safety Stock Simulation and Lot Size Simulation. Especially the latter one has an incredible ROI. It allows you to periodically check on the lot size procedure which is used for your purchased or produced parts. It then simulates – for any given demand situation – which lot size procedure produces the least cost to replenish and compares it to the lot size procedure in use. This saves you money every day and it's easy as pie.



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Optimizing Production Scheduling

Do create an SAP value stream map and model your manufacturing environment! Models are a great reference point. And you can touch them and move things around. Once the model is build you can keep on using it forever. Any changes or improvements are documented in the SAP value stream map. Be careful to work on this with someone who has done this before and knows what is important in a value stream map so that you can get the most out of it. In my values stream map, I add boxes with SAP information to it. As an example, everywhere there is inventory, there must be an SAP material master record to manage that inventory. Very often we were able to eliminate one of these inventory holding points because we introduced flow with a better scheduling system and the right lot sizing and setup strategies. Those are measurable, real savings and general improvements for your supply chain and very difficult to realize if you don't model and document your value stream.

Do Not let anyone tell you that you should use only one scheduling system in your value stream. SAP has a number of very effective scheduling options and it is absolutely no problem if your packaging line is run repetitive with a heijunka load leveling profile, while the final assembly line is a takt-based, balanced 'pull' system and the fabrication work cells are run with discrete production orders based on reorder levels or even Kanban.

Do work with people who know manufacturing; not only from an SAP perspective. They should know what the difference between 'pushing' and 'pulling' is (and not only stating that 'pull' is better). They should be able to explain the Theory of Constraints and how 'Drum, Buffer, Rope' may be used. Buzzwords like 'heijunka', 'takts', 'load leveling' and 'line balancing' are used too often, without really understanding when and how to employ them effectively.

Dig deeper in your interview to find out if they really know what they are talking about and don't forget: Your users may need to change the strategies long after the consultants are gone. So either get a good knowledge transfer or team up with consultants that you can, and want to, engage with over a long time... when you need them.

Do use the Add-On Tool 'Lot Size Optimization' to find the perfect setups. The tool is mostly understood to produce the least cost replenishment lot size for purchased parts, but it also does find the least cost setup arrangement for produced or fabricated parts.

Do perform scheduling, capacity leveling, sequencing and a collective availability check before you release your order to the production line. Otherwise they hang around unprocessed and hog up capacity and components that could be used much more profitably otherwise. This kind of behavior destroys flow.

Do Not try to solve ineffective production scheduling with the purchase of APO PP/DS. PP/DS has very good and effective scheduling heuristics but very often a heuristic is not what gives you the optimal sequence for a demand driven production program. Heuristics are approximations and often do not provide the solution to your problem. In most cases that I have seen, the problem lies in the fact that no capacity scheduling, leveling or sequencing is done after the MRP run produces a supply plan under absolutely no consideration of production constraints. The solution to that problem is easily done in ERP, which does by no means insinuate that APO PP/DS isn't a wonderful scheduling and supply management tool. You just need to implement it for the right reasons.



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Automating Purchasing

Do automate your procurement transactions. There are many functions and features in the SAP procurement model that allow you to go above and beyond what you learned or were able to implement at the time of the initial Go-Live.

Sales & Operations Planning in the Integrated Supply Chain

Do evaluate SAP-ERP's Sales & Operations Planning. Its standard and flexible SOP provides a multitude of functions that might give you everything you need. Often I hear people say that it runs too slowly. Sometimes there is an easy solution to that problem. It might be that the info structure constantly aggregates and disaggregates up and down the hierarchy because it's set up with 'consistent planning'. That requires a lot of resources and takes forever. Using an info structure with delta aggregation solves that problem and makes the planning much easier to handle. All I am saying is that you should see through the maze of opinions about ERP SOP and build your own. It might provide you with a quick and cost effective solution to your planning with the software you already own.

Summary

By all means, explore the consulting options available. Compare track records, methodologies, competencies, and personalities. Do your research with what your company needs to achieve, and how each consulting option measures up to meeting those needs. Perform due diligence on the satisfaction of their past clients (of your choosing). And remember to see through clever tricks to seem more impressive. You need a competent consulting partner with a demonstrated understanding of supply chain and SAP to help make your staff more effective through policy setting and automation, and who you will be happy to have as a long-term partner. Make sure bigbyte is in your mix of contenders – we bet you'll find our fact-based approach informative and refreshing.

**Contact us for further discussions
on how to get value out of your SAP supply chain**

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