



Global Supply Chain Strategy Case Studies

Memorandum 710

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Case One – Corporate Strategy

A global industrial equipment manufacturer engaged Establish to review corporate strategy. Desiring to push the company forward beyond previously set goals, the Board of Directors set a new objective for the company – to increase shareholder value through a sustained increase in share price.

The corporation manufactured multiple product lines – some related and some independent – at numerous plants in North America and Asia. All products were industrial in nature and supplied to industry for use in industrial settings or for inclusion in other equipment by other original equipment manufacturers.

Over time the corporation had acquired numerous businesses, growing the company ten fold. In order to conservatively manage the acquisitions and maintain the profit levels, the company did not attempt to aggressively rationalize or reorganize the acquisitions. The company operated most businesses as independent entities with little interaction between businesses or between the entity and corporate. Now, to support the corporate objective and demonstrate their abilities to the marketplace, the corporation desired to bring the entities together, have them operate together, institute performance measurements, and drive financial and operational improvements.

Establish evaluated abilities of the corporation by spending time with the individual Board members, and with the members of the management team at corporate and at each entity, and by visiting physical operations. Working with the top management team, Establish then developed a new multi-tiered corporate strategy with objectives, strategies and tactical action plans. The new full strategy was tested and further developed with expanded management team meetings and rolled out to become the basis for the new direction of the corporation.

The corporation has now achieved a significant, sustained increase in share price and multiple performance improvements across the board. Through the new success, the corporation is now moving on to continued growth and performance improvement.



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Case Two – Global Logistics

Our firm was engaged by a multibillion dollar global chemical manufacturer to evaluate the practices of logistics activities worldwide and identify the opportunities for cost reduction as a part of an overall financial revitalization of the corporation.

The manufacturing company produced a variety of unique products for use in industry. Raw material was sourced throughout the world from agricultural and other natural resources, then transported and processed in multiple stages at plants on multiple continents.

The corporate supply chain was a complicated business process including planning systems and procedures along with the transport, management and storage of inventories of raw material, work in process and finished goods. As with many corporations, this process was not designed as an ideal method, but rather had evolved over many years as the result of individual suboptimal improvements.

Our firm evaluated the use of supply chain best practices in each business unit and on each continent to identify the opportunities for improvements:

- In some businesses, the network of stocking facilities (plant warehouses, distribution centers and branch warehouses) needed to be rationalized and redesigned resulting in facility closures and consolidations, as well as the establishment of new owned or third-party facilities.
- In other businesses, the supporting systems needed to be strengthened in order to better control and reduce inventory investment.
- In yet other businesses, the transportation modes, routes, carriers, and rates needed to be renegotiated.
- Corporate synergy between businesses was possible in the form of combining volumes for maximum leverage with logistics vendors – including ocean, land and air freight carriers; material storage and handling companies, and systems providers.

The corporation took over management and pursuit of the opportunities and the implementation of the improvements. We were re-engaged following this assignment to work on specific tasks of improvement as well as other corporate level savings efforts.

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Case Three – Worldwide Distribution

Our firm was engaged by a worldwide corporation to streamline the incoming flow of orders and the outgoing flow of products.

The corporation produced industrial equipment, parts, consumables, and supplies in many plants on multiple continents. The equipment covered multiple product lines and was the result of numerous acquisitions over many years. Each business had different customer requirements to satisfy, including supplying some of their products to other businesses within the corporation. Products were sold around the world to customers by independent entities as well as owned subsidiaries. The organization of the company was in constant flux due to the complexity of the company, the products and the evolving markets. This meant that personnel, processes and systems were constantly changing.

Orders entered in a given country for products, parts and consumables would be split into many component orders and then forwarded to other countries and continents for fulfillment. Customers would sometimes receive many shipments over a long span of time in response to an order and requirement for material. The complication of the entire supply chain limited the implementation of any single solution.

Our firm mapped the process and developed a strategy for streamlining the flow of information from order origination back to the warehouses and plants responsible for supplying the products. We also developed a new strategy for the physical movement and delivery of goods. Both of these strategies were then used as a guide for decision making in each business and on each system and process. The company was able to agree, for the first time, on a method for moving forward and was able to make coordinated decisions on system investments, order processing methods, and physical handling and shipping. The strategy developed was used for a number of years as the overriding direction for further developing the business.



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Case Four – Global Conglomerate

The senior management of a multi-billion dollar global conglomerate that produces industrial and consumer electronic and media-related products recognized that profitability levels could be significantly increased if the Supply Chains within its component operating companies were more efficient and synergies could be developed between them. However, the conglomerate's management wanted objective, experienced help to realize their goal, so they contacted Establish for assistance.

Each of its conglomerate's seven operating companies had:

- Many product-specific sales and marketing organizations, each with different customer bases, distribution channels and service requirements.
- Different manufacturing sites in Asia, North America and Europe.
- Independent logistics organizations that operated completely autonomous logistics networks that had different combinations of:
 - Transportation modes (ocean, air, motor, etc.) and types (private, contract, etc.).
 - Ports of entry/ports of loading within countries.
 - Warehousing configurations and warehouse types (private, third parties, etc.).

To achieve the management's goal of increasing the efficiency of the combined Supply Chains, Establish developed a concise project objective, a defined project scope, a detailed methodology, and a time-phased plan for completing the work. Key management personnel within the operating companies were interviewed to develop an understanding of the customer bases, distribution channels, customers' service requirements, business objectives, and issues related to the current Supply Chains. Next, data was gathered across the operating companies and a sophisticated baseline model of the current Supply Chains was developed that would act as the benchmark for evaluating the improvements and allow management to better visualize the issues. This model clearly revealed that the key Supply Chain driver was customer demand and the related service requirements of the individual markets.

Alternative scenarios incorporating overseas consolidations, different ports, distribution center consolidations, product mixing centers, cross-dock activities, and various distribution center locations were identified and fully evaluated. This far-reaching project resulted in the development of a realistic, comprehensive three-year Supply Chain strategy that identified an 8 to 10 percent reduction in Supply Chain costs while maintaining or improving service performance levels. The project was completed on-time and within the fee estimate.