

WCMG, INC.



## A METHODOLOGY FOR ENTERPRISE VALUE STREAM MAPPING

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# Agenda

1. Business Complexity
2. Strategic Alignment
3. Enterprise Value Stream Mapping
4. Enterprise Transformation - linking benefit, objectives, priority & deployment
5. Key Performance Indicators for competitive advantage

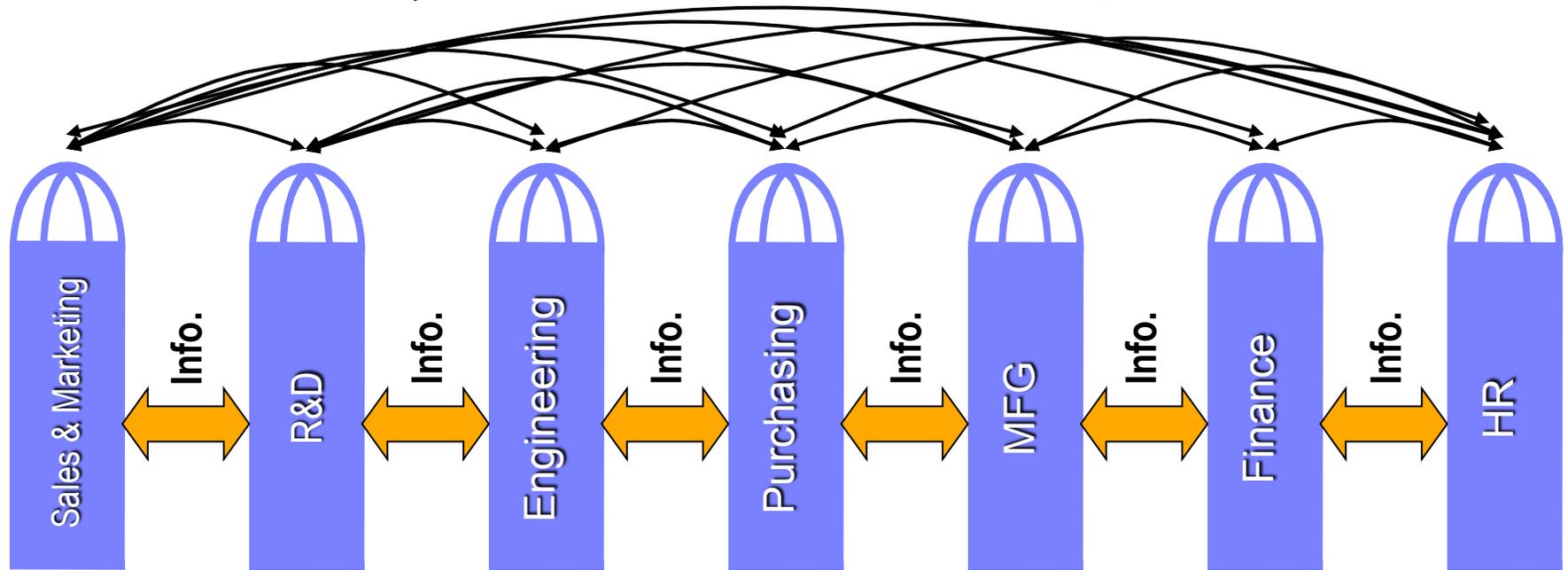
# Business Complexity

- Information flow is not clearly visible or defined
- Number of functional areas crossovers
- Number of decision points
- Number of systems and subsystems
- Number of process owners
- Duplication of information
- Integrity of information



# Organization's Information Flow

## Business Systems

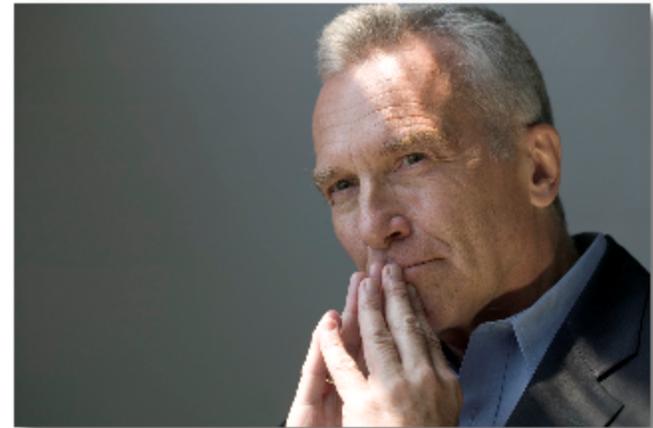


# Process Complexity Creates Waste

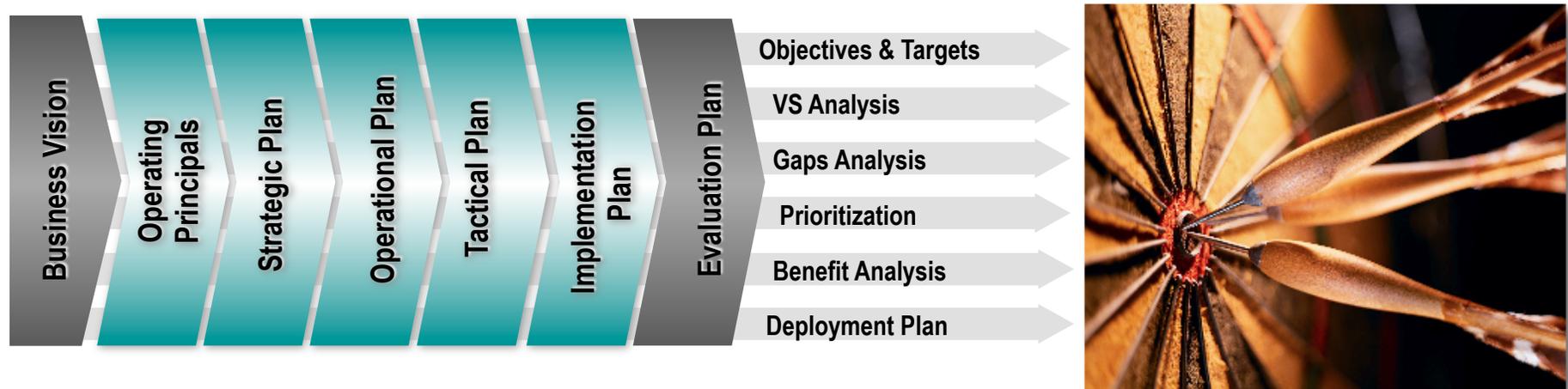
- Complexity translates into:
  - ◆ Errors
  - ◆ High costs
  - ◆ Work shortcuts
  - ◆ Delays
  - ◆ Aggravation
  - ◆ Poor customer service
  - ◆ Lost opportunity
  - ◆ Business risks
  - ◆ Inability to effectively deploy strategic plans

# Enterprise Transformation Challenge

- Too many initiatives already
- Functional vs. process structure
- Complex information systems
- Too many opportunities to focus on
- Conflicting interests
- External pressures
- Many others

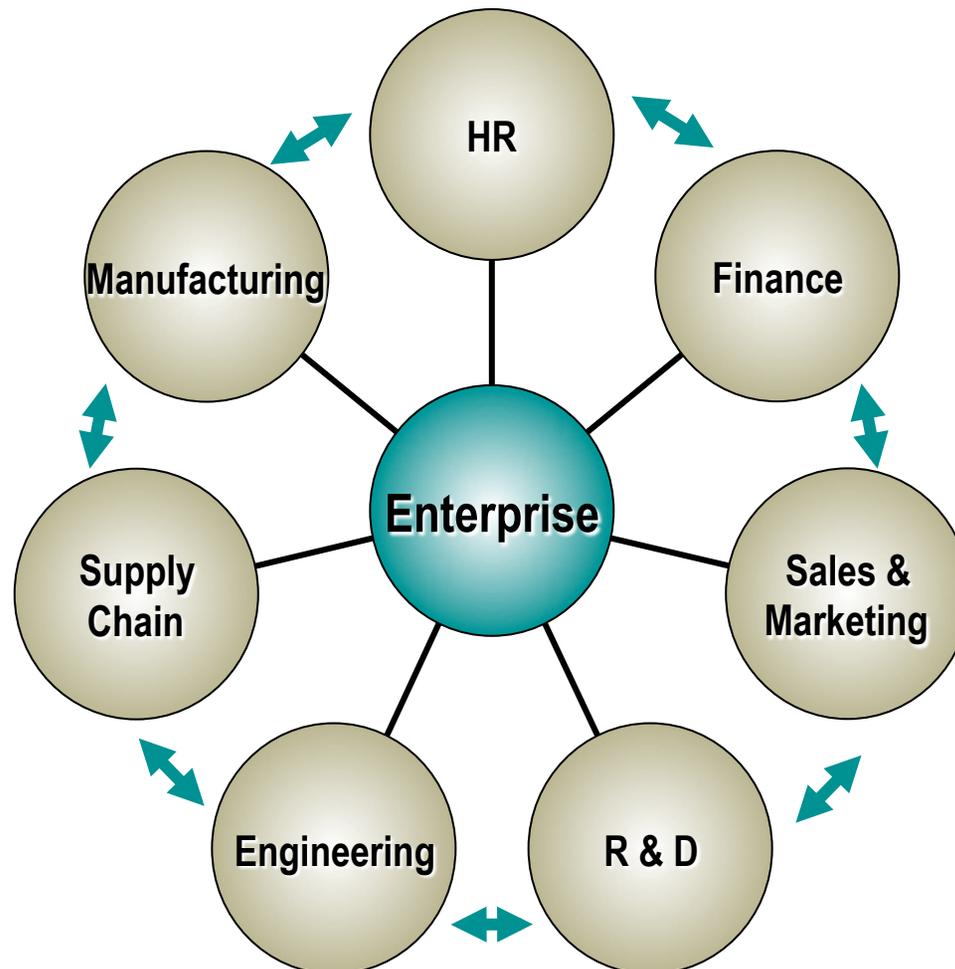


# Strategic Alignment



- Provides greater agility to direct the organization
- Provides clear communication to all levels of the enterprise
- Provides the link between objectives & improvements
- Provides faster delivery of results

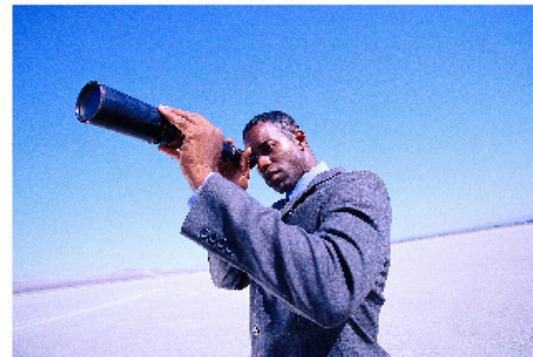
# Value Streams Identification



HOW SHOULD WE DETERMINE WHERE TO FOCUS?

# Enterprise Value Streams

- Raw Materials to Finished Goods - Make
- Concept to Launch – Product Development
- Order to Cash - Administrative Functions



ISLANDS OF EXCELLENCE VS. COMPETITIVE ADVANTAGE

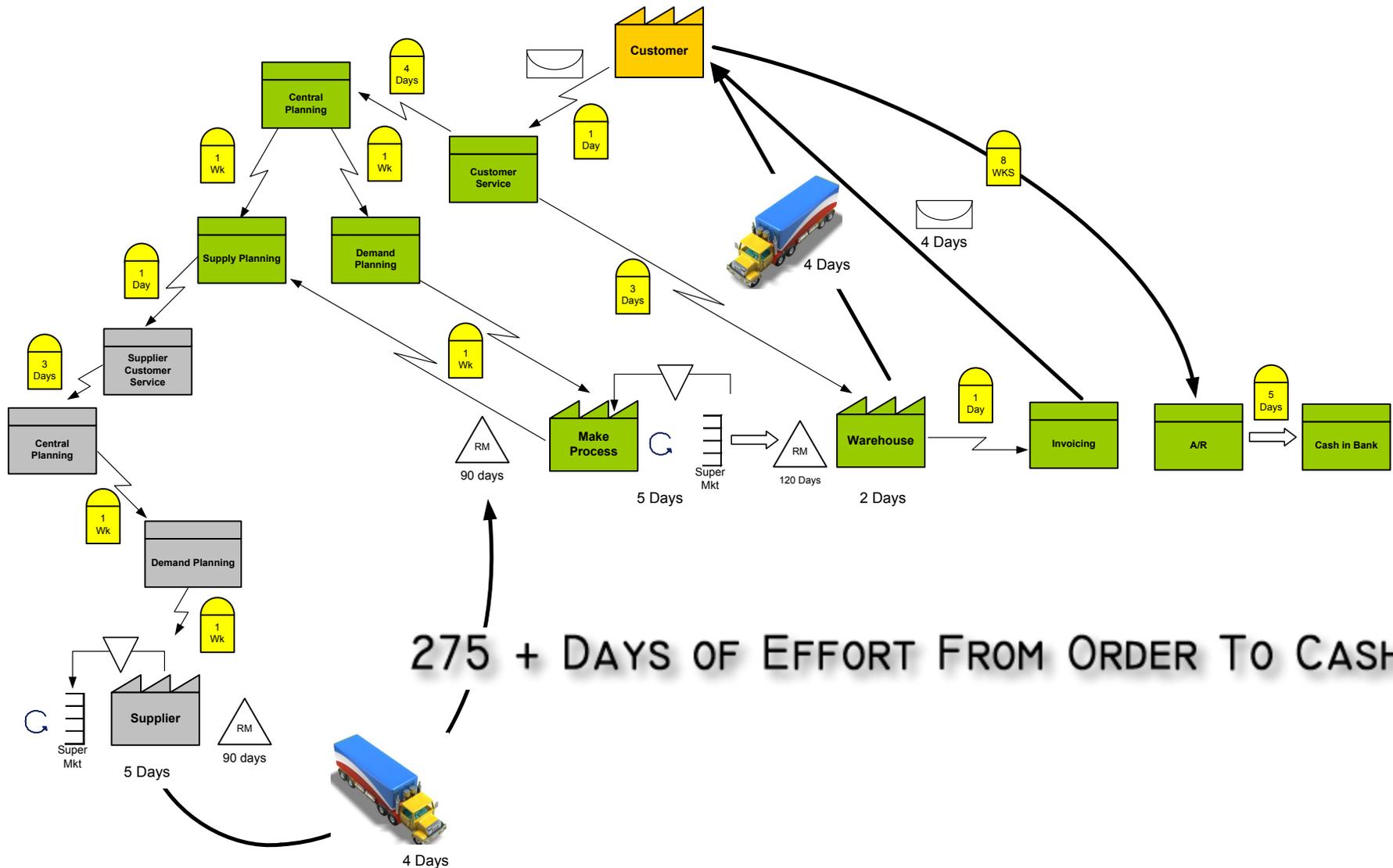
# Enterprise Value Stream Mapping

- High level vs. work steps
- Gap identification vs. solution identification
- Customer lead-time vs. cycle time
- Process vs. daily tasks
- Customer KPIs vs. internal KPIs



WHAT IS OUR COMPETITIVE POSITION?

# Enterprise Value Streams



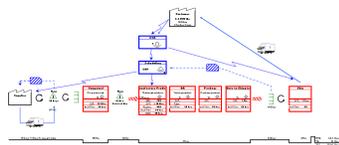
# Transformation Model

## 1. Strategic Alignment



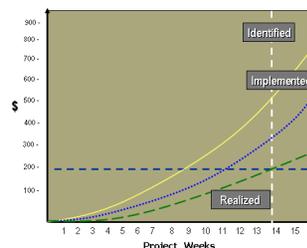
- Set direction of the business – Strategic Plan
  - SWOT
  - PEST
  - VOC
  - Growth & Financial

## 2. VS Assessment



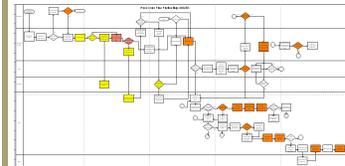
- Identify gaps to achieve strategic plan
  - High level VSM
  - Readiness Assemnt.
  - Gap analysis

## 3. Benefit Analysis



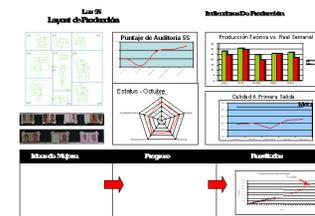
- Identify the benefit drivers
  - Evaluate the impact to the organization & strategic objectives
    - Growth drivers
    - Financial drivers
    - Prioritizing

## 4. Lean Improvements



- Implementation plan
- Deployment of improvements
  - Education awareness
  - Change management
  - Lean training
  - Metrics

## 5. Performance Evaluation



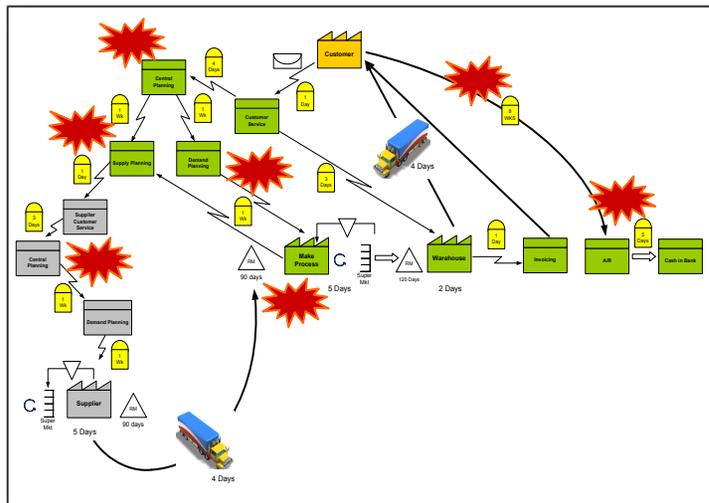
- Measure progress
- Adjust implementation plan as needed
- Evaluate implemented vs. realized benefits
- Communicate progress

# VSM Enterprise Approach

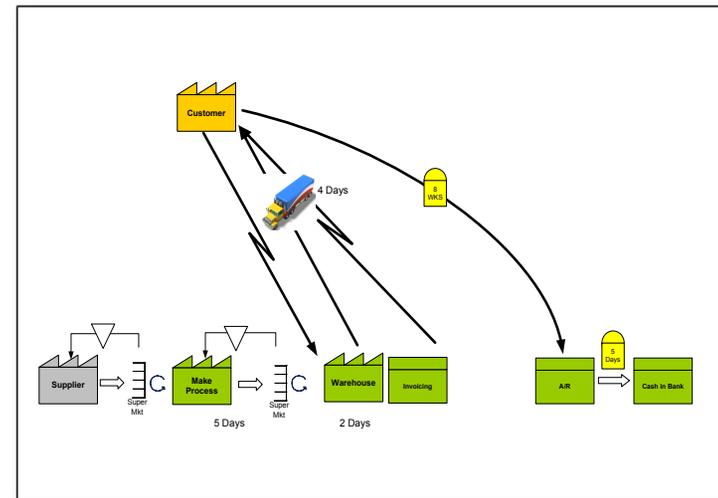
## DEFINE STRATEGIC OBJECTIVES

ID	Strategic Objectives	Metric	Current Performance	Target Performance
1	Supporting rapid growth (urathane)	Capacity, Lbs produce	95% +Utilize, need to calculate info.	Additional 10%
2	Implement mechanical change to meet Flexcure forecast	Implementation time	Sharing a vessel	Dedicated vessel by 1/1/06
3	GlobalOne Project implementation	Project Timeline	GlobalOne preparations	Go Live October 2006
4	RC14001 certification	Certification	Not certify yet	11/3/2006
5	On-Time	On-Time shipment	96.10%	97%
6	Off-Grade	% Off-Grade	1%	< 0.5%
7	First-In (FPY)	% First - In	75%	83%
8	Customer complaints response time	# of Days	13 days	30 days
9	Number of near misses	# per Employee	2 per employee	> 1.4 per employee
10	Closure rate of near misses	% of AI's completed	67%	40%
11	Recordable injury rate	OSHA 300 Log	3 +	< 1.8
12	Disposal cost	Dollars	Through July 2005 \$119K	< \$169K
13	Facility cost savings	Dollars	\$340K for AOH	Division goal \$1.6M
14	Inventory turns	Turns	10 turns	14 turns
15	New Product Introduction	# of new prod. & new \$	TBD	TBD

## CURRENT STATE VSM



GAPS



## FUTURE STATE VSM

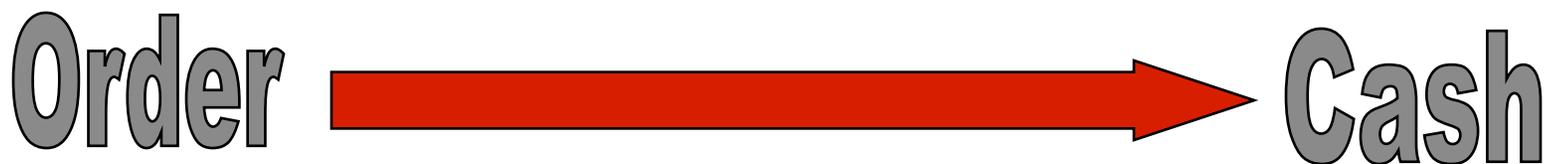


## KPIs For Competitive Advantage

- The enterprise metrics needed to reflect what the customer perceives
- We achieve it by measuring the entire Value Stream
- The metric will incorporate:
  - ◆ Process lead time
  - ◆ Process efficiency
  - ◆ Process quality

$$= 1 - \left[ \frac{(LT_{target} - LT_{actual})}{LT_{Target}} \right]$$

OTC EFFECTIVENESS = L/T% X EFFICIENCY % X QUALITY %



## Conclusions

- Enterprise Value Stream Mapping is a strategic tool
- Improvements need to be addressed as in a holistic approach
- Enterprise transformation is a long term effort
- The improvements must be driven by the need of the end customer – it is about growth and not cost savings
- Your employees are the most valuable asset to accomplish the enterprise objectives

## How To Reach Us...

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