

Oracle ERP Users Synchronize the Value Chain with Automated Lean Tools

In Aberdeen's May Benchmark report, [Lean Scheduling and Execution](#), Oracle customers outperformed the overall market and were 50% more likely than other manufacturers to achieve Best in Class status. To better understand why this is true, Aberdeen analyzes the technological and organizational strategies Oracle customers are taking and links these strategies to Oracle customer performance.

Best in Class Performance and Oracle Customers

The value of technologies used to support Lean manufacturing should be tied to the results associated with their use. In benchmarking how manufacturers are benefiting from these technologies Aberdeen surveyed 30 Oracle ERP customers in May of 2007, gaining insights into the pressures facing these manufacturers, the strategic actions being taken, the business capabilities possessed, the technology being adopted, and the subsequent performance these firms enjoy.

To give perspective on the overall performance of Oracle customers, Aberdeen has compared these manufacturers to both Best in Class and Industry Average manufacturers from the broader May benchmark study. The results show that Oracle customers outperformed Industry Average manufacturers in all three relevant KPIs and approached Best in Class status in On Time Delivery and Throughput. However, Best in Class manufacturers are significantly outperforming Oracle customers in manufacturing cycle time reductions and this should be an area of focus for Oracle customers moving forward.

Table I: KPI Performance

Market Segment	On Time Delivery	Throughput	Manufacturing Cycle Time Reductions
Best in Class:	95%	92%	79%
Oracle Customers:	92%	90%	37%
Industry Average:	91%	87%	23%

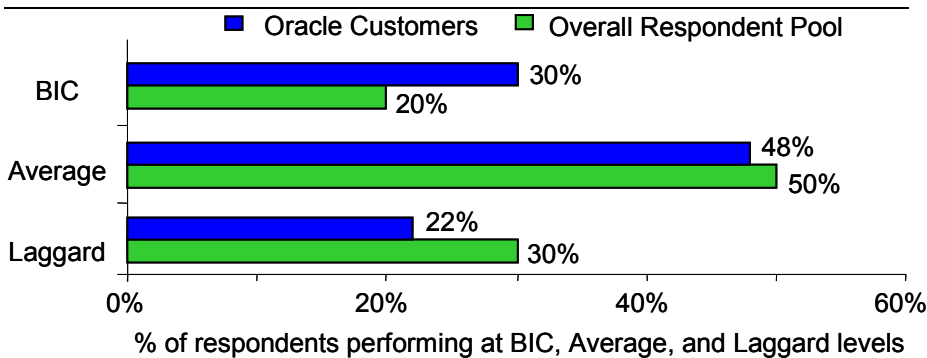
Source: Aberdeen Group, May 2007

The KPI performance from Table I translates into the competitive framework breakdown shown in Figure 1. Interestingly, the research shows that Oracle customers are 50% more likely than manufacturers as a whole to be performing at the Best in Class level. Strategically, this means manufacturers should be taking cues from the way these manufacturers are approaching Lean. Additionally, Oracle customers not yet performing at Best in Class levels should realize that their peers are outperforming the broader market and should be making changes quickly to keep pace.

Required Actions

- ✓ Focus on reducing manufacturing costs by extending Lean across the value chain and synchronizing production with demand.
- ✓ Executive buy in is not enough, executives must create Lean Centers for Excellence and provide the needed resources to decision-makers.
- ✓ Automate Lean tools that support the enterprise strategies, including: Takt Time, Kanban, and Lot Sizing.
- ✓ Work to improve underperforming KPIs like reducing manufacturing cycle time. Consider using Lean software solutions to accomplish this.

Figure 1: Oracle Customers Top the Competitive Landscape



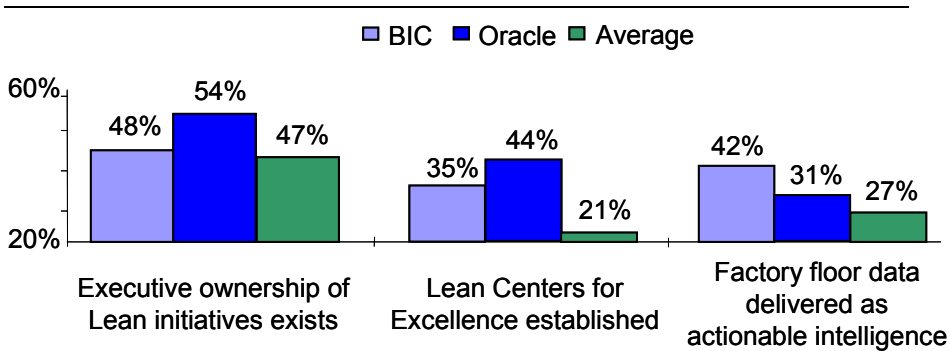
Source: AberdeenGroup, May 2007

Lean Strategies: Ownership and Technology Matters

The need to reduce manufacturing costs is the number one pressure driving both the Best in Class and Oracle customers to adopt Lean initiative. However, the primary strategic actions Oracle customers are taking to address this pressure differ from those being taken by the Best in Class. To reduce manufacturing costs, Best in Class manufacturers are focusing on extending continuous improvement team findings across the organization while Oracle customers are attempting to both integrate automated Lean tools across the value chain and synchronize production with demand.

To support these strategic actions, Oracle customers have done several things well but areas of improvement still exist. In regards to organizational support, Oracle customers are ahead of even the Best in Class, but have not yet driven this support down to the factory floor.

Figure 2: Organizational Strategies



Source: AberdeenGroup, May 2007

Clearly Oracle customers have embraced one of the main findings discussed in the May benchmark report; that any successful Lean initiative needs not only executive buy in but needs to support local decision makers by providing Lean Centers for Excellence. Oracle customers have accomplished this but still have work to do when it comes to delivering factory floor data to Lean decision-makers. To fully support Lean practitioners Oracle customers must go one step beyond Lean Centers for Excellence and provide actionable data to these decision makers.

Voice of the Manufacturer

We are currently investing in Lean to reduce costs because of low-cost Asia competition. Our organization is completely committed to Lean with the Senior VP embracing the initiative along with corporate HR. We have also established a local Center for Lean Excellence which is managed by a Regional Director.

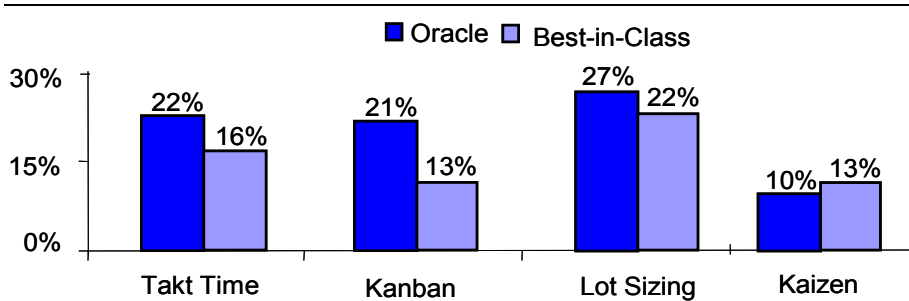
We are currently taking a measured approach to automating Lean as we become more and more confident in our current manual processes. Our focus remains on KPI performance and benefits have included improved material flow, inventory turns, and overhead.

Antonio Santoyo,
Manager, Sanmina-SCI

Automating Lean Tools

Another area where Oracle customers have excelled is in automating not only Lean tools but the right Lean tools. This means that Oracle customers are automating Lean tools that align with the strategic actions the enterprise is taking to reduce manufacturing costs. As stated previously, Oracle customers are currently attempting to synchronize production with demand and coordinate execution across the value chain. Lean tools that excel at accomplishing these goals are Takt Time, Kanban, and Lot Sizing, all of which Oracle Customers are more likely than the Best in Class to automate.

Figure 3: Automated Lean Tools



Source: Aberdeen Group, May 2007

For those Oracle customers that have not yet automated the right Lean tools, much can be learned by examining the actions of the Best in Class. When deciding how to automate Lean tools there are many ways it can be done but there is only one way that has been shown to enable Best in Class performance: pure play Lean scheduling software.

In fact, Best in Class manufacturers are over twice as likely as Industry Average manufacturers and 50% more likely than Oracle customers to be using pure play Lean scheduling software solutions. Such compelling adoption rates should be taken as a call to action for Oracle customers looking to move up the competitive framework. These manufacturers should be adopting such solutions and focusing on not only automating the right Lean tools but also on improving those KPIs which are underperforming, such as reducing manufacturing cycle time. In regards to the Lean scheduling software solutions themselves; there are many offerings that integrate directly with Oracle ERP, including DemandPoint, Invisitcs, Preactor, Synchrono, and Ultriva among others.

Vendor Landscape

Major software providers offering ERP solutions include:

- SAP
- Oracle
- Infor
- Lawson
- QAD

For more information please visit:
www.aberdeen.com.

Aberdeen Insight

Oracle customers have excelled at aligning the automation of Lean tools with the strategic actions being taken. However, there are some strategic actions Oracle customers still need to take, namely using continuous improvement teams to reduce overall manufacturing costs. Once Oracle customers begin this process they must continue automating the proper Lean tools and focus on automating Kaizen initiatives.

Required Actions

As shown in the above analysis, Oracle manufacturers are performing well and have embraced many of the required actions outlined in Aberdeen's May benchmark report, *Lean Scheduling and Execution*. However, there are still many areas where Oracle customers can improve and Oracle customers should be looking towards the actions Best in Class manufacturers are taking for direction.

- Focus on reducing manufacturing costs by extending Lean across the value chain and synchronizing production with demand.
- Executive buy in is not enough, executives must create Lean Centers for Excellence and provide the needed resources to decision-makers.
- Automate Lean tools that support the enterprise strategies, these tools include: Takt Time, Kanban, and Lot Sizing. Use these automated tools to deliver factory floor data as actionable intelligence to Lean decision-makers.
- Focus on improving underperforming KPIs like reducing manufacturing cycle time. Consider using Lean software solutions to accomplish this.

Vendor Landscape

Lean Scheduling software providers that integrate with Oracle ERP:

- DemandPoint
- Invistics
- Preactor
- Synchrono
- Ultriva

For more information please visit:
www.aberdeen.com.

Related Research

[Manufacturing Flexibility: Synchronizing the Shop Floor and Supply Chain](#); January 2007

[The Lean Supply Chain Benchmark Report](#); October 2006

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