2015

AN INTEGRATED LEAN ASSESSMENT FRAMEWORK FOR TYRE DISTRIBUTION INDUSTRY

Amr Arisha
Dublin Institute of Technology, amr.arisha@dit.ie

Amr Mahfouz
Dublin Institute of Technology, amr.mahfouz@dit.ie

Follow this and additional works at: https://arrow.dit.ie/buschmarcon

Part of the Business Administration, Management, and Operations Commons

Recommended Citation

This work is licensed under a Creative Commons Attribution-Noncommercial-Share Alike 3.0 License
AN INTEGRATED LEAN ASSESSMENT FRAMEWORK FOR TYRE DISTRIBUTION INDUSTRY

Amr Mahfouz
Amr Arisha

3S Group, College of Business, Dublin Institute of Technology
Aungier Street, Dublin 2, IRELAND

ABSTRACT

Given the vital role of distribution units within the supply chains, this research aims to develop a comprehensive lean assessment framework that integrates Modelling and Simulation with Value Stream Mapping (VSM) and Data Envelopment Analysis (DEA) to assess the ‘leaness’ level in distribution business. The framework is applied on a distribution centre of a leading European company in the tyre manufacturing and distribution business. The framework helps decision makers to evaluate the effect of two lean distribution practices – Pull Order Replenishment and Class-Based Storage Policy – on company’s performances and is also used as a leaness Self-Assessment Tool.

1 INTRODUCTION

The quest to offer high level of service to customers while keeping a worthwhile profit margin under a complex business environment urges DC managers to think of applying the lean management concept to manage and improve their activities. In order to successfully implement lean philosophy, there is a need to track system’s improvement through a quantitative leaness index. Hence, this study aims to present a quantitative lean assessment framework to dynamically assess the leanness level of a tyre distribution company. The framework is used as a leaness Self-Assessment tool that enables decision makers to assess company’s current state against the ideal leaness state (i.e. no waste or non-value add activities).

2 STUDIED LEAN PRACTICES

The company under study supplies tyres for a wide range of customers with an aim to provide an efficient service to fulfil customers demand with an economic cost. Monthly forecasting plans are used however they have low accuracy level in prediction given the system’s uncertainty and the high fluctuations of customer demands. Hence, the company faces a challenge with inefficient storing and picking operations due to unplanned storage policy. As a proposed solution to the problem, two lean practices are suggested, (1) Pull-Replenishment Practice – to reduce the reliance on the forecasting plans and (2) Class-Based Storage Policy which Storing the similar SKUs near together and applying advanced tracking systems.

3 FRAMEWORK INSIGHTS

The lean assessment framework encompasses of three components; VSM, Modeling and Simulation, and DEA, (Figure 1). VSM supports the lean assessment efforts by enabling decision makers to visually compare between system’s current and future states and clarify sources of waste and non value-added activities. The integration between VSM and simulation facilitates the modeling of system’s complexity and provide the ability to concurrently evaluate various performance metrics. The framework has also integrated DEA model with VSM and simulation, see equation 1, in order to calculate a leaness score which enables decision makers to internally assess company’s leanness level against the ideal system state. It can also be used to benchmark company’s leanness with the companies in the same industry or the lean best practices.
Leanness Score = \[ \frac{1 - \frac{1}{m} \sum_{l=1}^{m} x_{i,l} - x_{i,l}^{*} }{1 + \frac{1}{s} \sum_{s=1}^{s} y_{s,l} - y_{s,l}^{*} } \] (1)

where
\[ x_{i,l} \] Actual input variable \( i \)
\[ y_{s,l} \] Actual output variable \( s \)
\( m \) and \( s \) Number of input/output variables
Given that \( S_i = x_{i,l} - x_{i,l}^{*} \) and \( S_s = y_{s,l} - y_{s,l}^{*} \)

4 RESULTS

Lean assessment process starts with identifying the value-added and non value-added activities by mapping the current and future system’s states using VSM. Simulation models are then developed for company’s current and future states as well as the proposed lean practices. Table 1 illustrates the input and output variables and the results of the simulation models under different system configurations.

![Figure 1: Leanness Assessment Framework](image)

<table>
<thead>
<tr>
<th>Company</th>
<th>Variable Type</th>
<th>Model Output</th>
<th>Actual DMU Replenishment</th>
<th>Pull Replenishment</th>
<th>Class-based Storage</th>
<th>Ideal DMU Replenishment</th>
<th>Leanness (Rob)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input Variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Processing Time (Days/Order)</td>
<td>2.24</td>
<td>2.24</td>
<td>1.8</td>
<td>1.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Machine Availability (Percentage)</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Storage Capacity (SKU)</td>
<td>300</td>
<td>50</td>
<td>300</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labor Capacity (Labor)</td>
<td>13</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Handling Equipment Capacity (Equipment)</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output Variables</td>
<td>Total Order Cycle Time (Days)</td>
<td>30</td>
<td>22</td>
<td>17.82</td>
<td>2.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Throughput Rate (Order/Day)</td>
<td>2.64</td>
<td>3</td>
<td>2.8</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labor Utilisation (Percentage)</td>
<td>0.5</td>
<td>0.55</td>
<td>0.55</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equipment Utilisation (Percentage)</td>
<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of Lean Less Orders (Orders)</td>
<td>301</td>
<td>240</td>
<td>101</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inventory Level (SKU)</td>
<td>1330</td>
<td>7500</td>
<td>10000</td>
<td>5500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Finally DEA model (i.e. Slack Based Measurement Model (SBM)) calculates the leanness score, Figure 2, based on the simulation results using the following equations:

Leanness Score (System’s Current State) = \[ \frac{1 - \frac{1}{m} \sum_{l=1}^{m} x_{i,l} - x_{i,l}^{*} }{1 + \frac{1}{s} \sum_{s=1}^{s} y_{s,l} - y_{s,l}^{*} } \] = 0.35

Leanness Score (System under Pull – Replenishment Practice) = \[ \frac{1 - \frac{1}{m} \sum_{l=1}^{m} x_{i,l} - x_{i,l}^{*} }{1 + \frac{1}{s} \sum_{s=1}^{s} y_{s,l} - y_{s,l}^{*} } \] = 0.56

Leanness Score (System under Class – Based Storage Policy) = \[ \frac{1 - \frac{1}{m} \sum_{l=1}^{m} x_{i,l} - x_{i,l}^{*} }{1 + \frac{1}{s} \sum_{s=1}^{s} y_{s,l} - y_{s,l}^{*} } \] = 0.51

5 CONCLUSION

- It is envisaged to be useful to develop a framework that can dynamically evaluate the leanness level of the distribution operations within the tyre distribution business.
- The framework is a leanness Self-Assessment tool that enables decision makers to measure company’s current leanness status against the ideal status (i.e. no waste or non-value added activities).
- The use of the framework provides a safer, cost effective, and less disruptive tool to implement and assess the lean implementation compared to the trial-and-error approach.