

# CEO Newsletter

Insights. Informative. Thought Leadership.

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## How process excellence will help sustain your business through economic turbulence

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The Gulf economies will face a challenging year 2016 amidst unresolved political tensions and an oil price that is likely to remain low for many more months to come.



Figure 1: GDP growth rates for the UAE from 2006 to 2015

The UAE had to revise its GDP from forecasted 4.5% to actual 3% as per IMF's World Economic Outlook (October 2015). With the big oil & gas companies under spending cuts, many small and medium sized businesses are severely

### Upcoming Events

**2016**  
LogiSYM

**Logisym Singapore**  
9 - 10 March 2016,  
Singapore

Logisym Singapore 2016 once again promises to be a highly unique event, with the focus being to provide a platform for mid- to senior-level shippers to hear from the leading solutions in and surrounding the logistics and supply chain industry. The structure of the symposium is such that delegates will have more interactivity with supply chain peers, allowing the development of ideas and for delegates to acquire actionable take aways to integrate back at the office.

[www.logisym.com/events/logisym-singapore-2016](http://www.logisym.com/events/logisym-singapore-2016)

**homeDELIVERY**  
WORLD 2016

**Home Delivery World USA**  
30 - 31 March 2016  
Atlanta, Georgia, USA

Home Delivery World USA is the only event to bring together retailers to learn about innovations across home delivery, click &

affected. So what do the SME's in the region need to look out for?

## Beware of the Over-Optimistic Approach

The UAE's leadership has a great vision for 2020 and beyond, although their plans are ambitious so business owner's will need to make a clear distinction between the UAE's vision and a realistic growth forecast. Understanding which sectors and clients will be positively or negatively affected by short/mid-term trends will be an imperative for all businesses in the market.

The real estate and construction sector is closely linked to government vision and spending, while the oil and gas sector is mainly depending on global demand and supply. A growth vision for the country does not mean that every business is entitled to the same share of 3-5% growth automatically.

Just because it is extremely easy to receive loans from the banks again, it does not mean it is wise to take it and make hasty investments that are difficult to repay if the economy slows unexpectedly.

Nowadays every business needs to define their own strategy even more closely related to their industry and market conditions. It is best to review which clients to target on a quarterly basis as well as to discuss which client accounts are likely to decrease business and identify clients that may be lost altogether in order to create back-up plans to ensure continuity of business. With this in mind the head of sales should present a professional strategy adjusted to economic trends and sales targets that are realistic to achieve and plan with. And yes, sometimes we need to openly communicate if market conditions can become more challenging in order to prepare an early plan on how to overcome difficult times.

## Understanding Economic Cycles

The UAE's economy has advanced and will naturally follow cycles of economic growth and consolidation like many other developed and mature markets. It is important to understand when it is the right time to invest in expansion and when to keep reserves for slowing periods. In the year 2014 we saw a healthy growth and for 2015 many companies had ambitious plans to expand, buy new equipment and built new facilities to increase production output. It is important to get realistic numbers to justify such an investment, including years of slower growth rates and potential under-utilization of brand-new and state-of-the-art facilities, which could prolong the ROI considerably.

The vast supply of real estate and land is luring business owners to build something new instead of maximizing productivity at the current facility. We have seen new and modern factories and warehouses that were not even utilizing 15% of their actual capacity for many months until the management decided to act.

Instead of building something new, many existing facilities still have a lot of

collect, and ecommerce. While there are many retail conferences in the US, this event uniquely covers the entire delivery cycle, from warehousing to customer doorstep, gathering perspectives from big box retailers to innovative subscription service companies, and best in class carriers, 3PL, fulfilment and other delivery solution providers. With out of the box speakers from The Home Depot, Costco, Sears, Polyvore, Office Depot, and Alibaba, on-floor seminars led by Home Delivery experts Cagney Global Logistics, ProStar Logistics, SprintShip and Doorman, an innovation showcase for start-ups to pitch their retail idea to retail entrepreneurs and VCs, networking lunches and interactive roundtables, the event created a truly inspiring environment to help the industry further their business. Even the Mayor of Atlanta, Kasim Reed, joined the conference in support of the industry.

[www.terrapinn.com/conference/home-delivery-world/index.stm](http://www.terrapinn.com/conference/home-delivery-world/index.stm)



**Ti's Future of Logistics**  
10-11 May 2016,  
London, United Kingdom

The subject of innovation forms a core part of Ti's Future of Logistics conference series, the first to be held in Singapore, October 2015 and will be continued at the second in London, June 2016. Ti have now successfully run over 10 conferences in Europe, Dubai and Singapore and in 2016 will be bringing the conference series to London

potential. My advice is for companies to put-aside some money to invest in continuous improvement campaigns over the next years.

## Making the Best Out it

The industrial sector is expanding, but still not reaching its full potential and competitiveness despite the advantage of low labour and infrastructure costs, the availability of high-tech equipment and low-tax environment. According to our experience this potential can quickly be reached by having a clear focus on achieving process excellence. In the recent years the focus was on buying better machines, getting foreign consultancies to design state-of-the-art facilities, trying to implement fashionable IT systems or finding quick fixes for the old.

All of this does not help, if the work force and middle management run their organisations with the old mind set. If companies just try to grow by working around their old inefficiencies and think they can grow by throwing more resources at the task then it sadly won't be the case. So why are businesses in Europe and US still highly competitive despite the higher costs they face? Because they had no other option to succeed other than focusing on optimizing their business processes and product quality.

Now it's the time for the SME's in the region to face this task and stop excuses.

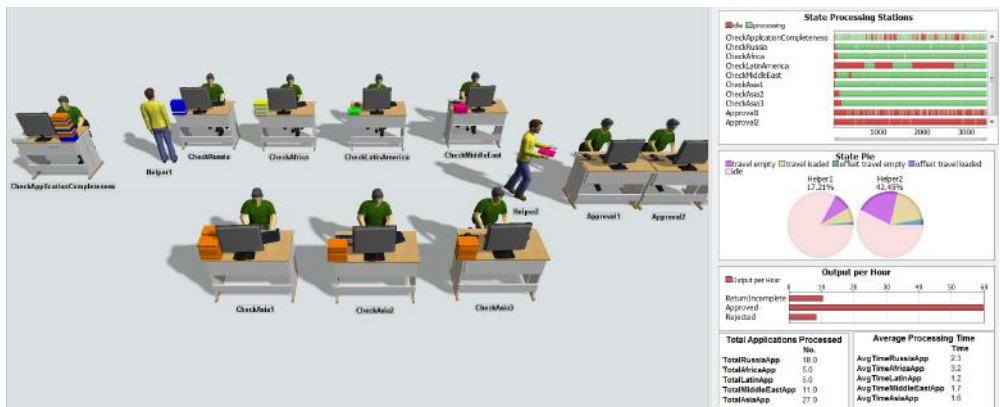


Figure 2: Example of Process Analysis & Utilization Study for Visa Processing Agency

Some global players have already successfully proven that their business model can be implemented in the Middle East and have gained market share from formerly well-established local companies. Nevertheless even some local corporations have insourced knowledge and talent to optimize their business model and process efficiency and are now successfully competing world-wide.

So we are not advocating to stop investing in new facilities and equipment, but we are suggesting that organizations first improve operations and become lean and profitable and then invest into further expansion and growth.

## Achieving Process Excellence

for the first time.

[www.ticonferences.com/london/2016](http://www.ticonferences.com/london/2016)

### Trans4

24 - 26 May 2016,  
Doha, Qatar

Trans4 exhibition is a major marketplace for transport services, attracting leading professionals from Qatar, the Middle East and the world. Issues concerning the development of the Qatari transport system are discussed, and new information systems are developed for interaction between different modes of transport, aimed at successfully addressing logistics issues in the global market for transportation and logistics services. Being focused primarily on Rail, Cargo and Airline transportation services, the Trans4 exhibition demonstrates the full range of industry solutions – from transport and forwarding services to software and equipment for cargo handling.

[www.trans4qatar.com](http://www.trans4qatar.com)



### ME Translog

5 - 7 September 2016,  
Muscat, Oman

ME Translog will be a mega event, where local, regional and international exhibitors will showcase latest technologies, best practices, pioneering research, advanced trends, and innovative products and solutions, to meet the requirements of governments, businesses, industrial and commercial entities, aviation, construction, infrastructure, manufacturing, oil & gas



## 1. Form a process excellence team

Depending on the size of the company, the process excellence team can be many shapes and sizes, usually 1-4 people is sufficient for SME's. We recommend having at least one full time person allocated solely for managing process improvement projects, with part-time support from the other team members or young graduates hired as interns for the duration of the project. The head of process excellence should have a background in industrial engineering, supply chain management or any other field related to analytical and holistic systems thinking. This position could be filled by an internal candidate or an external advisor hired on a short term contract. With the aim of having a balanced mix of young as well as experienced team members bringing both internal and external views, as well as all major departments represented by a point of contact is the right approach to move forward.

When assigning part-time team members who are already fully utilized in their current position, ensure that they have sufficient support to handle their existing day-to-day tasks so that they can dedicate their efforts and the required time to their process improvement campaigns. Chose motivated employees looking for a career opportunity or challenge as well as talented communicators from under-utilized departments. It is important that this process excellence team has the full support of the top management as well as being trusted and respected by the workforce in order to achieve a high success rate.

## 2. Getting Started

Communicate with everyone in your organization announcing the establishment of the new team and its objectives. Preferably all employees should be asked beforehand to see who has an interest in joining. After all team members have been selected, they should be introduced and their skills and qualities highlighted as to why they have been appointed. State clearly that this team has direct top-level support to review the as-is situation and that all employees are encouraged to communicate their process-related concerns and suggestions with the team members.

The project team should have a full-time inauguration week with lean workshops, training in project management, process mapping, setting and measuring of KPI's, change management, scenario analysis, feasibility studies and ROI calculation etc. These can be organized by internal resources (if available) or externally sourced. This week will also serve as time for team-building activities and getting to know each other better. The atmosphere in the team needs to be balanced and harmonious as they may have to withstand objections later from colleagues or entire departments trying to maintain the status quo.

## 3. Project Management and Communication

After the team have spent some time with each department mapping out / verifying the current processes (including material and information flow), identifying lead times, waiting times, inefficiencies, opportunities etc.

and utilities sectors for more efficient and even fast Logistics and Transport services.

[www.metranslog.com](http://www.metranslog.com)



**GLCS Logisym Malaysia**  
11 - 12 October 2016,  
Kuala Lumpur, Malaysia

GLCS LogiSYM Malaysia 2016 promises to be a highly unique event. Building on the success of the past 4 years, the 2016 Fifth Annual Global Logistics and Supply Chain Symposium will focus this year on providing a platform for mid to senior level shippers to discuss and explore innovation, excellence and what changes we can expect to see in the Asian supply chains of tomorrow. We will hear from leading solutions providers in the industry and explore best practice collaboration case studies. The structure of the symposium is such that delegates will have more interactivity with supply chain peers, allowing the development of ideas and for delegates to acquire actionable take-aways to present back at the office.

[www.logisym.com/events/logisym-malaysia-2016](http://www.logisym.com/events/logisym-malaysia-2016)

## News

**Logistics Executive Group boosts its global marketing team**

Ambiguous Design, Logistics Executive Group's marketing support arm this month announced the appointment of Ms Myla Morales, as Group Marketing Head for its Logisym subsidiary. Logisym, a

they should compile a list of possible projects. Each project should have a short description of scope, estimated project time, objectives, estimated saving potential, if any investment required, departments and stakeholders concerned and proposed team members to work on it. These should be discussed in a joint meeting to clarify which projects to prioritize and which can be run in parallel. Once the top-level management gives the go ahead, one team member should be assigned to project manage and generate a brief weekly status report for the team and the management. A company-wide monthly newsletter will help to keep the entire workforce informed of the progress and upcoming initiatives, keeping a positive dialogue and involvement and avoid fear of change and rumors to spread.

#### 4. Methodologies

As mentioned before, the process excellence team should be well versed in a variety of methods and approaches used for continuous improvement in all areas from sales, customer service, production, order fulfillment, logistics as well as finance and admin processes. We have listed below a brief summary of effective tools which the team should utilize during process excellence projects:

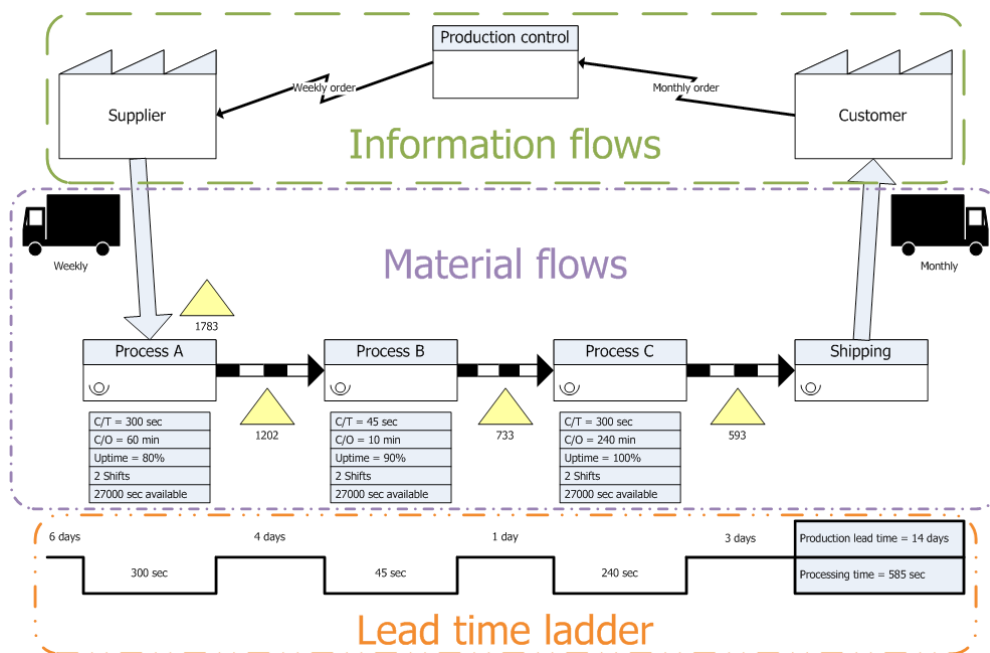


Figure 3: Value Stream Map Example

- **Value Stream Mapping (VSM):** a special type of flowchart to depict the material and process from supplier to customer and distinguishing between value-adding activities and non-value-adding activities when analyzing the overall lead time. It helps to highlight which steps need to be improved to smoothen the overall process flow and shorten lead times.
- **5S** (from Japanese translated as "sort", "streamline", "shine", "standardize", and "sustain"). 5S is a system to reduce waste and optimize productivity through maintaining an orderly workplace and using visual cues to achieve more consistent operational results.

joint venture with LSCMS manages Logisym Magazine with a month distribution to over 80,000 professionals and a range of international supply chain conferences. The company recently announced that it will run four global conferences in 2016 in Singapore, Malaysia, India and Dubai.

#### Logistics Executive Group launches Certified Logistics Professional Accreditation program in partnership with LCSMS

Logistics Executive Group and LSCMS (Logistics and Supply Chain Management Society) have joined forces to offer Certified Logistics Professional (CLP) certificate across the global markets. With the emphasis on collaboration with other industry bodies, associations, groups and societies, the CLP Certification is the benchmark of excellence for measuring capability and proficiency within the profession of Logistics and Supply Chain Management. For more information:

[www.logisticsexecutive.com/academy/certified-logistics-professional-certification](http://www.logisticsexecutive.com/academy/certified-logistics-professional-certification)

- **Bottleneck analysis:** Identify which part of the business process limits the overall throughput and improve the performance of that part of the process (can use simulation).

- **Simulation:** Tool to model the business processes and facility layout virtually to study the system behavior by running several scenarios to find the optimal layout, process flow and utilization of resources (e.g. number of staff, space and equipment required). It is a great decision-making support tool when analyzing existing or newly designed production and logistics facilities as well as entire supply chains.

- **TPM** – Total Productive Maintenance: Getting workers involved in maintaining their own equipment, and emphasizing on preventative and proactive maintenance will lay a foundation for improved production (fewer breakdowns, stops, and defects).

- **Kaizen** (Continuous Improvement) is a strategy where employees at all levels of a company work together proactively to achieve regular, incremental improvements to the business process. Nurture this culture by organizing events focusing on improving specific areas of the company.

- **KPI** (Key Performance Indicator): Metrics designed to track and encourage progress towards critical goals of the organization. Strongly promoted KPIs can be extremely powerful drivers of behavior – so it is important to carefully select KPIs that will drive desired behavior.

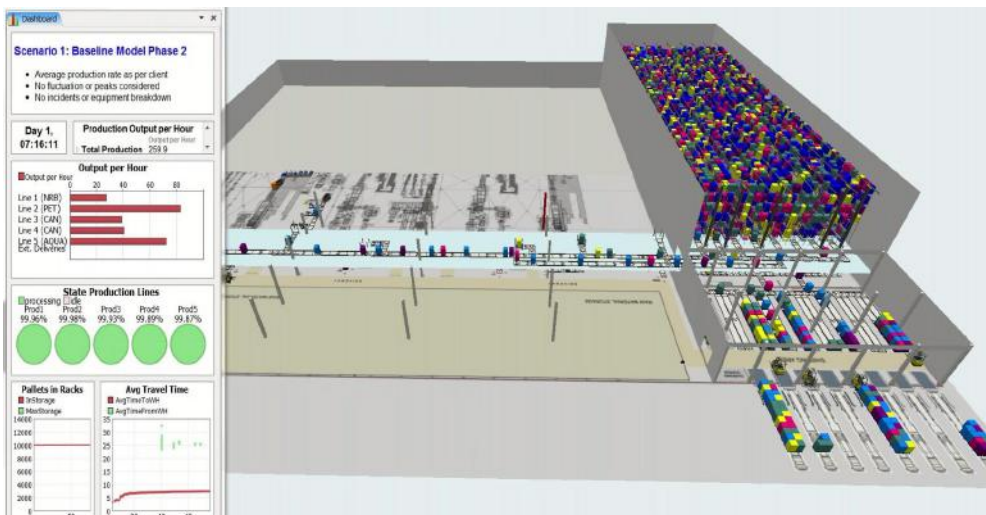


Figure 4: Example of a Warehouse Simulation

### Earning the benefits

Many of the lean tools were initially developed by Toyota to improve their own production system, but this time these tools have been further developed and adapted to suit many different types of organizations, such as the logistics sector and even non-producing and service oriented firms. Management and the workforce need to understand that successfully achieving process excellence is also due to change management as

it is often a huge cultural change for an organization it is not a quick fix project or just a six sigma belt certification course. If pursued consistently and with continuous top-level support, many millions of dollars of savings are possible with comparably low investments required. All of the above mentioned lean tools will be of tremendous help to successfully implement a sophisticated IT system, or in supporting a move to a newer and larger location or even simply boosting productivity and output from the existing facility.

These incremental savings will assist in funding continuous improvement budgets as well as ensuring healthy margins even in less prosperous years. Lean initiatives help to generate product and process innovation as well as high workforce morale. Plenty of talent and positive engagement can be unleashed from the existing work force once they are encouraged and awarded by contributing their ideas. In addition it helps organisations to attract and retain talent that keeps developing which in turn helps to stay one step ahead of the competition.

Embarking on the lean journey is a fantastic New Year's resolution. By the end of 2016 companies that have successfully adopted the process excellence approach will be able to look at a transformed organization with great prospects for the years ahead.



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Katharina is a material flow simulation expert with more than 8 years of experience in the logistics, manufacturing, aviation and oil & gas sector. She holds a Master's degree in Systems Engineering & Industrial Management from Germany and has established her own practice in 2011.

Katharina's consultancy style is unique as she is focussing on the optimization of material and information flow as well as lean facility design by applying sophisticated methodologies and 3D simulation. Her analytical thinking and holistic approach has helped many organisations to substantially increase their productivity and profitability.

Modern supply chains should be lean and flexible, yet resilient to potential disruptions. Advanced planning and decision support for all stakeholders are vital for long-term success. Katharina enables organisations to improve the utilization of resources, their operational planning and strategic decision making.

Contact Katharina at [katharinaa@logisticsexecutive.com](mailto:katharinaa@logisticsexecutive.com)