The economic collapse and the global recession is one of the disruptive forces that my organization has had to deal with in the recent past. The difficult macroeconomic environment, fueled by the crisis in the credit and financial markets, not only exacerbated the transformation of the furniture industry, but impacted the home-building and furniture sectors significantly, particularly with the discretionary nature of home furnishings purchases.

The company I work for is one of a leading manufacturer and retailer of quality home furnishings. The company sells a full range of furniture products and decorative accessories through a dedicated network of design centers located in the United States and abroad. The company operates 9 domestic manufacturing facilities. We use to only manufactured for the core segment of classical furniture and as changing consumer demands shifted, the company realized its products were dated to older styles and older consumers that were rapidly moving out of the furniture purchasing segment due to age. The new generation of customer had entirely different interests as it pertained to furniture and home furnishings, and we also saw new entrants taking market share rapidly. As the market moved, the company has realized that changes to the company’s internal operating system were necessary.

In 2008, the company has restructured the entire supply chain. Back in 2001, the company had 20 production plants including manufacturing and upholstery, 3 sawmills, and 11 distribution centers. We now have only four manufacturing plants for furniture assembly, four manufacturing facilities for upholstery, one for accessories, and seven distribution center. We now produced 70% of products in the US and 30% overseas through subcontracted suppliers. In each phase of this process, we either moved current production from a closed plant to existing plants or expanded our international sourcing capabilities. As the result of this, we reduced product lead-times from manufacturing to delivery from 3-4 months to 6 weeks for 90% of our products. The company’s current goal is to reduce this even further to 30 days.

This strategic change was created at the top by the executive management level. The company realized that in order to remain competitive an entire reorganization of the supply chain was necessary. Their ability to motivate and more importantly implement the necessary processes such as increasing capacity, improved facility and operational investments, all show the impressive effects strong collaboration can have. This transitional process took the dedication of thousands of employees who all understood that the operational design of the new supply chain would be better suited for the competitive environment of the industry. These significant changes made may appear to some as not all that significant. Some people will claim that the company has relatively the same structure as before, just less manufacturing facilities and distribution centers. But consider just the reduction of one manufacturing facility means that the entire production requirements in this facility must now be move to other operational facilities. This could dramatically influence the service level, lead times, and cost structure of these facilities, but in fact these processes were being effectively managed as well. The company actually improved in all these areas, so the question becomes how?

The answer is modifying the existing model as a whole. If production of 10,000 units is moved from one facility to another, there must be a system in place to account for this change, including suppliers, transportation logistics companies, and manufacturing staff in coordination with the facility that will increase production volume. At the same time, the company moved from a MRP system of supply replenishment, to hybrid JIT system with some of their suppliers. As the company focused more on providing customized products to customers, this pull system created a draw for replenishment at the manufacturing level. The supply chain model change allowed manufacturing the ability to carry less inventory, decrease lead times, and through investment creates greater flexibility in the manufacturing process. By increasing the investments in capacity development, and collaborating with each of the stakeholder groups involved, the company was able to overcome the hurdles of volume increased that in most cases would hinder a company’s ability to operate for years potentially.

From the experience, I learnt that any system is a collection of subsystems or parts which are integrated with the purpose of accomplishing one overall goal. That system has different inputs that undergo certain processes so as to produce given outputs hence accomplishing the desired goal for that system. In the case of any organizations, it is usually composed of numerous administrative as well as management functions, groups, individuals, products and services. In the event that one part of the system is changed, the overall system is affected. In the event of a crisis or disruption, therefore, the different subsystems much be looked at in relation to the problem and their contribution to the whole system.

Reference:

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