

Baker Hughes, a GE Company Improves Customer Service and Enhances Operational Efficiency

With materials management a strategic lever, BHGE aligns with APICS partner JPS to develop a team that improves on-time delivery by over 30 points—the highest performance in business unit history.

Goals

- Position materials management organization as a strategic lever for the business
- Increase operational performance and customer satisfaction
- Strengthen pipeline of materials management professionals
- Choose a supply chain authority with capability to support the company in every region

Approach

- Create a high-performing multinational materials management team across 11 plants, by deploying a consistent work approach
- Implement standardized best practices to drive synergies worldwide
- Partner with a solution provider with proven capability to deploy a standard work approach worldwide
- Create benchmarks to measure program performance

Results

- 30+ percent increase in on-time delivery
- 30 percent reduction in slotting lead time
- 50 percent increase in capacity utilization
- Say/do ratio greater than 95 percent
- Highest inventory turns ever
- 150 employees engaged in APICS CPIM training

Building excellence from within

It's no secret: BHGE aspires to attract top talent. It's also no secret that BHGE's talented professionals are entrusted to solve some of the world's greatest challenges, such as enabling access to resources to meet the world's rapidly growing energy demands. BHGE is also known for engineering, and rightly so. But recognizing the value of great product design can be realized only if customers get what they need, when they need it. Baker Hughes, a GE Company called on its Florence, Italy-based turbomachinery supply chain—specifically the materials management organization—to be a strategic lever for the business's overall performance. Baker Hughes, a GE Company initiated a five-year multi-generational program with a specific focus on its Turbomachinery Solutions business. The program focused on materials management, identifying the key people, processes and tools that were central to the supply chain organization's ability to hit key performance indicators (KPIs.) Company leaders—including the newly appointed materials management and logistics leader, Lorenzo Romagnoli—quickly saw an opportunity to bridge the three main dimensions of the program: people, processes and tools. Developing and strengthening the pipeline of supply chain professionals focused on materials management through the application of standard, industry-proven best practices across the organization would be the link holding all three dimensions of the improvement strategy together (see figure 1).

Figure 1

A Common Link to all Dimensions of the Multi-generational Program

People, processes and tools—the glue that holds them together is standardized best practices deployed across all three.

A legacy of continuous advancement

When Romagnoli took the reins of the materials management organization, he had a big job to do. He had to demonstrate the strategic impact of the organization, while at the same time improving the customer experience as measured by KPIs. He was also leading a team that historically had not made investment in training and professional development a priority.

He knew that BHGE's strong legacy of investing in employee development was just as important as the company's commitment to applying proven best practices to achieve business results. In order to elevate the importance of materials management to that of engineering, BHGE would need to build a multinational team of professionals connected through a consistent approach. This approach would foster a standard mind-set using universal terminology and practices based on a validated body of knowledge.

"In order to declare success, we needed a program that was truly scalable—able to span cultures, languages and regions. We had to align with a partner that could help us deploy industry standards that could deliver repeatable results," said Romagnoli.

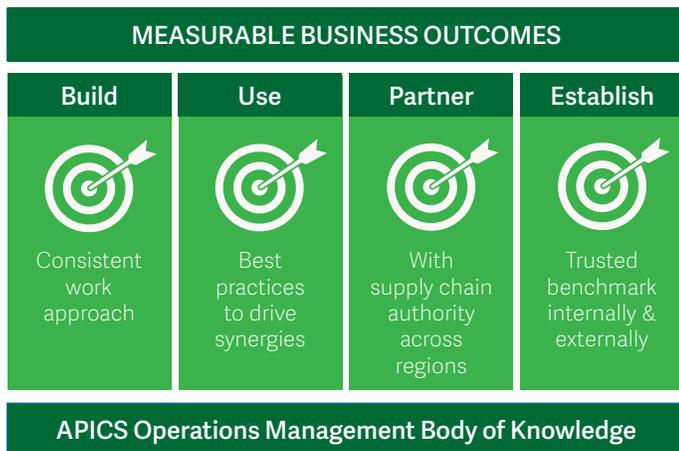


All on board with ASCM standards

To position the materials management organization to drive measurable business outcomes, Baker Hughes, a GE Company needed to select a supply chain and operations management authority with documented standards and best practices. These standards would serve as the training foundation across the multigenerational change program. The Operations Management Body of Knowledge and APICS training and certification were identified by an internal committee of operations leaders as the vehicle that would enable the company to achieve its goals—detailed in Figure 2.

Figure 2
Baker Hughes, a GE Company Multi-generational Program Targets

ASCM body of knowledge, training and certification served as the foundation that enabled the Turbomachinery Solutions business to achieve its goals.



Implementing training and certification

Over 14,000 participants from BHGE or customer companies come to learn each year at the GE Florence LearningCenter, the company’s largest training center in Europe. It fosters a spirit of excellence and continuous improvement—a perfect site for the training program. Baker Hughes, a GE Company leaders selected the APICS Certified in Production and Inventory Management (CPIM) path for selected professionals with the greatest impact to the materials management organization—including professionals from the projects group, the function overseeing customer requirements. Together with APICS channel partner JPS, they built a training program to address some of the organization’s most complex challenges. Baker Hughes, a GE Company committed to the CPIM certification program, covering all five learning modules with

multiple course waves running throughout the year. The CPIM program was ideal for three important reasons. First, CPIM courses and tests are based on the industry-proven ASCM Operations Management Body of Knowledge, providing employees the knowledge and best practices to understand and evaluate the production and inventory activities associated with Baker Hughes, a GE Company’s KPIs. Second, the CPIM designation is a highly desirable professional certification and contributes great value to individual professional development—a major achievement and source of pride for employees. Third, the CPIM path provides a benchmark for the organization to measure training effectiveness and, ultimately, return on training investment. There are five tests aligned to the five CPIM learning modules that must be passed, necessary not only to validate the knowledge obtained but also to earn the CPIM designation. Also, because APICS CPIM is globally represented, Baker Hughes, a GE Company could measure its employees’ testing performance against global averages—another way to benchmark program performance.

To date, Baker Hughes, a GE Company has enrolled 150 employees from cross functional teams related to the Turbomachinery Solutions business in the CPIM program. Three employees have achieved the honorable CPIM designation and another five will join them by the end of 2014. Furthermore, pass rates for each module have exceeded published averages, a testament to the program integration and instruction facilitated by JPS. The training program has expanded each year since it launched in 2009 due to employee enthusiasm and direct business results.

“The APICS CPIM program has really stood out at BHGE—employees are lining up to be a part of it. It is a real pride point to be invited to participate each year,” said Romagnoli. “We found a body of knowledge and program that works, and now we intend to replicate it.”

Leadership was quick to recognize that building a solid foundation based on industry best practices enables employees to directly and successfully support organizational and strategic initiatives for change. In fact, the success of the program has been widely recognized and now the program is being replicated across the Baker Hughes, a GE Company organization. The APICS training and certification model is now expanding to more functions and plants in the U.S., Asia, Latin America and other parts of Europe—a testament to BHGE’s commitment to achieving top results through talent development.

“The commitment of the project sponsor, and the continuous focus on the quality and excellence of the classroom experience, were crucial for the program’s success,” said Paolo Napoli, JPS partner and lead APICS CPIM instructor. “When we began working together in 2012, special attention was placed on properly communicating and emphasizing the importance of this training and its direct connection to overall company results, which has created the best conditions for participants to be highly motivated and enthusiastic about being part of the ASCM community in Baker Hughes, a GE Company Turbo machinery.”

The proof is in the performance

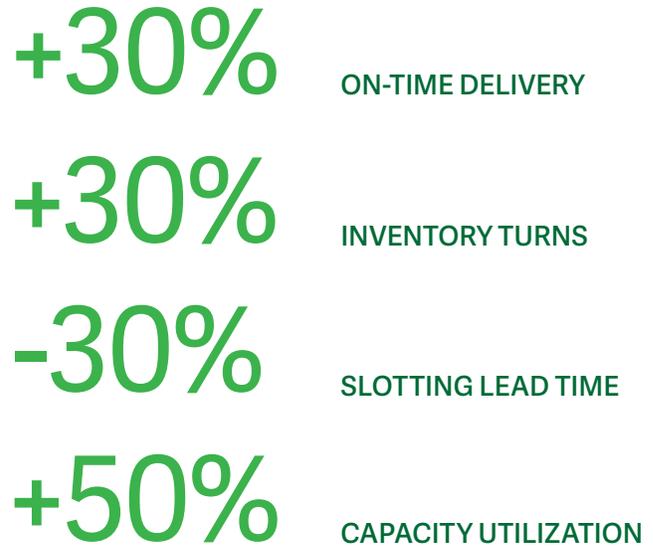
Driven by ASCM best practices, program participants shaped a high-performing organization by establishing an understanding of opportunities for improvement and the know-how to achieve performance targets. This result was also central to identifying an information technology gap and designing new solutions and applications to support the business from a performance focused perspective.

Today, the materials management organization is advancing supply chain performance by delivering unprecedented results. In 2013, it realized a 30 percent reduction in slotting lead time and the highest capacity utilization in the organization’s history—a 50 percent increase. Its build plan is now convergent with sales, with a say/do ratio greater than 95 percent. Most notably, materials management has significantly improved its dependability and customer satisfaction by achieving an increase of over 30 percent in on-time delivery compared to 2009. Inventory turns in 2013 also reached their highest level ever—up 30 percent compared to 2010 and up 10 percent over 2012 performance. Figure 3 highlights the notable KPI improvements realized during the Multi-generational Program.

Figure 3

KPI Improvement

This graphic reports the improved KPIs during the Multi-generational Program.



“It is amazing to see the transformation of our organization. It is a totally different pool of people and skill sets. We are so synchronized—we know what to do, when and how to do it, and how it impacts our business,” Romagnoli concluded. “At the end of the day, results matter. Today, I can declare results, and I know the one single connector is APICS training and certification.”

About ASCM

The Association for Supply Chain Management (ASCM) is the global leader in supply chain organizational transformation, innovation and leadership. As the largest non-profit association for supply chain, ASCM is an unbiased partner, connecting companies around the world to the newest thought leadership on all aspects of supply chain. ASCM is built on a foundation of APICS certification and training spanning 60 years. Now, ASCM is driving innovation in the industry with new products, services and partnerships that enable companies to further optimize their supply chains, secure their competitive advantage and positively impact their bottom lines. For more information, visit ascm.org.

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