



SAP acquisition signals surge in interest around lean solutions

By Pamela J. Gordon, CMC

The recent buy of lean scheduling and kanban execution vendor Factory Logic by enterprise systems vendor SAP is perhaps the biggest indicator of increasing demand for Lean-oriented software applications.

“We hope to extend our manufacturing operations strategy as well as advance adoption of the lean manufacturing concept,” explains Sudipta Bhattacharya, a senior VP with SAP.

Ashley Stirrup, CEO of Ultriva, another lean software supplier, says factors such as global competition and mass customization are fueling a “lean boom” from which all vendors in this space can expect to benefit. Stirrup says Ultriva saw its sales double in fiscal 2006 following the March release of Ultriva Kanban 5.8.

This package represents an automated version of the manual kanban inventory management system pioneered by Toyota. Ultriva also offers tools for tracking and documenting savings and operational improvements resulting from adoption of lean processes. Companies using Ultriva solutions are experiencing a 45-percent to 65-percent reduction in inventory, and up to 85 percent shorter supply lead times, Stirrup says.

“At the moment, lean is the only proven way to increase [product] variety and reduce development-to-market time while maintaining low costs and premium quality,” says Stirrup.

Further evidence of the increasing popularity of lean is contained in a recent survey conducted by Boston-based AMR Research, wherein 52 percent of survey respondents say they either have implemented or plan to implement lean replenishment strategies with their suppliers; 43 percent are installing or planning to install lean tools such as kanban loops.

The purchase of Factory Logic is another step in SAP’s quest to bridge the gap between enterprise systems and the plant floor. Other moves in this regard include the acquisition of Lighthammer, a developer of solutions for analyzing plant-floor data.

“Our applications enable factory personnel who are face-to-face with the customer to be sensitive to changing environments,” says Factory Logic VP Allan Wilson. “Disruptive events such as a break in the supply chain have to be treated with a real-time tool for factory-floor personnel. We enable them in the most agile way to look at production and align resources to meet the needs of the customer. When you integrate those actions, the infrastructure of the rest of the SAP manufacturing suite comes into play behind that to align your supply chain. That is what we are really bringing to the market.”

Wilson also believes having a company like SAP backing the lean concept will influence more companies to adopt the model faster.

“[The acquisition of Factory Logic] will hopefully stimulate interest and product leadership, and provide product for a market that is looking for that leadership,” says Wilson. “There are many consultants in the market doing a very good job of advising the manufacturing industry on what to do about lean. The challenge has been twofold: making lean stick internally, and learning to deploy lean in a global context. As companies source globally; they need to know how to standardize on a lean infrastructure throughout a global supply chain. The way to do that is to use lean tools and technology that can coexist with an existing infrastructure. The SAP manufacturing stack is ideal to make that vision a reality.”