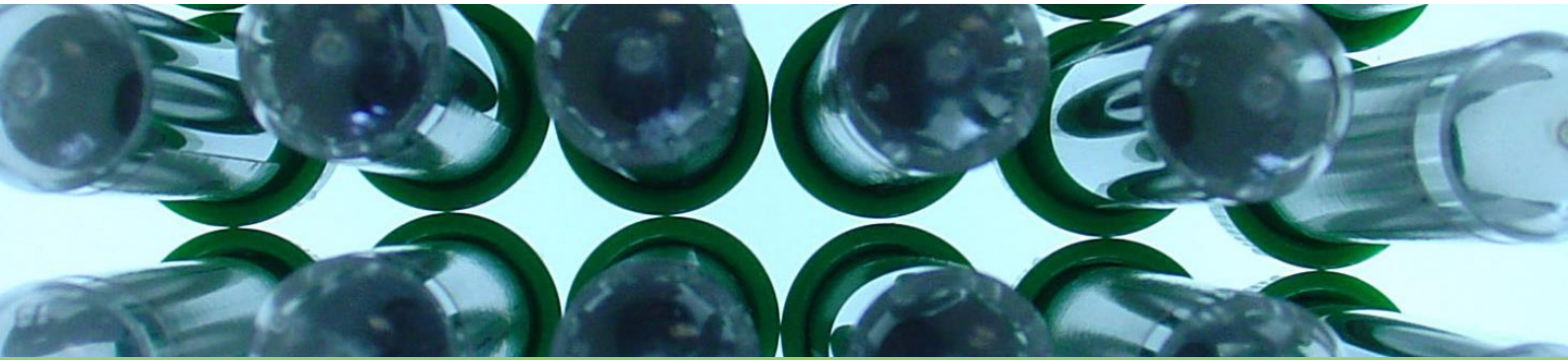


## Slimming down the company organisation through its suppliers



Project start date:  
2012

ERP:  
Oracle

Users:  
5

Industry:  
Healthcare

Integrated suppliers: all

*How did the Italian branch of an American multinational corporation overcome market uncertainties? Starting from a deep reengineering of procedures and involving the suppliers in the organisational methodologies adopted. This is the case of Orthofix, leader in the orthopaedic products sector, which has realised a complete supply chain integration thanks to the IUNGO platform.*

The Orthofix Group has more than thirty years of experience in the orthopaedic products sector. It was born from the intuition of orthopaedics professor Giovanni De Bastiani, of the University of Verona, to treat fractures in respect of the bone's natural ability to repair itself. He therefore developed a system of external axial frames devices to help bone healing.

The company underwent continuous growth that allowed it to be listed in the NASDAQ Index in 1992. The headquarters are located in Dallas (Texas, United States), and their main focus is on innovative treatment options for the spine. The European branch is located in Bussolengo (Verona, Italy) and concentrates on orthopaedic products. The company owns many other branches in Britain, France, Germany, Switzerland, Brazil and Puerto Rico, and has a network of independent distributors located in 86 different countries.

The total turnover is estimated at around 300 million euros a year and the company has more than 1000 employees (150 only in Italy).

### REORGANISING IN A LEAN PERSPECTIVE

The key to the success of this company is to be found in its ability to understand the market's needs.

About seven years ago, they analysed the customer satisfaction level and identified the need for a reengineering of procedures in order to start the production of customised devices. A pull strategy was then needed, with the essential requirement of removing stock obsolescence and unplanned deliveries. This is nothing new if we consider that the lean techniques (Lean Manufacturing and Theory of Constraints) have been introduced in Italy more than twenty years ago. But Orthofix took one step further and underwent radical innovation if we look at how they reorganised their processes. The change did not involve single processes, but the totality of them, in a global perspective that considered the supply chain as the main focus. We are talking about an integrated logistics system that presumes the collaboration of the headquarters, the assembly department, the laboratory and the



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suppliers. Orthofix is even sharing the warehouse management with its three main suppliers.

The informative systems involved in this project are the MRP, the ERP and the IUNGO platform.

### THE PROJECT

The first innovation was the introduction of a MRP (Cyberplan) with non-traditional features, being able to manage Kanban along with the typical push modality. The data (especially the priority lists of orders and materials) are processed twice a day by the department supervisors, according to a standardised protocol, and the system provides weekly for the transmission of orders and expediting.

IUNGO was introduced in March 2012. This web platform for supply chain management enabled the automation of processes and the participation of suppliers through the use of patented email messages. The modules in use at the moment concern purchase orders, dispatch notes, confirmations, reminders, Kanban and invoices. 1200 purchase order lines are sent through the IUNGOmail every month, according to a supply agreement defined in the beginning of the year.

*"We chose IUNGO because of the extreme flexibility of this tool, which enabled us to easily integrate different typologies of suppliers. Moreover, our company deals with many foreign suppliers that need to attach confirmations in pdf or txt format and IUNGO offers this possibility",* states Pierluigi Scalzotto, Planning Manager of Orthofix.

In just a few months, the totality of suppliers were integrated. Ultimately, IUNGO is connected to the ERP Oracle and all the data are automatically imported into it and transmitted to the MRP, facilitating production planning.

The benefits of this tool resulted in a significantly improved end-user service experience (risen from 80% to 98% in slightly more than two years), a lean time reduced from three months to one week and average stock

levels decreased by 50%.

*"After having worked on informative systems and internal procedures, we can assert that we achieved an effective implementation of the pull strategy. IUNGO is one of the keys to this success because it allows a real-time communication inside and outside the company, together with the traceability of operations. The integration of IUNGO with the MRP took a step further with forecast management and the transmission of expediting to suppliers"* comments Scalzotto.

### BENEFIT AND WORK IN PROGRESS

The data examined above clearly show that the implemented system brought significant benefits. In particular, internal efficiency was improved with the reduction of low added value activities (updating the ERP alone required several man hours).

Moreover, IUNGO allowed the improvement of punctuality and speed in deliveries, the standardisation of internal information flows and the realisation of a dynamic supply chain.

The company programmed the implementation of the modules concerning transportation and the creation of labels for the near future.

