The Transformation of Panasonic UK

Gaining competitive advantage through policy and major technology change.

Panasonic UK Headquarters, Bracknell

Panasonic is a major part of the world's largest and most successful electronics company, Matsushita – a market leader in the supply of home electronic equipment, computer peripherals and electronic components to industry. Since 1918, it has grown from just 3 to 290,000 employees and has net sales in excess of $50 billion worldwide. Panasonic UK was established in 1972.

Although enjoying considerable sales growth, concern was increasing about the resulting growth in administrative effort and the cost of servicing their sales and order delivery processes. The company's success had been based upon a tradition and culture that had changed little over the years but as the UK business grew, the outdated processes and supporting infrastructures became increasingly inflexible to the new demands placed upon them and an increasing cost base was making the organisation progressively less competitive.

In addition, the company's responsiveness to customers was weak with virtually all products manufactured to order resulting in an order – delivery cycle taking an average seventeen weeks due to order processing, factory scheduling, manufacture (in Japan or Malaya), shipping and delivery. Often, during this lead time, customers would seek to modify their order details but this was frequently too late to change or involved considerable administrative effort. Panasonic recognised they urgently needed to reduce this lead time, reduce their costs and improve the company's responsiveness and service to customers.

Panasonic turned to ICL and a process re-engineering project was set up and managed by Steve Wright*. The project scope included the processes, quotations, order capture and delivery. Using well tested formal methods, the project involved all levels of the company's management and staff through a series of interviews, facilitated workshops, process modelling, simulation and analysis to identify the necessary changes to achieve the project objectives and redesign targets. Panasonic management only placed one constraint on the project team: 'no redundancies'.

As the project unfolded it became apparent that process change, by itself, would not deliver the target improvements. There needed to be other, more fundamental changes that made it easier for major customers to trade with Panasonic and which would also strengthen the business relationship. The redesign workshops and subsequent impact analysis produced fundamental changes that transformed Panasonic's operations:

1. The creation and on-line distribution of electronic quotations to all customers with immediate notification and amendment as prices changed. For Panasonic's major customers, 47 in total, Panasonic provided a quotation and order system where the

customer could pull items from the quotation to an order form, enter order details, (volumes, delivery dates, etc.) and send the order via EDI to Panasonic's Sales Order Processing (SOP) system for automatic processing and acknowledgement. This 'customer friendly' system resulted in a significant increase in order volumes due to tight pricing and the preference of the customer to use the system over that of competitors.

2. The policy of 'manufacture to order' was changed to holding common industrial components as stock in the UK. These stock items could be delivered to customers within 24 hours rather than taking 17 weeks.

3. The automatic allocation of stock items against required delivery dates or, if stock was unavailable, to check 'in transit' or automatically generate a factory order,

4. Linking customer MRP and stock order systems to Panasonic IT systems and providing customers with direct access to Panasonic stock systems to order or reserve stock,

5. Order amendments from customers via EDI are automatically validated and confirmed, or queries passed for resolution to the Customer Services department, a new unit created out of the administrative function whose work is now greatly reduced due to the significant IT automation.

6. Part of the cultural change necessary to enable these new processes to perform effectively was the need for comprehensive training and management to give those lower down the organisation more responsibility for operational decisions within a framework of policies and guidelines.

With so many major changes the implementation extended over more than 18 months covering an organisation restructure, new stock holding policies and management, new warehouse facilities, the development and implementation of new Panasonic and customer linked IT systems and many more. As administration staff became freed up they were retrained from the previously internally focussed role to be more customer focussed, handling customer queries and problems, keeping customers informed of new products, promotions and other sales and marketing initiatives with new IT systems developed to support them. Those administrative staff with a technical capability were retrained to provide major customers with implementation, training and support in the use of the new quotations, sales and communications IT systems. Subsequently, the internet has been used for data transfer and communications rather than EDI.

Panasonic has undergone a considerable transformation in its structure, attitudes and approach to trading. By freeing up and moving staff from internally focussed roles to roles that are more focussed on delivering service and support to customers, and by improving the trading links , a much closer relationship now exists with many customers that, in turn, has led to new business opportunities. Although this assignment was focused on the UK operations, the change solutions were implemented across Panasonic's European operations, transforming its business operations and gaining a competitive advantage in its marketplace.

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