

Metal Manufacturer Labor, Inventory, and Changeover Savings

Project Start Date: November 12, 2007

Project End Date: June 13, 2008

Company profile

Metal Manufacturer is a *World leader in the manufacturing of waste handling equipment*. With 35 manufacturing facilities, it provides customers with solutions to their most challenging waste handling problems.

Metal Manufacturer has a solid reputation for quality products and service. Because of Metal Manufacturer's expertise, resources, manufacturing capacities and strengths, Metal Manufacturer achieves a higher level of product excellence and customer satisfaction.

Business situation

Metal Manufacturer had been experiencing rapid growth. The speed of growth called for duplication and standardization of processes in each of its facilities. Metal Manufacturer wanted to improve its entire process from order entry to shipped sales. Achieving this would require a deep dive of everything including: order processing, engineering release, procurement / supply chain, manufacturing, testing, and distribution / logistics. Ultimately, Strategy3 would drive savings largely in: labor, inventory, and changeover improvements.

Implementation Approach

Strategy3 identified the critical opportunities within the organization. Among them, included:

- Activity based costing on units – what does it really cost to produce every model in each family for materials and labor
- Kanban systems for all internal and external storage – add also a small lot strategy to improve material handling, additional touches, unnecessary movement
- Workstation layout and design by product line (each site has 3 or 4 opportunities for this)

- Engineering drawings, distribution, control, revision level, etc. Creating rigor in the process
- Total cost of ownership calculations – what are the incremental costs of purchasing steel in a fashion that requires further processing versus purchasing to spec and using immediately on line. Supermarket of kit strategy.
- ERP Implementation – setting the manufacturing hooks (bills, routers, scheduling, inventory management, etc.)
- Key Product / Process Indicators (KPI's) identification and implementation. Preparing to measure what you treasure in the sites.
- Inventory release program by job to control material usage, allocation, waste, etc.
- Working in the processing shop (feeder departments) at each site creating flow, pull, material management
- Developing the standard for CI projects at the Metal Manufacturer sites. How to account for and measure the effectiveness of each project.
- Lead the design, implementation, and turn-key processes for the compactor line replication program in the LA, IN, and OR sites.

Results

- Single Piece Flow process implemented, saving 29.97% in labor
 - Annual labor savings = \$204,423
- Inventory Reduction of \$29,400 annually
- Changeover savings of \$6,939 annually
- **Total Project Savings: \$240,762**

Strategy3 worked within the organization to deliver sustained change in the Inventory Reduction, Changeover improvement, and labor productivity improvement categories. The recipe was replicable for implementation at the other Metal Manufacturer plants. A cellular flow approach of the product allowed for flexibility to facilitate replication at the other sites.