

The Lean Impact Group

Transforming Businesses Every Day



CASE STUDY 1

The Company:

- Industrial products, Oil & Gas Industry, global sales presence, manufacturing US-based
- Private Equity Owned
- Revenue \$31M
- Channels: Direct sale

Situation Summary:

Top 3 player in the industry but underperforming, not only to target expectations of the investors but also given their status and market share. Strategic planning was weak and no process for managing the plan existed. New CEO on board, inserted by the investor.

Performance Metrics:

Annual Sales - \$31M

Quality Performance – Scrap Cost 3% of Sales (\$93)

Delivery Performance – 84%

Productivity – Labor Cost 20.2% of \$Sales (\$6.26M)

Thesis:

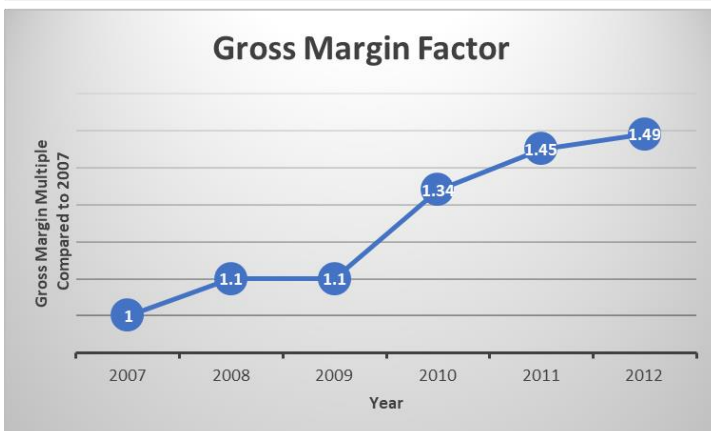
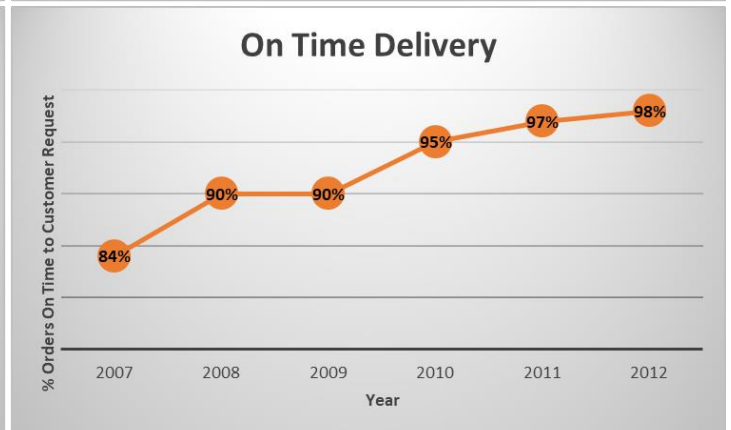
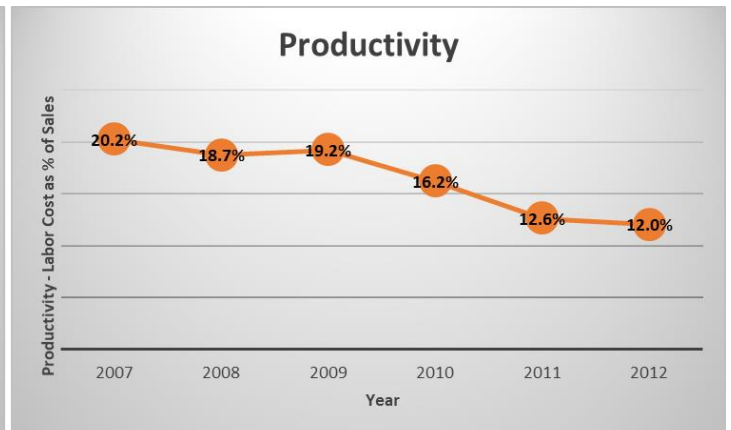
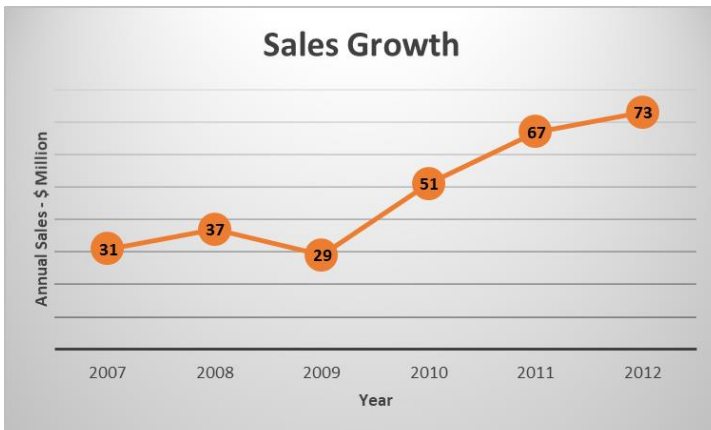
- Implement a robust Strategic Planning and Deployment Process
- Implement a Lean Manufacturing initiative to drive improvements in Safety, Quality, Delivery & Cost/Productivity (SQDC), develop internal capability to self-sustain
- Annual Improvement Plans
 - Year 1
 - Launch Strategic Planning and Deployment Process
 - Improve QDC performance: 1) order fulfillment, and 2) production process for #1 product line
 - Year 2
 - Reduce Scrap Cost – implement a sustainable process & problem-solving capability
 - Improve SQDC performance in the production process for the #2 product line
 - Year 3
 - Improve SQDC performance of the #1 shared process constraint
 - Implement a Kanban system to ensure material availability and product flow in product lines
 - Year 4
 - Build a lean production line for a new product offering and market segment

- Implement Sales, Inventory and Operations Planning process (SIOP or S&OP)
- Year 5 Focus
 - Improve SQDC performance for top 2 shared process constraints

The Lean Impact Group

Transforming Businesses Every Day

Results:



SUMMARY:

- CAGR 18.7%
- Total Cost Reduction - \$6.132M (\$1.2M/year)
- Gross Margins up 49% from baseline year
- Consulting Investment \$135K
- ROI (on cost reduction only) – 4,542%