

## CLIENT

A MANUFACTURER OF LARGE HIGH PRESSURE HIGH OUTPUT INDUSTRIAL PUMPS.

## COMPANY PROFILE

PUBLICLY-HELD \$60 MILLION IN SALES

285 EMPLOYEES, UNIONIZED WORKFORCE

WEST MICHIGAN LOCATION

BRAND NEW MANUFACTURING FACILITY

## CHALLENGE

FOLLOWING A LONG PERIOD OF COMFORTABLE PROFITABILITY AND CASH FLOW, THE COMPANY BEGAN TO EXPERIENCE A DETERIORATION OF BOTH PROFITS AND CASH FLOW. MANAGEMENT WAS VERY CONCERNED ABOUT THE TREND AND WAS NOT ABLE TO DETERMINE THE ROOT CAUSE. FOLLOWING A \$4 MILLION LOSS FOR THE YEAR, THE ALARM WAS SOUNDED AND MANAGEMENT ENGAGED A CONSULTANT TO EXPLORE THE POSSIBLE ROOT CAUSES.

## FINDINGS

THE CONSULTANT SPENT TIME OBSERVING THE PROCESSES ON THE FACTORY FLOOR. SEVERAL AREAS OF CONCERN WERE NOTED, INCLUDING EXCESSIVE INVENTORIES OF RAW CASTINGS, INEFFICIENT PRODUCT FLOW AND INTERNAL LOGISTICAL CHALLENGES, AND EXCESSIVE AMOUNTS OF SPOILED GOODS, REWORK, AND SCRAP. IN ADDITION, THE BILLS OF MATERIALS AND PROCESS ROUTINGS WERE REVIEWED IN DEPTH FOR ACCURACY. IT WAS DISCOVERED THAT MAJOR SUBASSEMBLIES WERE MISSING FROM THE BILLS, FROM WHICH CUSTOMER PRICING HAD BEEN DERIVED. ON A SINGLE ORDER OF FIFTEEN PUMPS, OVER \$300,000 WAS LOST DUE TO THESE OMISSIONS.

## RESULTS

THE BILLS OF MATERIAL OUTSOURCE CODES WERE CORRECTED IN THE COMPUTER SYSTEM AND THE SALES ENGINEERING PERSONNEL WERE TRAINED ON VALIDATING ALL UNDERLYING DATA FROM WHICH PRICE QUOTATIONS WOULD BE DEVELOPED IN THE FUTURE. PRODUCT FLOWS WERE REARRANGED, WORK CELLS WERE SET UP, AND BETTER ACCOUNTABILITY OF TIME WAS OBTAINED THROUGH REPORTING OF ACTUAL LABOR HOURS MEASURED AGAINST THE STANDARDS. MACHINE CENTERS WERE OPTIMIZED, REDUCING SETUP TIMES BY SCHEDULING SIMILAR JOBS SIMULTANEOUSLY. RAW CASTING STOCKS WERE REDUCED AND TURNOVER INCREASED, REDUCING THE CASH INVESTMENT AND ENABLING THE RETURN OF DEFECTIVE CASTINGS TO SUPPLIERS WITHIN REASONABLE TIME LIMITATIONS. THE FOLLOWING YEAR, THE COMPANY ACHIEVED A \$4 MILLION PROFIT.



### NOTES:

THE PREVIOUS CASE STUDY WAS DERIVED FROM ACTUAL ENGAGEMENTS IN WHICH LEVEL TEN PROFESSIONALS WERE ACTIVELY INVOLVED OVER THE COURSE OF THEIR CONSULTING CAREERS. THE LEVEL TEN PROFESSIONAL IS REFERRED TO AS "THE CONSULTANT". THE NAMES AND OTHER CONFIDENTIAL INFORMATION ARE NOT DISCLOSED.