



CASE STUDY – LEAN MANUFACTURING

An original manufacturer of the classic black steel lintel and an operating company within an overall strategic Group went through a major transformation in order to turn the tide on a declining market share. Once a highly profitable company, it saw its market share decline rapidly during the mid 1990s with the recession and the market entry of new competitors. Sales revenues fell by 30% impacting heavily on profitability. Additionally, the company was hit by a retrospective rebate structure that increased costs at a time when margins were falling. Action was essential to resize the company and return it to profitability.

Out of the Red and into the Black

Initial actions to reduce costs had reversed corporate strategy and the recently decentralised business structure was centralised again to remove cost. Key initiatives had been identified but no cohesive project structure was available to address the key question of change implementation. Additionally, a new brand was launched at the time, further complicating production and hampering attempts at streamlining. To make matters worse, the shop floor operatives who were not participating in any improvement activity had rejected the management total quality approach.

In this difficult situation, Worldwide Business Solutions was asked to review the business performance and assess the financial potential of step change in performance.

A small team of consultants from Worldwide Business Solutions conducted the strategic review. The purpose of this review was to:

- Understand the issues facing the business
- Determine the key cost drivers
- Identify quick wins
- Develop a business case for change



The review was fed back to management to agree the improvement approach and to develop and produce implementation plans. It was essential that the improvement programme had the full backing of the local management team and to this end a detailed project-planning phase took place with Worldwide Business Solutions and the whole Board of the business.

It was agreed that the overall strategy was firstly to eliminate the identified non value adding cost from the business to improve shareholder returns and, secondly, to implement key process and service improvements to improve customer performance. The overall objective was to "make money again".

A joint project plan was developed to cover 8 key areas and some 22 projects. The 8 key areas were Distribution, Company Re-organisation, Range Rationalisation, Planning and Control, Manufacturing, Industrial Relations, Information Technology Systems and Purchasing. Over £7m of lost savings was identified over a 3-year period with £1.8m available in year 1. The plans were all clearly detailed with milestones, resource requirements and cost. The button to start was then pressed.

To make a step change in performance, a move to a third party distributor was unavoidable. A new distribution process was introduced. Previously, a 5-day service delivered only 50% of the orders within 5 days. Now 85% are delivered within 3 days. The improved standard of service was well received by the customers but, as a consequence, the customer buying patterns had changed radically and problems were caused by a sudden increase in the number of orders being processed: from 25,000 in to 43,000 in less than a year. This had the impact of increasing the cost of distribution and additional resource has been required to cater for this. Even so, the distribution cost per order is still 25% less than it was.

All areas of the business were impacted by the project:

- A new logistics process was established and product lines were moved between sites
- A matrix sales organisation was recommended and adopted to handle the differing products for different markets
- Cost was removed from key areas even though resource was added to improve skills and strengthen the management team
- New processes were introduced to streamline planning and focus on managing real-time customer demand



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- Rate based scheduling, Kanban and 'make to order' processes were established for all product lines
 - A new team was brought together to focus on reducing prices for common items and on re-engineering material specifications
 - Processes for developing suppliers and improving the internal focus on purchasing have also been successful
 - Range rationalisation was established in the business and a 20-30% reduction in the number of products sold has been achieved

Much attention was paid to developing better relations with the work force with a series of spearhead initiatives in this area. This covered profit related pay, the introduction of work teams and Total Productive Maintenance. Worldwide Business Solutions have only played a large role in this and achieved a 75% reduction in machine set-up times on key manufacturing lines via the implementation of SMED techniques.

The introduction of a new business system proceeded in parallel to the overall improvement programme and ultimately assisted in the re-engineering process.

During the transformation the trading year proved quite difficult, where prices continued to fall even though the overall volumes were roughly similar to the previous year. However, by the end of the year the company made a profit of over £500,000 as compared to a loss of over £500,000 the previous year. This has been a direct result of the net reduction in the cost base by £2m.

The Managing Director of the operation said, "The recovery programme was launched against a confusing mix of business issues. By providing focus and key skills, Worldwide Business Solutions have helped the local management team achieve the goal of restoring profitability".



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