

## Case Study 2 - Medical Information Technology Company \$60 Million in Revenue

### Issues:

- Business was losing \$2 million per year
- Assignment: fix it or close

### Actions:

- Organized & pruned product lines to eliminate unrelated product lines that were sold through unrelated channels
- Organization assessment – Strategic Planning – made the difficult decisions of upgrading management talent using a robust Succession Planning process
- Setup various Self-Directed Teams:
  - Inventory reduction – decreased from \$27MM to \$7MM
  - On-time delivery – increased from 53% to 99%+ (prior to adding the measurement, on-time delivery rate was unknown)
  - Mistake-Proofed the business – netted \$3.2MM savings in the first year and increased First-Pass Yield from 47% to 99%+ (prior to adding the measurement, First-Pass Yield rate was unknown)
  - Manufacturing productivity improvement – cycle time increased from 14 weeks to 3 days – the entire facility was driven by a Kanban pull system.
  - Material cost reduction – an average of 10% cost out was achieved each year
  - Space reduction – eliminated the need for 50% of the square footage
  - Process improvement, product redesigns & cost reductions:
    - Replaced cables with connectors
    - Used Statistical Process Control (SPC) to eliminate variation in the manufacturing process
    - Use of more robust components – eliminate burn-in requirement on FDA approved products
    - Replaced company owned component inventory with vendor owned inventory utilizing “vendor in-house stores”
    - Certified vendor programs allowed material to be delivered in small quantities directly to the area where it was used in the manufacturing process.
    - Redesigned workflow into flexible U-shaped work cells

- Material was pulled through the manufacturing process using a Kanban pull system
- Eliminated in-process inspections and replaced them by designing next step checks into the manufacturing process
- Cross training employees to do several different jobs well greatly increased flexibility and reduced response time
- Andon lights were used to call attention to potential problems in the supply chain

**Results in Three Years:**

- Within 1 year the company went from loss of \$2 million to a profit of \$18 million
  - Grew top line revenue from \$60 million to \$147 million in 3 years
- **Average folks did this!**