

Case Study 3 – Technology Manufacturing Company - \$190 Million in Revenue

Issues:

- Losing \$25 million per year
- First-pass yield less than 50%
- Operations Improvement needed in both US & Israel

Actions:

- First Mistake Proofing session with 30 employees netted business processes improvements of \$830,000 in just the first 30 items selected to improve – leaving another 146 items identified to work on.
- Examples:
 - Issue: Rod insertion was causing scratches that resulted in a recoating cost of \$600 each – solution: designed a tool – netted \$14,400 in annual savings
 - Issue: selling customers parts at the wrong lower field service warranty price because the Service group used a different system that was incompatible with the ERP sales system. Short term “lower level” – solution: assign different part numbers for service warranty parts. Long term “upper level” solution – merge both systems. Annual savings of \$60,000
 - Issue: eliminate finished product with loose or missing hardware – solution: buy torque screw drivers (\$28 each) and change assembly flow to eliminate the need for disassembly at end of line. Annual savings of \$25,000
 - Issue: outdated end-of-life policy causing an annual loss of \$40,000 – solution: updated the end-of-life policy to eliminate premature obsolescence of product. Annual savings of \$40,000 plus netted an additional \$150,000 in additional sales

Self-Directed Teams:

- “Purchasing Self-Directed Team” cost reduction savings on a \$40 Million annual spend
 - The original goal prior to the creation of the “Self-Directed Team” was \$17,000 – three weeks after the creation of the Team the new goal was \$3 Million in 10 months
 - Actual results: achieved \$3 Million of annualized savings in 6 months and \$4 Million in annualized savings in 10 months
- A second Self-Directed Team was challenged to drive the entire supply chain including product assemble toward a complete Kanban pull system thereby significantly reducing inventory, improving velocity and reducing costs in 10 months. (Defined as having 95% of all material converted to pull systems including finished goods, Work-In-Process and purchased material - eliminating all work orders). The challenge was met in 11 months.
- A third Self-Directed Team was challenged to improve First-Pass Yield to the 99% level within 12 months. This Team also met its challenge.

Average folks did this!