

Case Study 4 - Manufacturer of Pet Products with \$340 million in Annual Revenue

Issues:

- The Company was acquired by the Management and a Private Equity firm in a leveraged buyout
- The Management did not know how to operate in a leveraged environment
- The Company was not meeting its sales and profit targets in part because of the recession of 2001
- Company was not in compliance with its financial covenants

Actions:

Implemented a lean process improvement plan that yielded the following benefits:

- A huge inventory reduction which reduced inventory from \$80 million to \$39 million using a Self-Directed Teams in 4 locations that supported inventory reduction and operational efficiency
- Improved on-time delivery service level from the 90% level to the 99%+ level which was absolutely necessary to remain a supplier to Wal-Mart – the Company's largest customer
- Fixed the R&D processes to make it possible to introduce 104 new products in 2004 on time and within budget for the first time in the Company's 80 year history
- Delivered purchase cost savings of \$2,500,000 first year
- First-Pass Yield was improved from 75% to 99%
 - All employees were trained to use Process Mistake-proofing: skills and techniques – work cell meetings were established in all locations to take advantage of employee input
 - Preventive maintenance was used to dramatically increase equipment uptime
 - Product simplification made designs more manufacturable
- Lean Flow manufacturing improved PPMH (pieces per man hour) by 10% by:
 - Setup time reduction and uptime improvements
 - Utilizing Statistical Process Control (SPC) techniques
 - Cross-training: implemented in all areas to increase flexibility
 - Complete review and relay out of all factories

Results in Three Years:

- Successfully deleveraged the business and met all financial requirements with ease
- Grew Revenues to \$430 million a year
- Sold business to Global Trading Company

Average folks did this!