

The Challenge: Reduce Cost and Consolidate Facilities with Lean

The Client:

This client, a world leader in heavy equipment manufacturing, enlisted the help of Kaufman Global to first assess its lean strategy and to then design an implementation plan for achieving its objectives of reducing Cost of Goods Sold by 15%, aligning production with strategic market locations and rationalizing unneeded capacity.

The Approach:

This project took a multi site approach. Early focus was placed on Site A, as it presented the greatest opportunities for improvement. A Plant Steering Team and an Executive Steering Team with multi-plant representation were established to focus the Lean effort, monitor implementation progress and help remove barriers to success. Kaufman's Lean Daily Management System[®] was installed at the work group level. The Steering Team at Site A kicked-off eight-project work stream teams, each with its own charter including targeted labor reduction savings. These work stream teams, or "Lean teams," conducted Rapid Improvement Events (RIE's) that would drive improvement and results attainment to the plant-floor level.

To track results, savings metrics were designed that would allow the Steering Teams to observe each team's contribution to the plant-wide savings targets. Also, the team implemented a local benefits tracking tool to close the gap between "Identified" and "Realized" savings.

Kaufman conducted three flights of Lean Leadership[®] training, each with targeted savings projects resulting in real bottom line impact. This training was conducted with candidates from over 7 countries. 700+ people

were oriented in lean operations at Site A alone, from plant managers and supervisors to seasonal temps. This training was done concurrently with over 50 RIE's so that the teams could apply Lean tools and techniques real-time. On the average each rapid improvement team identified over \$125,000 of savings.

The Result:

- Recognized by the Chairman with the "**Operational Excellence**" award in 2001
- **Over \$15M in realized savings**
- **\$30M in identified opportunities**
- **35% inventory reduction**
- Greater than 15% reduction in Cost of Goods Sold
- Closed 8 of their 23 North American plants
- Freed over 425,000 square feet of floor space
- Defined curriculum for lean training at all levels of the organization

Critical to Success:

Key performance indicators for each of the plants aligned with the Lean Program metrics tracked actual results attainment and progress. The lean team and Steering Team structures involved everyone and ensured ownership of the overall objectives. The inclusion of union representation on the Steering Team was critical for obtaining union buy-in. The lean training provided the baseline knowledge of lean tools and techniques required for successful implementation. The combination of training, then doing through the conduct of Rapid Improvement Events bred the culture of lean and continuous improvement that will help to sustain the results achieved beyond the life of the project.

"Aggressiveness helped create a sense of urgency. It helped create results. Too many [organizations] want to roll this out slowly and dilute the results."

~Vice President, Manufacturing