

Tier 1 automotive supplier reduces SG & A expense to increase profitability

As part of an overall initiative to implement Lean thinking throughout its organization, this Tier 1 supplier to North American-based OEMs wanted to reduce or eliminate redundancies between and within its corporate headquarters and North American business unit to improve overall profitability.

To do so, the company decided to engage USC Consulting Group (USCCG), a world class operations management consulting firm specializing in business performance improvement, and known for its ability to make process, organizational, and cultural changes to drive operational and financial benefits.

USCCG had maintained a relationship with the Vice President of Manufacturing extending from 1976 when, as a supervisor, he first worked with the firm on a continuous improvement project, to more recently when he retained it in a similar capacity to work in his North America and overseas operations. He believed it was time to introduce Lean disciplines and procedures to the rest of his organization and, so, turned to an experienced resource he knew and trusted.

The message was clear from the senior management team: “Develop the proper systems and processes, then create the organizational structure to support these improved systems and processes with the overall goal to become more competitive and profitable.”

The scope of USCCG’s assignment was to review all existing business systems and processes of the company’s corporate and North American subsidiary’s non-production areas and make the necessary improvements to increase the profitability of the business.

USCCG worked with the management team to identify opportunities for improving performance of sales, general and administrative (SG & A) functions and defined and mapped existing business processes to develop a *future state* vision to be incorporated into a planned ERP implementation.



Key Metrics

- SG & A cost-per-piece reduced 8% (\$9 MM in annual savings)
- Within the business unit, Resource Capacity Plans developed for all repetitive support functions to connect resource cost to sales/unit volumes
- Redesigned/enhanced APQP process to better meet customer requirements and drive continuous improvement at plant level
- Number of IS systems supported reduced 10%
- Standardized and centralized support functions within the business unit
- Supported Materials and Procurement in developing and implementing a vendor rationalization and global sourcing strategy
- Developed Engineering Management Operating System
- Developed Resource Capacity Planning modules for each area that determine when to reduce or increase resources as sales/volumes fluctuate

The consultants used system reviews, flexibility charts and activity lists, plus conducted an in-depth analysis of financial data, to identify opportunities in the support functions including Human Resources, Finance and Accounting, Research and Development (R&D), Engineering and Technical Services, Materials Management, Procurement and Production Planning, and Information Services (IS).

They identified areas where capacity could be freed up by transitioning from a decentralized to a centralized organizational structure (within the business unit), and through revision and standardization of work processes and flows, and changes in roles and responsibilities between corporate, the business unit, and the plants.

In the Engineering and Technical Services area, working with the client's management team and employees, USCCG developed, an Engineering Management Operating System that identified all projects, used a scoring system to assign priorities, provided project management capability and tools, and a series of reports to monitor schedule and budget attainment. As an additional benefit, this system allowed the client to determine future crewing requirements. Work in the Technical Services area also included an overhaul of the APQP process.

Within Finance, the collaborative team created a Resource Capacity Plan that laid out the staff requirements and actions needed to hold the SG & A cost-per-piece constant even in the face of forecast volume declines. And, at the corporate level, USCCG worked with the R&D and IS groups to develop management operating systems similar to what they'd put in place for Technical Services. Finally, the consultants worked with the ERP system provider to ensure that, when implemented, the new system would support the new operating structure, workflows, and processes.

Summing up following the engagement, the CEO said, "When we started down this path, what I really needed was to change peoples' thinking about what we did and why we did it. USCCG was able to help me do that with the added benefit of permanently changing our cost structure."

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CEO, Tier 1 Automotive Supplier



For more information, contact us at 800-888-8872 or www.usccg.com.

