

An environmental controls manufacturer gains greater control over productivity.

Client:

A leading manufacturer of automated environmental controls with 4,000 employees and manufacturing/distribution sites throughout the world.

Challenge:

The company wanted to improve back office productivity across all non-production functions. This included order-to-cash processes for North America to reduce waste and improve resource productivity. According to the company's president and CEO, "We had lots of high-level process maps, but were not seeing a lot of change at the point of execution. That's when we knew we had to go outside for assistance."

Process:

The first step was to look at what the client called their "swim lanes," as defined by Oracle. These cut horizontally across the organization including functions such as accounts payable, accounts receivable and procurement. We analyzed order-to-cash or procurement-to-pay because this affected all of the different vertical organizational structures and offered a truer picture of the savings opportunity.

We performed a detailed review of existing information flows and transactional processes across the company worldwide. Our team members worked alongside the client's management team to obtain an in-depth understanding of processes and methodologies. The objective was to identify opportunities to drive improvements in productivity and throughput that would result in a 15%-20% improvement in salaried productivity.

By performing a detailed system review that depicted the "as is" order-to-cash process for North America, Asia, and Europe, we identified opportunities to streamline the business processes and realize potential savings. We then went on to design and implement a "future state" order-to-cash process. This included developing and implementing visual Lean management tools such as process monitors, weekly operating reports, action item management, customer service crewing guides and regular system audits. The goal was to increase awareness of capacity and performance erosion globally.

Performance Results:

- False credit holds reduced by 60%
- Labor force reduction opportunity identified to be 38%
- A cumulative savings of over \$500,000 annually

Conclusion:

The company is currently in the process of automating sales order acknowledgements and addressing SKU/pricing linkage issues. They are also in the early stages of discussing a follow-on engagement to focus on optimizing the forecast-to-build process.

Summing up the project, the president and CEO commented, "If we'd gone about it as a traditional SG&A cost reduction initiative, we would not have realized the many associated benefits that come from process improvement."