



LEAN CASE STUDY:

4 DAY KAIZEN EVENT YIELDS \$2,000,000 IN SAVINGS

The Kaizen Event Recently we led a major kaizen event for a Fortune 100 Company that resulted in a \$2,000,000 reduction in WIP and Finished Good Inventory instantly! This company was and is in the process of implementing ERP and had been thinking of building in all of the routines based on forecasting customer demand and then producing to forecast. The result would have been more inventory and an inflexible process for meeting future demand.

A Kaizen team of 12 people, working for 4 consecutive days changed the system from a "push" based on production forecasts to a "pull" based on actual customer orders. Specific changes were made to install finished goods supermarkets for the top 20% of the SKUs representing 80% of the sales, complete with Withdrawal and Production Kanban cards (not computer systems) to match supply with demand. Materials handling improvements were also made in the warehouse and on the shop floor to make it easier and more efficient to move materials. Quick Changeover was used to enable the equipment to run smaller batch sizes and a Heijunka Box we installed to enable mixed production with a one-week interval.

This company had been doing cost-reduction Kaizens for the past 3 years, but no one had looked at Pull. One senior executive stated, "This changes our business model and puts us back into a competitive advantage position." Ways to Implement Lean

There are many ways to implement Lean but only a few that really work. In order for a company to reach potential, they must stop doing 'kaizens' without a detailed Implementation Plan of the entire end-to-end process. The plan sets out exactly what needs to be completed and the order in which tasks should be done. Everyone in the organization understands the direction the company is going and also understand their role in supporting the direction. The use of various Lean tools become a science instead of chaotically choosing which ever tool they are comfortable with or they guess might be effective. We call this misuse of tools 'exciting chaos' - where everyone feels they are accomplishing something in their own area but they are scrambling around in isolation and not focusing on improving the entire end-to-end 'system' to meet the customer needs.

When tools are applied the 'right' way, the tools have a purpose and each builds a basis for the next tool and together they create the Future State for the system not just the individual department. This coordinated effort allows companies to reach their potential in bottom line impact and customer responsiveness.