

CASE STUDY

Overcoming Operational Challenges in a Manufacturer's Turnaround

How Platinum improved operations to support return to profitability

SITUATION

As part of a [manufacturer turnaround process](#), several operational challenges needed to be improved to support the company's return to profitability and a positive organizational culture. The company had been operating at below-breakeven volume levels, and management turmoil had led to the departure of several key, highly experienced operations staff members.

CHALLENGES

- On-time delivery to promised due dates was below 50%.
- Inventory turns were performing at only a 1.9 annual rate. Excess material was crammed into working areas with low inventory records accuracy and tying up several hundred thousand dollars of working capital.
- Customer Job Actual vs. Bid work hours exceeded 130%, indicating possible job performance issues and/or inaccurate bid estimating. In a bid-to-order environment, job bidding that is either high or low to actual production performance capabilities can lead to competitive or profitability problems.
- Job completion lead times were highly variable, some extending out many months, causing lots of in-process jobs to clutter the facility, as well as missing a key competitive advantage for fast customer response.
- Then, in 2020, the COVID-19 pandemic added more business challenges and workplace cleaning requirements.

RESPONSE

As part of the overall turnaround process, Platinum Group helped establish some immediate operational goals to increase staffing, improve equipment capacity, ensure above-breakeven production volumes, reduce warranty costs, and improve job order paperwork throughput.



Action teams were formed for each goal, involving the front-line staff in each area and unleashing new levels of engagement and commitment. Creative and flexible staffing approaches were used to raise capacity in a tight labor market. Warranty causes were tracked, reported, and eliminated. A new paperless job coordination system is replacing the long-established six-copy, color-coded job packet system. Efforts are also underway to track and improve actual-to-bid performance and job completion.

All-plant employee workshops were held to analyze product flow patterns for major product families, which indicated huge job material travel distances and numerous work-in-process material accumulation points. Several manufacturing layout improvements have been identified and implemented, with selective new equipment additions, to improve inventory turns and material use.

Another all-plant employee workshop introduced "5S" methods for workplace cleaning and organizing which identified priority improvement areas and team assignments. Several immediate 5S improvements were implemented, leading to extensive ongoing work to implement improved production layouts; cleaning, painting, and organizing the facility; and improved material storage.

The organization has responded to significant COVID-related economic challenges with flexible staffing shifts between functions and locations, hours reductions, across-the-board salary trimming, careful mask use and sanitation, and restricted visitor access. Four nine-hour workday weeks have reduced payroll costs and allowed staff to have more time with their families, plus allow some side work to help support themselves.

RESULTS – The company returned to profitability due, in part, by freeing up working capital from excess inventory. Product flow and 5S improvements have demonstrated the power of those methods to quickly simplify daily work and support a culture of pride and professionalism. Thus, on-time delivery has improved to over 85%, a key factor for increased customer satisfaction. New customers are helping the business recover from COVID-influenced downturns. Estimating processes have been extensively reviewed and improved. 5S and work in process job handling improvements have cleared facility space for active customer work. The facility has an abundance of customer work now, a great tribute to the company's improvements in a challenging business environment.