



Sample Executive Summary – White Paper

Client Code: #HBR091209

INDUSTRY: Refrigeration systems

INTRODUCTION:

The client produces refrigeration systems in a variety of sizes for top retail stores and supermarkets worldwide. The 1.6 million square foot facility had 16 assembly and fabrication lines running 2 shifts, 7 days per week. Worldwide manufacturing competition, retention of its 52% domestic market share, and diminishing sales in a shrinking economy dictated the need for substantial cost reductions. Scrap was out of line and inventory shrinkage was significant. Based on our experience with scrap reduction programs and our findings of a 2 week on-site analysis, the client requested the installation of a program that would reduce its scrap by over 30%.

THE SITUATION:

- The corporate mainframe system did not support scrap management and tracking.
- The plant had some defect codes but no formal Root Cause system.
- Plant scrap was averaging over \$120,000 a month the two previous years.
- Scrap events were not being recorded in a discipline manner and led to significant inventory shrinkage and lines having to be shut down due to lack of parts.

PROJECT ACTIVITIES:

- A Scrap Reduction database system was implemented.
- Compliance to shop floor controls completion, in all areas, improved documentation disciplines. Scrap dollar thresholds were established for each area and were used as the basis for system generated email reports to provide the information of where the major scrap events occurred, by area, with costs and given defect codes.
- Resolution mechanisms were put in place to address the causes for the scrap incidents. Awareness and accountability increased and drove process improvements.

Problems were addressed as they arose to eliminate waste. Follow through became a measured expectation through real time Outstanding Resolutions reporting. The Scrap Reduction / Root Cause Resolution programs were positioned for internalization by the client through the allocation of three “Scrap Champions” to carry the improvements forward and assure the capture of the identified annualized savings. Each “champion” assumed daily responsibilities for sustaining the program savings and continuous expectations of improving processes and managing trends.

RESULTS:

- A comprehensive Scrap Program was developed, debugged and implemented outside of the corporate information system, and proven.
- After only 8 weeks since implementing the new tool and processes, scrap was reduced by 19% over previous month and reduced by 60% over previous year.
- Missing parts and line stops decreased as first pass yields increased.
- Scrap reporting increased from 50% to 93%, greatly decreasing potential shrinkage.
- Based on agreed upon measurement of scrap, inventory shrink, and salvage recovery, program savings were projected to be in the annualized range in excess of \$830,000.

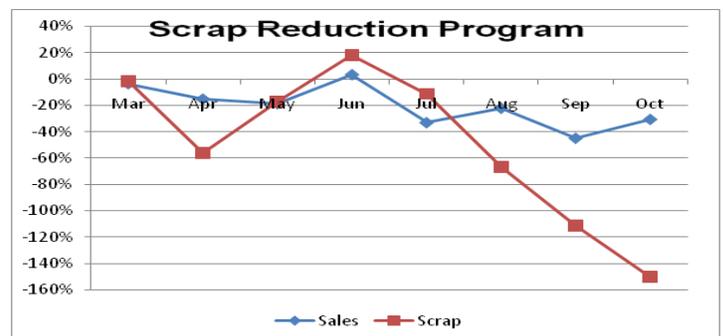


Figure 1: Tough sales year. However, scrap was reduced by over 140%!