

—BACKLOGS, BLIND SPOTS, AND EBITDA SUPPRESSION—

107% EBITDA Lift in 5 Months

Background

Company:

Manufacturer and provider of end-to-end laboratory furniture with a set of manual processes and workarounds that transformed it into a complex business that led to a significant backlog.

Situation:

The company had a complex vendor network for raw materials and components. They were also struggling with inefficient production, increasing lead times/costs due to inefficiencies, challenges with custom orders, managing lead times, transaction processing accuracy, and materials management. Additionally, they were working through an ERP integration, and there was strain between sales/engineering and manufacturing teams to meet deadlines.

Objective:

Perform an Operations Assessment focusing on the impact of workarounds on the floor and within the ERP system to understand the quoting and change order management process. Additionally, to provide a high-level optimization plan with proposed next steps that outline issues, recommendations, risks, cost/savings, ease of implementation, and timing.

Actions Taken

- Identified bottlenecks within ordering and order processing, achieving competitive pricing and lead times
- Identified bottlenecks within ERP implementation and made changes to better use the system and integrate it within the operations
- Optimized and reduced lead times from order to ship
- Decreased raw materials inventory (including components) in order to improve production flow
- Identified opportunities for stocking plan on long lead time items
- Aligned operations to understand true capacity and utilization on production floor

IMPLEMENTATION IMPACT

Reduced shop floor backlog from 16 weeks past due to being on time

EBITDA increased by 107% over the course of the engagement

Savings in Direct and Indirect labor and scrap reductions

Annual Savings of approx. \$1.3M

- Created and enforced new customer change order process
- Informed customers up front about needs/expectations with better internal HLS planning
- Improved shop drawing accuracy and prevented prematurely released drawings to shop floor
- Created policies and guidelines for customer discounts, commission structure, and storage costs
- Recreated BOM structures to better match production workflow

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