

FROM SUPPLY CHAIN STRAIN TO SUSTAINABLE PERFORMANCE

Improving Delivery Reliability & Driving \$2.8M in Financial Impact

Background

Company:

A distributor and assembler of hydraulic and electronic components serving OEM and aftermarket customers. Operations involve complex sourcing, assembly, and inventory management across volatile demand patterns and extended supplier lead times.

Situation:

Demand wasn't the problem. Customers were still buying, but the business was steadily losing its ability to deliver. Orders slipped through the cracks as on-time delivery fell below 65% and lead times stretched past 12 weeks, putting critical relationships and future revenue in jeopardy. Meanwhile, inventory kept piling up, swelling to 27% of sales and tying up cash the company couldn't afford to lose, forcing increased borrowing just to stay afloat. Excess and obsolete materials accumulated with no clear path to resolution, and a growing backlog, now over \$2.1M, only added to the pressure. Behind the scenes, the root issue was clear: there was no real supply chain structure. Without formal demand planning, production planning, or an S&OP process, the organization was stuck in a reactive cycle of expediting orders, chasing problems, and struggling to keep pace with an increasingly volatile market.

Objective:

The ProAction Group was hired to manage the supply chain on an interim basis, establish infrastructure, processes, and metrics to increase OTD, reduce/eliminate past due backlog, minimize future buildup of Excess & Obsolete (E&O) inventory, and develop and execute a plan to identify and dispose of current E&O. ProAction led the recruiting and hiring of a fulltime Supply Chain Director as well.

Actions Taken

- Assumed interim Supply Chain leadership to stabilize operations and provide direction
- Rebuilt and upgraded the purchasing and supply chain organization
- Established formal demand and production planning processes using internal resources
- Corrected ERP and inventory planning parameters, including safety stock and stocking logic
- Transitioned inventory stratification to a dollar-value-based model for better prioritization
- Developed and initiated a Sales & Operations Planning (S&OP) process
- Redesigned supply chain processes to align with actual and forecasted demand
- Identified, dispositioned, and eliminated excess and obsolete inventory
- Recruited and onboarded a permanent Supply Chain Director to sustain improvements

IMPLEMENTATION IMPACT

- On-time delivery improved from below 65% to over 85%
- Customer lead times stabilized across product lines
- Shift from reactive expediting to proactive, data-driven decision-making

\$1.2M inventory reduction (active)

\$1.6M of obsolete inventory eliminated in 6 months

43% backlog reduction within one year

Inventory reduced to ~21% of net sales

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Uncover Hidden Value. Drive Transformational Growth.

We help businesses unlock operational excellence and reveal the profit hiding in plain sight – often without new equipment, new people, or risky investments.

The Competition is Fierce. Change the Rules.TM

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