TENZING CONSULTING
Results that last.

Hitting on All Cylinders in the Engine Component Supply Chain

The new general manager of a $1 billion engine component manufacturer launched the operational turnaround of this global enterprise. Business performance was flagging and the general manager knew that he had to set tough, aggressive goals quickly and reshape his global leadership team in order to achieve aggresive profit improvement targets. The changes he envisioned would be dramatic. They would touch every person, plant, and function worldwide. Nothing was off the table.

Raising the Bar

This is a gritty, traditional manufacturing business focused primarily on forging and machining steel components at high tolerances to perform in engines ranging from lawn mowers to racing cars. Because the business grew through numerous acquisitions, each plant operated completely independently. Processes, methods, culture, and beliefs were unique to each site. The general manager hired a new director of purchasing to lead part of the turnaround effort.

It did not take the new director of purchasing long to see that the hand he was dealt was not an easy one. A combination of challenges was causing significant margin erosion—customer-mandated cost reductions, raw material price increases, and competition from low-wage countries to name a few. He knew he needed to try a new approach to unlock value and the approach had to to engage all the key constituencies such as engineering, quality, operations and purchasing.

To ensure global collaboration and prioritization, the general manager issued a challenge to the entire organizational leadership team: Develop a plan to identify the largest global savings opportunities on which the organization can act to realize significant savings over the next six to nine months. Having worked with Tenzing Consulting previously in similar situations, the general manager selected Tenzing once again to help spearhead the effort. Together, the director of purchasing and the Tenzing team launched the improvement initiative in 10 principal manufacturing facilities across Europe, Asia, North and South America.

Uncommon Approach

The first step taken was a division-wide opportunity identification process designed to generate new global improvement ideas as well as build front-line support across the organization.

The team conducted two, multi-day opportunity workshops—one for the Americas and another for Europe/Asia. The workshops included:

- Involvement from all key functions and facilities (engineering, purchasing, operations, quality, etc.)
- Discussion of Tenzing opportunity analysis from plant visits & data analysis
- Dedicated idea generation session with all savings ideas "on the table"

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The workshops yielded over 75 new cost improvement ideas valued at $6 million to $16 million incremental to current site plans. The team then prioritized the projects on all key supply chain, engineering and technical constraints. Five strategic projects surfaced which they were confident would generate several million dollars of savings over the next two years. These included a respecification of steel to a low-cost grade, make-buy analysis of forging tools, and reductions in slug weight to improve raw material yield to name a few.

A Team of One

In order to launch these complex global projects, the combined team set up a support structure and program management office (PMO) designed to help drive cross-functional, multi-site project teams through difficult start-up hurdles.

Together, working "elbow to elbow", the combined client and Tenzing team built a foundation for long-term sustainability. PMO elements included:

- Comprehensive Project Charters
- Tactical Implementation Plans (TIPs)
- Global "One Voice" Communications Plan
- Cross-Functional / Global Support Project Teams
- Executive "Champion" Sponsorship

The management team described the PMO structure as "the right approach to remove barriers while fostering a spirit of cooperation across the company".

Insight Accelerates Results

Structure alone does not guarantee success, thus the project teams pursued a global "fact-based" approach to project analysis and validation. The joint team completed a number of important analyses to determine how best to realize the opportunities. Examples include:

- Detailed analysis of the 200 high-volume parts which drove 90% of all potential value
- Comparative analysis of technical, mechanical and commercial attributes of key products
- Trials of lower-cost materials, process improvements, and best practices at various sites
- Development of comprehensive global requests for quotation (RFQs) and sourcing strategies

Results Today and a Foundation for the Future

In less than a year, the company was able to see bottom-line savings as well as critical operational improvements from the initiative. A few highlights include:

- Estimated $4 million dollar savings impact in the first 18 months across 10 global manufacturing facilities
- Increased operational flexibility and capacity due to process improvements, better direct materials utilization, and parts rationalization/standardization
- Established precedent that even the most difficult savings opportunities can be realized via a structured, global, cross-functional team approach

The results were satisfying, but the general manager saw the value of the effort even more broadly, "I'm really happy with the results, but I am even more encouraged about how we are working together—across sites and functions—to unlock value in the business. I expect this will continue to benefit us well into the future".