

Case Study

Balancing Inventory, Service and Cost to Improve Competitiveness



Our client is a leading global industrial manufacturer of bearings and related technologies and services to the automotive and industrials markets, operating in more than 30 countries with 47,000 employees working across more than 100 manufacturing sites.

Business Challenge

Management were under pressure from shareholders and senior executives to boost competitiveness by reducing inventory and manufacturing costs while also improving customer service. Competitive benchmarking highlighted that levels of working capital were too high. Their efforts to reduce working capital had resulted in a decline in customer service, leading many people to believe that they could either reduce inventory or improve service, but not do both. In addition, ongoing efforts to improve efficiency and to reduce costs were progressing slowly and needed to be accelerated.

Approach

Hitachi Consulting had previously completed a successful project with this client to reduce inventory and to improve service on a single production channel. They selected Hitachi Consulting to partner with them to launch the Manufacturing Supply Optimization (MSO) program to replicate this approach across other sites. Two pilot projects were established to demonstrate the feasibility of scaling-up the approach. These pilot projects proved to be successful and provided the template for roll-out of a common approach across an additional 9 sites across Europe, Asia and the U.S.

Each project focused on increasing production efficiency and flexibility while optimizing inventory planning and reducing order lead-time to improve service and reduce inventory. In addition, opportunities to reduce cost were also identified during an assessment phase at the start of each project. Specific targets and deliverables were defined for each site with local management based on the assessment findings and market specific requirements.

Each project was organized around three work packages: Manufacturing Execution, Supply Chain and Organizational Effectiveness.

- **Manufacturing Execution** incorporated Lean techniques to improve production flow and reduce losses from downtime, quality and changeovers. A production loss accounting system, short-interval controls and visual management were implemented to help identify and correct deviations more quickly and effectively.
- **Supply Chain** employed segmentation analysis to understand customer demand and determine the optimum inventory strategy and planning parameters for each product. Teams also focused on material flow within the factory and worked with suppliers to improve supplier delivery performance.
- **Organizational Effectiveness** ensured that individual roles and responsibilities were clearly defined and aligned with business strategy. Changes to

Overview

Customer Challenge

The objective of the client engagement was to boost its competitiveness by reducing inventory and manufacturing costs while also improving customer service.

Location

Global

Sector

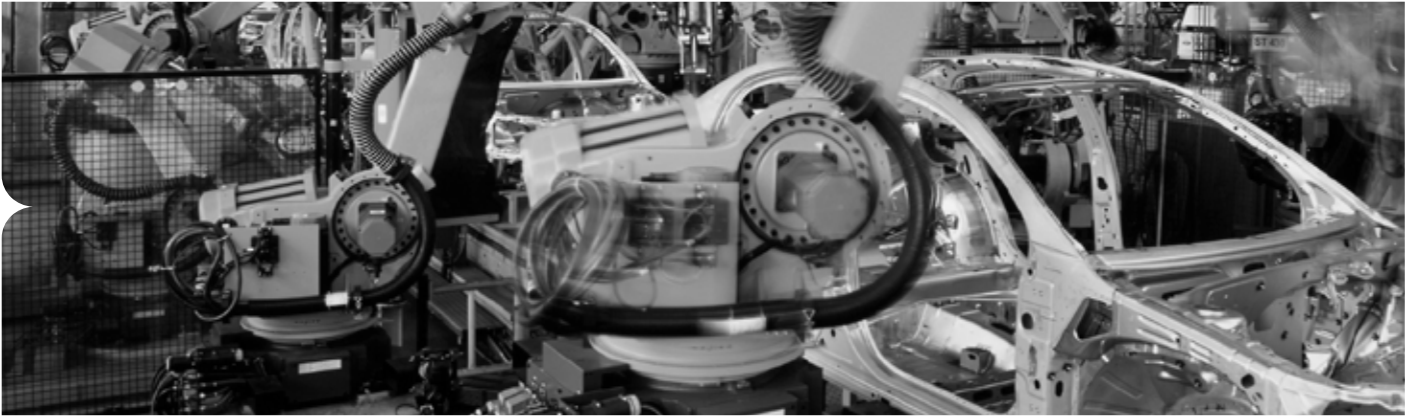
Industrials

Service Lines

Organizational Effectiveness, Operational Transformation, Supply Chain

“What I liked about working with Hitachi Consulting was that their fees were linked to value and not just activity, which meant that they worked efficiently to help us achieve results.”

Client’s CEO



organization structure were also made where needed. This team also implemented a performance management System (MCRS®) to improve information flow, decision making and meeting effectiveness. New work standards were incorporated to anchor the changes and drive continuous improvement.

In addition to these standard work packages, others were incorporated into each project as needed. These included:

- The development of a new target operating model.
- New product development to reduce time-to-market for new products.
- Leadership coaching to build project and performance management capabilities.

A global Program Management Office (PMO) provided subject matter expert support during the assessment phase and periodic follow-up during the implementation and sustainability phases for each project. The PMO also provided standard training and ensured that best-practices were documented and shared between project teams.

Results

The MSO program was implemented in 11 sites across multiple business units.

Key achievements:

- Service improved by 10% to 30%
- Inventory reduced by 5%
- Value-added cost reduced by 7%

After 2 years the MSO program had achieved more than half of its long-term cost saving target of €50M.

Moreover, the program successfully demonstrated that customer service levels could be significantly improved while simultaneously reducing inventory levels and manufacturing costs.

“MSO provided a boost to our ongoing Business Excellence program and helped us achieve measurable results more quickly. Hitachi Consulting introduced MCRS®, which was something new that we have now adopted into our Business Excellence toolkit.”

Client's Project Manager



We make it happen. Better.

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