

## Kandil Steel

Delivering Success From Raw Materials to Finished Goods Through Total Cost of Ownership

### ORGANIZATIONAL CHANGE MANAGEMENT

#### Business Challenge

Egypt's Kandil Steel is a genuine regional player, with over 21 years experience in steel manufacturing. Its ambition is to become a high quality, low cost producer, but it had not fully achieved this despite its strong technical capabilities and recent investment in a new service center.

The steel sector was also at the bottom of the cycle, so a decision was made to launch a high-impact Change Management program that would re-instate Kandil Steel as a successful operator and Hitachi Consulting\* was brought in to help drive it.

#### Approach

The Change Management program was designed to increase profitability by rationalizing supply channels, redesigning the end-to-end supply chain process, increasing product standardization and quality.

It had a holistic focus and included four workstreams:

- Supply Chain Management
- Sales
- An effective MCRS®
- A Total Cost of Ownership (TCO) model to enable Kandil to balance customer satisfaction with optimized cash flow

Hitachi Consulting\* designed a sophisticated TCO model that included every component of total cost, from procurement of raw materials to processing and, as part of a comprehensive MCRS® to drive compliance and generate savings, installed and measured relevant KPIs at various levels.

A streamlined purchasing process also supported continuous improvement by driving supplier On-Time In-Full (OTIF) and quality and reducing inventory. In turn, the new Sales and Operations Planning (S&OP) procedures impacted customer satisfaction by increasing OTIF and quality.

#### Results

Management compliant operational KPIs were fully installed, short interval controls were implemented across different functions and a performance management system and a 'can do' attitude was fully embedded in the team.

- Within three months of TCO installation, the application had saved \$141k on purchase orders for one month ahead.
- Annualized savings of \$1.15m have been achieved, inventory write-offs reduced by \$3m and inventory levels by an average five days on hand.

\*Project work implemented when Hitachi Consulting was known as Celerant Consulting

#### Overview

##### Customer Challenge

The primary objective of the client engagement was to help them become a high quality, low cost producer through TCO and a 'can do' mentality.

##### Location

Egypt

##### Sector

Metals and Mining

##### Function

Supply Chain

##### Service Lines

Performance Improvement, Change Management

##### Capabilities

Supply Chain Management, Revenue Growth, Organizational Effectiveness (Sales effectiveness, MCRS®)

**"TCO made us realize that we were buying the cheapest coils, but not necessarily the most profitable ones."**

- Khalil Kandil, CEO



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