

Faster delivery at lower cost through productivity & process improvements led to profitable growth

In 2002, with sales stagnating for the last two years, a leading manufacturer of high quality bedding & seating products for GCC market from Oman anticipated another year of flat sales and feared an erosion of its leadership position. Having a capital intensive high-tech plant gave the company a competitive edge over other regional manufacturers in product quality; **but it needed to improve performance on cost & delivery fronts.** New hotel & housing projects in the gulf region constituted large part of its business and, therefore, for winning such bids with decent profit margin, faster & on-time delivery was crucial. Other significant segment of retail sales through dealers & company's own branches faced tough price competition. The management felt helpless because the plant was already operating 24 hours a day and was carrying high inventories.

A **quick diagnostic study** by consultants of Actuate Business revealed a lot of non-value adding activities which could provide a good potential to improve – though it would be challenging & require multipronged actions. **Work measurement & method improvement studies were conducted** for all direct production operations to establish time standards & production norms.

Monitoring system was developed & used to review daily production & monitor productivity at shop as well as individual operator level. An integrated **Production Planning & Control system was designed & implemented with Production paradigm changed** from purely 'Made-To-Order' to a combination of 'Made-To-Stock' & 'Made-To-Order'. Based on the sales trend analysis, certain products were categorised as 'Stock Items', their stock levels were defined and 'Auto Stock Replenishment System' for these items was implemented. Indirect support functions were studied & reorganised to rationalise work & reduce manpower. For greater responsiveness to customer needs and for faster & on-time delivery of orders, **marketing, sales and distribution processes were redesigned and mixed use of own & third party transportation was started**, instead of using only company's fleet.

Within a year, overtime was slashed by 20% with 6% lesser manpower and sales grew by 5%.

The company re-started its growth journey and **sales grew by 25% in 4 years** with lower costs and **much higher profits from the same plant, while freeing up some capacity** & working capital which the company used to pursue new growth opportunities.