

## AUTOMOTIVE

### Procurement and Logistics improvements at auto parts manufacturer



A leading Brazilian manufacturer of motor vehicle components engaged Proudfoot in its efforts to become a “leaner” organization, with a particular focus on managing specific costs (Purchasing and Logistics), improving processes and raising profitability.

The Proudfoot Business Review revealed that while technical expertise and commitment were evident throughout the company, there was nevertheless excessive lost time and overtime due to unproductive and non-value added activities. In addition, the client lacked proper processes to control material in, out and within the plant creating supplier variance and stock inaccuracy (producing negative effects on planning). The stock management system was inadequate and different Operating Systems were producing unreliable data. Overall, Proudfoot found that:

- There was a clear “SILO” mentality in place, partially driven by the existing corporate matrix organization
- Reports were generated from different systems and sources

often bearing major differences, adding to the general internal mistrust of numbers

- At first glance, reports and documents appeared correct, however actual floor observations showed that in many cases data in the direct areas were reworked, either afterwards or at the point of execution by reporting numbers that did not always match the reality observed
- A high degree of lost time and wasted resources were evident throughout the organization due to fire fighting, lack of integrated planning processes and systems, and little evidence of pro-active management skills at the point of execution (supervision level)

The client was committed to using the Proudfoot project to ensure they would be able to drive down costs while increasing profitability, so it could achieve the objectives committed to internally.

Working directly with the client workforce, Proudfoot set about analyzing, designing and installing a new Supply Chain Management system. Concurrently, Proudfoot specialists worked to review and re-design the Management Structure, using the “Span of Control” methodology.

The joint project task force also:

- Created and implemented a methodology for inventory stock evaluation and reduction

- Developed and installed Management Operating System to include overtime control and Key Performance Indicators
- Introduced a Skills Flexibility Matrix
- Designed and conducted SAP Change Management Methodology training

The results were clear and were delivered in an accelerated time frame due to Proudfoot’s commitment to embedding the new processes by working side-by-side with the workforce at the point of execution. Major benefits included a 50% overtime reduction within the production department, 30% reduction in inventory, and purchasing costs reduced by 10%.

Moving forward, the client is able to sustain the positive changes Proudfoot installed by using the Continuous Improvement systems throughout the organization.

# 50%

Overtime reduction

# 30%

Inventory reduction

## Project Takeaway

The entire organization, from frontline supervisor to CEO, is now able to evaluate performance at all levels to ensure that performance initiatives are met consistently every day.

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### Project organization

