



Using KPIs to Drive Increased Profitability During a Down Economy

Why this is relevant

It shows how to improve inventory turns and align supply with demand by using KPIs to drive accountability and measure performance.

Background

Carlisle Companies, already embracing lean, needed to identify additional opportunities for efficiency and cost savings during the global economic crisis.

Strategy

Establish KPIs that each functional group was held responsible for. Use Dploy KPI software to measure and drive performance improvement, save money, and drive long-term value for customers and shareholders.

Insight

"With a systematized process for measuring KPIs, people know we're going to be watching, so they're motivated to stay on track."

Results

- 10% improvement in inventory turns
- Significant COS-related cost savings
- Reduced factory space, improved cash flow, reduced inventory, and increased customer service

Alignment Specialist, Fred Sutter, President of Engineered Transportation Solutions Inc., a subsidiary of diversified manufacturer, Carlisle Companies Inc., doesn't like to put limits on lean management — especially when it comes to serving customers.

Q: In what functional areas of your business are you using lean principles?

We do kaizen events everywhere. I stress all the time that there are opportunities to create standard work and drive efficiency and improvement whether it's manufacturing or non-manufacturing. Sales, marketing, finance, HR — all of those functions can benefit from the creation of standard work and systems. There's inefficiency everywhere.

Q: Often, lean fails to achieve sustainable benefits at large, global, publicly held companies. Efforts either die of neglect or are uprooted by market fluctuations and/or leadership changes. What's different about Carlisle?

The current CEO is a big believer in lean, and he also has a strong manufacturing background. The lean principles very much resonate with him, and the commitment to lean starts at the top. Frankly, it has not been an uphill battle at all. The entire company has embraced this.

Q: Was that so even during the sharp drop in sales your division had in 2009 due to the global economic crisis?

Absolutely. My view of lean is that it is a culture and a mindset. It is a way of driving quality, productivity, efficiency and better service to your customers. It doesn't matter if it is a good economic time or a bad economic time — the benefits are there. In fact, you can argue that in tough economic times, lean makes things better.

By Tonya Vinas, *Contributing Editor*,
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Q: How so? Lean really helped this company by enabling us to identify opportunities for efficiency and cost savings. What we saw overall in this downturn was that the performances of the very lean companies were not as negatively affected. At Carlisle, we're seeing lower volumes and higher costs, so we're feeling pressure from both sides. Lean has helped us to mitigate those pressures.

Q: What about commitment and motivation at the operator level during difficult times? Does lean help there? Obviously, the downturn creates a lot of concern in people's minds. But we find the whole lean process is very motivating for our employees. They want to contribute, and they appreciate that someone asks for their opinion. Last year we ran over 120 kaizen events in our business, and just over 20 percent of our employees participated in kaizens. I continue to be amazed at how engaged and excited our employees are. The kaizen process itself is a great motivator.

Q: Much of your improvement focus at the moment is on distribution. Why? It's really about improving the management of our cash flow, reducing our inventory, and improving our customer service levels all at the same time. It's easy to reduce inventory, but if you do it and sacrifice service levels, that won't help the company in the long run.

Q: Can you give me the highlights? When we started, we had 22 distribution centers in North America, which for a lean-oriented company is a fairly significant amount. The first thing we did was consolidate a number of our smaller DCs into our larger DCs to get some economies of scale. Now we are introducing lean concepts such as finished goods supermarkets and pull systems so we can better connect supply to our customers' demand. We've also implemented a Sales Inventory Operations Planning (SIOP) process where we look at our demand, supply and production rates on a monthly basis. We do a demand-planning session, a supply-planning session and an operations-planning session; and all three departments work together to ensure we have the right product at the right place at the right time for our customers.

Q: Are customers looking to you to help them control their inventory levels? There is no doubt that our customers — especially our large OE customers — are migrating to more just-in-time inventory planning. We've seen them dramatically reduce the amount

of inventory that they carry. Frankly, in today's environment, you have to have those principles in order to be effective. With some of our key customers, we are starting to set up finished-goods kanban systems. Basically, it is coupling our supply chain with our customer's, and we're seeing great success.

Q: Such as? Our volume declined last year, but we improved our inventory turns by more than 10 percent, which is tough to do. But it's worth it. We believe service is one of our key differentiators.

Q: How do you balance the drive for efficiency with high standards for customer service? We're establishing key performance indicators that we're holding each of the functional areas responsible for. We review those with them on a monthly basis.

“We roll all of these up into Dploy KPI, and that's what we use to measure and drive performance improvement.”

People know we're going to review it and have questions, so everyone wants to be on track.

And the important thing about key performance indicators is that you have to have a balanced scorecard. Saving money is great, but when we look at driving long-term value for our customers and shareholders, it's about service and quality and safety. We know we have to look at all of these things. Working on just one is not going to get us where we want to be.

* The Carlisle Corporation uses Dploy Solutions, a web-based suite of products that help facilitate management processes for strategy deployment, metrics tracking and sharing best practices. Fred's Dploy KPI scorecard helps him see whether his targets are on track, while delivering a true management system to generate measurable, sustainable business improvement. It keeps him connected to his objectives and his people across multiple sites and cross-functional teams. **View demos and client video at www.dplysolutions.com**



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