

Vaco Success Story

Challenge

How do you finish a business transformation during a major recession? Where do you find the funds to complete required projects? These were exactly the questions that a boutique private equity firm was asking as they found themselves with a \$1B manufacturing company on hand that they closed on six months earlier. With leverage not being an option, the company had to look internally.

Solution

Opportunities to improve efficiency are everywhere. A seemingly unlikely place to look during a period of recession-driven supply chain disruptions is raw material replenishment. Yet, that is exactly what was done. There was a lot of money tied up in inventory and a decision was made to reduce that investment and free up funds for other needs, while maintaining necessary levels of operational stability.

The solution was to apply a Theory of Constraints (TOC) Replenishment Algorithm in conjunction with Statistical Process Control, as described in the Decalogue methodology - a management framework combining TOC and Deming's Theory of Profound Knowledge (TPK). A statistically controlled buffer was put in place that ensured uninterrupted production in nearly all situations. As recession continued impacting sales, a new, reworked forecast was incorporated into the production schedule.

Results

Collectively, over 40% of inventory was eliminated without negatively impacting operations. A "buffered pull system" proved to be stable and predictable. The freed up funds were re-directed towards finishing the transformation. A quick win from an unlikely place.

We have a proven approach to create secure, high-performing and sustainable solutions across technology, integrated risk management and business processes, even with the most "at risk" projects or conditions.