

Erkunt Traktor Sanayii A.S

Helping profits grow



“Waiting on this”

Ron Metcalf

Executive & Managing Director

Key Results

Increased First Pass Yield
average from 4% to 45%

Gross margin increased by
3%

Reduced inventory value by
24%

Introduced companywide
management control system

Established New Product
Development (NPD) planning
and reporting tool

From its first tractor in 2004, Erkunt has become the third largest manufacturer of tractors in Turkey. Producing over four-and-a-half-thousand tractors a year, it also has a considerable presence in the export market as well.

ANALYSIS

Despite having achieved record sales in the previous year, Erkunt management was unhappy with the financial returns that this success had brought. Convinced there were additional opportunities to those already recognised, Renoir were invited to perform an Analysis of their manufacturing process. The Analysis findings confirmed their convictions:

- Over 90% of all tractors built failed to pass the final production test. Realistic target setting based on required production rates.
- 50% of failures were a result of missing materials.
- A disproportionate level of work in progress was required.
- A high level of finished goods that were not needed at the dealerships.

PROJECT APPROACH

The Project team consisted of Renoir consultants and seconded Erkunt employees (Taskforce) who, after training, worked as an integral and vital part of the process. The initial phase of the Project with Renoir involvement was to last 30 weeks. Erkunt management were particularly keen that the Erkunt / Renoir partnership should create an environment where systems and processes would drive future improvement, long after the 30 week programme was completed.

The Project team was initially focused on opportunity identification, savings assessment, and target attainment.

Management Action Teams (MATs) were introduced, creating cross functional teams of Erkunt management and staff along with Renoir and Taskforce members. These teams were charged with identifying and quantifying the opportunities through improved control and execution. They were also to agree and commit to the annualised benefit to the organisation as these opportunities were realised.

KEY INITIATIVES

New Product Development (NPD)

Focus:

- To improve the “time to market” of new products and ensure that engineering change orders (ECO) were promptly and effectively implemented.
- To ensure that the Bills of Material (BOMs) remained accurate and effectively implemented in logistics, warehouse and production.
- Install an effective review and management system to identify and correct operator influenced downtime and failure to achieve daily targets.

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Desired Outcome:

- To implement a project management system that increases visibility during the progress of new products being prepared for market,
- To ensure profitability and to increase the likelihood of a positive reception and maximum sales.
- To implement a management system that will ensure ECOs are effectively implemented in the production area.
- To implement a system that ensures that BOMs are routinely checked for accuracy.

Supply Chain & Planning

Focus: The installation of a rigorous management control system that provides the necessary visibility to ensure that the supply chain supports the planning process, to improve the cost effectiveness of the production department.

Desired Outcome: By developing an increasingly stable plan in conjunction with the sales department, the opportunity for logistics to more effectively negotiate beneficial terms with the suppliers will be increased; the accuracy and value of the warehouse will be improved, resulting in a sharp reduction of “missing parts” as a cause for a reduced First Pass Yield (FPY) performance in production.

Production & Quality

Focus: To improve the utilization of all available resources to increase output and increase the percentage of tractors that passed the FPY test direct from the production line.

To improve the level and effectiveness of the management control system and problem solving skills.

Desired Outcome: To increase the FPY percentage to an average minimum of 50% per week; to allow the production operation to optimise the production processes and to ensure that work in progress (WIP) does not exceed two full days' worth of production.

To establish an effective and comprehensive management control system; from team leaders and production foremen through to the production manager and across the organization.

After Sales

Focus: To review current practices for handling customer complaints and equipment breakdowns. To establish a cost effective approach to spare parts supply and in conjunction with production, reduce the level of warranty claims.

Desired Outcome: To improve customer satisfaction by handling customer complaints in a professional and timely manner. To reduce the number of warranty claims through closer liaison with production, quality and NPD.

Sales

Desired outcome: Increased frequency of sales forecasts and improved communication between sales, planning and logistics. Better understanding of relative merits of regional distributors.

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RESULTS

An effective, inter-linked and interdependent management control system was established across the entire organisation. Review and commitment meetings were developed resulting in the implementation of cross functional solutions that were agreed, understood and effectively implemented by all participating departments.

Key performance indicators (KPIs) were either revised or introduced to ensure that on a daily, weekly and monthly basis the actual operational performance was reported, allowing fact based decisions to be made on variances to the plan.

A wide range of routine interval controls (RIC) were introduced across production, quality and warehouse activities, resulting in the prompt resolution of day-to-day issues and problems and also forming the basis for an extensive root cause analysis (RCA) of persistent problems and the development of programmes for their resolution.

5s programmes were introduced in production and the warehouse and all employees were trained in its implementation; weekly and then monthly audits ensured compliance.

Freezing the weekly plan and an expectation of 95% accuracy on the sales forecast improved stock availability, allowed for inventory rationalisation and accuracy and assisted in price and delivery negotiations with key suppliers.

In After Sales, the installation of an effective and wide ranging reporting system identified the frequency and causes of customer complaints and tractor failures, allowing RCA to be carried out and focused discussions with NPD and suppliers to take place to eliminate recurring problems. It also allows repair and replacement costs to be effectively distributed to the correct party.

THE RENOIR GROUP

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