

TIPPING THE SCALES IN THE RIGHT DIRECTION: IMPROVING COST OF QUALITY ANALYSIS THROUGH THE IDENTIFICATION OF HIDDEN COST SINKS

A multinational manufacturing firm looks to IUCG to help create inexpensive tools to reduce costs sinks both culturally and tangibly.

Client's Challenge – Address cost of quality issues and optimize inventory tracking

- Undetermined hidden factory costs of quality
- Lack of appropriate tools and strategies to identify and track production scrap materials
- Major discrepancies between scrap and rework estimated and actual monthly totals
- Cultural resistance to change



IUCG's Solution – Improve tracking efficiency through low cost strategies

- Implement scales to improve the tracking of scrap by weighing the bins associated with each work area
- Create standardized lists of weights to allow for just-in-time tracking to more accurately determine cost of quality for finished goods

Business Impact – Discover and understand pain points of the organization through cost transparency and just-in-time inventory tracking

- Analysis into cost of quality will have direct impact on company's bottom line in the upcoming fiscal year
- Recommendation of just-in-time tracking strategies enables company to immediately track processed inventory due to rework and provides real-time scrap data to increase the capacity for mid-run adjustments

Client's Challenge:

IUCG partnered with a multinational manufacturing company to address and solve cost of quality problems. The client faced issues determining the root causes of hidden factory costs. IUCG's objective was to bring light to the hidden quality issues and provide tangible cost reductions. The client also wanted to explore and identify other pain point areas.

IUCG's Solution:

After on-site analysis of the client's manufacturing production, it became clear that the primary and most immediate need was minimizing the discrepancy between the estimated and the actual cost of quality. IUCG identified scrap materials as the main hidden cost sink contributing to a higher than expected actual cost of quality. Leveraging this knowledge, IUCG developed a strategy to improve the effectiveness of tracking this cost. We recommended implementing scales under each work station scrap bin to collect scrap data. There were a limited number of ways that scrap could be tracked, and it had to be done within the confine of certain boundaries. Of the three possible

tracking methods (weigh, count, measure), IUCG viewed weighing as the most effective mechanism because a standardized list of material weights would streamline the process and allow for just-in-time tracking. IUCG's solution also adhered to the boundaries set by the client as it did not require new hires, additional work for current employees, or a large financial cost.

IUCG's Impact:

IUCG provided a pitch deck that allowed company executives to discover the high costs associated with scrap materials, reworked production, and order fulfillment. The deck highlighted how the company's variable work environment and high-volume production resulted in difficulty tracking scrap materials and finding the root causes of hidden factory costs. IUCG did not just point out the problem, we recommended a solution. With a clear direction to move in with regards to cost of quality analysis, the client is equipped with a strategy to decrease unnecessary costs and increase the bottom line moving into the future.