

During the implementation phase, there was a period of time when the company decided to remove the WIP target and let it grow beyond the WIP “cap”. Management kept releasing material into the system in an effort to get more products shipped. This was a result of the company’s established culture of trying to follow the schedule generated by the ERP system. The thought was that starting more work would produce more output. Unfortunately it had the exact opposite impact and, almost immediately, cycle times began to grow and get out of hand. This was predicted by FPI’s control system and only after seeing FPI’s prediction come true did the production managers scale back on starts. The result improved intuition on the part of management about the behavior of their processes and produced a cultural transformation in the way the business was managed.

The results included **cycle time reductions of 35%, inventory reduced 50% in 90 days, and a \$9 million increase in cash flow.** A quote from the plant manager summed it up as follows:

“There is no doubt that optimum WIP levels lead to a more efficient operation with less working capital exposure. Our customer delivery performance and our operational flexibility have improved dramatically by managing WIP levels throughout the operation. We are continuing to apply Factory Physics principles and are expecting further improvement.”

--Glenn Gerecke, Plant Manager, Bristol-Myers Squibb Pharma

For more information about Factory Physics principles and applications, visit our websites at www.factoryphysics.com or www.leanphysics.com or contact:

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