

Q-STUDY No. 9

ELLIE: Process Improvement

“Most people have a hard time believing it.”

Process Improvement, in its simplest form, is about analyzing a company’s existing practices and recommending improvements. Ellie is an independent project manager (not a full-time employee) who specializes in improving processes and practices, among other things.

The company that engaged her had recently been acquired by one of the well-known names in the industrial equipment services industry. Ellie received a 60-day contract to go in and do what she does, which is to make things better.

As Ellie tells it, *“Before the project, there was no production planning in the product finishing area, nor was there any organization. Personnel would often spend hours just hunting for the right product to finish. The [on site] equipment wasn’t capable of handling newer products, so set up time was extensive, which limited the quantities of materials that could be finished at one time. Needless to say, it was a significant product bottleneck. Also, because the equipment was outdated and not user-friendly, there were quite a number of products that had to be refinished because of quality issues.*

“After [Ellie completed the project], the team had new processes for receiving goods finished by type, order, and final finish style. They also had the ability to finish greater quantities of products at once, drastically increasing the amount of product to be worked on. As a bonus, quality issues also dropped to nearly zero.”

Ellie tells me that after her recommended processes were implemented, production rose from 165 units to 694 per week—an increase of 420%!

Since Ellie was on site for only a short period, we can only measure what she was able to substantiate while there. The company most likely saw other cost reductions and though some, like shipping, would have risen—which is a good problem—this is not something she can evaluate unless she were to do a follow-up consultation.

For this illustration, Ellie knew that there was a profit of \$3000 per delivered unit. This was the number that was in place at the time Ellie arrived on site. Based on this and increased weekly production, we can determine Ellie’s QTNT for this project.

(A) Enhanced production: 694 units x \$3000 profit each = \$2,082,000

(B) Previous production: 165 units x \$3000 profit each = \$495,000

Revenue increase (A – B): \$2,082,000 - \$495,000 = \$1,587,000

\$1,587,000 represents additional revenue per week.

Ellie was paid just shy of \$8000 per month and since the numbers above represent one week of productivity only — I will use one week of Ellie’s pay, or \$2000, to calculate her QTNT.

Weekly manufacturing revenue increase = \$1,587,000

Ellie’s pay for one week = \$2000

Ellie’s QTNT for this one, 60-day project = 793.5

As you already know, this Q-Study does not take into account the cost of overhead, so the QTNT above is overly generous. Ellie was working on contract, and this was all the information she was provided with while on the job.

There is no question that this is a monumental QTNT! But it happens. I have seen it many, many times.

I’ll let Ellie close out this example in her own words.

“I have more accomplishments from that year totaling in the multi-millions [of dollars]. Honestly, most people have a hard time believing it. You see, improving things is what I did for a living! Projects like this were a constant story.”

