



Case Study: Asset Receiving: Using Lean Tools To Reduce Costs In A Data Center

The Sigma Kaizen team included not only shipping and receiving staff but technology professionals who relied on the services of the receiving dock to meet customer demands. The task was daunting. Inventory levels had mounted to the point where accurate records were hard to obtain, meaning that installation engineers had to comb through racks of component parts to install a customer's project.

The team started by employing the lean concept of 5S. The five S's are a conditioning discipline derived from work done within the Toyota Production System. Application of the 5S accomplishes much more than merely 'cleaning house'. Employing the 5S discipline provides a structured approach to sustainable work place organization.

Step One: Sort – Segregate and Discard

When in doubt move it out. The team identified over \$9MM (USD) worth of hardware that had been in inventory 90+ days. These items were removed from the active project area and placed in a quarantine area. This action freed several hundred square feet of floor space that could be reclaimed for its original purpose, working on active projects. Quarantined items were later reallocated to future projects, returned to the OEM for credit or sold.

Step Two: Set in Order – Arrange and Identify

A place for everything and everything in its place. Creating a better method to store and track active inventory was the next step. The team employed a "herringbone" stacking pattern to increase utilization of storage space by 50%. Meaning that the same amount of working inventory could be held in half the space. An additional benefit of this action was that the installation engineers saved countless hours per project "hunting" for component parts.

Step Three: Shine – Clean and Inspect Daily

A clean workplace enhances quality, safety, and pride. Drastically reducing inventory levels allowed the team to focus on cleaning up the dock area and properly labeling all storage areas. Component parts were no longer mixed and unidentified. "At a glance" was the catch phrase the team used to describe their inventory control method. Meaning that anybody needing parts should be able to locate them at a glance.

Step Four: Standardize – Make it visual

Where there is no standard there can be no Kaizen. Along with the new signage the team enacted a bar code scanning process. All packages and storage locations are now identified through use of bar codes. Inventory updates can now be maintained through the use of hand held scanners. Locating a part in inventory now takes a fraction of the time it did previously.

Step Five: Sustain – Motivate to Sustain

Create a disciplined culture. The entire staff of this data center is now proud of the receiving dock and the work that was done there. They complete weekly audits to ensure the process is being maintained, and it only takes a quick look around to verify their results are being sustained.

Client: A leading global Fortune 500 technology services company that specializes in IT outsourcing

Industry: Information Technology

Service: Kaizen event, 5S

Challenge:

- Increased demand for new device installation within the client's data center created large component inventory stockpiles
- Needed to better manage inventory, control costs and reduce project delays by improving the handling of component parts

Solutions:

- Held week-long Sigma Kaizen event where component parts were stockpiled for up to a year
- Reinvented their inventory handling process

Results:

- Identified and reallocated millions of dollars worth of unused inventory
- Reduced the amount of floor space required to house inventory by 75% and enacted a new inventory tracking process
- Inventory audits went from weeks to two hours to complete



866.986.4414 or 480.986.4414
contact@guidonps.com
www.GuidonPS.com