



AUBURN

TECHNICAL ASSISTANCE CENTER

COLLEGE OF BUSINESS



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Lean helps firm increase its efficiency and profits

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AmTech, a leading manufacturer of wiring harnesses and controllers for buses and medical equipment, began its Lean journey in 2006. The company's annual sales typically total about \$17 million. That is a good bottom line for a firm employing about 250, however, AmTech officials said that production losses were still too high to be acceptable.

"Once we began initiating Lean and organizing our products into value streams, we began to get a clearer picture



Value Stream #4 in AmTech's medical component wiring harness and controller production line was losing more than a half-million-dollars annually in production costs before implementing Lean. Today, the line is making profit and accounts for some 65 percent of the firm's business volume.

of where our inefficiencies were," said AmTech President Roger Hendrick.

What they discovered was alarming, according to Hendrick.

"We found out that we were losing more than a half million dollars annually in our most profitable value stream,"

Hendrick said. "Once we learned that, we had to learn why, and we had to stop it."

The Auburn Technical Assistance Center (ATAC) has partnered with AmTech since the company began its Lean journey.

"ATAC has been instrumental in helping us to learn Lean and apply it in our production of hundreds of products," Hendrick said. "All along, we have picked up smaller gains, such as 15 percent inventory reductions in some areas; 50 percent reductions in operator travel; we've cut material

handling by as much as 19 percent; and in many ways, reorganized our production more efficiently."

However, all of the improvements being achieved did not show management how to stop a still large

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AmTech Vice President for Finance and Human Resources Tina Parker updates the production board to indicate profit-making status.

loss due to high production costs until they began to think more strategically, Hendrick said.

ATAC Lean specialists began a concentrated focus with AmTech management.

“We started with strategy deployment about a year-and-a-half ago,” said ATAC Lean Specialist Rick Battye. “We met with management during its morning sessions and began to see how things were approached. Over time, we began to shift the focus as AmTech’s hundreds of products were organized into four primary value streams.”

Management began to go to the floor more and learn first-hand where inefficiencies were occurring. It began to formulate the metrics that provided a much more accurate picture, Battye said.

Becoming directly in touch with the production issues gave management an entirely new perspective. Moreover, it got production employees more involved.

“We started training our employees in problem solving, and our managers and team leaders are applying more visual management tools,” said Tina Parker, vice president of finance and human resources. “Now, our production teams are beginning to take greater ownership in their processes, and they are empowered to make improvements to their jobs.”

The result: What one year ago was a more than half-million-dollar annual loss is now a profit.



Line Supervisor Donna Montgomery (left), Vice President for Finance and Human Resources Tina Parker, and ATAC Lean Specialist Rick Battye examine one of the numerous “point of use” bins that production employees have developed as part of their Lean implementation. Such devices are helping AmTech save thousands of dollars in production overhead.

“We’ve seen production improve from 58.04 percent to 82.07 percent,” Parker said. “A value stream that was losing money every month now is making profit, and it is not due to

increased sales. It is all due to better management and the elimination of waste through applying Lean techniques and staying with the system daily.”

Impact Summary

AmTech officials credit the implementation of Lean with the following impacts on the firm’s Value Stream #4:

- 41.4% overall production efficiency improvement
 - 58.04% in 2009
 - 82.07% in 2010 YTD
- \$600,000 lost in 2009 due to excessive production costs
- Line now making profit of \$13,002 YTD for 2010 without an increase in sales

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-- Tina Parker, Vice President of Finance and Human Resources

Auburn Technical Assistance Center was established in 1976 and is an affiliate of the Alabama Technology Network and an Economic Development Administration University Center. As an Outreach arm of the Auburn University College of Business, ATAC provides business and technical assistance, customized training, and consultation in implementing value-added strategies to manufacturers and other businesses, not-for-profit organizations and government agencies in Alabama and the Southeast. SOAR is an ATAC publication. Direct inquiries and questions to Mitch Emmons, Sr. Outreach Assoc., 334.844.3881, emmonmb@auburn.edu.

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