



A Global Electronic Instrument Manufacturer Quickly Frees Up Millions By Reducing Inventory 15 Percent in One Year

In 2019, a worldwide leader in electronic instrument manufacturing set out to improve their organizational shortage communication and reach bold inventory reduction goals. They sought an AI-powered solution to bring their lean mindset—built on continuous improvements and agile workflows—to life. LeanDNA automatically identified incremental actions to reduce their inventory by 15 percent and reduce critical shortages by 60 percent within the first year.

Lack of Tools to Address a Complex Business Challenge

The global manufacturer's demand varies from item to item. This variance impacted forecasting and added complexity to their inventory purchasing process, ultimately affecting supply to the manufacturing floor and putting factories at risk of production-halting critical shortages. It was crucial for them to manage the variance.

However, the management of this complexity was challenged by an unwieldy ERP system and a lack of total visibility into operations. While establishing optimal order policies for inventory management was certainly possible in the ERP, the task required manual ABC analyses: downloading spreadsheets, manipulating data, and changing every item manually—a cumbersome process that, prior to LeanDNA, took three to six months. The team viewed these analyses at a quarterly cadence, arguably too infrequently to react to market demand. Additionally, metrics around action items, time management, usage, and average demand were not available to the team in their ERP system.

LeanDNA Delivers Visibility and Prioritized Inventory Actions

To make the organization's procurement operation leaner, the team partnered with LeanDNA to improve visibility, monitoring, automatic reporting, daily prioritization of inventory actions, and collaboration within their procurement team.

OVERVIEW

Company

Global Electronic Instrument Manufacturer

Industry

Industrial

Revenue

\$50-\$100 million

Key Challenges

- A cumbersome ERP and no visibility into inventory data or opportunities

Results

- Reduced inventory by 15% in the first year
- Reduced shortages by 60% in the first year
- Saved 38 hours per month of data collection and analysis
- Reduced downtime due to shortages
- Improved working capital levels



LeanDNA shows us not only where we're at today, but where we'll be in a month. It gives the buyers visibility into where we're going and where we should be.

– Procurement Manager



LeanDNA has taken us from a reactive organization to a proactive organization. We can help identify things a lot quicker to keep us moving.

– Procurement Manager

Establishing Total Visibility, Data Cleanliness, and Operational Command

Initially, the leaders at the electronic instrument manufacturer had no exposure to current inventory levels in their outdated ERP with limited organization and visualization capabilities. So to start, LeanDNA enabled access to metrics and pre-built dashboards that show validated data and up-to-date inventory levels.

The procurement manager now depends on LeanDNA for data validation at this stage, noting that when it comes to data accuracy, the tool is the first thing he checks. “It’s really accurate, and the improvements and enhancements in LeanDNA are really quite impressive.”

This allowed the business to create a pivotal foundation for continuous improvements: **Total visibility into the current state of operations, correct sourcing for suppliers, and trustworthy data—all updated daily, rather than their previous quarterly cadence.**

This new visibility allows for more efficient monitoring and command over inventory actions. Monitoring can now be done across multiple departments and levels of the business in LeanDNA. When asked his favorite feature of LeanDNA, the procurement manager notes the operational command capabilities: “I like that I can monitor each buyer. For one buyer, I can see the purchase requirements on a certain part. For another buyer, I can see the obsolete items that don’t have any MRP demand. Overall, I like the way you can customize the dashboards for different buyers.”

Once visibility and control into current operations were gained, the manufacturing team used **LeanDNA’s Inventory Burn-Off Chart** as guidance to view predicted inventory levels and opportunities should they take the appropriate, efficient actions. They use these capabilities to set accurate, achievable goals.

Prioritizing Daily Actions and Workflows Leads to Inventory and Shortage Reduction

With clear goals established by the team, actions and metrics are then surfaced in LeanDNA and automatically prioritized by the largest projected impact on inventory reduction. Teams are presented daily with current and projected inventory levels, in addition to the prioritized actions to hit their goals. LeanDNA also prioritizes critical shortages; the Line of Balance report enables buyers to see a future shortage and adjust PO deliveries accordingly. With these capabilities, the electronic instrument manufacturer has not only reduced downtime due to shortages—an estimated 10 percent improvement in efficiency—but also reduced the number of shortages by 60 percent.

Collaborating Within One Tool

LeanDNA empowers the buying and executive teams with a platform to prioritize actions, identify the root cause of the problem, and collaborate with other individuals as needed to resolve the action.. The team appreciates LeanDNA’s reminders that keep them tracking toward their goals. Emails and notifications keep the team focused on timelines and held accountable for actions.



The Manufacturer Achieves Substantial Inventory and Shortage Results

The results from 12 months with LeanDNA

15 Percent Inventory Reduction

By taking their agile business to the next level with LeanDNA, the team reduced inventory by 15 percent in 12 months.

60 Percent Shortage Reduction and 10 Percent Downtime Reduction

Though not the main focus of their LeanDNA implementation, the manufacturer was also able to reduce shortages 60 percent in 12 months. Additionally, if the team foresees a shortage that can't be addressed immediately, they can reschedule production to keep the lines moving efficiently. This efficiency has reduced downtime by at least 10 percent.

With the saved time, the procurement manager notes his team is able to clean up workflows and focus on sourcing strategies—things they just didn't have time for in the past.

Improved Working Capital

Simply put by the team's procurement manager, "Lowering our inventory levels increased our bottom dollar at the end of the day, giving us more cash flow to work with in other areas for capital improvements."

About 38 Hours Saved Each Month

The team spent approximately 38 hours a month on tasks LeanDNA now automates for them each morning—from performing data collection on supplier performance, analyzing it, monitoring inventory reports to their ABC analyses, and deciding next steps.

Accurate Data and Root Cause Analysis

The company can now quickly diagnose and solve inventory problems. As an example: "We're able to track purchase price variance every day," noted the procurement manager. "Any negative PPV will trigger a notification through LeanDNA. Recently I received an email regarding an order that had been placed the day before. After following up with the buyer, it turns out it wasn't a supplier increase but an inaccuracy with the supplier ERP system. Catching real price variances as well as surfacing data errors helps us stay on top of our spend strategy."

This content is accurate as of the date published and may be updated by LeanDNA from time to time at its discretion. ©2023 LeanDNA, Inc. All rights reserved. "LeanDNA" and the LeanDNA logo are registered trademarks of LeanDNA, Inc.



Our reports were slow. With LeanDNA, we can look at a refreshed data point every morning. With the growth trends we've experienced in the last five years, the info from LeanDNA can propel growth from a procurement standpoint.

– Procurement Manager