

Adding Value with Reduced Working Capital

1 The Problem

The customer, a manufacturer of roll-formed and stamped products, had supply chain issues. They were experiencing a high cost of capital and restricted floor space by carrying too much of the steel used to make their low-demand products.

At the same time, their growth was limited because they didn't have enough of the steel required to make their high-demand products.

3 The Delivery

The team identified two areas of focus. First, they created an ordering system that would give Worthington a "pull signal" when inventory reached a specified level. This notification would allow Worthington to automatically reorder the right steel at the right time to prevent inventory shortages. Second, Worthington created a safety stock, ensuring the continuity of steel as the customer's demand varied.

2 The Approach

Worthington Steel hosted a half-day kaizen event to find the best solution to optimize inventory levels.

The kaizen team consisted of Worthington and the customer's employees, including people from sales, scheduling, and supply chain.

The goal was to reduce the excess working capital while ensuring sufficient steel inventory levels for their high-growth products.

4 The Outcome

The new ordering system created transparency between the two companies, which allowed for better communication about inventory levels and demand. In one month, the customer reduced their working capital by 61% and had adequate steel inventory for their high-demand products.

The safety stock model resulted in faster lead times and created an inventory buffer to flex with the customer's demand.