



Customer Success Story: Large Industrial Equipment Manufacturer

Business Issue: **Performance problems requiring fast-paced facility relocation**

Fortune 500 Company Background

The Industrial Systems Solutions (ISS) division of a Fortune 500 manufacturing company provides advanced electrical infrastructure including electrical distribution, circuit protection, and motor control products for residential, commercial, institutional, industrial, and utility applications. The customer base for ISS includes large Big Box home improvement retailers and small to mid-size wholesale distributors.

ISS offers a turn-key solution of product design, deployment, and ongoing service to optimize the lifecycle of clients' equipment. Industrial Systems Solutions' advanced electrical distribution technologies are leveraged across numerous applications including oilfields, datacenters, hospitals, and mining to name a few.

Business Issue – Multiple Factors Cause Poor Performance

ISS had an existing Distribution Center in the south-central U.S. that, due to several factors, did not allow ISS to serve customers on a timely and cost-effective basis.

It was imperative for ISS to reduce their service time to their diverse, changing, and expanding customer base. The existing DC was located in an “off-the-beaten-path” location that did not provide ready-access to the highway network extending in all directions. The ability to quickly move in all directions was essential to connecting with the Big Box retailers' DCs. Time was not the only imperative -- the existing location unnecessarily increased the cost to serve their ever changing customer base.

In addition to timeliness and cost-to-serve issues, the existing facility had service performance issues. Although the facility could pick, pack, and ship the required number of orders; accuracy, quality, and cost/line varied uncontrollably. In addition, certain periods recorded an extremely high number of injuries on the job.

The combination of these factors motivated ISS to relocate its DC to a more suitable geographic location and to rectify its service performance issues as a byproduct of the move.

Performance-Driven Solution

A network design study pinpointed Mt. Juliet, TN (near Nashville) as an ideal location to cost-effectively serve the geographically-dispersed customer base for ISS. It is strategically positioned at the intersection of three major interstate highways to directly serve major markets in all directions.

Choosing this location required sourcing a new facility and building a team to operate it. ISS asked LEGACY Supply Chain Services (LEGACY) to develop the project plan, staff and manage the facility, implement the necessary infrastructure, and manage the transition from the existing facility to the new DC.



LEGACY

SUPPLY CHAIN SERVICES

Performance Driven

Performance-Driven Solution (continued)

LEGACY built the project plan and managed the execution of the move over a 10-month period. Although the conversion was phased by groups of customers, it was necessary to simultaneously manage services to customers from both the old site and new site. Shipping had to be synchronized to have goods ordered at the same time arrive at the customers' locations concurrently.

The conversion required LEGACY to move all of the infrastructure and racking, and to migrate the information technology. LEGACY sourced and developed a new management team for the facility and hired a completely new workforce (of approximately 200 people). LEGACY conducted a holistic training program to ensure that the new staff was equipped both operationally and culturally to improve performance in the new facility.

The greenfield start-up also provided a unique opportunity to rapidly develop a *Performance-based Culture*¹ for the new ISS facility from the ground up. Establishing this type of culture from the start dramatically improved performance in the new facility.

Value Proposition

The new DC delivered, and exceeded, expectations. First, its location proved to decrease the cost to serve customers. In its first year of operation, the DC shipped 90% of the volume the former facility had shipped the previous year. Overall, the DC's costs decreased by 18% -- the cost/line shipped was reduced from a high of \$7.79 (and an average over time of \$7.10) to \$6.41. Service quality metrics improved from 91% to 99.2%.

LEGACY developed and executed a seamless transition plan that resulted in NO service interruptions during the entire transition period. In addition, LEGACY implemented a best practice and continuous improvement program to ensure the sustainability of performance improvement year over year.

Creating a *Performance-based Culture* for the new facility had significant positive performance results that were realized very quickly. Service, quality, and productivity metrics became more stringent, and all key measures improved. Internal quality performance metrics improved by 270%. Recordable injuries dropped from an annual high of 44 (and an average over time of 30) to 8. (The OSHA safety rate dropped from an average of 13.4 to 4.2.)

The *Performance-based Culture* also had a significant impact on the employees. Despite the transition to a new market in a new location, the Mt. Juliet workforce scored extremely high in crucial cultural metrics such as employee satisfaction and engagement. The team currently performs at an 85% level of job satisfaction (the national average is 45%). Employee engagement measures employee connectedness to leaders and colleagues, autonomy, recognition, collaboration, and growth opportunities. LEGACY established a succession plan that provides a growth path for line-level employees. Establishing a thorough training curriculum and an upward mobility track has resulted in Mt. Juliet's employee engagement measuring 84% -- an extremely good result for any facility, let alone a facility still in its infancy.

"Many Logistics Service Providers can build programs to meet our budgetary requirements for reducing logistics and transportation costs," stated the Vice President of ISS. "LEGACY is unique in its ability to implement a culture that pushes our DC to perform at the highest level and deliver maximum efficiency at the lowest operating costs."

¹ LEGACY Supply Chain Services has a proven methodology to lead a company through this process with little or no disruption to daily operations.

We are experts in developing performance-based corporate culture, and have the knowledge, experience, and tools to develop organizational excellence.