

Specialty Alloy Manufacturer

This Client is a world leader in the development and manufacture of high performance nickel and cobalt-based alloys for service in severe corrosion and high temperature applications. The majority of their manufacturing is sheet, and plate. Historically the "Melt" side of the business has had favorable variances against standards while the "Intermediate" and "Finishing" operations have had unfavorable variances. At the order level, there were instances of wide variations from standards.

Objectives

Determine the "real" costs of making alloy products in order to understand true profit margins by product type and order.

Approach

The one-week analysis began using fiscal year-to-date data and looked at operational and cost data from various perspectives:

- Variances by product code and product class
- Total positive / negative variances by product code and class
- Particular representative runs with high positive variances in plates and sheets
- Melt Shop variances categorized by alloy

Following the above analysis, the client invited Implementation Services in for an eight-week project to help them understand the routing and costing issues across seven alloys of finished product representing 75% of their sheet business. There were a myriad of problems with routings ranging from inappropriate times, costs, and scrap rates to keypunch errors. The implemented changes to the routing brought the standards back in line and removed 80% of the variances.



Results

- Product costing simplified
- Product production standards developed
- Direct labor better allocated to products
- Product cost accounting practices improved
- System for addressing variances established
- Break even cost points for lot sized understood;