

# SCHAFFER CASE STUDY

## Eliminating Costs to Fund Growth

### UNNECESSARY COSTS ARE HOBBLING THE ORGANIZATION'S GROWTH EFFORTS



A leader in the design and extrusion of custom engineered products had relocated its manufacturing capability to an alternate location the previous year. But, despite several efforts, they had not been able to close down the associated warehouse. The company was incurring roughly \$1.5 MM in unnecessary costs related to transporting finished products between the new plant and the old warehouse. The CEO was impatient to eliminate these costs so the money could be applied to the exciting new products and new markets outlined in the company's growth agenda.

On January 1, the CEO challenged the organization to be completely out of the warehouse by July 31 – three months ahead of an already-challenging deadline the Board had set. He asked Schaffer Consulting to use its [WorkOut](#) method to bring the wide variety of stakeholders together to achieve the goal.

### NO SIMPLE SOLUTIONS

When the CEO shared his expectations, most employees were skeptical. “We attempted this last year and couldn't do it,” many said. “We can give it a try, but I don't see how it can be done,” said others. A few others went further: “This isn't possible.”

Their concerns were not out of place. Exiting the warehouse would require changes in a number of areas. There wasn't room to simply move everything from the old warehouse to the other two existing warehouses. Making more room in these warehouses would be a component of the solution, but they also had to reduce operating inventory by adjusting some customer expectations and dramatically improving their manufacturing agility to avoid building up inventory for seasonal needs.



### AN INTENSE WORKOUT GENERATES EXCITEMENT AND COMMITMENT

First, Schaffer helped the CEO select a knowledgeable, capable WorkOut Champion to spearhead the effort. Doug (not his real name) had held a diverse set of roles in the company, so he knew how things worked and had initial ideas of what changes might be needed to get out of the old warehouse.

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Second, Schaffer helped the CEO and Doug select a WorkOut Design Team. This cross-functional group of leaders took the high level, six month challenge and created a measurable, ambitious three-month goal: “Completely and permanently exit the two biggest rooms of the three-room warehouse by May 31.” The short-term nature would drive urgency and keep the effort top of mind. And the tough goal would force the company to pioneer innovative shifts in manufacturing, customer relationships, warehouse logistics, etc. The WorkOut goal became the rallying cry: “If we are out of these two rooms by May 31, we’ll be in a great position to completely exit the whole warehouse by July 31.”

The Design Team also created sharp targets for the four focus areas everyone knew would need dramatic improvement. The Warehouse Logistics team, for instance, was tasked with freeing up 30% more space in the existing warehouses through better space utilization. And the Operations team needed to develop the ability to produce 4,000 cartons per day of the seasonally sensitive product. Each focus area got a team leader and a cross-functional group of team members and identified the data needed to be able to generate radical ideas to meet the goals. Lastly, the Design Team organized the two-day WorkOut event where all teams came together to brainstorm ideas, prioritize and select the best ones, develop formal recommendations (the idea, the payoff, known obstacles to plan to overcome, how success will be measured, etc.), and get on-the-spot yes/no decisions on each recommendation from the CEO.

By the end of the event, they had ten recommendations approved for implementation by the CEO, plus over 20 “just go do” ideas that everyone felt would move the needle and were straightforward enough to not require formal approval. Nearly every participant was feeling confident that by carrying out these focused efforts the “impossible” challenge could be achieved.

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## IMPLEMENTATION UNCOVERS SURPRISING CHALLENGES – AND DRIVES NOVEL SOLUTIONS

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By Day 30 of the 100-day implementation period, their confidence was melting away.

This is natural. As the teams begin implementing their approved ideas, they come up against obstacles they could not have envisioned during the WorkOut event. The mettle of the team is their ability to acknowledge these and use their creativity and perseverance to overcome them.

That’s just what this team did.

The biggest issue that emerged was that some of the customer impact ideas were not delivering the expected gains in inventory reduction. The team addressed this through two complementary efforts: working harder to find additional space in the existing warehouses (they eventually freed up nearly 50% extra space!) and convening a cross-function SWAT team to develop additional inventory reduction ideas. Out of this work came the idea of shifting the warehouse that provided a key product line to a subset of customers. Concerns about impact on lead times and service – which had stymied earlier attempts to make these changes – were suspended in recognition of the importance of closing down the old warehouse. And the changes were not made in one fell swoop; the team tried them out on small scales to test how they delivered inventory reduction with minimal impact to customers. They then rolled them



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out more broadly with the confidence of having proved them out.

Other efforts moved more smoothly. Despite some delays due to the unavailability of parts, the Operations team delivered on its promise to be able to produce 4,000 cartons per day. And some technical changes to product manufacturing that would allow much shorter produce-to-ship timeframes were big winners.

By Day 60, the team's confidence had returned. In fact, they had achieved the 100-day goal!

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## OUT OF THE WAREHOUSE AND POISED FOR GROWTH

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The team was right. Achieving the tough May 31 goal set the stage for the broader win – being completely and permanently out of the old warehouse by July 31.

The financial gains are impressive: over \$3.5 MM in transportation cost avoidance and reduced inventory costs. More importantly, participants realized what they can accomplish. Never again will an important challenge be viewed as “impossible.” They have the confidence – and the mindset and tools – to tackle whatever comes their way.

Team members outlined several keys to success:

- Top to bottom clarity on the objective and scope.
- Engagement of all levels of the organization for innovative ideas.
- Exceptional communication – top down, bottom up, and cross-ways.
- Fast, narrow failure was encouraged – to identify what actually worked in a low-risk way.
- TRUST – “We were all in it together and we had each other's backs” was a pervasive theme.

Nothing surprising here. Everyone agreed that it was the WorkOut structure – the difficult, urgent goal was energizing and left them “no choice” but to meet the CEO's expectations – that infused these characteristics into the experience and broke the pattern of earlier failed attempts.

After the experience, Doug commented, “I'd seen my colleagues step up and achieve amazing results before – but not on the scale of this experience. The results we achieved are remarkable. But more importantly, we're positioned to do it again! We're excited to take what we've learned and apply it to other company initiatives. Everyone is really energized, it's a great feeling.”

