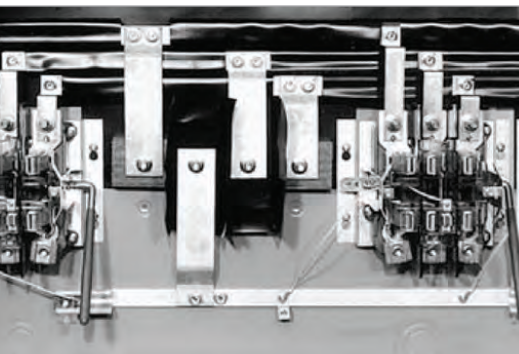


By Lavon Winkler, CEO, Milbank Manufacturing Company



Lavon Winkler



Milbank Manufacturing Company was founded in 1927 to manufacture high-voltage switches and in 1941 changed over to electrical and meter sockets, where it has remained as an industry leader. The company provides wholesale electrical distributors with quality electrical products for the utility, contractor, industrial, and OEM markets, with a union employee base of more than 800 at five manufacturing facilities in the United States.

About three years ago, we examined the need to outsource some of our manufacturing. This wasn't so much because we needed to cut costs, but rather because we recognized that we simply weren't very good at some of the processes we were performing. We had a mindset that we needed to do everything ourselves, but then realized that it might make more sense to outsource those processes that weren't our strong suits.

**“We're real proud of the fact that we've done this while keeping jobs in the U.S. and we've done it with an all-union workforce.”**

While considering this change in our manufacturing, we also looked at what our competitors were doing. It turns out that all of them had some manufacturing outside of the U.S. In contrast, all of Milbank's manufacturing was in the U.S. and in union shops.

Prior to this time, Milbank had been doing some lean—creating islands of efficiency within a sea of chaos—but we lacked the “enterprise” philosophy behind lean. So my first step was to introduce the Toyota Production System, starting with a lot of education at the senior and middle management levels. Our outstanding leadership team began to implement lean across the entire enterprise, focusing on both process and culture.

This was the state of affairs at the time we considered taking some production outside of our own walls. We looked especially at high-volume processes and considered whether it made sense to move those to Mexico, but ultimately didn't see a huge benefit in doing so. Instead, we decided that we could intensify our lean implementation based upon the Toyota model to become even more competitive and that we would do so with an all-U.S. workforce. Even though we did end up outsourcing some of our small parts and secondary processes, all of that outsourcing was done within the U.S.

Once that decision was made, our lean implementation quickly ramped to a very high level. You often hear about union shops and how difficult it can be to implement changes in such situations, but as people became more engaged and the union saw that we were committed to keeping jobs in the U.S., they jumped on board and now we have a fantastic relationship with them. We have union leaders participating in and, in some cases, leading kaizen events. There's an awful lot of positive energy, and as a result efficiency and quality are at an all-time high and our lead times have come way down. Our owners are telling us that we're operating at an efficiency level that is the highest in the history of the company.

We are getting all the expected benefits from lean. For example, work in process is greatly reduced—by several million dollars—even though we've not held any events directed toward reducing work in progress. All we've been doing is following the discipline of defining our current state, identifying our desired future state, and then implementing as we go.

In three years we've been able to implement \$12 million in annualized cost reductions. Additionally, Milbank had a history of carrying some debt and usually being well into our operating line of credit, but by implementing lean, we've been able to retire all of our short- and long-term debt and we've not touched our line of credit for

about a year now. We feel very good that if the recession really intensifies and things get difficult out there we're in a healthy position of having no debt, and we have cash in the bank.

Additionally, although our market share before we started our lean journey was substantial, we've increased it by 9.5 percent in just this past 12 months. Much of that is not because we have a lower price—in fact



our products are some of the higher priced in the industry—but because of our improved response capability, which is a direct result of lean implementation.

Some of our products are fairly basic and flow in a high volume through our plants. But the lion's share of our business is very small production runs. For example, we have lines in Kansas City, MO, where it's not unusual to do 16 or 17 model changes in an eight-hour shift. That's the kind of variability that we have. In the past, when we got into the high side of our seasonality, which is the construction season of the summer months, the lead times in our factories in Concordia and Kansas City would always go from about six weeks to 10, 12, or 14 weeks, and sometimes more. We were making everything in batches, product wasn't flowing, and it was a first-rate mess.

Now our lead times have come down to two to four weeks and are down to one week or less on some of our product lines. This is allowing us to secure an incremental share of the market because we can respond to customer needs a lot faster. We are now a lot more reliable than many of our competitors because we are able to keep our stock

availability in the upper 90s. That doesn't sound like much, but when you consider that we have two distribution centers and 22 warehouses that our distributors pull from, a 98 percent stock availability when you're manufacturing 10,000 finished goods SKUs is amazingly good.

People who don't understand lean would assume that we've done this by bulk-ing up our inventory, and the reality is that



our overall inventory dollars have declined more than \$5 million in the past 12 months. So we reduced our total inventory by about 30 percent and we're nowhere near done. We're three years into this and we've just scratched the surface of what we can do.

Historically, Milbank also expanded by building factories, but by using lean strategies we've managed to free up 100,000 square feet in our plants that is now available to support our diversification strategy.

We have also started working with our primary suppliers, introducing them to the concept of lean and encouraging them to come to our factories to see firsthand results. We've let them know that we expect our top-tier suppliers to be implementers of lean; we've shown them how they will start to interfere with our ability to realize incremental improvements if they don't implement lean themselves. You can only do so much within the four walls of your factory and sooner or later you'll have to go both up- and downstream in the value chain. The ultimate goal with lean is to take waste out from Mother Earth to consumer, so we're educating our suppliers and getting them on board. Some are more energetic

than others, but we've got two or three that are absolutely on fire. We have shown our suppliers that we are a resource for them. We invite them to participate in kaizen events and we'll also send people to participate in or to facilitate their events. We tell them that as their partner, we will do everything we can to help them to get started on the right track on their lean journey. It's all part of a lean strategy that will continue to

**Milbank's enterprise-wide lean philosophy kept manufacturing in the US, energized union leadership, and produced impressive results:**

- \$12 million in annualized cost reductions over three years
- Retired all short- and long-term debt
- 9.5 percent market share gain this year
- Lead times reduced to 2–4 weeks from 10–14 weeks
- 30 percent reduction in overall inventory dollars
- Freed-up 100,000 ft<sup>2</sup>, which is now available to support the company's diversification strategy
- Started working with top-tier suppliers to introduce lean concepts

help us thrive while keeping manufacturing at home.

This is the Milbank story and although I know we have so much more work to do, when you walk into our factories, it's just nothing like it was three years ago. We're real proud of the fact that we've done this while keeping jobs in the U.S. and we've done it with an all-union workforce. It's not been easy; we've had some real hurdles to get over, but the success we've seen so far is something we can easily build on. ■

