

Delaware Manufacturing Extension Partnership (188) View Success Story

Success Story

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| CIMS ID: | 1945 |
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Client Information

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| CIMS Client ID: | 49547 |
| Client Name: | Schering Plough Animal Health |
| Client ID: | DMACP-5-416 |
| CIMS Project/Event ID: | 96261 |
| Project Name: | VSM |
| Project/Event ID: | KCER1424 |
| Has the client provided approval to use this information in a Success Story?: | Yes |

Success Story

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| Reporting Period: | 2006-4 |
| Success Story Title: | Schering Plough Animal Health |

Company Profile

Schering Plough Animal Health employs 42 manufacturers in Millsboro, Delaware. They make animal medication and vaccines.

Situation

Background
Prior to the beginning of each calendar year each division within Schering-Plough Animal Health establishes performance objectives for the site which are based on performance objectives established by the corporate entity and the division. The performance goals are also tied into Key Performance Indicators which are tracked on a monthly basis. In addition to the obvious goals related to cost reductions, spending, efficiency and product delivery performance, etc. that are monitored by the KPI system, there are also goals related to quality performance, training and attaining cultural change through empowerment of the individual through training and inclusion in the decision making processes. Historically, the departments within the site operated in somewhat of a vacuum in the sense that each group did not fully understand how their performance affected the overall performance of the site and the other departments within the site. Breaking down those barriers was an important step before we could begin to redesign and revamp the internal procedures. When we reviewed what DEMEP had to offer and several of us participated in a "Principles of Lean Manufacturing" seminar, it was immediately apparent that the training programs as designed were an excellent match and would be an excellent tool to begin to institute the changes that we needed to begin to meet our goals and objectives not only for the year, but also for the future growth of the site.

Solution

Training
The training as structured and executed by the DEMEP staff exceeded our expectations and became the basis for instituting the process and organizational changes required to meet our goals. Everyone at the site participated in Principles of Lean Manufacturing. This began the process of breaking down the barriers that existed and reinforced the concept that each person must contribute to the overall success of the operation. Our Cross Functional Group then participated in and this coupled with additional 5S events provided the critical analysis of specific operations that we needed to not only institute the fundamental changes required, but provided the basis for each individual to contribute to the process and thereby have a stake in the successful outcomes. In addition, our planning processes were in the process of being revised and the conceptual change developed during the Value Stream Mapping sessions led to the adoption of the "Supermarket" concepts for both final product and WIP. The institution of the system began immediately and the process has been heartedly endorsed by our marketing groups and given them the confidence that we can meet their needs now and in the future.

Results

Conceptual Results
The effectiveness of the training has contributed to the continuing transformation of the site and the overall corporate confidence in the ability of the site to handle new processes and products which will result in new long term investments in the site. It could be best summed up by our Corporate Vice President who is responsible for all of the Schering Plough Animal Health operations who stated during our annual budget presentation "It is amazing that a site with a 55 year history has become so dynamic" We also have several corporate audits throughout the year. In December an Engineering Assessment was conducted and the results of one aspect of the training was specifically cited in the report.
"Because of a grant and training from Delaware Manufacturing Extension Partnership (DEMEP), the site has consolidated the Building 18 inventory into the mezzanine location. Parts are no longer stored in the electrical room. The mezzanine level has been organized with labeled storage bins, making parts retrieval easier. In addition to the parts consolidation, dedicated tools and parts kits have been created for three areas in building 18: virus area, fill area, and kitchen area."
Investments in Employment and Personnel
Often the largest impediment to institution of changes and efficiencies in process and procedures is the fear that the result will be a loss of jobs or job security. However, the opposite has been demonstrated at this site. Over the 2006 budget year as a result instituting efficiency programs, we have promoted 4 employees to higher technical levels, 2 to lead technical level and one to a supervisory position. In addition we have added 5 full time employees and 4 temporary employees to our staff. For 2007, we anticipate adding additional staff in production and maintenance

Costs
While most of the basic raw material costs and particularly energy costs have risen, we have reduced the overall cost of goods based on the efficiencies that have been implemented. In our 2006 results with partial implementation of efficiencies we attained a plan to plan decrease in the cost of goods sold of 2.3% when compared to 2005. The significance is that sales increased by about 10% in 2006 over 2005. In 2006 our cost of goods sold was 3% lower than budget while sales were 5% higher than budgeted.
For fiscal year 2007 with further implementation of planned efficiencies our standard cost change compared to 2006 is reduced by approximately \$500,000 when we compare the 2007 units to be produced against 2006 and 2007 costs. More importantly, however, is a major reduction in losses obsolesce (over production) or in process or final product quality issues (D&O's). In 2004 these amount to in excess of 1 million dollars. In 2006 the losses were \$150,000. This is a turnaround of \$750,000.

Capital Investments and Future Personnel Requirements
In 2007 we will complete the construction of a new building begun in 2006 housing our labeling and packaging department with an overall investment in building and equipment of 1.65 million dollars. In 2006 we were given additional investment dollars for new equipment to institute many of the efficiencies that were supported by the DEMEP training results that amounted to approximately \$800,000. For fiscal 2007 our projected investments in building and equipment are approximately 1.8 million dollars. Future investments over the next 3-4 years in capital will include new buildings and equipment for the production of new products that will exceed 5 million dollars. We expect the new products will require an additional 10-15 technical positions to carry out the production and testing over the next 5 years.

Name of Person Providing Testimonial: Howard Vanderslice

Title of Person Providing Testimonial: Site Manager

Testimonial

In summary, the results of our participation in the Lean Manufacturing Programs have exceeded our original expectations. i can sum it up by paraphrasing the Vice President in charge of our division who at the end of our budget presentation stated, "It's amazing that a site with a 55 year history has become so dynamic."

Record History

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