Case Study:

Esterline Technologies: Lean Manufacturing

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I. Key Facts

- Players
  - Robert Cremin – Chairman, President and CEO of Esterline Tech.
  - Tom Heine – Director of organizational Effectiveness
  - Frank Houston – Corporate Group Vice President.
  - Michael Taylor – Senior Production manager
  - Richard Schonberger – Expert on world class manufacturing and lead methods
  - Gary Dytrt – Korry President
  - Cary Gammon – Lean staff member
  - Allison Eiford - Lean staff member

- Financial Performance
  - 2005 Revenues of $835 million
  - 2005 income from continuing operations was $51 million
  - 2004 revenues were $614 million
  - 2004 income from continuing operations was $29 million
  - According to analysts’ reports, 2006 revenues were likely to exceed $1 billion.

- Timeline of the Case
  - 1976 - Robert Cremin joins Esterline
  - 1995 – Esterline is a multi-industry conglomerate with revenues of $350 million
  - 1999 - Robert Cremin is appointed President and CEO
    - Narrowed the company’s focus to key industries and technologies.
    - Sold 12 non-aligned companies
  - 2005 – Esterline had 34 business units
    - Employed 7,500 people
  - 2005 – Facilities with decentralized responsibility for engineering, production, marketing, and sales, were located in 11 different states and five countries outside the US.

II. Issues

- Central Problems
  - Korry Plant
    - required a layout redesign
    - The design and disposition of the fabrication shop
    - Potential use of lean methods for office operations
    - IT interfaces with suppliers and customers
  - IT not seen as strategic
  - Uncertainty around the executive team about the role of IT in Lean manufacturing.

- Conflicts
  - The CEO already has shared his strong opinion about IT systems.
III. Analysis
   A. Qualitative and/or quantitative analysis
   B. What are the causes?
      o Internal and external –
         ▪ Internal- The CEO shared opinion, executive team questioning IT, plant needs a new layout, disposition of fabric shop
         ▪ External- Competition, customers
   C. What are the rules and how do they apply? - N/A
   D. Are there any gray areas? – N/A
   E. What is happening? – The team would like to change around the plant in many ways and they are trying to focus on what the best solutions would be but no one is settling on a single idea. The CEO and executive team are not meeting on the terms of what to do.
   F. What do they want to have happen? (Gap Analysis) –
   G. What are others doing? – Others may be using the IT, while other competition may be switching to PWP, although it does not say.

IV. Identify Alternatives
   • Pros/Cons – (changing their way of production)
      o Pros- Better means of productions, more specialized products, less mishaps, more income and revenue, new design, works better with suppliers and customers
      o Cons- Costly, workers may not want to make the switch, Executives may not want to make the switch, may not work out as planned, may loose money

V. Conclusion and Recommendation (the “what”)
   • The change appears to be more of a struggle to plan than it will make improvements. They are just so unorganized/not unified to make any major moves. The company may end up going under in the long haul. The shift is a good idea in theory, but in reality they just do not all agree. The CEO, the executives, and workers are just too far apart.

   • A. Can this solution apply in a larger way? (microcosm extended to macro level)
   • It can, a lot of companies could reorganize like this. IT systems are great for organizing and simplifying things. The reason it does not work in this case is due to the company trying to implement it, not the concept. In order to reorganize or change things in a business you need to be in agreement or at least close to agreement.

VI. Action (the “how”)
   • By getting to this point of un-agreement, Esterline Tech has made it essentially impossible to make the move. They need to focus on getting everyone on the same page and then think about making moves to reorganize the factory. It sounds like the CEO has a grand plan, but did not realize how it would be received and unfortunately for him it was not with open arms.