Kanchan case study solution

Brand: Mehta Solutions
Product Code: case54
Weight: 0.00kg

Price: Rs500

Short Description
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Description
Kanchan

**Kanchan and company limited was one of the leading manufacturers of pumps for the domestic,
agriculture, and industrial use. It had its corporate office at Delhi. One of its plants was located at
Faridabad, the industrial town of Haryana which is only 30 km away from Delhi. The plant at
Faridabad manufactured nearly 200 different types of pumps categories as, the mini domestic pump,
jet pump, four inch submersible pump, single phase monoblock pump, three phase monoblock
pump, end suction pump and pumps for special use. Target customers for these products were
household units, farmers, urbans (municipal corporation, civil contractors etc.), industrial houses
etc.Unit 1995, the company was one of the major players in all the market segments without having
any threat from its counterpart competitors. With the process of liberalization and globalization, a
number of competing companies entered in the business of manufacturing pumps.**

Some of the major competitors were Taximo in the agricultural segment, KSB and Kalama in the submersible segment, Sharp in the domestic segment and Crompton in almost all the segments. Because of the stiff competition, the company had lost its market share in al the market segments. Also the financial performance of the company had deteriorated as indicated by EBIT and PBT as shown in AnnexureI. To counter the competition and to get international acceptance for its products, the company pursued to get ISO 9000 and obtained the ISO 9001 certification in the year 1994. For its social acceptability, the company obtained ISO 14001 in the year 1997, and to retain this certification, the company started incorporating continuous improvements in all the areas of its operations.

Until 1995-96, the focus was on maximum capacity utilisation of man and machine and the bargain parts were manufactured continuously without analyzing their actual requirements resulting in the high inventory level of some parts and stock out in others. This resulted in the higher cost of manufacturing in two ways i.e., production stoppages because of the unavailability of parts and higher inventory cost of parts which were not required. To have maximum utilization of machines, and to meet the market demand, the unit was working in three shifts. Since machines were used 24 hours a day, the organization needed hitech machines with low maintenance requirements resulting in short life span of the machines. The organization was able to meet seventy percent of the market demand in all categories of the product. With the increasing competition, the company had to face declining market share in some product categories. The company formed inhouse team to identify the areas in which the unit was facing problems. The team identified that the high inventory in all the areas, high rejection rate of the parts manufactured inhouse , low worker morale, high absenteeism, high cost of manufacturing, high level of wastages and scrap, lower customer satisfaction and unsatisfied

demand in some product categories were some of the major reasons contributing to the poor performance of the unit. The problems were discussed by the management and the consultancy services of Tata Institute of Social Sciences were hired to look into problems in the area of human resources. The other areas were investigated by inhouse teams. On the basis of the suggestions

received from the consulting team from TISS and the inhouse teams, following changes were introduced.

• Overall manufacturing system was reoriented from the push system to the pull system, i.e., the different products were manufactured according to the market demand. Machining centre of the manufacturing facility and part of the foundary section was converted to a synchronous manufacturing system.

• The plant layout was changed from the process based layout to group technology (Cellular Layout) resulting in a muti-skilled workers requirement instead of a single skilled worker requirement. The organization provided training to the existing workers to acquire the skills in the additional areas. This also resulted in the team approach towards the same objective.

• A system of the Joint Development Council (JDC) consisting of three tier organization, viz. functional council, cross functional council and the apex council, having equal representatives from the management and the union was evolved. There were three functional councils for the three functional areas, the foundary department, the service department and manufacturing department. The functional councils were responsible and accountable for absorbing the latest organizational methods and processes for the day to day operations to achieve the company goals of growth and profitability. The cross-functional council was responsible and accountable for

making recommendations for the development/improvement, which would help to achieve the annual operating plans through the quarterly/monthly plans. This council was also responsible for resolving issues pertaining to the operations and maintenance of the manufacturing standards, quality standards, capacity utilization and resources mobilisation. It also helped the apex council in taking final decisions in these matters. The apex council was responsible and accountable for resolving the issues that would arise in the operationalisation of the various development/improvement schemes and also looked after the overall well being of the workmen besides addressing itself to achieving the company goals. Meetings of all the three councils of the joint development council system were conducted every fortnight, every month and on each quarter.

• The company introduced various programs for the development of its workforce like,

a) A cadre system by which the company offered grades to the employees purely on the basis of their merit and work experience. In order to assess the knowledge, skills and behaviour inventory of the workers, the system of conducting theory and practical examination followed by an interview was evolved. In earlier system, the workers carried out simple functions based on the skills and the scales were also fixed based on the type of work carried by the workers, resulting in the disparity in the scales of workers on the same product and having similar experience.

b) Continous Performance Improvement Scheme (CPIS) : this scheme was developed to focus on ensuring the meeting of customer needs, zeroed rejections at the various operations, zeroed breakdown of the machines, maximize the capacity utilization and developing the workers' pride in the ownership. For these objects, the selected parameters of the CPIS were, the quality of operations, up keeping of the machines etc., availability of workmen and the capacity utilization.

And therefore, the daily earning of the direct workmen under and CPIS were computed based on
reducing the internal and the external rejections, increasing the availability of manpower and
machines and improving the capacity utilization. In order to calculate the daily earnings of the
direct workers under CPIS, following formula was developed.
ED = { (EQ1 + EQ2 + EA1 + EA2 + EC) * N/n} * {Aa/An}
Efforts for system Improvement
• Broad production norms were developed.
• Cell owners oncept was introduced.
Semester 1 Business Management
IIBM Institute of Business Management
• Integrated quality control system was introduced.
• Integrated productive maintenance system was introduced.
• Single digit minute die-exchange time was achieved in seventy percent of the cases.
• Rapid exchange of tool/ dies was achieved in twenty to thirty percent of the cases.
• First out time was introduced to reduce inventory at the casting and finish stores.
• Focus was shifted from machines to shops.
• Shift from component manufacturing to end-product manufacturing.
• A number of mangers and workers were removed/withdrawn from the number of activities.
• Shift from the individual incentive scheme to the group incentive scheme.
Despite al these efforts, the organization was still facing teething problems in a number of areas
1. The organization had reduced the raw material and the finished goods inventories but still it was
on the higher side.
2. Process improvements had been carried out only in parts because of high investment
requirements.
3. The workers were apprehensive and suspicious about the way the CPIS was introduced.
4. The organization had not done the cost benefit analysis of the changes they had made.
5. Tools and die replacement time had been considerably reduced but still needed improvement.
6. Synchronized manufacturing system had been introduced only in a few parts of the
manufacturing unit.
7. To cater to the changing demand, the organization had assigned higher man power than require,

leading to some idle man hours during normal demand periods.
8. Power supply constraints forced the company to use the age old method of manufacturing instead
of the technology.
9. Bilateral settlement had been signed with the recognized union however, there were more than
one union having their representation amongst the workers.
10. Rejection level of the casing had come down from 12.5% to 12.2%.
11. With the measures taken by the company, the financial position had improved as indicated by the
EBIT and the PBT
The apex body during its last meeting appointed a committee to review the progress made by the
different departments under the continuous improvement program . Ramchandran was appointed
the chairman of the committee. Ramchandran after completing his preliminary investigation,
forwarded the preliminary report to the management . The General Manager of the unit, Harish
Narayan, noted that the unit had made a lot of progress through continuous improvement program
but still the unit was not in a comfortable position in relation to its competitors. He was worried
as to what the organization should do to speed up the process of continuous improvement.
1. Did kanchan and Company Limited adopt the right strategy in improving the overall performance
of the organization?
2. Was it right to use a complex system for determining the workers incentives?
3. If you were the head of the unit, what steps would you have taken to remove the problems which
were still persisting.
4. What should the company do to maintain and improve its market position?
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