Benefits Analysis

Implementing a kanban system for VIBCO’s large turbines will not be easy, but in the end, the benefits will outweigh the costs. The largest benefit that this implementation has is improving the company’s on-time delivery. In general, the large turbine shipments are currently about 80% on-time; the kanban system, however, has the potential to improve this statistic to over 95%. With better product availability in inventory, not only will VIBCO have higher on-time delivery rates, but it will also have the ability to gain a greater share of the market. Maintaining customer satisfaction will be much more probable, when the business can maintain same-day, next-day delivery as well. Although, overall inventory levels will rise in the beginning, the products will turn over faster, because they are going out the door faster.

With on-time delivery rates increasing, capacity also has the potential to increase as the demand is “trend up.” The kanban process helps VIBCO do more with less resources. For example, we can flex workers to other areas that are in need of help, instead of hiring additional employees.

The kanban system will better align VIBCO’s supply chain as well. Currently, VIBCO is operating at an assemble-to-order production level. After the kanban is fully implemented, however, it will shift to make-to-stock. Products will be ready to ship when orders are received, rather than made afterwards. This will allow resources to be utilized more efficiently too.

In addition, the kanban system reduces the daily scheduler’s role. This creates a cultural change within the organization. It allows the product to be managed at the operator level; this naturally instigates more commitment to meet the on-time delivery goal. This also allows the production controller to focus more on managing other areas, such as the raw materials.
Lastly, the new kanban system would reduce the amount of paperwork, as the scheduler would likely not have to print a production schedule every day. With a full implementation of the kanban cards, VIBCO would be able to operate with less people both in the office and in the factory. Although the company is not saving on labor and materials, the growth in market share will dramatically outweigh these costs. We cannot exactly calculate the monetary value of the potential market share growth, but we do know that it will positively affect VIBCO’s business overall.