
Finding Value in the Value Stream

Scott Fannon, Steelcase Inc.

Steelcase Inc. is the world's pre-eminent designer and manufacturer of products used to create high-performance work environments. Founded in Grand Rapids, Michigan in 1912, Steelcase Inc. helps individuals and the organizations that employ them around the world to work more effectively. The company has led the office furniture industry in sales every year since 1974. Its product portfolio includes seating, lighting, storage, furniture systems, interior architectural products, technology products and related products and services. Fiscal 2000 worldwide net sales, including unconsolidated joint ventures, were in excess of \$3.4 billion. Dedicated to providing the finest office furniture and systems available in the market, Steelcase Inc. takes its job seriously. Their motto is to "transform the ways people work...to help them work more effectively than they ever thought they could."

Steelcase Inc. (www.steelcase.com) and its subsidiaries and joint ventures have dealers in more than 800 locations, more than 49 manufacturing plants in 35 locations, 80+ sales offices...dealers in more than 800 locations... 540+ product lines...21,000+ employees around the world and ... 88 years of Steelcase tradition.

Problem

Despite rises in revenues, overall earnings actually decreased 16.8 percent in 2000, as compared to 1999. Several factors contributed to this decrease in profitability. The major reason for this dive was lower sales among the company's larger customers. Other elements identified by Steelcase were:

- Competitive pricing pressures that occur when a market grows slowly
- Expenses involved in completing acquisition of another line of office furniture

At a Glance

Problem

Despite rises in revenues, overall earnings actually decreased 16.8 percent in 2000, as compared to 1999. Several factors contributed to this decrease in profitability. The major reason for this dive was lower sales among the company's larger customers.

Solution

To overcome this setback, Steelcase Inc. outlined key goals and identified several initiatives to help them reach their goals. One of those initiatives is Value Stream. This initiative has a primary goal of eliminating redundancy and reducing SG&A expenses by \$133 million over three years. Steelcase needed to have a tool that aided in their analysis efforts. That's when they turned to ProcessModel.

Results

Results are still in progress. For the latest updates, please check the ProcessModel web site at www.processmodel.com. Results will be posted online at this site as they become available.

Future Application

As subsequent phases of the simulation process are reached, it is expected that ProcessModel will highlight areas where Steelcase will be able to increase revenues and reach their goal of reducing expenses by \$133 million over the next three years.



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- A one-time \$15 million after-tax charge to cover retrofits at several of their customers’ facilities
- New product introduction and ramp-up costs

Solution

To overcome this setback, Steelcase Inc. outlined key goals (four corporate strategies and six growth strategies). The four corporate strategies were:

- Be a work effective company
- Achieve operational perfection
- Pursue ambitious financial goals
- Live core values

The six growth strategies involved:

- Focusing on product innovation
- Pursuing new acquisitions, alliances, and new ventures
- Leveraging the company’s global presence
- Leveraging the company’s dealer network

- Leveraging the company’s installed base
- Increasing international revenues (by fulfillment of the above objectives)

Steelcase North America has identified several initiatives to help them reach their goals. One of those initiatives is Value Stream. This initiative has a primary goal of eliminating redundancy and reducing SG&A expenses by \$133 million over three years. In addition, the team has developed an ongoing continuous improvement process with a long term focus on eliminating redundancy and reducing costs. This process fully implemented will allow evaluation of projects so see if they contribute to Value Stream goals. Steelcase needed to have a tool that aided in their analysis efforts. That’s when they turned to ProcessModel.

Our goal was to create a Value Stream “as-is” map, make it the standard for the company and then benchmark proposed process, service and technology changes against the “as-is” to validate and understand the impact before we committed to the project. Working against the five-phase “Process Model Project Process,” Steelcase and ProcessModel began model design and development. Steelcase has finished phase 2 of the model and is moving into phase 3.

The Process Model Project Process involves

- Development of project goals
- Establish a project plan, data collection, and “as is” model creation
- Validate “as is” model and understand results
- Analyze “as is” model
- Develop alternatives.

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FIND OUT MORE

About the Author: Scott Fannon has a Bachelor’s Degree in Applied Science (Marketing), Davenport University. He is the Project Lead for Value Stream corporate initiative and has been with Steelcase Inc. for 19 years. Scott is a member of a three-person leadership team responsible for developing a corporate Value Stream process that includes analysis, validation, and simulation of corporate projects to ensure viability and contribution to a projected goal of \$133 million expense reduction over the next three years.

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