

SUCCESS STORY

Filtronic Pty Limited
Acorn Nisil Pty Limited
Ferra Engineering Pty Ltd
Oz Electronics Manufacturing Pty Limited



Partnering with suppliers for incredible export performance!



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Michael Symes
Managing Director
Filtronic

The Organisations

Filtronic Pty Ltd is a world leader in the design and manufacture of sophisticated wireless infrastructure products for the international mobile telecommunications market. It primarily serves the Asia Pacific region, developing business with large indigenous cellular infrastructure manufacturers in China (ZTE), Japan (NEC) and the US (Lucent). Filtronic's exports exceeded 95% of revenue in 2000-01.

Filtronic sources approximately 60% of its supply requirements from its local suppliers and value chain partners: Ferra Engineering Pty Ltd, Acorn Nisil Pty Ltd, and Oz Electronics Manufacturing Pty Ltd. They provide precision aluminium casings, silver-plated surface finishes and printed circuit assemblies respectively.

The Project

Filtronic production had to grow several fold in the space of about six months to fulfil new orders obtained against value chains operating out of America and Europe. Preferring to maintain the local supply needed to take the company to new levels of performance in the international market,

Filtronic and its key suppliers embarked on a value chain improvement project designed to fulfil the production volumes required.

Project Methodology

The key success factors in the definition and implementation of the project were:

- a value chain focus of mutual business improvement (rather than a technology focus) by all the CEOs, communicated to their managers
- aligning the project with the participants' strategic and operational objectives
- integrating the project into their day-to-day operations.

Filtronic and its suppliers worked closely on a number of projects over twelve months to meet the rapidly growing demand of Filtronic's customers. The main activities were:

- value chain awareness education for key people in all companies
- lead time reduction, cost reduction, quality improvement and mutual business performance enhancement by instigating an approach to improve Design for Manufacture and Assembly (DFMA)

VALUE CHAIN
MANAGEMENT
PROGRAM



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- sharing information on product design, production forecasts and schedules via simple e-business tools
- identifying and reducing direct and indirect non-value adding activities
- supplier participation at the Filtronic Daily Operational Review meetings
- regular involvement of suppliers to enhance the Filtronic internal improvement projects, especially in manufacturing and materials management
- working with the materials management team to align their processes to flow-oriented, high-volume production.

Benefits and Outcomes

The most significant outcome of the project was to enhance Filtronic's transition from batch to continuous flow production to meet the intense ramp-up of customer demand. During the twelve months of the project, Filtronic's

- revenue rose by more than 200% and production output for specific products increased four-fold over eight months
- production costs decreased, in some cases by 15%, to allow the value chain to maintain profit margins at internationally competitive rates
- on-time delivery to customers increased by 30%
- production lead times for some products decreased by over 80% because of flow production improvements implemented by the manufacturing manager
- intellectual capital (measured as revenue per employee month) increased from an annualised \$220,000 to approximately \$300,000 during the year.



The value chain partners achieved similar improvement. For example, Acorn Nisil:

- charted a productivity increase of approximately 70% in conjunction with a 250% increase in demand over 8 months
- significantly reduced its administration with Filtronic, eg telephone calls down by 75%, invoices down by 90% and purchase orders down by 80%
- reduced the number of customer or supplier initiated line stoppages from 1-2 times per day to 1-2 times per week through the introduction of Kanban techniques at Filtronic.

These results were only possible due to the development of open relationships and regular interaction. The value chain partners were able to better manage the fluctuations in demand, thus generating efficiencies and higher production, which flowed through to Filtronic's overall performance. The value chain will continue to have a positive influence on planned further growth from 2001.

Epilogue

The May-June 2001 contraction of the global telecommunications sector put the Filtronic value chain participants under extreme short-term financial pressure. The relationships built up between the companies via the value chain has given them the best possible start to manage this new volatility in demand.

This project was facilitated by Dr Ian Dover of Alitek Pty Ltd and Bill Newnham of CTG Consulting, project managers accredited with the Value Chain Management Program. The Program is an initiative of the Commonwealth Government.

