

# Using the Box Score: Assess Financial Benefits of Lean Improvements

The Box Score on the next page shows the assessment of financial benefit of lean improvement.

As the company moves from the current state to the future state the operational measurements improved but there was little financial improvement.

The real change is that available capacity and cash (from inventory reduction) will freed up.

Tangible financial benefit comes when the company makes use that newly freed up capacity.

## How Can We Use the Freed Up Resources ?



- Same products
- Other products
- Add more value to products
- Sell excess capacity
- Use floor space to expand
- Design new products



- In-source outsourced items
- In-source purchased items
- Rent space to sub-contractor
- Build new markets
- Avoid future planned costs
- Do more lean improvement

# Box Score Example: Assess Financial Benefits of Lean Improvements

		Current State Before Lean Dec '02	Future State Lean Step Two Dec 2003	Future State Longer Term including New Products
<b>O P E R A T I O N A L</b>	<b>Sales per Person</b>	\$224,833.00	\$224,833.00	\$277,031.00
	<b>Inventory Turns</b>	6.5	15	20
	<b>Average Cost per Unit</b>	\$31.32	\$29.88	\$24.25
	<b>First Pass Yield</b>	81%	95%	95%
	<b>Lean Time in Days</b>	25	5	2.5
<b>C A P A C I T Y</b>	<b>Productive</b>	55%	52%	79%
	<b>Non-Productive</b>	42%	12%	12%
	<b>Available</b>	3%	36%	9%
<b>F I N A N C I A L</b>	<b>Revenue</b>	\$4,062,000	\$4,062,000	\$5,686,000
	<b>Material Costs</b>	\$1,164,184	\$1,109,327	\$1,552,839
	<b>Conversion Costs</b>	\$1,483,416	\$1,483,416	\$1,657,500
	<b>Value Stream Profit</b>	\$1,414,400	\$1,469,257	\$2,475,661
	<b>Value Stream Return on Sales</b>	35%	36%	44%
	<b>Hurdle Rate Variance (40 %)</b>	-5%	-4%	4%