USC CONSULTING GROUP™

Empowering. Performance.

Private equity firm builds value in a manufacturing holding.

Client:

A private equity firm with a manufacturing holding that produced metal display racks for big-box retailers, and warehousing and distribution operations. The PE firm wanted to quickly improve the operational and financial performance of this holding.

Challenge:

This particular holding by the firm was created through acquisition, and which drove questions regarding its true production capacity due to the multiple, disparate systems created by the acquisition. Our task was to help the operation to navigate this systems to improve asset utilization, increase throughput, and reduce setup time and scrap.

Process:

During our initial analysis we helped the client discover that there was hidden capacity in the system, as a result we recommended rationalizing and consolidating plants. From there, we worked with the client to develop a complex financial analysis which ultimately provided the road map to success, i.e., which of plants to consolidate, in what order; which ones to improve and how. A critical path containing all significant activities required to complete both the consolidation and operational improvement parts of the project on schedule was developed and reviewed weekly with the joint Steering Team.

In preparation for consolidation, capacity and resource planning guides were developed to appropriately align people, performance, and workloads. Order management processes were implemented to effectively transfer information from the plants being closed to those that would be expanding, and reports created to provide visibility to all retail inventory at all plant locations. Plant loading profiles were created to depict the future load and mix on the receiving plants. A safety stock level and strategy was developed to ensure effective servicing of clients during and after the consolidation process. Over 200 action items were created, categorized by functional area, and reviewed bi-weekly with process owners. Formal weekly reviews were used to keep the team on task and on time.

The operational improvement aspect included developing and implementing a closed-loop management operating system (MOS) to provide visibility, traceability and accountability to all customer orders. This was conducted simultaneously on four fronts, each charged with installing operating system pieces for their respective plants in a 12- to 15-week time frame.

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At each location, changeover and set up teams were chartered to reduce changeover times, and identify value added processes that could be performed more efficiently, in each department. Performance objectives were established using Process Task Analysis of each operation by product type. A summary of performance and opportunities was reviewed each day with the management and support groups.

Performance Results:

- $6 million in annualized cost savings
- 16% improvement in productivity
- 22% reduction in scrap
- Approximately $36 million in value created

Conclusion:

The client benefited from improved operational performance, but was also able to reduce its manufacturing footprint from five locations into four, improving EBITDA without disrupting service to its major customers.

When asked his thoughts following the engagement, the PE firm's managing partner summed it up by saying "What we initially thought couldn't be done USCCG accomplished and, in the process, created substantial additional value across the combined enterprise."