

CASE STUDY:

Leading Aquafeed Producer Regains Control of Their Operations through PMO Enhancements

The Client

A leading international aquafeed and animal nutrition producer with a major presence in Latin America. The client enlisted USC Consulting Group to partner with their internal team on multiple efforts to enhance their Project Management Office (PMO) efforts.



The Challenge

The client was experiencing a variety of challenges across their facilities. A project inventory audit revealed 76 projects with varying degrees of maturity across the site that needed to be defined and prioritized. This was a complex problem which required a multi-disciplined and phased approach.

The objective of the improvement program was to regain control of their operations and improve productivity and efficiency. This required the organization to establish a Project Management Office (PMO) to ensure the proper execution of projects. It also entailed making organizational changes to make sure every level of management moves in the same direction. In addition, the initiative required an overhaul of the Inbound, Outbound, and Transportation processes.

A few of the main challenges included:

Immature Stakeholder Management. The various projects did not have a clear communication plan with each of the workstreams working in silos. Cross functional efforts were not being coordinated and the success needs were not reported up to global

executives. There was a complete disconnect, resulting in misunderstandings among stakeholders, team members, and departments.

Low Accountability. There were no clear task assignments. Any deadlines were not determined or ignored. The reason for change was not properly communicated, and the employees did not see projects as a priority.

Inexperienced Managers. There was no established project management culture, and the project managers in charge lacked significant experience. This resulted in an underestimation or overestimation of tasks with underestimated complexity. Plus, their resource management lacked visibility of the individuals' workloads.

Ineffective Decision Making. There were no processes in place for problem escalation. The facilities had a culture of hiding the problem or working around it, rather than addressing the root cause to resolve the issues.

Poor Monitoring & Reporting. Any progress reporting being done was manual, cumbersome, and unfortunately inaccurate. The success criteria for the projects were not clearly defined. The KPIs

were either incomplete or absent and the schedule compliance was not being tracked. Additionally, the end of project evaluation needed improvement.

Flawed Subcontractor Sourcing. The costs associated with subcontracting were significantly higher than the average market costs. Besides the elevated costs, the subcontracted management model provided limited visibility and control over operations, hindering agile decision-making and process optimization.

Inventory Discrepancies. Recurring inventory variances led to major financial losses. The flow of materials in and out of the warehouses was not being adequately monitored. The client was measuring by the truckload which allowed too much employee discretion.

The impact on the business was significant. The challenges negatively affected the client's ability to deliver products to their customers. There was a decrease in revenue and margin erosion. Raw material shrinkage and large discrepancies were commonplace. Poor material management practices amplified discrepancies. Employees recognized many of the process and control short coming and were frustrated with the lack of management action. This had a negative impact on employee morale. And worst of all, the client's reputation suffered in the marketplace.

The Solution

The client's senior corporate leadership team had a clear vision of how they want to involve and empower employees, the kind of local leadership, producing the highest quality product and to be a customer centric organization with customer satisfaction as the core value. They soon realized the enormity of the challenges they face and that they do not have the internal capacity to implement their vision for the organization. Upon this realization they decided to partner with USC Consulting Group.

Like with every USC engagement, it was a collaborative partnership with the client to get the local personnel on board through a team-effort approach.



Project Baseline and Critical Path. For the PMO effort to be successful, the team needed to identify “one version of the truth” and that was the Project Baseline and Critical Path for each individual project as well as the overall success of the program. The USC team worked closely with the client to create detailed and accurate Project Plans. The Project Baselines preserved the integrity of projects while we applied our Precedence Network Methodology to ensure compliance to the project schedule.

Scalability. Future scalability was a key requirement in the design of the PMO. This included the following:

- Standardize Project Management Practices
- Ensure Strategic Alignment to the Organization's goals
- Foster Collaboration
- Regain Governance & Control
- Drive Continuous Improvement
- Support Workstream Project Managers
- Measure Performance
- Support future Strategic Initiatives
- Build an experienced internal capability

Warehouse Management. Together with the client we successfully implemented a fundamental transformation in warehouse management – transitioning from a subcontracted model to in-house management.

This strategic shift addressed critical challenges, optimized the client’s operations, and generated significant positive results. The following outlines the transition strategy, the quantifiable results, and the risks.

Transition Strategy

We implemented a phased transition strategy toward in-house management, based on four fundamental pillars:

- 1) **Process and Control Development:** Identifying and implementing new processes and controls for more efficient raw materials and finished goods management.
- 2) **Talent Internalization:** Hiring, educating and training in-house personnel, including warehouse managers, operators, and logistics staff.
- 3) **Infrastructure Changes:** Leasing and adapting warehouses.
- 4) **Warehouse Consolidation:** Centralizing operations to reduce costs.

A key to change management is involving people. It helps them understand the need for change and foster’s buy-in early in the change process.

The USC team engaged with the client’s employees at their workstations from day one. USC believes that if we are not able to change people and their behaviors, nothing changes. We used our methodologies and tools to involve everyone during the analysis and solution design phases. We achieved this in the following ways:

- 1) Created detailed **Process and System Maps** to understand the operation and identify gaps and opportunities during facilitated System Review Sessions.
- 2) Implemented our **Employee Involvement Prototype (EIP) process** boards across all



warehouses with the participation of the managers, supervisors, and operators on a daily basis. Together we focused on their operational goals, safety needs, and continuous improvement.

- 3) Coached the supervisors on best practices to manage their operation utilizing **Leader Standard Work (LSW)**, created and validated by their managers.
- 4) Managed the flow of materials in and out of the warehouses by implementing a **Process Monitor**, ensuring operators weigh all incoming and outgoing products.
- 5) Defined a **Tier Structure Meeting** to ensure a feedback loop. Structuring how information is shared and escalated from the operation to management and back.

In-House Management

The transition to in-house management has yielded tangible results and a positive impact on profitability for the company. The deliverables included:

- **Reduction of Inventory Variances:** New processes and controls, including weight controls at the pallet-level (not the truckload), have drastically reduced inventory discrepancies.
- **Reduction in Operating Costs:** Warehouse operating costs were successfully reduced.
- **Increased Operational Control:** The client now has complete control over operations, enabling process optimization, cost reduction, and improved overall efficiency.
- **Warehouse Consolidation:** Centralization has decreased fixed costs and optimized inventory management.

Here is what one of the client's team members had to say about the engagement:

"One aspect that I truly appreciate about the work team I am a part of is their strong focus on interpersonal relationships. It is not solely about analyzing data, but also about connecting with individuals. The synergy between these two elements has consistently yielded exceptional outcomes." – Logistics Supervisor

The Results

92% reduction in the OPEX of warehouse costs

68% absolute inventory variation reduction

Conclusion

The collaborative effort between the client and USC Consulting Group resulted in **annualized savings of \$19.2 million**. This was due to a 92% reduction in the OPEX of warehouse costs combined with a 68% absolute inventory variation reduction.

These deliverables were achieved by regaining control of the client's operations through a multi-disciplined and phased approach. By transitioning to an in-house management model of their warehouses the client was able to reduce operating costs, minimize inventory variances, and increase operational control.

These improvements were achieved by establishing the Project Baseline and Critical Path for the PMO. Then, the team applied USC's EIP process to engage the client's personnel at all levels and increase communication, coached the managers and supervisors with Leader Standard Work, and managed the flow of materials by implementing a Process Monitor.

These efforts have enabled the client to have an experienced internal capability to sustain the improvements for many years to come.

The client's leadership team had a vision of where they wanted their company to go. By partnering with USC Consulting Group, their strategy is now actionable, and they will be enjoying the benefits well into the future.

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