



## Improving productivity by 31% in a complex, high-tech defense environment

Cross-functional alignment and leadership agreement around change improved competitiveness while maintaining quality, compliance and 100% on-time delivery

### The results

Maine Pointe's experienced team helped our client:

- Reduce its workforce by >30% and transform the culture to an engaged dynamic workforce
- Achieve a 31% productivity improvement overall
- Improve direct labor productivity by 25-53% at each client site
- Improve visibility to costs, profits and variances to plan
- Implement best-in-class strategic procurement processes
- Decrease supply risk
- Improve EBITDA by 10% for a company that was already achieving 20% margins
- Achieve a ROI of 6.4:1

### This story is for manufacturers of military assets that:

1. Are looking to optimize their procurement and operations functions
2. Want to improve performance and enhance cross-functional alignment in a highly-regulated, high-tech environment
3. Want to extract more value from the supplier environment regarding their product portfolio to the benefit of the prime contractor and DOD

### The challenge

This specialist component manufacturer is a leader in advanced battery technology. The company is a subcontractor to DOD prime contractors, focused on providing advanced batteries, battery management systems, and energetic devices. 85% of the batteries produced go to the defense sector.

Although the company was already profitable with >20% margins, its new owners needed to achieve threefold growth over the next five years. To achieve this goal, they needed to dramatically lower costs in operations and procurement while maintaining high quality and delivery standards. This would allow them to be competitive and more innovative in existing and new commercial markets.

Maine Pointe was initially engaged to infuse best practice and operational excellence across the entire organization and develop the management team to enable them to take control of their business and drive performance improvements. This resulted in 31% productivity improvement and a nine-point (45%) increase in EBITDA. We were then invited to help the company take the next step on its supply chain transformation journey toward Total Value Optimization™, ensuring that they have the right supply base and partners in place.



## Achieving cross-functional alignment and cultural change

Our analysis of the company's operations uncovered a 'cost plus' and change resistant culture. In addition, the procurement function was very immature. Our SMEs helped them better define the applications and requirements of a highly engineered, high-end technology environment. The analysis determined that the workforce could be reduced by >30% while delivering the same or improved quality and on time delivery. The challenge was to achieve increased productivity and cultural change in an atmosphere with multiple layers of control and security to ensure that Prime Contractor and DOD agreed processes were not changed in any way.

Maine Pointe utilized its past experience conducting procurement in a defense environment and dealing with complex ITAR compliance and NOFORN regulations, to streamline the company's production processes rather than the manufacturing steps of the product. Our operations excellence, strategic procurement and Leader and Organization Improvement (LOI) professionals worked hand-in-hand with our client. Together we developed and delivered the tools and training required to integrate procurement and operations processes within a dynamic culture. To achieve this we:



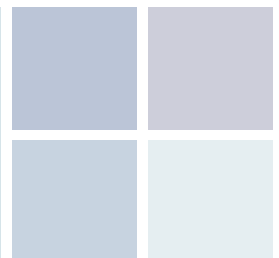
- Encouraged company executives to proactively approach prime contractors and DOD agencies to inform them of how the improved production processes would ensure fidelity to the design and manufacture of their products
- Engaged all employees from management, to supervisor, to the shop floor. This built the bottom-up and top-down trust and confidence that would enable them to work as a team
- Created a Manufacturing Master Schedule that detailed the resources required to meet production
- Sized the workforce in each area appropriate to the new Master Schedule
- Conducted both formal training and on-the-floor coaching with each supervisor and manager in using the tools of the new Manufacturing Management Operating System (MOS).
- Applied rigorous procurement methodology to leverage spend across multiple product categories, driving double-digit cost reductions on direct materials
- Transformed from tactical purchasing to a strategic sourcing organization
- Implemented a competitive bidding environment with the addition of new suppliers

- Established and trained cross-functional teams to break down organizational silos and promote trust
- Formalized supplier relationships through long-term agreements; no longer reliant on handshake deals
- Installed a Procurement Management Operating System (PMOS) to ensure savings are repeatable and sustainable

With an engaged and enthusiastic workforce and significantly reduced cost base, our client is now empowered to make better choices. This gives them the ability to rapidly respond to changing market requirements, penetrate new markets and grow their business while maintaining the highest levels of security and DOD compliance.

### Lessons learned for other executives

- It is possible to improve operations and procurement fast in a highly regulated and secure defense environment
- Incumbent suppliers are not necessarily the best and can lead to suboptimal results for the prime and DOD
- With proper leadership, drive and goals, you can re-energize management and workforce in an environment where changes is viewed positively
- Accelerated change can revitalize the workforce and encourage active innovation to the benefit of prime contractor partners



Want to **professionalize the supply** chain and **increase competitiveness** in a defense environment?

Need help to **'right size' your workforce** while maintaining quality and morale?

Talk it through with one of our executives. Email [info@maineprime.com](mailto:info@maineprime.com) to arrange a call.

### About Us

Maine Pointe is a global implementation-focused consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in both EBITDA and cash across their supply chain and operations to enable growth. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this **Total Value Optimization (TVO)™**.

Maine Pointe's engagements are results-driven and deliver between 3.5:1-12:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings.

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