



Improving EBITDA by 47% and increasing throughput by 50% across three business units

Building a collaborative culture and enabling growth in a highly unionized environment

The results

Maine Pointe's experienced team worked with senior executives, their teams and union representatives to transform operations, logistics and procurement functions:

- Increased production output by 50% to improve competitiveness
- Improved product quality and on-time delivery to enable growth
- Improved management visibility to costs, profits and variances to plan
- Reduced working capital by \$30M
- Reduced global supplier base by 80%
- Reduced global procurement costs by 5.7%
- Reduced global inventory levels by 37%
- Improved EBITDA by 47%
- Achieved a ROI of 4:1

This story is for executives who want to:

1. Transform their operations, procurement and logistics functions to improve competitiveness and enable growth
2. Improve performance and enhance cross-functional alignment in a highly unionized and complex high-tech environment
3. Extract more value from the supplier environment regarding their product portfolio

The challenge

Our client is a leading global manufacturer of advanced magnetic materials and related products. The company's range of products includes parts for electronics, magnets and magnet assemblies for use in a wide variety of fields.

Despite a multimillion-euro turnover, the company was not posting an operating profit and was hindered by a highly unionized environment and a restrictive collective bargaining agreement. Two business units were facing low growth and high stock, while the third had high growth, low productivity and struggled to fulfill client demand. The new owners wanted to transform the performance of the business and return it to profitable growth. To achieve this goal, they needed to dramatically lower costs in operations while maintaining high quality and delivery standards, allowing them to be competitive in new, commercial markets.

Our challenge was 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 without laying off any staff.



Rebuilding a dynamic culture

Our analysis of the company's operations uncovered several areas to be addressed. Procurement had little or no control of cost, no strategic sourcing and missed opportunities to bundle demand to achieve better prices or service levels. The supply chain processes were broken, with stock spread across the business units. Productivity was at 10% overall equipment effectiveness (OEE) and only 50% of management operating systems were in place. Equipment was old and poorly maintained, with an absence of a robust maintenance and spare parts strategy. There were no standard operating procedures, leading to inconsistencies, delays and variable quality in the set-up and operation of production processes. Long lead times, a large backlog and increased competition from Asia were eroding market share. Management knew they needed to deliver better quality and service but were unable to determine the root causes of low productivity.

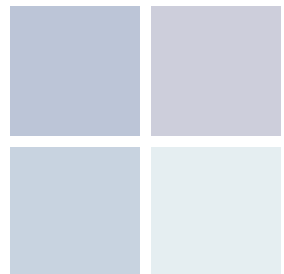
To solve this problem, Maine Pointe's operations excellence, procurement and logistics professionals worked hand-in-hand with our client. Together we developed and delivered the tools and training required to rebuild a dynamic culture based on ownership. To achieve this we:

- Engaged all employees from management to the shop floor, building cross-functional improvement teams focused on the shared goal of improving productivity and cost across the business
- Established a dialog between our client and the union which led to an agreement about communication and processes and involved representatives of the works council in weekly progress meetings
- Enhanced the S&OP organization, processes and management systems to better monitor and manage the order-to-cash cycle, while minimizing inventory levels
- Re-engineered the procurement organization, processes and management systems to substantially reduce the supplier base and drive down direct and indirect material costs
- Enabled the procurement and extended team to develop a repeatable strategic sourcing process for all commodity and direct material categories
- Introduced a procurement management operations system (PMOS), which reviewed all procurement procedures step by step, identified best practice, resolved gaps, and eliminated redundant procedures
- 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)
- Transformed the metal ribbon casting and slitting processes to increase output and quality across all product lines

With an engaged and enthusiastic workforce, significantly increased throughput and a reduced cost base, the organization now has the ability to actively manage and grow its business.

Lessons learned for other executives

- Executives can have a significant impact within a unionized environment by working with and alongside the union and employees to drive towards common goals and safeguard the future profitable growth of the business
- With proper leadership drive and goals you can re-energize management and workforce within a dynamic organization where change is viewed positively
- There is an opportunity for operational improvement in even the most specialized business



Do you want to **reduce costs** while creating the **right conditions for growth**?

Need help to **change operating practices** and **rebuild a company culture** across multiple business units?

Talk it through with one of our executives. Email info@maine pointe 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 procurement, logistics 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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