Maine Pointe
Total Value Optimization • Guaranteed™

Five short-term productivity improvement initiatives for 2018

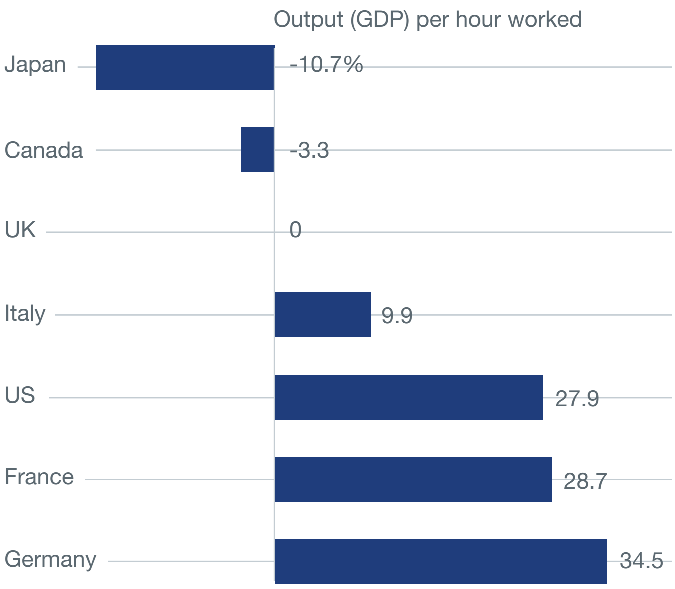
Brexit: Improving productivity is now, more than ever, an imperative for UK manufacturers

In November 2016, the British government announced plans to do its bit to help cushion the impact of Brexit by investing £23bn into the national productivity investment fund (NPIF). This will predominantly focus on infrastructure projects that will improve long-term productivity. However, what steps can UK executives take right now to improve productivity in the short term and prepare their business for the post-Brexit world?

Closing the UK Productivity Gap

According to the Office of National Statistics, the UK's long-running nominal productivity gap with the other six G7 economies remains broadly unchanged: falling from 16.4% in 2015 to 16.3% in 2016 in output per hour worked terms. After a weak start to 2017, there was a rise in productivity in Q3 and Q4 as a result of a surprising drop in the number of hours worked in the second half of the year. Unfortunately, this trend has since been reversed in the first months of 2018, leaving the UK with a lot of catching up to do. If businesses are going to survive and thrive on the productivity front, they have to quickly find a way to close the gap.

G7 productivity relative to UK productivity in 2016



Strong Management Practices

An ONS pilot survey of management practices in the manufacturing industry identified a significant variation in the application of structured management practices in Great Britain. For many businesses, the key to continued success lies in their ability to quickly identify and act upon areas for improvement.

Five key operational improvement initiatives executives can look at right now to drive productivity and cash improvements in their business in 2018

1. Increase your supply chain velocity. As the true impact of Brexit is felt across the manufacturing sector, every function in the value chain must play its part in ensuring that the process is efficient and transparent. For Sales & Marketing this means defining the products and packaging that optimise the load/shipment, or providing accurate forecasting to supply chain managers (SCM). Procurement and suppliers need to create a solid platform through robust contracts with clear service level agreements and incentives to continuously improve on-time-in-full supply and shorten lead times. Operations play a major role through efficient OEE that ensures a high level of plan stability and attainment and enables on-time-in-full delivery to shorter lead times. And finally, a robust Management Operating System (MOS) enables SCM to orchestrate the velocity and inventories through an efficient and transparent end-to-end process. Implementing these improvement initiatives doesn't necessarily take as long as you may think. For example, we delivered a cash neutral project in 17 weeks for a major manufacturing client and subsequently improved EBITDA by 26%. This included significantly enhancing the skills and capability of their procurement and operations functions to ensure sustainability.

2. Enhance your strategic procurement maturity. It is a post-Brexit imperative that executives demand better integration, agility, service levels and prices from their strategic suppliers. Irrespective of company size, procurement margin improvement can be achieved by evaluating and consolidating spend through fewer suppliers. For example, we helped a manufacturing company achieve 15% annualized savings and a ROI of 6:1 by consolidating multiple vendors and infusing procurement and operations best practices. To quickly move procurement up the maturity curve, executives need to:

- Invest in training their teams to be better prepared for supplier tendering and negotiations to achieve the optimal pricing and service with their strategic suppliers
- Fully understand the products they are buying for. This helps to ensure suppliers provide materials in quantities and formats which optimize operational efficiencies and minimize lead-times and inventories
- Improve data management and analytics to monitor varying demand at different periods and the impact on lead times and working capital

3. Optimise your operational footprint. As the costs of raw materials, energy and labour rise in a post-Brexit world, it will become increasingly important for executives to review and optimise their operational footprint through:

- Greater automation and investment in equipment and technology. This must be made wisely and the installation, commissioning, validation and full ramp-up must be carefully managed to achieve the quickest return on investment and meet customer promise
- Due diligence analysis of the operational footprint. This is essential for developing a profitable growth strategy to determine how to maximize profitable growth
- Implementing more centralised shared services such as supply chain management, quality, finance HR, and optionality in the supply base

4. Achieve operations excellence. Irrespective of which end of the operational maturity curve you are currently at, there are a number of factors which executives must ensure they have in place to achieve strong productivity growth outside of the European Union:

- Robust management operating systems with real-time KPIs visible on the shop floor
- A strong, well-trained and committed team with the mandate, capacity and capability to drive out inefficiencies
- Improvement tools such as Lean 6-Sigma to enable rapid rootcause analysis and resolution, as well as to monitor and control products or processes to prevent reoccurrence

Driving increased productivity in manufacturing can be viewed as something of a never-ending journey. However, it is possible to achieve accelerated measurable results. For example, working for a market-leading manufacturer, we helped improve production throughput by 22% through enhanced end-to-end quality and operations.

5. Develop an optimised product portfolio. Robust product lifecycle management and new product introduction processes are essential to survival in an ever-changing, post-Brexit marketplace. In our experience, executives often fall into the trap of broadening the tail to 'fill the factory' and chase that last £ of turnover. However, it's often the tail that eats into the net contribution due to frequent changeovers, start-up scrap and shorter run times. There are a number of steps that executives can take to optimise their product portfolio:

- Active tail management enables operations to create the flexibility required for profitable growth
- Careful development and scale-up of new products. This must be planned, executed and monitored religiously over the first 18 months of the product lifecycle
- Address the structure, roles and responsibilities and priorities of R&D, process development, engineering, operations and quality to enable them to work in harmony on product lifecycle management

Take the Next Step

Surviving and thriving in the post-Brexit world will depend on your ability to rapidly improve labour productivity. Maine Pointe's Total Value Optimisation™ (TVO) approach can help you rapidly respond to this challenge by transforming your supply chain into a competitive weapon **in a very pragmatic step-by-step and measurable way**.

If you would like to talk through any of the points raised in this article and drive productivity in your manufacturing business, contact us for a no-obligation discussion.

Email: **info@mainepointe.com** to arrange a call.

Telephone: +44758.462.1565 (Europe)

About Maine Pointe

Maine Pointe is a global supply chain and operations 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 EBITDA, cash and growth across their procurement, logistics and operations. 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 4:1-8:1 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. **www.mainepointe.com**