

*Helping People and
Companies in Transition*

- CASE STUDY -
OPERATIONAL IMPROVEMENT

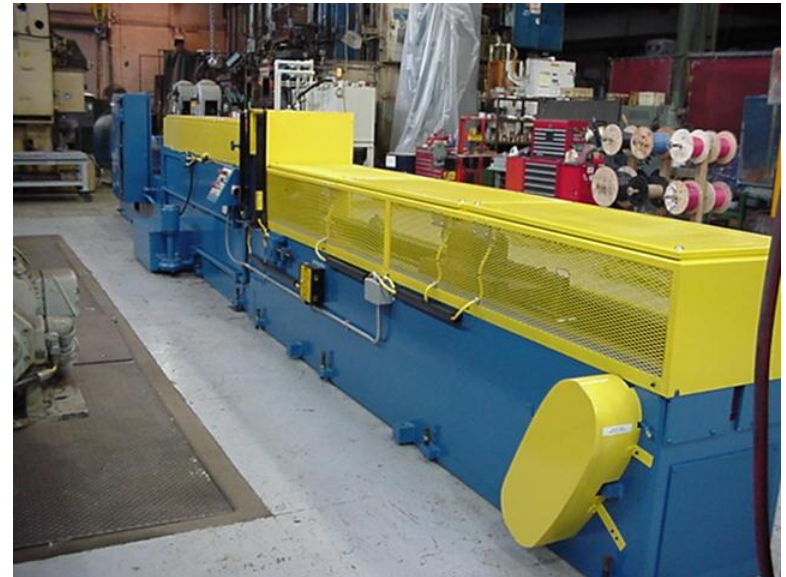


Machines Produced by Client

Machines are used to broach (cut) splines in gears and metal parts



Vertical



Horizontal

The Company

- Incorporated in 1946 by the grandfather, ABC has been specializing in broaching machines since 1964
- Remanufactured first machine in 1965 under the leadership of the father
- Tooled first machine in 1966
- Designed & built first new machine in 1988
- Over 1775 broaching machines delivered since 1984, including over 250 new machines
- Son ascended to President position in 1995
- ISO 9001-2000 Registered

Their Situation - October, 2007

- Existing Bank wanted them out
- Had not made money in 3 years
- Most machines delivered late and over budget
- Leadership was convinced their quoting process was the issue
- Son knew he needed to transform the company – Father was not convinced

Pictures Speak 1000 words

Once described as the “Sanford & Son” junk yard



PHASE 1

- Scoping Engagement (Assessment)
 - Invested 4 days meeting with all leadership, plant personnel, office support staff and bank to assess the situation
 - Could not find parts to support machine builds
 - Everyone was “panicking” as the delivery dates drew near
 - Cost overruns were common: OT, expedited deliveries, expensive shipping costs, lost parts/equipment
 - Did not have solid financial reporting (could not speak banker)
 - Bleeding cash

PHASE 2

- Take Immediate Action

- Calm lenders, creditors, vendors, customers and team as necessary
- Repair immediate liquidity deficiencies – mine the cash – sell excess inventory; clear out “scrap”
- Quantify the performance deficiencies and obstacles
 - Develop 13-week cash flow projection
 - Develop 12-month financial projection based on current trajectory

PHASE 3

- Restructure the overall operations
 - Moved business people into business positions: purchasing, material control, quality, engineering (right people, right places, right training)
 - Educated leadership on “accountability” - Set Corporate and Departmental performance metrics (visual management)
 - Created a project management system to manage each machine build - Developed a “war room” for project control and communication and mantra of “on-time, on-budget, on-objectives”
 - Laid out the plant for a cell based build system, production department, quality area, engineering, (etc.) with visual communication at each cell
 - Secured new traditional bank line with smaller local bank
 - Took 6 months to get the foundation in-place

PHASE 4

The “New Company”

Safety

**Material
Control**

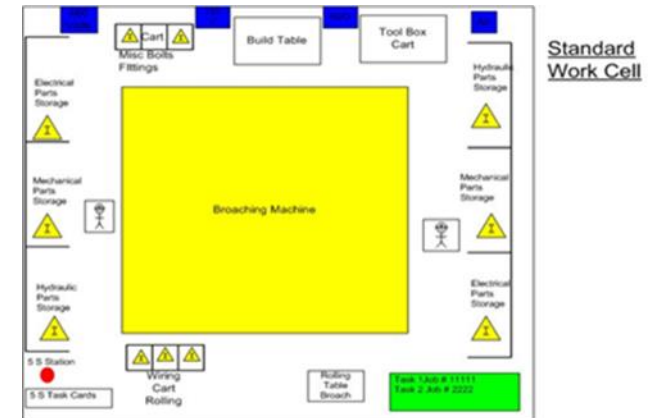


**Visual
Management**

**Perception of
Quality**

PHASE 4

The “Standard Work Cells”



Project Mgt. boards



Everything in its place

PHASE 4

The “New Company”



Inventory at cell for builds



Rolling carts

The Result!

- **2008 – Market turned down**
 - Competitors went under
 - Maintained positive cash
 - Expanded the banking relationship
 - Cut staff (salaries) and hours to match demand
- **2009-2010 - Stabilized**
 - 2009-2010 sales still low however ABC turns a profit for the first time in 4 years (2.1% net) – paid bonuses (for everyone) for the first time in 5 years
 - Market still down, however light begins to shine at the end of 2010
 - Hiring begins (but the number of people needed to build the same volume of machines remains 18% less than 2008)
 - Bank line becomes restrictive

The Result!

- **2011-2014 - Growth**

- 2011 revenue at 2008 level with record year profits (14.6% net) – significant bonuses
- Market the bank line to larger lenders – receive 4 outstanding offers (double the line – lower the rate)
- Sales backlog for 2012 up 28% from 2011 levels - No new hiring needed and projections for 18% net profit
- 2013 – Purchased a tool producer to assist in vertical integration
- 2014 – Merged the tool company with two smaller firms and assumed controlling interest
- President interviewed in Crain's about their journey