

CASE STUDY SUMMARY – Anatomy of a Manufacturing Turnaround.

By James Shearer, Principal and CEO
The Manufacturing Optimization Group, Inc.

Introduction

The information in this case study summary is accurate in substance and context. Only the companies' names have been changed to protect the identity of the actual companies.

Overview

3DOX Manufacturing Corporation (3DOX), a durable goods manufacturer, was acquired by Dietz-tec Industries (Dietz-tec), a larger manufacturing corporation in a closely related industry. The acquisition strategy was for 3DOX's product lines to compliment Dietz-tec's product lines, to leverage synergies in sales and marketing, and to offer strength in distribution channels where 3DOX was well-established but where Dietz-tec was weak.

Situation

3DOX did not have the requisite business infrastructure in place to survive and succeed moving forward as a manufacturing business in today's ultra-competitive environment. Due to ineffective due diligence, Dietz-tec was unaware of many of 3DOX's functional shortcomings and the magnitude of the weaknesses. Only well after the acquisition was completed did Dietz-tec discover that 3DOX was in deplorable condition.

In addition, it soon became obvious to Dietz-tec that 3DOX was not just weak but it was in a death spiral and would require a complete operational turnaround to salvage the company (and Dietz-tec's investment). Dietz-tec's initial assessment was that the turnaround involved & required the following:

- increased sales & market share
- increased throughput
- greatly reduced operating costs
- improved quality
- dramatically improved delivery performance
- improved operating margins

The Approach

I was hired by Dietz-tec, put in charge of 3DOX, and chartered to develop, lead, and implement a turnaround strategy. In this leadership role, I launched an intense effort to make the needed improvements.

The first steps were to determine (or confirm), with the owners and executive management of Dietz-tec, what 3DOX's corporate mission and vision were to be and what were realistic 1-year and 3-year goals & objectives. The next step was a detailed & objective analysis to determine the existing strengths, weaknesses, opportunities and threats that currently existed (a SWOT analysis).

By comparing the business goals & objectives with the SWOT analysis, we had essentially completed a "gap" analysis – we knew where we wanted 3DOX to be (including sustainable points of differentiation), and we knew exactly where we were. The gaps were now clearly defined.

However, the issues were so numerous and complex that we did not have adequate resources to commit to solving the myriad problems simultaneously. To prevent ineffective use of our limited resources, I prioritized the issues and problems identified in the gap analysis so that we properly focused on the critical few, not the trivial many.

Among other things, this analysis (and my personal assessment) showed that we needed to upgrade certain key management roles at 3DOX (competency issues and time urgency did not allow a lengthy learn-to-get-it-right approach for the incumbents). While I searched for replacements for the top operations and sales/marketing roles, I used an intense, hands-on approach to focus the existing organization on the two most critical operational issues – very poor delivery and runaway costs – in order to protect the customer base, as best we could, and stop the bleeding.

This hands-on effort kept us from losing additional market share and began the long road back to viability. Fortunately, I was able to find and hire the two replacement executives in short order, and soon I had a new, energized management team in place.

We then began a detailed planning process for each critical issue identified in the gap analysis. We established specific goals and objectives for the following:

- sales growth
- improved forecast accuracy
- improved customer service / delivery
- increased manufacturing schedule adherence and throughput
- improved quality
- improved production efficiency / productivity
- cost reductions
- much tighter spending controls

For each of the above, 3DOX's new management team developed specific, detailed plans including tasks / action items, schedules, and, where appropriate, budgets. These "action plans" were published, leadership roles were

established, and resources assigned for each major goal and objective. These detailed plans became our road maps for managing the numerous improvement projects and implementing the needed changes.

The nature and importance of the overall turnaround strategy and the detailed, specific plans were widely communicated to all employees. The management team scheduled appropriate, periodic, and disciplined follow up meetings to review in great detail the performance-to-plan for all projects, including agreed-to goals, objectives, tasks, actions, and budgets. For example, meetings for especially critical items were sometimes held on a daily basis. For other items, the reviews were held weekly or possibly even “on-call.” The review meetings included all appropriate stakeholders.

The purposes of the review meetings were to assess progress against plan, identify variances from plan, determine what was needed to either adjust the plan or, preferably, get back on track, and define additional, needed action items or resources.

Because the management team was heavily involved in the initial SWOT and gap analyses and because they had significant input into the details of the turnaround plan, team and individual ownership of the plan and desire to make it succeed were very strongly evident. All appropriate stakeholders were involved in the critical aspects of the turnaround. It cannot be overstated that two of the most critical elements necessary for success were consistent, effective communication and disciplined follow up. All stakeholders routinely knew what, when, where, why, how, and by whom.

Results

This process, along with tremendous commitment and intense, day-to-day, hands-on leadership from the entire management team, resulted in the needed improvements. Over time, 3DOX became known in the marketplace for consistent, high quality; superb delivery performance; industry leading literature; competitive pricing; and being very easy with which to do business. We also lowered our operating costs significantly; improved labor methods, manufacturing processes, and productivity; improved our margins; and maintained or grew market share.

As a result, 3DOX became viable as a business and was able to effectively accomplish the original acquisition strategy envisioned by Dietz-tec!