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