

Case Study

European Manufacturer Turnaround

The Challenge

An Eastern European manufacturing plant, part of a vertically integrated packaging group and private equity owned, had been delivering negative EBITDA for several years.

There was an ageing machinery base with much of the production assets being over 30 years old and subject to maintenance only capital to maintain the status quo. Poor operational effectiveness further added to the poor financial performance and elevated environmental concerns.

Without a financial and operational turnaround there was a strong possibility of closure.

Both group and local management requested support to perform a full review of their performance from situational audit through to the presenting of strategic options, phasing and the subsequent delivery framework.

Project Overview

As part of this turnaround project a workstream was put in place to review the impact on enterprise value of their strategic options relating to the physical assets as well as the customer and product mix.

The initial phase of the project included an audit of the client's current situation, including their place in the wider market and industry using internal and external data.

A series of enterprise value models were created based on the scenarios identified, in the early phases, and evaluated, including a robust review, challenge and assessment process conducted by experts with real-world experience to ensure that the correct resources, inputs, competencies and capabilities were appropriately considered.

Following a rigorous selection process the priority strategic option was identified and a delivery and execution framework was developed and implemented. This included performance management tools to track inputs and actions and their final impact on EBITDA.

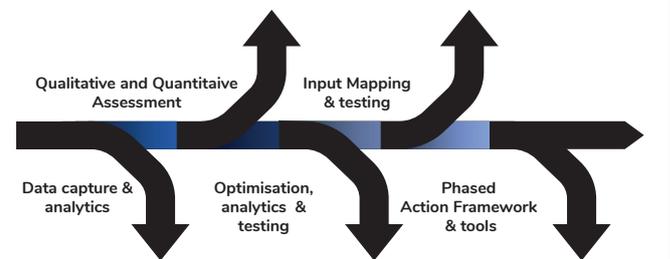
Key Project Results

Transformed from loss-making to profitable plant

Environmental concerns around product mix eliminated

Culture shifted to collaborative continuous improvement

Project Phases



Key Project Deliverables

1. An audit of the current situation of both the client and the European market and industry and the strategic problem reinforced.
2. Identify the strategic options available to the client based on their current situation as well as potential changes to their resources, core competence and capabilities. Ranking them in order of priority according to their impact on enterprise value, taking full account of risk.
3. Develop a risk-aware delivery and execution framework based on the client's selected strategic option.

Delivering advanced performance by marrying real-world experience & leading edge analytics

3 Key Project Success Factors

1 Context. It was only through a full situational analysis, including internal and external factors, that the impact on the business could be truly modeled.

2 Collaboration. Identifying future opportunities for the business should always include gathering information from the current team. Workshops with brainstorming sessions worked well to pull out critical opportunities.

3 Challenge. Having each of the scenarios challenged robustly by both internal and external parties to the business ensures that the right resources, capabilities and competencies could be in place to deliver the selected option.

The Solution

Working with the client's entire team through a series of workshops, interviews and analytics a suite of options was generated that would result in a positive impact on their enterprise value.

The options were put through a series of tests, including gameplaying the scenarios to consider potential competitor and customer responses. Each option was modeled to assess their impact on enterprise value and a full risk assessment completed.

Having selected the preferred option a risk-aware delivery and execution framework was developed, including a tracking system that focused on the management of inputs/actions taken by the team. The predicted impact of those on the enterprise value was modeled and formed part of a weekly review of the various inputs across all areas of the business.

The Results

1. The business moved from a loss-making position to profitability within 12 months
2. Environmental concerns were removed through the change in the product mix offered, with no negative impact on enterprise value
3. Roll-out of the continuous improvement programme which formed part of the delivery and execution framework to all companies within the group
4. The business transitioned into one with a culture of collaborative continuous improvement, with the resultant impact on quality of delivery



Final Reflections

Analytics does not just mean quantitative analysis, it's important to include contextual analytics in the situational audit and discovery phase of the project; made easier with the increase in power of machine learning.

A collaborative approach to the implementation of the delivery and execution framework was critical to success. Without the culture of collaboration and "signing up to" the framework by the wider team then the business would not have seen the success it did.