

Operational Performance Improvement

A “People Strategy” Case

The Company

A leading Tier 1 supplier of automotive components and automation tooling equipment, owned by a private equity investor, set out to improve its EBITDA, and therefore value.

The Business Challenge

The company, with 500 employees operating 24/7, launched an operational excellence assessment to transform its operations in order to increase profitability through reduced costs, improved throughput and reduced working capital. The assessment was conducted by a team of business process engineering specialists, information technology experts and a specialist in requisite organization design and talent management. The assessment identified considerable opportunities for improvement, including the following:

The existing ERP system was not configured to schedule individual machines, the machine capacity settings were not up to date, and production data was not recorded in the system in a timely manner. As a result, the scheduling of the flow of materials through the operations was primarily done manually, with many last minute adjustments made at the shop floor level. This also caused frequent shortages in materials, excessive WIP, and substantial expediting of production orders, further exacerbating the scheduling problem.

Recommended improvements promised a 60% reduction in non-value-added manufacturing time, and a corresponding reduction in WIP. Longer term, selective automation of the production lines indicated a potential reduction of hourly work force by some 85 FTEs.

The People Strategy

As an integral part of the operational excellence assessment, a review of the organization structure was carried out to identify the level of work required for executive, general management, middle operational and engineering support, and front line management roles for the three shift manufacturing operation.

An assessment of 30 managers was carried out to evaluate the degree to which the human resource capacity of the company was consistent with the needs identified for the transformation.

A profiling interview with each person covered history, aspirations, capability for information processing, managerial skills, and personality style. Profiles were produced showing current capability to handle complexity and the likely path of its development in the future, information on management style, and management skills. A summary highlighted strengths, areas for improvement, short and long term things to attend to in order to realize potential. Profiles were reviewed by each person before the information was provided to senior management. For individuals, feedback of the profiles provided new information, and often eye opening insight into potential, and things to do to actualize that potential.

The talent assessment showed that the company had the capability to staff the executive, general management and most of the middle management roles needed to implement the transformation. A small number of deficiencies were identified, and several opportunities for promotion were also surfaced. Longer term patterns of succession were also encouraging.

A major finding lay in the assessment of front-line managers handling the three shift operations. Here, several of the shift supervisors were shown to have a full level of capability higher than the role required. This excess capability was why the company had been able to maintain a high level of customer responsiveness in spite of the systems and scheduling deficiencies. At the same time, this hidden capacity held the promise of an effective and efficient implementation of the transformation at the production level.

The Payoff

Shortly after the completion of the operational excellence assessment, the company was sold to a parallel Tier 1 firm, where strategic and operational synergies could be realized. The assessment was used by the private equity seller to convincingly indicate that a substantial improvement in EBITDA would be forthcoming from the recommended systems improvements, and that the company had the human resource capability in place to pull the transformation off. This promise was reflected in the final price, which was nearly three times the pre-project value.