



Summary

Client: Pressure Vessels
(industrial metal fabrication)

Partner: Cerius Interim

Location: United States

Time frame: 12 weeks

General Manager for US Subsidiary of Italian Manufacturer A case study

Situation

The company, an Italian-based family owned business with minority investors, began placing more attention on the performance of its US division. The company has a strong global presence with factories in Europe, US, and China. A recent gap in leadership created a 12-month slide in EBIT, Cash Flow and on-time delivery. This resulted in rampant quality problems, customer complaints, and low employee morale.

With EBIT and Cash Flow both negative, something needed to be done quickly. The management team lost control of plant performance, purchasing, and logistics. Key customers began pulling orders where possible and sending them to the competition. The company was forced to make price concessions regularly for quality and delivery misses. Accounts Payable status stretched out to more than 100 days. Several suppliers threatened legal action for lack of payment. The external warehouse was full of slow-moving/obsolete materials.

It was clear there were too many fires to put out for the inexperienced management team. It was time to bring in some help.

Action

Once the need was identified, the company reached out for an experienced interim manager who could take on the leadership challenge and begin addressing the many issues. The interim manager quickly established a daily focus (Gemba walks) on the specific bottlenecks impacting product quality and delivery. Through daily review meetings, excess purchasing was stopped. The team corrected MRP forecasts and safety stock errors, which were driving some of the excess purchasing.

Near-term actions taken

- → Stopped excess purchase activity through daily review meetings, MRP system reviews.
- → Corrected MRP forecast and safety stock errors, redundancies that were driving purchasing.
- → Launched 35-day project to eliminate external warehouse, 35k ft.
- → Established S&OP review, cross-functional collaboration with forecast review, capacity planning.

Senior Project Manager

A case study

- → Expanded QA inspection surveillance within plant, new products, and shipping activity.
- → Identified and escalated attention to recurring bottlenecks in plant and warehouse.
- → Established daily, cross functional meeting to enhance Sample Order performance (new business driver).
- → Established Point of Use (POU) inventory storage, enabling improved production rates, material availability, and production schedule attainment.
- → 2 production supervisors have been replaced due to performance issues. Schedule attainment and recurring product quality issues.
- → Established business reviews with Alabama site to harmonize MRP, forecast, and customer account activity. This is now part of monthly S&OP review process.

Results

The actions taken addressed the problems and improvement started quickly. Almost immediately, on hand inventory balances began declining rapidly. Sample Order lead time has reduced by greater than 50%, or 4 weeks. Then management started observing that moral is up, both in factory and office staff.

Additionally, many other indicators turned positive during the interim's tenure:

- → The capacity for sample orders has improved by 3x.
- → External warehouse was closed in 35 days, project completed on July 31.
- → Overall cost reductions were realized while improving manufacturing producing and decreasing defects & rework.
- → Customer complaints are steadily declining.
- → July and August had lowest internal defects in 12 months with highest manufacturing productivity.

The feedback received from the client was very positive and specific. Other executives from the company were willing to go on record with the following praise for the Interim Manager:

From the Sales Manager: "Bill's leadership has provided my commercial efforts with the best customer support that I have experienced in years. The new product introduction process that he introduced has reduced our business cycle by more than 50%."

From the Operations Manager: "It has been extremely enlightening working with Bill the past few months. His clear insight and logical approach has clarified a very irrational situation. His operational expertise has made a forever lasting impact in our direction and approach; he has aimed us in the correct direction for success. His ability to assess our leadership and make corrections that we just overlooked has been a tremendous asset."