

How value was created in a private equity firm's fixture manufacturer holding

This conglomerated manufacturer of metal display racks for “big box” retailers, as well as large warehousing and distribution operations, was created through an add-on acquisition by a private equity firm that wanted to quickly improve the company's operational and financial performance. To accomplish this in a timely manner, the firm turned to USC Consulting Group (USCCG), an operations management consulting firm known for business performance improvement.

USCCG's original assignment was to improve asset utilization by increasing throughput, reducing setup time, and reducing scrap. However, in the process, the consultants discovered hidden capacity which led them to recommend rationalizing and consolidating plants, something that management previously felt couldn't be done due to unresolved questions regarding true capacity, challenges posed by disparate systems that had resulted from the acquisition, and the complexity and cost to execute such a plan.

The consultants began with a complex financial analysis which ultimately provided the road map to success i.e., which plants to consolidate, in what order; which ones to improve and how. A critical path containing all significant activities required to complete both the consolidation

and operational improvement parts of the project on schedule was developed and reviewed with the Steering Team weekly.

In preparation for consolidation, capacity and resource planning guides were developed to appropriately align people, performance, and workloads. Order management processes were implemented to effectively transfer information from the plants being closed to those that would be expanding, and reports created to provide visibility to all retail inventory at all plant locations. Plant loading profiles were

Key Metrics

Five plants consolidated to four on time with major customers unaffected

Annualized cost savings of \$5.9-\$6.3 MM

Productivity improved 16%

Scrap reduced 22%

Additional value created: approximately \$36MM

created to depict the future load and mix on the receiving plants. A safety stock level and strategy was developed to ensure effective servicing of clients during and after the consolidation process. Over 200 action items were created, categorized by functional area, and reviewed bi-weekly with process owners. Formal weekly reviews were used to keep the team on task and on time.

The operational improvement aspect included developing and implementing a closed-loop management operating system to provide visibility, traceability and accountability to all customer orders. This was conducted simultaneously on four fronts, each charged with installing operating system pieces for their respective plants in a 12- to 15-week time frame, a particularly daunting task made more challenging given the fact that the USCCG team was widely dispersed across North America and had to overcome, among other things, language barriers and a fire.

At each location, changeover and setup teams were chartered to reduce changeover times, and identify value-added processes that could be performed more efficiently, in each department. Performance objectives were established using Process Task Analysis of each operation by product type. A summary of performance and opportunities was reviewed each day with the management and support groups.

As an unintended result of the engagement, the company not only benefitted from improved operational performance, but was also able to reduce its manufacturing footprint from five locations to four, improving EBITDA without disrupting service to its major customers.

When asked his thoughts following the engagement, the PE firm's managing partner summed it up by saying "We are delighted with the work USCCG did for us. It greatly exceeded expectations."

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*Managing Partner,
Private Equity Firm*



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