



SUSTAINABLE REALIGNMENT OF A U.S. SUBSIDIARY

A long leash is good, strong leadership and clear goals ensure results and sustainability.

Company

The company is a publicly traded U.S. enterprise with a tooling division. The global sales of the division amount to approximately \$600 million. In Europe, 800 employees in seven factories produce a turnover of approximately \$190 million. The company was formed through acquisition of various companies. Its key customers are the automotive industry, aerospace industry, general industry, and global wholesalers.

Problem

Substantial losses for individual companies

- factories are not fully utilized and exhibit very poor productivity
- the company is not focused on customers; loss of reputation among customers (especially premium automotive manufacturers)
- focus on sales/volume, not on results
- no (uniform) leadership; constant change in management; no clear objectives; micromanagement by the U.S. parent company

Interim Task

Develop the individual companies into profitable entities and merge them into a sustainable EMEA unit

Solution (three successive terms over 35 months)

- restructuring of a company (45 million turnover, 10.5 million operating loss, high inventory)
- installing professional supply chain management coupled with high inventory reduction; productivity improvement at the sites; exploiting purchase potential, etc.
- regaining customer respect, especially in the automotive and aerospace markets
- optimizing sales channels, customer retention, and customer focus
- delivering sustainable solutions

Benefit

- all companies claim positive results (EBIT between 2 and 8%)
- annual increase of 3 and 5% in productivity at the sites
- create an entrepreneurial culture among employees: this is what we want and we will achieve it
- inventory, finished goods, raw materials, and outstanding payments reduced by 25%
- develop the production sites into „breathing“ factories



Duration of Project

- 35 months

Course of Action

- significantly adjusted cost structure (rightsizing: varies at each location, up to 30% personnel adjustment)
- established a relationship of trust with the works council and employee representatives
- introduction of senior management and clear responsibility in the company
- site in Hungary closed (120 employees); was solely dependent on Audi
- productivity targets at the sites (3-5%) with review of the status quo every four weeks
- clear responsibilities (e.g., key account management, regional sales) for all products and customers
- established centres of excellence at the sites; bundled expertise
- R&D for individual products "moved back" to the respective locations and skills developed
- Cross-selling focused with a suitable bonus system

Success Factors

- clear communication with the employees, the parent company, the works council, the unions, and the local press
- from the outset, integration of the employees into what we want and how to achieve it; delineation of what contribution has to come from whom (essential for sustainability)
- "customer first in all actions and deeds" planted in the heads of the employees
- key figures (bowler) for all areas such as processes, customers, products (where do we make profit, where losses); determine how we counteract it; weekly updates (meetings, teleconference)
- introduction of claim management and risk management in order to know where we stand

Management and Leadership Principles

- cooperative, goal-oriented, consistent management style; approaching people, working with people, integrating employees and giving them room to work
- clear formulation of objectives for the company; deriving similarly clear goals for the individuals; outlining situations to emphasize goals and behaviours
- principle of the open door, of the open and structured communication, regardless of the hierarchy – internally and externally; transparency in the method of operation and course of action; integration of the works council/the employee representatives from the beginning
- setting up a senior management / extended board (if not already in place); meetings every fourteen days (fixed date), possibly more frequent at the beginning
- goal-oriented and consistent in action and deed; strategic thinking and acting but "hands-on" personnel leadership
- with integrity, competence, goal-orientation – always "up to date" – that is my claim, both personally and regarding my daily work environment