



REPOSITIONING IN PRIMARY INDUSTRY

Company

The Company produces a primary material in seven plants in the Federal Republic of Germany. Over the years, these factories had been bought from large groups (e.g., chemical, steel industry). They had been coined very strongly by the individual corporate culture of the originating groups and were quite differently oriented.

Problem

- No results-oriented thinking and acting in the individual plants, due to the background they had come from
- There was no market-orientation because the parent company was the only buyer of the subsidiary's products
- Prices were determined by parent company depending on where profit had to be generated
- The seven plants were combined in a corporation (AG) and managed by "Headquarters" in a very centralistic manner
- No uniform reporting system; monthly results were available only 6 to 8 weeks after month-end

Interim Task

- Develop a comprehensive long-term strategy for sustained corporate stability and success
- Modularize company and implement strategy

Solution

- Conduct a potential analysis of senior management to evaluate the strengths and weaknesses of the individual executives
- Develop the individual plants into self-contained units (GmbH & Co KG – limited partnership with a limited liability company as general partner)
- Assign a CEO and a CTO each with P&L responsibility to each individual plant
- Reorganize from a functionally structured management to a management board with market and P&L responsibility
- Reduce number of board members by 50%
- Create a communication platform and establish a senior executive team
- Implement regular, structured meetings for the executive committees to achieve sustained communication between the executive committees
- Assure tight control of results

Benefits

- Self-contained, locally operating business units
- Increase of EBITDA from 16.8% to 28%

Duration of Project

26 months



Success Factors

Develop a comprehensive, long-term strategy for sustained corporate stability and success; implement appropriate tools.

- The objective was to combine seven individual companies (plant acquisitions) into a group of companies (repositioning of the business)
- This was achieved by reorganizing the functionally structured management (4 executive members) to a management board with market and P&L responsibility (2 executives with corresponding regional responsibility), at the same time creating a common communication platform with an extended executive management
- Establishing the executive board, a senior executive committee for structured and regular communication through working groups, committees and meetings

Establish a management philosophy for all employees and support by means of appropriate instruments.

- The objective was to achieve a substantial improvement in results in a decline of sales situation (EBITDA increase from 17% to 28%)
- This was achieved by delegating responsibility to the local entity by creating business units (GmbH & Co. KGs). The number of employees at headquarters was reduced from 150 to 40 by transferring employees to the business units
- The introduction of the new corporate philosophy was supported by a results-based incentive