



# Reaching across the globe to drive up EBITDA

This manufacturing company aligned with Celerant Consulting to help its high-volume discrete manufacturing facility in China substantially raise productivity and lower operating costs. The resulting manufacturing performance gains keyed a 5% improvement in the company's EBITDA.

## Taking up the challenge

This manufacturing company had enjoyed a history of rapid growth but was now losing ground to new, lower cost competitors. Profitability was further eroded by skyrocketing materials costs.

The Company's Senior Management saw improved manufacturing performance was vital to earnings growth. They knew it would be difficult, however, to affect results at a facility operating half a world away under a local management team.

The company chose Celerant Consulting to engage the plant's managers, supervisors and the large employee base in an intensive 42-week project targeting substantial and sustainable gains in manufacturing performance, while also building strong links between local decision making in China and the Senior Management in the U.S.

Employees at the Chinese facility hailed from diverse cultural backgrounds- mainland China, Hong Kong, Taiwan,

Malaysia, Singapore, India, and the US - and so favored a diverse range of communication styles, problem solving approaches, decision making rationales, and social customs. Celerant matched this diversity with consultants drawn from China, the US, Taiwan, Britain, India, and Canada. From the outset, Celerant consultants used Closework®, to understand the priorities of local management, grasp the realities of the operating environment, and effectively standardize business practices while honoring the organization's rich cultural diversity.

### SWEEPING FRAMEWORK

Together, Celerant's project managers and the plant's top leaders designed a sweeping project framework to drive fundamental cultural, operational and behavioral change at all levels - from the shop floor to the COO - and to balance the plant's hierarchical, top-down communication channels with bottom-up information flow. performance metrics were thoroughly reviewed. The effectiveness of meetings, the company climate, and the behaviours of leadership were all put under the microscope.

The outcome was a suite of solutions to be implemented in 20 weeks, in two parallel workstreams: focused on manufacturing excellence and organizational effectiveness.

### Results

- Keyed 5% EBITDA gain
- \$10 million procurement savings
- \$3.7 million annualized material usage savings
- 22% productivity gain
- Ensured sustained improvement via competency development in Lean, KPIs, root cause analysis and MCR.S®.

The primary focus was improving Production. Workstreams were also formed to address Procurement, Maintenance, Organizational Design, Material Management, Scheduling, and Energy. Each project workstream was co-led by the plant's managers and Celerant consultants.



The 42-week project aimed to:

- 1) Achieve substantial improvements in human productivity while maintaining a healthy workforce with high morale;
- 2) Build cost management capability into the organization and link operational decision making to standard financial tracking systems;
- 3) Significantly reduce material cost;
- 4) Make operational improvement sustainable, traceable and visible to headquarters leadership.

Project team members completed detailed time and motion studies, analyses of key processes, and studies of workforce utilization to quantify current performance baselines, prioritize attainable productivity improvements, and estimate the resulting cost benefits.

## DATA-DRIVEN IMPROVEMENT

The team then installed tools and capabilities that provide local management the information they need to make timely business decisions across the critical dimensions of Systems, People and Processes. They instituted regularly scheduled review meetings at the Supervisor, Manager and General Manager levels to track Key Performance Indicators (KPIs), guide short interval control, and focus everyone in the organization on immediate and ongoing opportunities to reduce costs and increase productivity.

MCRS® (Management Control and Reporting Systems) was installed to align the plant's KPIs at every level - from frontline operations in China to the executive suite at the U.S. headquarters. MCRS® connects and coordinates reports, review meetings, data-driven decision making and improvement actions throughout the facility.

To accelerate and sustain data-driven improvement long term, Celerant trained 60 managers, 140 supervisors/ engineers, and more than 200 operators in MCRS®, KPIs and root cause analysis. Some 50 managers and supervisors were certified as trainers in Lean Manufacturing.

## DRIVING CHANGE

As the project advanced into the implementation phase, Celerant's project leaders worked closely with the Senior VP of Global Operations and Supply Chain. Close collaboration at senior levels, coupled with active leadership communications, drove and sustained the pace of the project.

To drive change "where the work gets done," the project team provided extensive education, training, and problem-solving support to employees on the shop floor, including basic Lean Manufacturing orientation for more than 1500 of the plant's Operators.

Hundreds of 10 ft x 4ft white boards were mounted on wheels and rolled into Production areas. Each area's progress toward the daily production goal was updated hourly on the boards. Initial resistance to hourly tracking was overcome with Closework®, which reinforced that it is acceptable to fail sometimes as long as you apply what you've learned for future improvement. As employees saw that measurement would be used to empower rather than punish them, many began to update the boards themselves. Data-driven improvement became an integral part of everyday operations.

Recognizing the value of the new approaches taking hold in the plant, local management created permanent MCRS® and Lean departments, dedicated to sustaining focus on cost containment and productivity improvement.

## MEASURED EARNINGS IMPACT

Among the results reported by the project leaders to the company's board of directors:

- \$10 million procurement savings
- \$3.7 million annualized material usage savings
- 22% increase in productivity

The \$14 million in measured project benefits were recognized by the company's senior management as crucial to the achievement that year of a 5% improvement in EBITDA (earnings before interest, taxes, depreciation and amortization).

Our Results are Front Page News

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"We had been very focused on growth and on bringing our manufacturing technologies into China, with little emphasis on cost control. With Celerant, we've implemented management control and reporting systems that greatly improve our efficiencies." SVP Global Ops and Supply Chain

"We gained visibility right down to the Manager and Supervisor level in China. We can now see exactly how the plant is executing our strategy to improve earnings." Chief Operating Officer

"Yes, the project delivered results. But the real results are yet to come, as we use the systems to continuously improve our capabilities and reap more savings" Chief Operating Officer

"We based most procurement decisions on price alone. The result was inconsistent quality and too much variation in supply. With Celerant, we developed a consistent supply chain that is effectively focused on total cost." SVP Global Ops and Supply Chain