

## Comprehensive Operational Turnaround Improves Output By 65% and Income by 130% in 14 months

### Situation:

A small operating division of a Fortune 100 diversified manufacturer was suffering from constraints in throughput and output, thus leaving a significant amount of income potential sitting in inventory. Supplying gas turbine engine repair and overhaul services to military customers, the business ran in a highly matrixed environment and coordinated with 3 “owners” who also supplied business development, sales and engineering resources. The reported issues with the business were that it was capable of delivering 30% more output than it had in the previous year, it had strained relationships with its matrixed partners and its management team was rife with internal conflict and infighting. The business was in need of a comprehensive operational turnaround plan to get back on track.

### Action Plan:

- Conducted a comprehensive assessment of the business’s financial and operation performance from the eyes of its internal stakeholders by meeting with program executives (outside the organization), the leadership team, employees and other functional leaders who contributed to the success of the site’s performance.
- Installed a “War Room” process that put site leadership in weekly stand-up meetings to status and solve for delivery issues. In the first full month, delivered \$10M in output against the sites previous \$6M commitment. Eventually handed off this process as it matured.
- Established a Sales, Inventory, Operations and Planning process (SIOP) that physically brought three outside stakeholders into a planning process with operations to forecast supply and demand against the operating plan. Matured the process to move from a 12 month to 18 month rolling forecast and planning horizon
- Top graded the leadership team by removing and replacing low performers with high potential employees. Drove a rigorous goal deployment and measurement process to cement the team.
- Enhanced the site’s repair development capability and material cost inputs by recruiting outside talent and driving value engineering projects.
- Enhanced communication and the organization’s focus on employee relations by conducting quarterly stand-up meetings, monthly skip level meetings, and launching a unique intranet-based employee Q&A tool.
- Established a collaborative effort to re-engineer the site’s accounts receivable process though the use of six sigma and business process re-engineering tools.
- Installed a quality improvement process that assessed trends in “final out” inspection and utilized mechanics and inspectors to eliminate root cause. Followed that program with an initiative to install lean flow lines.
- Turbocharged the site’s safety program by leadership engagement and direct employee involvement. Safety audits were done by the leadership team on a weekly basis.

**Results:**

Output was improved 65% on a trailing twelve month basis, resulting in a 130% improvement in operating income. The site's average accounts receivable aging fell from 59 to 27 days 3 months after project start improving free cash flow by \$8M. Defects were reduced from an average of 5 per unit to .2 per unit (96% reduction). The site reduced lost workdays from a historical 5 to 0. It applied for and received OSHA's VPP Star Award for safety. Site morale improved and several on that leadership team went on to lead larger and more complex organizations. Ultimately, the site was recognized as the parent organization's "Site of the Year" for its comprehensive and speedy turnaround.