

BlueWater Partners helps businesses identify and navigate a range of strategic alternatives. We specialize in senior-level advice on mergers, acquisitions, capital sourcing, performance improvement, turnarounds and merchant banking.

Operational Performance Improvement – Manufacturing Benchmark Study and Opportunity Assessment

A fourth-generation Precision Machined Products Manufacturer serving automotive, heavy truck, and marine OEM and Tier 1 customers was experiencing persistent operating losses due to high levels of variance to standard across materials, direct labor, indirect labor, and overhead.

Situation

- One manufacturing facility faced with 15% reduction in sales which shifted product mix from high volume – low mix to low volume – high mix
- Variances exceeded standard cost by 25%
- Performance was flat or declining across key performance measures
- High defect, scrap and rework rates resulted in unacceptable PPM, poor customer quality and \$1.2 million in cost of quality (COQ)
- Out of date asset base was unreliable and expensive to maintain as maintenance spent 89% of its available time and budget addressing mechanical failures
- \$11 million addressable cost base
- Projected to lose \$1.5 million

Solution

- Board of Directors engaged BlueWater Partners to conduct a plantwide benchmark study to validate the company's standard cost model, identify performance gaps and develop an improvement roadmap
- Completed 2-week benchmark study to assess current state operational performance, identify key cost drivers, and determine Achievable Standards
- Prepared high-level analysis of projected financials based on historical performance and projected efficiencies to support greater than 5x return on investment

 continued

Operational Performance Improvement – Manufacturing Benchmark Study and Opportunity Assessment

- Developed Improvement Roadmap with high value projects, key assumptions, financial impact and timing
- Established one-year and three-year targets that, when achieved, will clearly position company as a model manufacturer with world class manufacturing systems and practices

Results

- Standard cost model was sound with 2% variance in quoted standard versus operating standard
- 22% variance resulted from non-value add (NVA) activities across direct and indirect categories, as charged labor and paid labor differed
- Improvement Roadmap reduced the addressable cost base by 32% over 24 months
- \$3.5 million savings annually

Ron Miller, Managing Director

Direct 616.988.4555 / Mobile 616.460.8309
ron@bluewaterpartners.com