

Success Study

Industrial Distributor

Strategic assessment
Management restructuring
Organizational alignment
Asset utilization

Synopsis

A \$200 million distributor of industrial products, with over 20 branches in three states, was facing significant competitive pressure and economic softness. Declining sales and profitability made it difficult to recover its cost of capital.

Challenge

In the middle of a building downturn, the family run company was faced with customer defections, declining sales and increasing operating costs. An assessment of the organization revealed that the company needed to gain market clarity, refocus their business, communicate clearly with their employees and restructure their management to engage key employees and facilitate open communications across departments.

Action

Collaborating closely with management, we identified the key drivers of client satisfaction – availability, accuracy and on-time delivery – and facilitated the process of reorganizing the company structure and operating practices to deliver those essential drivers and achieve the company's desired outcomes.

The client's key drivers all revolved around inventory and logistics, so we engaged the employees involved in these processes to identify critical issues and propose solutions. Inventory and distribution were centralized, routes were simplified, costs were reduced and the company realized immediate benefits from reduced inventory levels, freed up cash flow, vendor consolidation and improved gross margins.

Additionally, we created a new governance structure that incorporated cross functional communications between departments to plan and coordinate activities. Although corporate strategy was still determined by senior management, the new structure engaged line managers and improved efficiency and accountability.

Outcome

The company saw significant improvements in sales, profitability and efficiency, including:

- Increased bottom line results by \$4 million
- Reduced inventories by over \$10 million
- Eliminated non-strategic divisions, products and categories
- Improved performance across the key drivers of customer satisfaction
- Doubled profits for four consecutive years

