Issue 31

CEO Europe Success Story

CEO Europe
Management on demand

Turnaround of a SMB company close to insolvency

CONTEXT

A SMB company acting in ophtalmic lenses had to face a critical situation:

-Lack of cash, increasing delays for paying the suppliers
-Sales volume decrease
-Frequent delays in products deliveries
-High level scrap rate (14 %)
-Lack of manufacturing space

An equity fund having invested in this company asked to the owner-president to hire temporary an Executive Interim Manager as CEO to save quickly the situation.

It was urgent to negotiate on one hand a timing payment deferral with suppliers, on the other hand a short term loan with the banks.

No need to say there was no financial help to be expected from the investors.

PRELIMINARY ACTIONS

Diagnostic and draft business plan

First I performed a quick clear diagnostic which I made approved by the president, the fund and a few small shareholders.

Then I composed a small draft general business plan and strategic plan exposing the main improvement axes, also made approved.

These two first short steps are mandatory to get possibly relevant advices and to be sure that everybody will support the critical decisions to be made.

Note: I took the risk of starting here some immediate actions which seemed obvious for me, not waiting for the following global plans presentations.

Cash plan and debt rescheduling

It was time to present to the whole stakeholders (including customers and suppliers) a final business plan associated with a cash flow restoring plan.

I managed the debt rescheduling and short term loan negotiations, allowing recovering enough cash for ensuring activities continuity within a short but adequate time frame.

Written by
Jean-Luc Hauser,
iCEO #35192

Find us on the Web:
www.ceo-europe.com

+33 (0) 970 448 419

CEO Europe
Management on demand

ACTION

Action plan for recovery

A detailed action plan has been established in consultation with all managers and employees (and unions). The goal was to ensure a durable positive cash flow and to establish an increasing sales trend.

We considered 3 main improvement fields:

-Industrial
-Commercial
-Financial

Industrial field

It appeared that the supply chain was the core of the business.

Historically production was dispatched within a few sites.

Restructuring has been carried out in order to get all the production volume concentrated in a single site and to simplify the supply chain. It has been performed in close consultation with the unions.

The industrial manager, unpopular, has been assigned to another function.

Volume effect has been a first effective way to increase productivity, to lower stocks and to decrease the working capital.

LEAN principles have been applied everywhere, from getting the customer order till receiving the payment.

In such an activity each order is related to a single distinct product. More than 1000 orders registered daily were launched and manufactured in a pull-flow way.

Each manufacturing step was traced and registered in real time, enabling any production problem to be detected immediately.

Preventive maintenance has been applied regarding to all the equipment.

Numerous cost reduction actions have been carried out: water recycling, energy saving, manufacturing methods, procurement …

After 12 months productivity increase has reached 20 % with a continuous improvement trend.
Scrap has been cut by more than 2, reaching 6 %.
Manufacturing reorganization (production lines number has been reduced by 50 %), stock decrease, and productivity improvement have induced free space availability sufficient to cancel a relocation project.

Written by
Jean-Luc Hauser,
iCEO #35192

Find us on the Web:
www.ceo-europe.com

+33 (0) 970 448 419

CEO Europe
Management on demand

Commercial field

Restructuration: most of the commercial agencies have been closed.

Area managers have been maintained.

Customer service has moved to the central production plant.

A delivery time charter has been established and presented to the customers.

Products have been repositioned to the middle and high segments of the market, while basic lenses were sourced from Asia.

A new commercial strategy has been defined, targeting large accounts.

Products have been exposed in international exhibitions.

Sales increased 20 % after 1 year.

Finances field

A financial manager has been hired.

Accounting monthly reporting, traditionally encountering 2 months delay, was then posted within 5 days.

The cash plan was actualized on a weekly basis, as customer debt collection follow-up.

CONCLUSION

The fast realistic action of an Interim Executive Manager has prevented an insolvency issue.

Investors have never been asked for any capital increase.

An acceptable cash-flow level has been restored within 6 months.

Sales and productivity have been put on a positive improvement continuous trend.

LESSON LEARNED

Success is made thanks to the support of a motivated committed staff.

For reasons of emergency the Executive Interim Manager must compose with the current available experimented managing team, sometimes to be slightly reassigned or reinforced.

If properly and firmly negotiated a lot of change actions are possible.

Written by
Jean-Luc Hauser,
iCEO #35192

Find us on the web:
www.ceo-europe.com

+33 (0) 970 448 419

CEO Europe
Management on demand

ADVICES

-A company not closely managing its cash plan may encounter unexpected cash shortage.
Then it is too late to set up classical solutions as factoring, too long to be put in place.

-To make a payment negotiation possible it is necessary to regain the confidence of the partners and shareholders in demonstrating a though control on the cash flow, in addition with the presentation of a credible business plan.

-Don't do too much, focus on the critical points of the mission, be "lean".

About the Author:

Jean-Luc Hauser is founder of a Business Unit integrated in an international pharmaceutical group and setting up (start-up) of an international R&D and production center in the medical devices industry field. He headed the recovery of an industrial site producing car equipment, just acquired after a petition in bankruptcy.

Written by
Jean-Luc Hauser,
iCEO #35192

Find us on the web:
www.ceo-europe.com

+33 (0) 970 448 419