



Project Report Turnaround

How coordinated change in R&D, production, and marketing & sales led to a successful turnaround.

Summary

Driven by external structural and macroeconomic factors, the business experienced very challenging headwinds from increased competition and significant pressure on sales prices. Without a clear plan on how to respond to these factors, and consequently worsening financial results, an external turnaround specialist was engaged. With a holistic operational review, he developed a transformation program which he led and implemented over a 4-year period. As a result, sales started to improve and positive annual growth (+6% in first year) could be achieved in a challenging environment. Operating break even and company profits were achieved and sustained, and the competitive position of the business sustainable improved.

Details

Project

- Sector Construction and Materials
- Revenue 250m to 500m
- Employees 2,500 to 5,000
- Level Head of division
- Title COO
- Duration 4 years

Focus

- Strategic Analysis
- Operational transformation
- Financial turnaround
- Research & Development
- Supply Chain
- Production Facilities
- Sales & Marketing



Background

A significant appreciation of the Swiss franc led to a dramatic increase in competition from imports from low-cost countries and consequently to a marked decline in local market prices. Due to the high proportion of local production, the company's profitability sharply declined, resulting in financial losses over several periods. The supervisory board mandated senior management, including the turnaround specialist acting as Chief Operating Officer of the division (COO), to develop a restructuring plan to reach profitability and re-position the business to secure its future.



Transformation of primary and secondary value chain

The expert analysed the existing order situation as well as the customer and product portfolio. He also analysed internal production costs and compared international procurement prices and qualities with the in-house capabilities. A restructuring plan was then drawn up with the aim of stabilizing future EBIT margins and decoupling the business from further exchange rate fluctuations. The turnaround was centred around the following measures:

1. **Sales:** New definition of targeted product and service offerings for each customer segment and practical implementation by redesigning the sales organization accordingly.
2. **Research & Development (R&D):** Definition of product requirements based on customer needs for new wood and wood-aluminium windows for the Swiss market as well as PVC or PVC-aluminium windows for all markets. Conversion of portfolio of components and development of new products to a modular design.
3. **Production:** Implemented three main changes to the production processes and facilities:
 - i. Relocation of production and procurement to Eastern Europe,
 - ii. Development of a logistics network with several hubs in Switzerland for optimal delivery efficiency for local market customers,
 - iii. Design and construction of a best-in-class production facility for insulating glass in Slovakia.
4. **Information technology (IT):** Implementation of an interface-free order processing connecting the order entry at the customer's front end to the machine control system inside the production plant.



Results

Through the consistent implementation of sales measures, the decline in sales was reversed and an increase in sales of 6% was achieved in the first year. The implementation of the restructuring plan, including a reduction in manufacturing costs (-24%), increased EBITDA by over CHF 38 million and brought the company back to profit. The internal managers were involved in the definition and implementation right from the start maintaining everyone's focus on the agreed objectives and measures during the long implementation phase.

Statement from the turnaround expert

"At the beginning of the restructuring process, there was a great deal of uncertainty among the employees regarding the future of the company. However, with systematic and continuous communication about the necessity of the measures, regular progress updates, and early commitment towards the areas that would remain unchanged, it was possible to reduce this high level of uncertainty amongst the employees."

Scope of transformation



Driven by external factors (exchange rates, foreign competitors and pricing pressure) the organisation was forced to adopt in order to survive.

With the immediate and impactful support of our turnaround specialist, the client managed to transform the product development and production processes, and lead the business back to profitability. Coordinated efforts together with sales & marketing as well as an updated IT infrastructure improved the business' competitiveness and secured its survival despite the structural issues in a high-wage market.

valuo.

Board Advisory
Transactions
Transformations

How can we help you? Get in touch with our partners.



Paul Jabas

Partner

pjabas@valuo.biz | +41 79 619 52 70



Thorsten Jabas

Partner

tjabas@valuo.biz | +44 7598 476 201