



Project Report Transformation

How regulatory change was utilised to manifest a market leaders' competitive position.

Summary

Reorganization of a manufacturing business in industrial engineering, which had to adapt its business model due to new legislation regarding safety requirements. Through changes in product development and product management, as well as a redefinition of responsibilities, a swift market adaptation could be achieved. The resulting annual revenue growth amounted to approximately 20%, leading to an annual improvement in contribution margin ranging between 300 and 500 basis points.

Details

Project

- Sector Industrial engineering
- Revenue 500m to 1.0bn
- Employees 1.000 to 3.000
- Level Head of division
- Title COO
- Duration 3 years

Focus

- Business strategy
- Restructuring
- Growth, market development
- Business modelling
- Product management
- Product development
- Operational leadership



Background

The regional units of a global manufacturer in the mechanical engineering segment were organized as a matrix: COOs managed these operational units including sales and installation of new systems, upgrading and maintenance of existing installations. The corporate headquarters was responsible for product management, supply chain and shared services (e.g. finance, HR, IT, legal). Due to new EU regulations on user safety, the group management decided to proactively adopt and expand the regional modernization business (MOD). Previously, the more than 10 locations had their own business strategies catering for local needs.



Transformation components

In order to establish an early mover advantage and effectively utilise respective regional business opportunities, we had to change the matrix organisation and reorganise the strategic responsibility for the modernization business:

1. **Business division strategy:** Conducted workshops with the individual management teams to review the respective market requirements, define new product requirements, expand engineering capabilities, and derive new requirements for knowhow and personnel.
2. **Product Management:** Developed a strategy for the modernization business and planned implementation for the product development department.
3. **Product Development:** Identified package of measures considering regional intricacies for the modernization business, established and developed centralised product development function.
4. **Communication:** Redefined responsibilities, tasks and processes involving the regional offices, analysed competence gaps and defined measures to overcome them.
5. **Implementation:** Strengthened the competence of the branches at all management levels. Coached teams on management topics and employee development, introduced monitoring and controlling system, implemented new pricing strategy, and increased general speed of implementation through redesigning operational processes.



Results

The modernization business, thanks to the swift response of the group management to the new political framework and the effective implementation of the restructuring programme in subsequent years, annual revenue growth rates of approximately 20% were achieved. Through the introduction of a clear pricing strategy and the harmonization of implementation processes, the contribution margin increased by c. +3-5 percentage points. Furthermore, there was a noticeable improvement in corporate culture e.g. higher motivation levels among the branch managers was clearly visible and impacted the environment positively.

Statement by the transformation expert

„The approach initially encountered significant scepticism within the product manager organization, as concerns regarding potential encroachment on competencies were raised. However, once the visionary member of the team understood the benefits and I convinced them to actively participate, the ice was broken. The subsequent business success helped to further shift the perception amongst the senior staff.“

Scope of transformation



This example demonstrates how the organisation was impacted on all layers. Initiated due to external change, the expert conducted a strategic analysis of potential options. Together with the group and regional management, he evaluated this new opportunity and derived a suitable organisational structure. Product development and product management functions were restructured. The cultural characteristics of the decentralised teams played a significant role in the development of the business transformation and had to be reflected in the style and means of communication. Lasting change was achieved by

including the mid-management level in the redesign and throughout the implementation phase.

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