

Industry	Office Products
Number of Employees	125
Annual Revenue	\$65,000,000

EDSI was selected to deliver operational and financial restructuring services for a leading Office Products manufacturer and distributor. The client produces a wide portfolio of office products and contract-manufactured components and systems, with primary distribution through major commercial and retail office supply channels across North America. Its contract manufacturing division also serves a range of industries with specialized capabilities in plastic blow-molded component production.

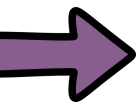
- Established in 1998; a premier supplier of custom made office products
- Annual Revenue: \$65 million
- Annual Profit: (\$1.2 million)
- Two locations in one Midwestern state with the corporate headquarters located in a different state
- Assigned to the special assets group (SAG) of a large Midwestern bank due to continued profit losses and declining working capital
- Inventory levels in excess of \$9.4 million
- On-time deliveries were 82%; penalties in excess of 5% of shipments

Business Situation

Neither the manufacturing nor distribution facilities were performing at profitable levels. Consistently late deliveries, scrap rates exceeding acceptable production levels, inaccurate production schedules leading to continuous production disruptions and unplanned changeovers, as well as deficient problem-solving skills leading to excessive nonstandard labor were all negatively affecting the company's performance.

The primary lender had become increasingly concerned over the liquidity issues of the firm. Account payables had risen to unacceptable levels, leading to raw material shortages. Deliveries of raw material interruptions forced "panic" plant changeovers and significant increase in work in process (WIP) material. Finished goods inventory suffered damage from redundant handling, overproduction driven by an unrealistic efficiency metric, and continued excess production of unwanted customer products.

Technical Situation



EDSI deployed operational and financial restructuring experts across headquarters and plant locations to assess conditions. Issues were prioritized, and breakout teams gathered performance metrics to establish a baseline.

Two Independent Teams Were Established to Address the Two Primary Issues

Team 1 was tasked to improve the communication between the primary lender and the company to better present the turnaround plan for the firm, given that the primary Lender had moved the company into the SAG.

Team 2 was tasked with improving the manufacturing and distribution operations to reduce operating costs, mine cash, and streamline material processing and shipments.

Team 1 focused exclusively on cash forecasting from operations and developing a clear channel of communication with the lender. This included creating cash flow projections, a turnaround plan in a format easily presented to the lender, and identifying target opportunities for potential investigation and resolution by Team 2.

Team 2 was assigned to improve plant operations and employed EDSI's proven process of focusing on four areas:

EDSI's Proven Success

1

Improving
inbound and
outbound
contracts

2

Creating a
culture of
processing
excellence -
eliminating
waste

3

Ensuring
shipment
accuracy
against
customer
orders.

4

Training the
plant team
to effectively
perform
their given
functions



Benefits

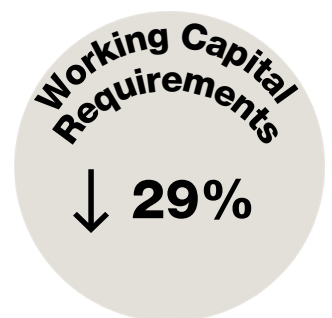
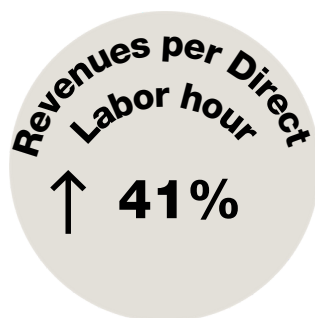
Over a period of six months, these teams worked hand-in-hand with the client to incorporate a lean enterprise within the walls of the manufacturing facility and corporate headquarters. This included:



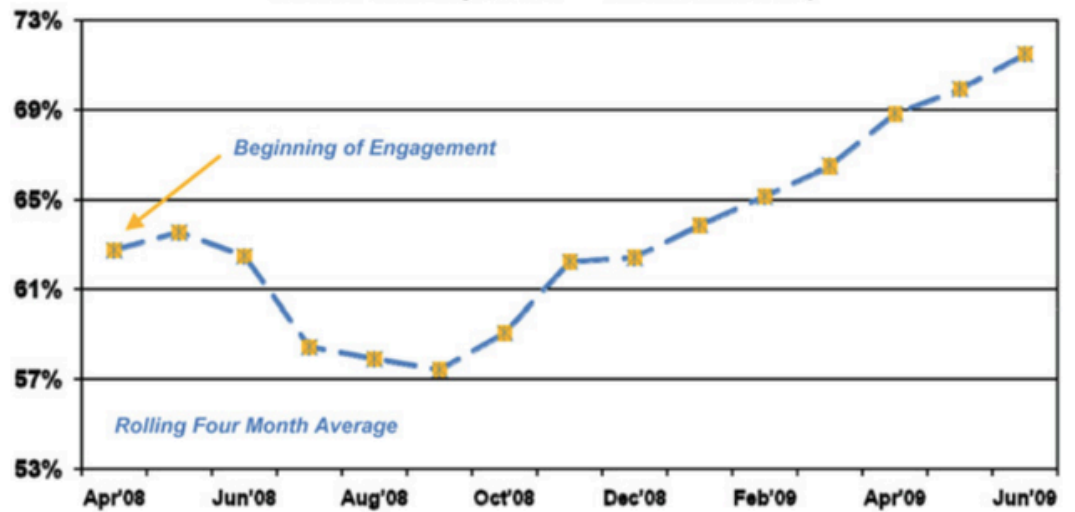
- ▶ Setting achievable metrics for each production cell
- ▶ Defining work processes for every product (2,000 + skews produced during the calendar year)
- ▶ Drastically reducing unusable inventory, including the conversion of unusable material to sellable product
- ▶ Negotiating payment schedules and Kanban supply agreements with suppliers
- ▶ Selling older inventory at reduced prices to raise working capital
- ▶ Correcting manufacturing deficiencies and quality issues
- ▶ Establishing a single piece flow throughout the facilities for all products

A critical function was to establish a lockdown production schedule to enable the plant to plan raw materials, tool changeovers, and manpower in alignment with customer demand. This “pull” method of production significantly reduced waste in the system.

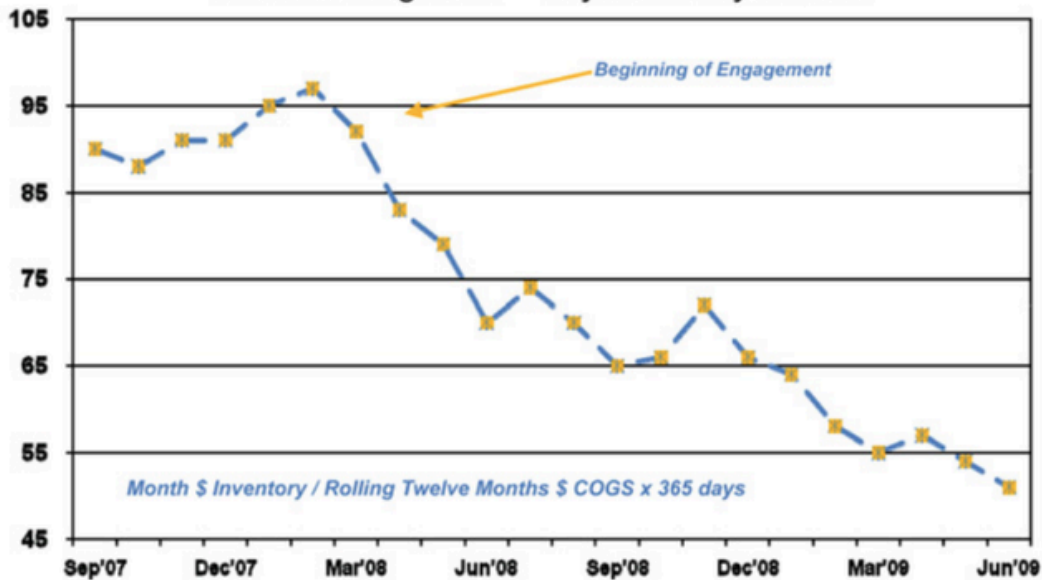
The intervention delivered a 59% reduction in onsite inventory, improved on-time delivery to over 98%, increased revenue per direct labor hour by 41%, and reduced working capital requirements by 29%.



Manufacturing Client -- Plant Efficiency



Manufacturing Client -- Days Inventory on Hand



The company returned to profitability in the fourth month of the engagement. In the following full year, profits soared to 9% net with substantial bonuses paid to all employees.

As a result, ownership withdrew \$1 million in seed capital and secured a favorable new lending agreement with the existing lender to fund future working capital and potential acquisitions.