



As a company grows and market conditions change, the operating model must be re-assessed and re-aligned

An industrial manufacturing company navigating complexity in a market downturn

After years of rapid growth, a large industrial equipment manufacturer (MachineCo) was experiencing what it would later understand to be the high cost of complexity that was marbled throughout the business. Strong Oil & Gas Sector performance along with an acquisition spree made for fast growth and good profits initially, but that success ended quickly and profit momentum reversed. With a localized go-to-market approach and philosophy, no investment had been made to standardize or integrate new businesses or new geographic offices. Some attempts were made to establish global ownership of operations as well as shared services, but none of the expected value was being realized. After consecutive years of no progress regaining profitability, time was up. But how to move forward?

Getting past the symptoms of complexity

To help improve results, MachineCo had leveraged the perspective of multiple internal stakeholders and external service providers. Each provided specific recommendations for front-office, back-office, and operations initiatives in areas such as pricing, procurement, working capital, and footprint reduction. However, many of these initiatives had been tried before and had even appeared in many of its annual investor presentations--going back as far as nine years. A different perspective and approach would be needed and a Wilson Perumal & Company team landed.

Looking through the lenses of order-to-cash, procure-to-pay, and record-to-report as a starting point, we were able to uncover the primary reason why strategic initiatives were not working. The culprit in this case was organizational complexity and an ambiguous governance model. This came through as the team conducted site visits and employee interviews while developing Complexity Value Stream Maps (CVSM) that would help identify the sources and impacts of the complexity introduced into the business with its previous growth strategy. Synthesizing the findings, the team was able to uncover not only specific areas of improvement, but more importantly, articulate the issue of an operating model that could not scale.

Making the connection. Understanding the value-at-stake

Through our analysis and from our assessment of various studies and benchmarks, we determined the complexity of the current operating models was costing or inhibiting the realization of over \$900M in benefits. A realigned operating model and clarified

governance from the corporate center would be prerequisites to ever seeing these benefits. The current federated structure and local decision-making it used to grow in the past was not the model in which they could survive the present day and prosper in the future.

Number of stakeholder groups required for global change...

Initiative	IT	Finance	Procurement	Manufacturing	Sales	Total
Working Capital	47	133	152		155	487
Pricing	47			87	155	289
Portfolio Opt.	47	133		87	155	422
Spend Mgmt	47	133	152	87		419
					Average	404

...located across approx. 300 locations worldwide

Figure 1: Previously unknown numbers of decision makers negatively impacted ability-to-execute and the time-to-value

The first step on a transformation journey

With the tactical improvements well understood, the WP&C team laid out a short-term action plan that focused on aligning senior management on the need for change, revisiting of the company's growth strategy, and developing a set of guiding principles which would guide the rethinking of how front-office, back-office and operations would be structured and governed going forward.

Results

MachineCo's initiative to rethink and realign its operating model is projected to unlock over \$900M in annual benefits

Has your company rapidly expanded in the past and now needs to rein in the applicable complexity costs?

Do you need to streamline your cumbersome processes to realize additional cost savings within your organization?

To learn more, contact us at contact@wilsonperumal.com.