

CLIENT

A HARDWOOD LUMBER TIMBER PROCUREMENT AND SAWMILL OPERATION.

COMPANY PROFILE

FAMILY-OWNED ENTERPRISE LOCATED IN NORTHERN LOWER MICHIGAN

\$2 MILLION ANNUAL REVENUES

SPECIALIZED IN HIGH QUALITY NORTHERN WHITE HARD MAPLE SPECIES

GRADE LUMBER AND VENEER PRODUCTS

CHALLENGE

DETERIORATING CASH FLOWS RESULTED IN ADVANCE INVOICING TO CUSTOMERS, AND OFTEN THE VALUE OF THE DELIVERED PRODUCT WAS INSUFFICIENT TO COVER THE CASH ADVANCES. THE COMPANY WAS UNABLE TO OBTAIN ADDITIONAL FINANCING FROM ITS BANK, AND SIGNIFICANT CUSTOMERS FROM WHOM ADVANCES WERE MADE BECAME INCREASINGLY SKEPTICAL OF ITS ABILITY TO SURVIVE, AND BEGAN DEMANDING RESTITUTION FOR THE VALUE SHORTFALLS AND STARTED PURCHASING FROM OTHER SOURCES. THE INSOLVENT COMPANY HAD ONLY DAYS TO OPERATE.

FINDINGS

THE COMPANY TIMBER BUYERS OVERPAID FOR STUMPAGE (STANDING TREES), WHICH DID NOT YIELD THE QUANTITIES OR QUALITY COMMENSURATE WITH THE PRICE PAID. THE LACK OF AN OBJECTIVE SYSTEM TO GUIDE BUYING DECISIONS AND MEASURE THE YIELDS OF EACH TIMBER CONTRACT LEFT NO OPPORTUNITY TO EVALUATE ITS PRACTICES AND THEREFORE THE BUYERS CONTINUED TO PERPETUATE THE SITUATION BY REPEATING MISTAKES. TIMBER BUYERS' AND SAWMILL OPERATORS' MORALE DETERIORATED ALONG WITH THE AVAILABILITY OF RESOURCES FROM WHICH TO PURCHASE TIMBER AND THE DECREASING INVENTORIES OF LOGS IN THE LOG YARD. FORCED LAYOFFS AND WORKWEEK REDUCTIONS OF CAREER PERSONNEL INCLUDING SKILLED SAWYERS AND LUMBER GRADERS CAUSED THEM TO SEEK ALTERNATIVE EMPLOYMENT WITH COMPETITORS.

RESULTS

A COMPUTERIZED SYSTEM WAS DEVELOPED AND IMPLEMENTED WHEREBY EACH PROSPECTIVE TIMBER TRACT PURCHASE WAS ABLE TO BE PRICED ON THE BASIS OF QUANTIFIABLE VALUE; THIS ENABLED THE MEASUREMENT OF ACTUAL YIELDS MEASURED AGAINST THE PURCHASE BASIS. INCENTIVES FOR TIMBER BUYERS WERE DEVELOPED, AS WELL AS INCENTIVES FOR THE SAWMILL OPERATORS (SAWYERS) FOR THE ACHIEVEMENT OF MAXIMUM YIELDS. VENEER LOG BUCKING PROCEDURES WERE MODIFIED, DOCUMENTED, AND CUTTING CREWS TRAINED SO THAT YIELDS WERE MAXIMIZED. CASH FLOW FORECASTING MODELS WERE DEVELOPED THAT ENABLED THE COMPANY TO OPERATE IN A VIABLE MANNER AND PROVIDE A REPAYMENT PLAN FOR ITS CREDITORS. THE COMPANY SURVIVED THE CRISIS AND CONTINUED TO OPERATE PROFITABLY AND EFFECTIVELY.



NOTES:

THE PREVIOUS CASE STUDY WAS DERIVED FROM ACTUAL ENGAGEMENTS IN WHICH LEVEL TEN PROFESSIONALS WERE ACTIVELY INVOLVED OVER THE COURSE OF THEIR CONSULTING CAREERS. THE LEVEL TEN PROFESSIONAL IS REFERRED TO AS "THE CONSULTANT". THE NAMES AND OTHER CONFIDENTIAL INFORMATION ARE NOT DISCLOSED.