

CLIENT

A MANUFACTURER OF SPECIALTY WIRE HARNESSES.

COMPANY PROFILE

FAMILY OWNED AND FINANCED

ONCE A \$20 MILLION ENTERPRISE, ANNUAL REVENUES WERE \$2 MILLION

SINGLE FACILITY WITH 20 EMPLOYEES

CHALLENGE

THE CASH SITUATION HAD DETERIORATED TO POINT WHERE SUPPLIERS WERE NOT BEING PAID AND SUPPLY WAS CONSTRAINED. ACCORDINGLY, SHIPMENTS OF FINISHED PRODUCT TO CUSTOMERS WERE NOT TIMELY AND THIS CREATED A BREACH IN THE COMPANY'S RELATIONSHIP WITH THEM. THE FAMILY FINANCING SOURCE WAS UNWILLING TO LEND ADDITIONAL WORKING CAPITAL WITHOUT A CREDIBLE TURNAROUND STRATEGY BEING IMPLEMENTED.

FINDINGS

NO CASH MANAGEMENT FORECASTING MODEL WAS IN USE, MAKING THE MANAGEMENT OF CASH VERY DIFFICULT. THE INTERNAL SALES FORCE WAS INEFFECTIVE, AND THE PRICES BEING QUOTED WERE BASED UPON ERRONEOUS ASSUMPTIONS SO THAT THE PRODUCTS WERE IN MANY CASES CAUSING SIGNIFICANT CASH LOSSES. THE LACK OF EFFECTIVE COMMUNICATION WITH SUPPLIERS CONSTRAINED THE RELATIONSHIPS WITH EACH OF THEM, AND SEVERAL THAT WERE SOLE SOURCE SUPPLIERS REFUSED TO SHIP PRODUCT. THE COMPANY HAD DEVELOPED SOME UNIQUE AND VALUABLE PROPRIETARY PROCESSES THAT WERE VALUABLE TO THE CUSTOMERS; HOWEVER THE PRICES BEING CHARGED FAILED TO COVER COSTS LET ALONE COMPENSATE THE COMPANY FOR ITS INTELLECTUAL VALUE.

RESULTS

A CASH MANAGEMENT AND FORECASTING TOOL WAS DEVELOPED AND COMPANY PERSONNEL WERE TRAINED TO USE IT EFFECTIVELY. ERRONEOUS ASSUMPTIONS USED IN DEVELOPING PRICE QUOTES WERE CORRECTED, AND IN MOST CASES, INCREASED PRICES WERE PASSED ON WITHOUT MUCH IF ANY PROTEST BY THE CUSTOMERS. THE SALES FORCE WAS SHARPLY REDUCED, AND THE COMPANY PRESIDENT BECAME MORE ACTIVE IN THAT ROLE. WHEN A SIGNIFICANT CUSTOMER BECAME A VICTIM OF THE AUTOMOBILE MANUFACTURING INDUSTRY DOWNTURN AND CEASED OPERATIONS, CERTAIN SPECIALTY PRODUCTS IT HAD BEEN PRODUCING WERE TRANSFERRED TO THE CLIENT COMPANY. THE REAL ESTATE LEASE WAS RENEGOTIATED AND THE COMPANY BECAME VIABLE FOR THE LONG TERM.



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.