



## CORPORATE PERFORMANCE IMPROVEMENT

# HOW TO OPTIMISE YOUR MANUFACTURING FOOTPRINT

Rapidly changing global market trends require manufacturers to think about their footprint in a radically different way. Offshoring from West to East is no longer the panacea it once was. The spread of globalisation poses the challenge — how can manufacturers capitalise on the shifting demand and supply patterns by optimising their footprint?

The optimisation of a manufacturing footprint once meant reacting to the latest trend in labour cost arbitrage to improve operating margins; now, however, winning a sustainable performance advantage versus competing supply chains requires optimisation across a broader set of factors. Manufacturers should proactively pursue long-term strategic aims through:

- Expanding market share through proximity to new or developing demand centres
- Gaining access to innovative talent and new technology
- Building an advanced supplier base with superior raw material availability
- Creating and leveraging a network of strategically interlinked assets
- Mitigating against operational and financial risk by developing a diversified portfolio of production and logistics assets

It is a complex undertaking to successfully optimise a manufacturing footprint. It not only requires deep operational experience, but also financial, strategic, tax and legal expertise. Alvarez & Marsal's (A&M) restructuring heritage lies at the core of our DNA, allowing us to support our clients with a practical, proven and hands-on approach to successfully managing change.

Our extensive experience has shown that, if implemented with sufficient focus on strategy, planning and execution, the optimisation of your manufacturing footprint can typically enhance revenue and deliver potential savings of 15–25 percent of overall manufacturing costs.

Our proven leadership and operational capabilities enable us to provide holistic support for the duration of a project, as well as tactical interventions at the various critical points along the process of optimisation. These include:



## 1. Footprint Strategy and Design

The first stage of any such undertaking is to define what success looks like and to thoroughly evaluate alternative operating models and network scenarios. Once the future operating model has been determined based on value, feasibility and risk, a roadmap and more detailed business plan can then be established.

## 2. Planning and Preparation

As a next step, a more detailed master plan and operational due diligence are necessary to provide the platform for the successful migration to the new operating model. In our experience, the most common cause of failure is a lack of planning that goes beyond simple documentation of work stream and timelines, to include the stress testing of necessary operational, financial, organisational and individual capabilities. Risks and mitigation plans should not only be internally focused, but also assess supplier capabilities and likely customer acceptance.

## 3. Announcement and Negotiation

Once plant relocation has been announced, there are complex legal and operational issues to navigate, including negotiations with unions, works councils, employees, customers and suppliers whilst maintaining operations in the sending site and initiating receiving site preparations.

## 4. Implementation and Optimisation

Once negotiations are concluded, the plan must be continuously tested and carefully implemented with simultaneous focus on both ongoing operations in the sending site and swift implementation of manufacturing in the receiving site. The receiving site should showcase manufacturing excellence.

## A&M Experience

A&M has supported the optimisation of manufacturing footprints in a number of situations including:

### Strategy Implementation – Electronic Components Manufacturer

Delivered project management and support across multiple work streams during the relocation of manufacturing from a high-cost to best-cost region to achieve an industry benchmark EBITDA margin while retaining customers and providing high levels of customer service throughout.

### Performance Improvement – Robotics Manufacturer

Provided interim leadership (COO) to assist a company facing declining revenues and margins, with structural misalignment across its manufacturing footprint. Developed a future operating model, which delivered 7.3 percent EBITDA margin improvement.

### Operational and Financial Restructuring – Systems, Electronics, Components and Modules Manufacturer

Appointed as the lead restructuring advisor in response to bankruptcy, developing a plan to optimise the manufacturing network, including shutdowns and transfers. The client emerged from bankruptcy after 14 months, with improved asset utilisation, improved margins and significantly reduced total debt obligations.

## KEY CONTACTS



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## ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 3000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

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