



## **GROWTH STRATEGY CASE STUDY:**

*Kinney Strategy helps U.S. Manufacturer Grow Through Strategic Renewal Planning*

### **Situation**

A U.S.-based aerospace and automotive supplier faced some difficult challenges as they weathered the recent economic downturn. While two of the company's core industry segments were in their natural down cycle, the company was still well-positioned for growth based on their excellent financial performance record, strong customer relationships, innovative new technologies near ready for launch, and a new leadership team in place (including a new president, supported by a hand-picked management team). However, organic sales were flat over the previous 3-year period and profit margins remained under target. In addition, the new management team quickly realized that, culturally, the status quo was firmly entrenched. No formal, organization-wide plan or planning process existed. The manufacturer contracted Kinney Strategy to help lead a deeper-divide initiative to define a specific path toward profitable growth, a strategic initiative born from an earlier strategic planning program also led by Kinney.

### **Challenge**

The company's new leadership team had very clear business objectives. The most critical was to achieve the double/double. That is, generate double-digit growth (at least 10%) earning net margins of at least 10% in 3 years. The new leadership team recognized that a large volume of unprofitable legacy jobs tied up in long term contracts were not working in their favor. Poorly performing jobs were eating up production capacity as well as critical new business resources, including sales, customer service, administration, operations, and engineering. As

expressed by their CFO, "You can't have 70 different part types and seven different processes and expect to perform well on all of them."

Complicating the successful fulfillment of their goals was organizational misalignment. At the time, the role of the sales organization had become a means to fill capacity rather than a strategic unit to generate the right business for the organization in both the short and long term. This resulted in internal conflict that negatively impacted morale. The earnest efforts of the sales team frustrated the new company leaders and conversely, the sale team felt their hard work was in vain.

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***- Client CFO***

### **Solution**

From this emerged a unique opportunity for company leaders to bring the organization together to not only focus on their financial objectives, but also use the strategic planning process as a cultural catalyst. The company collaborated with Kinney Strategy to develop and launch a custom strategic growth planning process that included a strategic renewal component that actually began in the third quarter of 2007. A simple, easy to implement program was designed to better define decision-making parameters that would guide long-term agreement (LTA) negotiations, a key element to secure a significant percentage of the company's work volume. In addition, the new parameters would help define a product type envelope template, defining which parts and programs would be the best fit for the company. That template could then



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be used to point the sales team in the right direction in their quest for new business.

The company engaged an internal project team with representatives from sales, operations and finance to support Kinney Strategy. The team conducted a rigorous review of its current business, including:

### 1. Customer analysis.

The aim of customer analysis was to assess the state of the client/vendor relationship to determine which customers were or could be true partners. The analysis included a thorough review of tangible data, such as long term agreement pricing and terms, historical financial performance, resource utilization (administration, customer service, and engineering), profitability, and forecasts. In addition, the team analyzed softer, intangible factors, like the health of the interpersonal relationships between the client and the company's key staff. For instance, was their mutual respect and satisfaction with the relationship or was their contention? In other words, was everyone happy? And, were they happy for the right reasons?

### 2. Part Analysis.

A newly implemented ERP system allowed the team to also perform a comprehensive job-by-job analysis, that included the job dates, customer, program, application, industry, process type, part volume, size, shape complexity, alloy, scrap rates, resource load, standards, delivery, profitability as well as the key players on the team. A close look at the data quickly helped the team spot trends and identify the best (and worst) performing jobs and a clearer picture of why certain parts perform better than others.

### 3. Market & Competitive Analysis.

The part analysis led the team to also explore the jobs in a greater context in order to better understand the company's role in the overall supply chain. What was the part's future? Would it be phased out or was it a key component in an expanding market. In addition, were viable

competitors vying to take over the part? And, was the customer likely to maintain its market share of the program?

### 4. Strategy.

The final phase of the process was to determine the fate of the job, using the data analysis from the first three phases. The team made strategic recommendations, part by part, organizing them by customer in three categories:

- **Keep and protect.** The team developed tactical plans to ensure the company retains those parts and customers that are a strategic fit.
- **Keep and right price.** The analysis also pointed to parts and customers that had strong potential for a strategic fit, if the company successfully negotiated better pricing and terms.
- **Exit.** Unfortunately, the analysis also uncovered several unprofitable parts and programs, many low volume legacy jobs utilizing precious capacity and draining resources. The team flagged these for exit from the portfolio.

## Results/Benefits

The strategic renewal program was the catalyst that generated several positive results and significantly impacted the bottom line based on a continuum of efforts over 7 years. Today, through commitment and dedication, the company's labors have yielded higher results year over year and is well positioned for future success, moving beyond its original target top and bottom line objectives established at the beginning of the planning process. The real impact of the program is its longevity. Rather than a flavor of the month initiative, strategic renewal is a sustainable element in the company's planning process.

While the rebounding economy certainly helped, the company's success is in no small part due to



the outcomes from strategic renewal. Specifically, the program helped free up capacity utilized by underperforming jobs. In addition, the findings also provided better data to formulate stronger strategies for customer long-term agreement negotiations and helped create a blue print for new biz development targeting.

The headway made during the process signaled the beginning of a cultural shift for the company. The business has gone through a cycle of remix every 10 years, the strategic renewal process helps position the company to be a more proactive agent of design, rather than reacting to market changes. This is incredibly important to help prepare the company for future economic and business cycle downturns as well as to propel them through the next 10 years.

### **Conclusion**

Successful strategic renewal programs become part of an organization's core processes, not a project with a beginning and end. Success also depends on the organization's ability to generate accurate data combined with a team's commitment to analyze that data objectively, without bias toward pet projects or historical sacred cows. In the end, as with all data-driven programs, it is what you do with the information that truly matters, since organizational culture trumps strategy every time. Hard work, discipline and commitment to the long-term vision play equal parts with insight, foresight and planning.

### **About Kinney Strategy**

*Kinney Strategy is a marketing consulting firm based in St. Augustine, Florida providing strategic planning services specializing in developing high performing, custom growth strategies for healthcare, manufacturing and financial service clients. Tim Kinney is an advertising, marketing, digital strategist and entrepreneur with over 22 years' experience in diverse, complex, and highly regulated global industries. An action-oriented, results-driven change agent with extensive expertise leading b2b, b2c, government and non-profit marketing initiatives, multi-million dollar business development, and brand management.*

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