



**Case study: Project: EBIT improvement furniture manufacturer**

### 1.1 Clients Brief

The company is a bed and kitchen furniture manufacturer, highly automated, turnover £3m, 45 employees. FBC Ltd. was called in as the company lost considerable money, although sales grew in the period under review. The brief was to analyse and investigate the problems causing this and to do whatever was required for a quick and sustainable improvement of the situation. In close cooperation with BusinessLink for Essex, we were able to secure funding for our support at 50% of the consulting cost.

### 1.2 Desired experience and skill level – as required by Business Link

- degree educated
- longstanding operational management experience
- analytic and pragmatic approach
- Business acumen combined with strategic planning and controlling coaching ability
- improvement mentality

### 1.3 Approach

A top level business analysis based on the available last 12 months' figures was performed and the profit moves established between the months. While Sales were growing favourably, the overall overhead costs had deteriorated and corrective actions were required to initiate a turnaround, including the review of salary structures, manning efficiency levels and cost reduction opportunities.

### 1.4 Project results & evaluation

The analysis showed that the main cost inefficiencies were caused by personnel costs. A sales representative had been employed on a too high commission basis, delivering only sales leads but not orders. The actual selling process had to be completed by the MD personally. A different award scheme was discussed, implemented and contracted with the sales rep, which immediately provided £55k savings on commission fees. Unprofessional man management had caused another £80k of avoidable cost, which could be reverted by a different team approach, hands-on day to day management, team coaching, some disciplinary actions and a general culture change, driven by the MD after several coaching sessions. Electricity charges were unreasonably high, outsourcing to a different supplier was initiated.

A sustainable turnaround was achieved after about 6 months. (The company currently targets T.O. of £8m at a healthy 8 - 10% EBIT level).

### 1.5 Completion on time

After 3 months a thorough review took place and the first improvements showed already visible results. The management was very happy with the achievements and engaged FBC Ltd. for the next phase in which the target was set to achieve an EBIT of about 6%.

### 1.6 Completion achieving the financial expectation

The set target of 6% was over-achieved at the end of the 6 months of our project work.

