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## Transformation – What About the Old Traditions?

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**You can't keep doing what you've always done and expect better results – or: why it's so important for manufacturing companies to continuously adapt to changing conditions.**

This applies to all business areas, but especially in the complex process landscape of manufacturing companies. Today, I want to discuss how important it is for manufacturing companies to constantly question themselves, and what consequences arise when manufacturing companies cling to ingrained processes that have been established for decades.

**Why what worked yesterday doesn't work today - or: losing focus.**

The order for the important customer is scheduled, the quantity fits, the delivery date is confirmed and must be maintained at all costs. Capacity is largely ignored. The operational disposition of required materials will somehow work out. We accept the likely escalation discussions with the customer. We'll manage somehow. Whatever it costs. Does this sound familiar?

**We know that the margin is not sufficient.**

Whatever it costs is the crucial point here: 30% rejects in production and final assembly are currently the norm. Capacity has long been at its limit – and then another 30% rejects. Doesn't matter – we continue, work Saturday and Sunday and simply trigger 30% more internal production orders to get the required good parts. We rework the rejects and then put them in storage later. Hoping that there will be a customer who needs exactly this variant or specification – if not, we'll write it off at some point. With the effect that WIP and inventories are constantly rising, capital is tied up, and liquidity poses new problems for us. As a consequence, this leads to a situation that existentially threatens the company.

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## Wrong Focus - Does This Also Sound Familiar?

As an Interim Manager, I often experience in manufacturing companies that the focus is completely shifted, problems are not tackled at the root, and often only damage control is carried out instead of working out the cause(s) and then facing the consequences. Often, the consequences are hard and unpopular, because eliminating the causes is almost always associated with profound changes in the organizational structure and processes that have been lived for decades. In principle, classic change management is required here. But instead, I often experience: Maintain delivery dates! Ignore rejects. We'll deal with that later. And at the end of the month, or at the half-year end, we then mourn together over the negative gross profit and the rising inventories. Often this goes on for a long period with an increasingly worsening, existence-threatening situation for the company. Focus lost...

## What Exactly Is Our Capacity Anyway?

The capacity in relation to production was always sufficient. Historically speaking. We've always been able to produce all the customer orders that were there. We haven't really documented and calculated the capacity... Does this sound familiar to you too? Suddenly, the parameters shift: new products were brought in-house, existing products get a next generation – suddenly the boundaries shift and the already unknown production capacity is no longer sufficient. But how to adjust when the calculation basis is missing? How do we compensate for the gradually increasing production backlog? How do we explain to customers the increasingly frequent shifts in delivery dates?

## Why is that?

The answer to this is often frighteningly simple: There is an enormous amount of (technical) expertise in the minds of operational employees, managers, and senior management. The deficits and their specific causes are well known, but due to behavioral patterns that have been lived for years, especially at the C-level, the situation is accepted and focus on the actual cause is lost – and one actually continues to run into ruin.

The complete change, the complete rethinking that is actually necessary, does not bring success in the short term. And this is exactly where the problem lies – short-term successes are demanded to get into calm waters, but sustainably eliminating the deficits often requires a longer-term and painful rethinking. Here I often hear: It used to work... However, the actual, underlying reasons are ignored at the top management level.

## What now?

The company management must be firmly convinced of the path of change and actively participate in it. Mere phrases and declarations of intent are not enough. I repeatedly experience that the desire for change is there, but for various reasons, old habits are clung to. This happens particularly often in companies not run by owners.

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**Almost always, transformation projects are not about introducing and establishing new processes and technologies, but**

- about 'picking up' and 'taking along' managers and employees
- about 'dissolving' silo thinking in individual departments
- about taking responsibility instead of 'ducking away' and 'not making oneself vulnerable'
- about developing a team spirit that puts the 'cause' above one's own comfort zone – from top management down to the shop floor
- establishing the real KPIs (the ones that hurt) in the right context
- about open and transparent communication in the company with direct address and without defensive rhetoric and blame
- about implementation – hands on...

Almost always, the essential key performance indicators (KPIs) are already available in companies or can be generated with little effort using existing means – just as often, however, they are not used, not put into the right context, or not considered at all. Fatal and negligent.

The utilization of the expertise in the minds of employees, breaking down departmental silos towards a common goal – in conjunction with the use of relevant KPIs – is the key to shedding old thought patterns and getting back on the path to success.

## **Feel free to contact me!**

I help you regain focus. Together, we guide your company back to profitability and implement your mission-critical projects. I refrain from using the word transformation at this point. Feel free to contact me!

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## André Krings

**I am available for an exchange of experiences with an operational focus!**

I offer concrete and operational support as COO / Plant Manager – especially in challenging and crisis situations, such as negative gross profit, turnarounds, restructurings, production relocations, or PMI projects.

Let's discuss it.

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