



Steel Fabricator, Minnesota

Problem: No job costing. Poor overhead allocation. Poor financial controls. Poor business information. Poor management controls. Lack of shop floor coordination. No strategic planning.

Solution: The client had grown significantly (approaching \$15m revenue) but was still set up as a “small” business. Lack of structure and management controls resulted in poor job flow on the shop floor. Utilization factors of expensive machinery were dropping despite increased workload. Lack of information on the true cost of machines (capital, operational, setup, consumables, and labor) resulted in inaccurate job costing and therefore no job level profit tracking.

The consultant created a shop floor scheduling board to plan production and communicate with the workers on the floor. It recognized the capacities of machines and bottlenecks to facilitate improved process flow. The consultant created a machine costing spreadsheet to quantify the actual hourly cost of each piece of capital equipment and developed a written procedure to maintain the data into the future.

The ERP system was being used for accounting but without good financial controls and no cash flow forecasting. The consultant worked with the controller to develop a cash flow forecasting tool to eliminate surprises.

The consultant examined the processes by which the company bid jobs. He determined that bids were created based on “what the market will bear”. This was appropriate but there was not the matching process of “can we make a profit” analysis. The consultant created a job costing procedure that established the Minimum Acceptable Sale Price that included all direct costs and overhead allocation with an engineered minimum profit to establish the floor for the job. No job would be bid without executive management approval below that level.

The consultant created a balanced scorecard report so that the owner now had solid information to manage his business and judge the performance of his staff.

The client was faced with tough business decisions for the future of the company. His facility was near capacity and the company had numerous business opportunities for continued growth that would further stretch their delivery capabilities but executive management had no good mechanism to examine their options and make good strategic decisions for the future. The consultant worked with the client to develop a SWOT (Strength-Weakness-Opportunity-Threat) analysis that enabled management to make balanced decisions to leverage their resources into the future.



CASE STUDY

The consultant also worked in both group and one-on-one with the owner and his key management staff providing executive coaching to improve individual and team effectiveness.

Profit Impact: > \$310,000 per year (2.1% of sales)

Client Billing: < \$135,000