

## Procurement and Production Capability-Building:

Accelerating performance and cost containment in Packaging

### Growing Through Add-Ons

Our time with a fast-growing, Private Equity-owned flexible packaging manufacturer focused on three main areas of improvement: procurement cost control, productivity, and forecasting & planning analytics. With sizeable costs falling into materials and labor components, we focused on building up the team's ability to control procurement spending, to make the most of their labor talents & equipment investments, and to manage their inventory through timely calibration analytics. To accelerate EBITDA growth, we needed to embed organizational capabilities structured to last well beyond our engagement.

### The State Of The Firm

This packaging firm started out as a flexible packaging division of a much larger conglomerate. After our PE partner successfully orchestrated a carve-out with the existing management team, they quickly added to their growing packaging division by purchasing another flexible packaging firm a year after the carve-out had settled.

With a record of two previous successful experiences working together, our PE partner asked us to look into the combined packaging firm they had held for 2 years in their portfolio. This US-based firm in question had 2 production locations due to a recent acquisition of another firm serving a different packaging customer base. The two divisions were now under a single parent company with established management; however, they had very distinct products, different end-user markets, and their own home-grown business practices. When EBITDA growth started to slow, we were called in to understand where underutilized and unexplored opportunities were hiding.

The two divisions operated in their own isolated worlds—using business practices they created well before PE ownership entered the picture. Both were nicely attuned to customer needs and packaging trends (aesthetics, environmental concerns, innovative materials, etc.); however, optimization of internal practices was overdue. The team needed an infusion of analytics, process standardization, easy-to-use control tools, and practical training customized to specific roles.

### Understanding Opportunity | Trapped Value Analysis

To isolate capability build-up opportunities and the magnitude of change needed to take place within the firm, we partnered with Management for an initial 4-week analysis. Through the scrutiny of current procurement process & practices, Sales & Operations Planning, day-to-day operational performance, and diagnostic surveys (suppliers, customers, and employees), we isolated the EBITDA-impacting opportunities tied back to the operational and organizational constraints stifling the team's progress. With promising insights in hand, we sat down with our PE partners and firm management to design and develop a



## PACKAGING

### Case Synopsis:

- Building in cost controls and building up productivity capabilities across Sales, Procurement, Production, Maintenance, and Inventory Mgmt.

### Client Profile:

- **\$300M** U.S.-based flexible packaging manufacturer serving healthcare, food, telecommunications, and construction markets
- Private Equity ownership
- Firm originally a carve-out of large conglomerate and combined with another add-on Packaging acquisition

### Financial Results:

- **14%** reduction in procurement costs
- **15%** reduction in inventory carrying costs
- **18%** reduction in labor costs

### Operational Results:

- **26%** increase in productivity
- **15%** reduction in waste and scrap
- **17%** increase in equipment uptime
- **32%** increase in planning accuracy

### Organizational Benefits:

- New Sales & Operations Planning (S&OP) capabilities, collaboration process and tool set
- Improved Inventory turns, data integrity, and calibration analytics
- Upgraded procurement process, negotiation training, spend control tools, and cost trend reporting
- Customized, easy-to-interpret visual factory cues on shop floor
- Improved maintenance services and work order system
- Embedded Continuous Improvement culture, constraint analysis tool sets, standard operating procedures (SOPs), and "Lessons Learned" knowledge management repository



customized Roadmap for accelerating EBITDA growth using the most promising improvement levers surfaced during the Trapped Value Analysis. The collective team agreed this Roadmap outlined the best chance to impact EBITDA in the near-term while building up longer-term organizational capabilities needed to keep paying dividends. With everyone in agreement, we transitioned to fixing the issues the very next week.

## Nagging Legacy Issues

The Trapped Value Analysis uncovered several nagging issues held over from the integration of the two packaging companies. The team was working with legacy business practices held over—examples included passive procurement practices, reactionary maintenance programs, limited operating process standardization, and out-of-date data used to set inventory levels. The team had no formalized Sales & Operations Planning function to tie their resource planning and labor scheduling together with sales demand. The Procurement team toiled away daily—focused on their own respective spend categories without the benefit of training or any formalized way of sharing successful cost-concession strategies or emerging trends amongst the team.

While everyone worked within their own sphere of influence to get the customer orders out, there were coordination and collaboration misses (Sales with Production, Procurement with Production, Inventory Management with Procurement, and Production with Maintenance). Within Production, shift changes produced more questions than they answered. Production schedules were not optimized to take advantage of equipment changeover opportunities. Machine Utilization averaged below 50% due to downtime. Meanwhile, Maintenance worked in an ad hoc fashion—wrestling with the equipment screaming the loudest or broken down. This “firefighting mode” was crowding out their capacity to properly develop work instructions for key equipment, provide active support for their team, and even accomplish the preventative maintenance plans they knew would help them to break out of this exasperating cycle.

## Professionalization Of The Firm

Working collaboratively with Management across 50 weeks, the team designed, developed, and implemented several standardized processes, management controls, new analytical capabilities, and role-specific employee training. Several operational and organizational changes accelerating EBITDA growth and embedding Continuous Improvement capabilities into the firm included:

**Sales & Operations Planning (S&OP) Process with Capacity Planning Tool** - As a newly-assimilated firm, the team needed much tighter communication between Sales and Operations to plan for demand, understand customer requirements, schedule orders, sequence products on production lines, and forecast labor & equipment production capacity. Crucial review meetings were structured to ensure the firm sensed demand coming their way, departmental representatives were given newly-defined roles in the S&OP Review, and the team became better prepared to navigate demand peaks and troughs.

To match labor and equipment capacity with demand, we developed an in-house Capacity Planning tool for Management to model resource needs for every shift. This tool was crucial to balancing workloads, scheduling the right amount of talent, and ensuring overtime was



### Catalyft Team's Past Experiences:

**25+**  
Collective Packaging  
Engagements

**10**  
Spend Categories Optimized  
(Procurement Engagement Avg.)

**45**  
Weeks  
(Procurement Engagement Avg.)

**\$400M**  
Company Size  
(Historical Avg.)

**4.7 to 1**  
Packaging  
Return On Investment  
(Historical Avg.)



planned. This data-backed Capacity Planning tool allowed Management to weigh their options for every shift and decide the right level of crewing to meet customer expectations while controlling labor cost.

**Procurement Process Optimization** — In this particular engagement, Procurement savings generated the lion's share of the benefits and was a crucial component to perpetuating the savings well beyond the project timeline. We worked with the Procurement team—a very dedicated, hard-working but undertrained group—to ensure their incumbent supplier relationships were the most advantageous for the firm. Together, we scrutinized 10 key spend categories across 2 waves and 4 transportation modes: Rail Car, Truckload (TL), Less Than Truckload (LTL), and Maritime Shipping. Through the engagement, we developed a standardized spend analysis process with a customized modeling tool, a comprehensive contracts review process with a "Lessons Learned" component to share contract structure insights. We conducted key supplier surveys to deeply understand vendor offerings, outside perceptions of the firm, work flow protocols, information snags, and ways to tighten up supplier relationships.

We designed, developed, and conducted a Procurement training program to work in tandem with the now-standard process and tool sets. The program entailed spending analysis methods, indexing sources, S&OP responsibilities, negotiation training (in-person, on conference calls, and via web meetings), and supplier relationship management parameters (data requests, shared reports, supplier review meeting cadence, and constructive feedback disclosure). Taking the collective lessons within the firm and layering in our own expertise, the engagement empowered the team to contain costs, better understand their influence on spend categories, practice comprehensive negotiation methods, and rely on data-back insights to drive next steps.

**Production and Maintenance Excellence** — The path to productivity started with a more robust S&OP process using updated work-to-time relationships for labor and equipment capacity modeling. Yet, we all knew it's following through on the plan, course-correcting quickly, and incorporating new insights that truly contained cost. The model must come to life. With production labor comprising the majority of the workforce here, we worked with Management to provide the team on the shop floor with a balanced workload, the right level of talent for each shift, KPIs that tied back to their Capacity Planner, just-in-time materials staging, and pithy shift change meetings to ensure each shift was properly set up for success.

We sequenced production work based on takt time (matching the rate of customer demand for packaging orders) rather than our own capacity to produce goods. This cut down overproduction problems (wasted space, risk of damages, materials stock-outs, etc.) Another important contributor to improved production work flow involved revamping product changeovers. We applied Single Minute Exchange of Die (SMED) principles to production lines to understand reasonable time periods needed to switch over production across categories, standardized changeover techniques for key equipment, ensured parts and tools were ready-at-hand, and trained the team on the latest changeover optimization techniques.

Due to heavy use of equipment and all the permutations of machine settings, the Maintenance team was instrumental to properly implementing new changeover techniques as well. Yet, their influence on increasing uptime and machine utilization did not stop there. With the Maintenance team, we developed easy-to-update downtime logs for



**Our Way of Collaborating :**

**Identify**



2-4 meetings at no cost

- Discussion of issues
- Alignment around probable causes
- Framing of analysis scope

**Qualify**



3-6 weeks at cost

- Qualify opportunities with Operational Due Diligence (ODD)
- Quantify anticipated results
- Initial engagement design
- Key meetings: Launch, Opportunity Review, Solution Review, and Final Framing of analysis scope

**Modify**



4-8 months

- Final engagement design
- Execution of engagement design
- Realization & measurement of results
- Ownership & sustainability

**Office Locations :**

**NYC**

One World Trade Center  
Suite 8500  
New York, NY 10007  
212 220 3897

**CHI**

300 North LaSalle Street  
Suite 4925  
Chicago, IL 60654  
312 260 9907

**MIA**

200 South Biscayne Blvd  
Suite 2790  
Miami, FL 33131  
305 925 8112

**SFO**

101 California Street  
Suite 2710  
San Francisco, CA 94111  
415 636 7999

**TOR**

20 Bay Street  
11th Floor  
Toronto, ON M5J 2N8  
647 725 9662



key equipment in order to understand slowdown and breakdown patterns. In addition to increasing uptime, the logs helped with allocation of the Maintenance team's time, more efficient and effective Preventative Maintenance (PM) work scheduling, and more proactive Continuous Improvement efforts built into day-to-day performance. Additionally, we implemented a more practical work order process incorporating updated work estimates, simplified work instructions, more useful maintenance trend analysis, and specific tactical maintenance supervisory training. Production and Maintenance collaboration took on a more productive, respectful tone. Uptime improved.

**Analytics-Based Inventory Control** - With Procurement, Sales, Operations, and Maintenance practicing on working in synchronicity, we also tackled several inventory control opportunities. While the Inventory Management team had a tight control on finished goods and an improving grip on work-in-process (WIP), they needed a better handle on materials (aluminum foil, paperboard, laminates, coatings, colorants, etc.) and accessories (caps, labels, shipping boxes, etc.). Focusing on aligning inventory control parameters with customer demand, we developed and implemented Economic Order Quantity (EOQ) formulas for key materials and accessories where applicable—including minimum / maximum inventory control limits and reorder points. By establishing and testing a custom EOQ technique, the team developed improved inventory holding cost consciousness (components included storing costs, damaged goods costs, additional moving labor costs, and security costs). Additionally, inventory-related KPIs and easy-to-interpret, visual inventory signals were displayed at key workstations. These changes ensured risks were seen quickly and management actions were taken shortly thereafter to minimize cost escalation.

## The Results

Through our collaboration (comprised of a 4-week Trapped Value Analysis followed by a 50-week Implementation Engagement), this packaging firm generated a 14% reduction in procurement costs over baseline, a 15% reduction in inventory holding costs, and 18% reduction in labor costs (fully-loaded wage rates and overtime) supported by strengthened labor and equipment productivity increases trending at 26% improvement over baseline.

More importantly, the Packaging firm now had the standardized processes, customized tool sets, and a highly-coordinated, professionalized team spanning across Sales, Procurement, Production, Maintenance, and Inventory Management. Data analysis, hypothesis testing, and agile implementation techniques were woven into the team's "day job". Rather than thinking of Continuous Improvement as a series of isolated, untimely special events, the team developed a healthy mentality for impacting Continuous Improvement in their everyday decision-making and normal course of managing their share of the firm.

We knew the engagement was successful based on the operating indicators and the financial results. Yet, the most rewarding proof of collaboration success was the fact that this firm had taken their newly-optimized management system and ran with it—finding new ways to get better well-beyond our time together.



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312 260 9907

MIA

200 South Biscayne Blvd  
Suite 2790  
Miami, FL 33131  
305 925 8112

SFO

101 California Street  
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San Francisco, CA 94111  
415 636 7999

TOR

20 Bay Street  
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647 725 9662



# Our Services



## Enterprise Excellence

- Integrated Operational Performance
- Sales & Marketing
- Human Capital
- Margin Growth & Cash
- Information Technology Transformation



## Operational Turnaround

- Cash Conservation & Liquidity Generation
- Contingency Planning
- Development, Review, & Implementation of Cost Reduction Initiatives
- Interim & Crisis Management
- Operational Reorganization



## Organizational Analysis

- Mergers & Acquisitions
- Organizational Readiness Appraisal
- Trapped Value Analysis & Resolution Approach
- Our Commitment to Community — Pro Bono Advisory Services for Small Businesses & Education



# Key Statistics

Clients' Historical Return On Investment (avg.)  
**4.8 to 1**

Team's Collective Engagements (total)  
**1,496**

Specialists: Years In Consulting (avg.)  
**21**

Subject Matter Expertise (SME) Network (total)  
**900+**

Team's Historical C-Suite Executives Roles (total)  
**39**

Team's Career Training Sessions Delivered (total)  
**4,935**

Supply Chain Cost Savings (avg.)  
**19%**

Working Capital Unlocked For Reinvestment (avg.)  
**21%**

Tech-Enabled Productivity Increases (avg.)  
**27%**