

Case Study

Engineering Company on the Right Track

“It is generally said what a man doesn't know won't hurt him, but in business what a man doesn't know does hurt” - E. St Elmo Lewis

Company Background

Starting out in the owner's garage over 20 years ago, this engineering business now employs 23 people and has a turnover of \$4 million. The company provides a manufacturing service for structural steel fabrication, general mechanical engineering and machinery manufacturing. The business is considered to be a “service firm”. According to the owner, “Clients come to us and we design, manufacture and install an engineering solution that matches their needs.”

The Challenge

For many years the company had relied on repeat business from a select number of clients in the government and manufacturing sector. While providing a regular supply of infrastructure, fabrication and equipment ‘design and construct’ projects, competitive pressure meant there was constant pressure on pricing, resulting in a downward trend in profits.

The owner knew he needed to be able to gain a higher margin on the work they were undertaking and increase the success rate in winning business. There was also a need to get a better return on resources employed

The Solution

Inform Consulting Group was engaged to develop a ‘business roadmap’ for the company that provided a clear strategy, concise objectives and more structure to the business. This would allow them to compete more effectively for high-margin business and enter into major sectors of interest that would deliver more consistent revenue streams.

Initial interviews with the owner and key staff indicated that there was a lack of understanding of “why the business existed”. Obviously there was a need to survive and make money, but where did the business owner see the future of the business, and as he was reaching retirement age, what did the future hold when he decided to move on.

The Inform consultant worked with the owner to define his vision for the business and his timeframe for retirement.

Select clients were engaged to develop an understanding of why they did business with the company – what did the company do well, what could the company do to improve, how did the company compare with their competitors? Interestingly two key issues arose.

- While the quality of work delivered was exceptional, the business lacked clearly defined quality processes thus limiting their eligibility for some government work.
- Clients saw the ability for the company to provide design advice and engineering drawings (at times correcting designs that had been outsourced to highly paid consulting engineers) as extremely valuable.

With this information and a clear vision for the business, key personnel were then engaged in a workshop to develop a set of strategies to achieve the vision and establish specific objectives for key areas of the business - Marketing & Sales, Product, People, Finance, Systems and Operations. Importantly, specific actions to achieve the objectives were agreed and milestones established to ensure the plan was being implemented and managed.

While developing the business roadmap was important, three specific issues had been identified through the process:

- The business lacked a clear differentiator,
- Business was being lost due to a lack of documented quality procedures, and
- The value of the company's design capabilities was underestimated.

To address the lack of a clear differentiator, Inform advised the business owner to leverage the other two findings, resulting in:

1. Engaging Inform's specialist in manufacturing and quality management systems to define and document quality management procedures and provide training to staff on quality assurance.
2. Establishing a consulting arm of the business that makes better use of highly skilled engineering design resources.

The Outcome

The business saw immediate benefits from the work done with Inform Consulting Group.

New revenue streams have been opened through the better utilization of expensive engineering resources – the business now provides high-value consulting, design and drawing services to clients. This makes the company an intrinsic part of the supply chain providing not just another revenue stream, but greater opportunity to win fabrication business as a result of the early engagement with clients.

Having quality assurance and management procedures defined and documented has led to more business coming from government departments and top-end, high-profile manufacturing companies. This has meant improved margins as the company has less need to compete on price.

It is often said developing a business roadmap is not about the destination, but more about the journey. This has been the case with this business. Through the process of developing the business roadmap, the Inform and owner were able to clearly identify areas of the business needing attention. This has resulted in increased productivity, reduced overheads, increased sales and most importantly, greater profits.

The next step on this journey is to start planning for the owners exit. Something the management team is now keen to be involved with as the road ahead looks bright.

