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Restructuring a manufacturer in the energy industry

The Dutch daughter company «X» of a Europe-wide operating German steel conglomerate is in big trouble. «X» produces huge heatexchangers for the European energy industry (power plants). The reason for the troubles is their cost structure which is 55% higher than the Korean competitor‘s. In the last few years «X» tried to explain this fact with the argument of higher quality.

Now the German mother company – guided by Deutsche Bank – withdraws creditlines and cash and a bankruptcy seems impossible to avoid. The board of directors has to step down.

Van Oortmerssen Management Consultants in the Netherlands is approached and asked to develop a solution and to safeguard «X» from the worst case of a bankruptcy.

The first step is to develop a survival plan for «X» which finds acceptance among the involved parties. The Dutch experiences with the «polder model» is very helpful: Decisions are taken by the involved parties and not at the top alone. Van Oortmerssen Management Consultants also gets support from the workcouncil, which represents the employees of «X». In specially designed workshops the ideas for a survival strategy are developed.

After the exchange of future-oriented ideas and many negotiations on the level of the German holding company, with the workcouncil and with the external private equity partners a survival plan is developed. The main strategic and financial elements are:

- The manufacturing workforce will be reduced to 50%. Appropriate staff will be trained and transferred into the service and maintenance area (shift in the business model).
- Service level agreements with power plants (clients) are negotiated to safeguard production and execution value of the heatexchangers manufacturer.

Van Oortmerssen Management Consultants also helps to raise a 12 million Euro capital injection to upgrade not only the technical quality of the manufacturing process but also to ensure a culture of «zero default».

These steps are implemented very successfully and the new business model is multiplied: «X» incubates and involves also its subsidiaries in Belgium, Luxembourg, France, Switzerland and Germany. The return on investment raises to 23%.

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