Private Equity
Marketing Materials

Selected Case Studies
## Selected Case Studies

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*Client names withheld*
Private Equity Case Study

Situation
When a private equity firm acquired the global supplier of metalworking fluids and chemical management services, the company knew that was an excellent platform for growth, in a notoriously fragmented industry.

Challenge
Hitachi Consulting was initially engaged to complete a capability assessment of the company’s global processes. As a result of their findings, Hitachi Consulting continued the engagement to implement an Operational Excellence program focused on process improvement and achieving significant efficiencies. In tandem, Hitachi Consulting was further engaged to complete a thorough Operational Due Diligence and Merger Integration program of the company’s first major external growth initiative - the acquisition of another mid-market, global maker of metalworking fluids.

Hitachi Consulting’s analysis quickly uncovered two key areas for growth; first, familiarising the company’s Management Team with the merger integration process so that they could efficiently integrate a company over half their size; second, utilizing the Operational Excellence program to increase The company’s platform profitability.

Approach
The program team identified $34 million in annual recurring EBITDA benefits that could be achieved independently of the acquisition, by re-engineering its sales and marketing, purchasing, supply chain, R&D, finance and HR functions.

They also identified an additional $32 million in one-time working capital improvements that would provide a powerful springboard for growth.

The Hitachi Consulting and client team now began their biggest task - preparing the Leadership team for the acquisition of another mid-market, global maker of metalworking fluids.

The Hitachi Consulting team had already estimated that $33 million in annual recurring EBITDA synergies could be realised from the acquisition, in addition to $3 million in one-time working capital improvements, and now geared up to support the transaction effort on several fronts:

- Providing operational due diligence support to aid development of the acquisition’s commercial terms.

- Working with both companies to plan all aspects of the integration, from creating a successful merger platform, to preparing a seamless Day 1, to all subsequent integration activities that would be needed once the companies were officially joined.

- Training the Leadership Team throughout the process.

- Documenting all work in a Playbook that could be used to support future due diligence and merger integration projects.

“Hitachi Consulting commanded the situation with a professionalism and interpersonal skills that kept us involved and satisfied, while making [the platform co.] feel comfortable their best interests were at heart.”

– Private Equity Operating Partner

Specialty Chemical Manufacturer
Identifying the Springboard for Growth

Overview
Location
Multiple Sites Globally

Sector
Chemicals

Service Lines
Operational Excellence
Mergers & Acquisitions

“$34M Annual Recurring EBITDA Benefits

Project work implemented by Celerant Consulting”
The due diligence team was tasked with analysing the client’s current state operations against those of the target. They developed an operational opportunity assessment for the target to support the company’s transaction decision-making, valuation and financing modelling, which was later used as a component within the overall synergy analysis. Also included in the analysis was an operational opportunity assessment within each functional area across the businesses, as well as a review of the strategy and business plan viability, organizational capabilities and effectiveness, asset footprint, operational CAPEX and revenue, resource and supplier stability. This effort culminated in the assessment that $33 million could be gained from synergy benefits.

The integration planning effort consisted of developing Day 1 and post-Day 1 integration plans to support the resource, organizational and functional requirements that would be necessary to operate as a single entity. The integration planning team formed 5 work streams:

- Finance - accounting, billing, accounts payable and insurance;
- Operations - manufacturing, purchasing, logistics and sales and operations planning;
- Technology - R&D, technical services and EH&S;
- Support Services - HR, corporate communications and legal;
- Customers & Products - sales, marketing and product management, customer service, marketing communications.

These were supported by an Integration Management Office and an overall steering committee to expedite decision-making and issue resolution.

Results

The biggest advantage to working with Hitachi Consulting for the company was the speed in which they were able to execute the acquisition integration to begin realising benefits. Hitachi Consulting’s holistic planning approach and integration planning toolset ensured that progress moved swiftly and that all parties were united in a common goal. The company today is a larger and more efficient organization eager to start work on the next growth initiative and strengthen its position in the metalworking fluids industry.

Perhaps the most significant measure of success, Hitachi Consulting has continued to work on a number of additional strategic initiatives for both the company and its PE Owner.
Private Equity Case Study

Situation
Global positioning and efficient access to developing markets are critical factors for profitability in the chemicals industry. The private equity firm had this in mind with its 2008 acquisition of a developer and producer of specialty chemicals, oils, and lubricants for the metalworking, automotive, and steel industries. The firm saw an opportunity within the globally fragmented metal fluids market to create a dominant, consolidated player via a series of strategic acquisitions.

After building value within the core company, the PE firm began its market consolidation with a key North American acquisition. They worked with Hitachi Consulting on due diligence and post-merger integration, and the successful initiative yielded a strong foundation for further growth. The firm then looked to global opportunities, identifying great potential in the metalworking and metal rolling oils division of a major multinational oil and gas player. The deal included 100% equity in three subsidiaries in Central Europe – adding significantly to the portfolio company’s footprint. The strategic acquisition added to the overseas components within the portfolio, in terms of both assets and an international base of 4,000 customers, including distributors. The company would be better positioned to serve European markets, with open access to rapidly growing regions such as India, Brazil, China, and Russia.

Challenge
The deal represented a pure carve-out from the parent – the most complex such deal that this PE firm had attempted to date. In addition to the usual cultural integration issues, the company needed to replace or recreate elements such as supply chain, IT infrastructure, information management, and customer-service function across the globe and with minimal impact to customers and existing operations. Achieving a flawless Day-1 transition was critical – even more so than delivering synergies.

Hitachi Consulting was called to the task, with an eye on increasing EBITDA significantly through three distinct phases: conducting due diligence to evaluate the initial costs required to operate the target on a standalone basis and the EBITDA upside potential associated with integrating target into existing operations; creating a Day 1 plan that would set integration in motion and ensure that the acquisition could in fact be smoothly integrated – and all customers serviced seamlessly on Day 1; and developing the right infrastructure, organization, and processes to meet EBITDA goals in a short time frame.

Approach
In order to create optimum value and speed of delivery through the transaction, Hitachi Consulting began by analyzing the target acquisition’s operations well ahead of the close. This called for detailed plans for Day 1 and beyond; redesigning the business architecture; quantifying synergies; and preparing a step-by-step communication
plan with customers, suppliers, and employees in line with stringent anti-trust guidelines.

Through Hitachi Consulting’s Closework® model, Hitachi Consulting teams worked side by side with key personnel from the portfolio company — covering all functional areas and several levels in the organization across the global business to better understand the target company and its processes prior to making any business decisions and developing the integration plan. In every workstream (Commercial, Order to Cash, Supply Chain, Information Technology, and Production), representatives from Hitachi Consulting, the portfolio company, and the target were grouped together to keep communication levels high, leverage their specific expertise, and verify proper execution across the Americas, Europe and Asia.

Global committees were enacted and foundations laid before the close, putting the client in an excellent position to leap into integration on Day 1. By that time, Hitachi Consulting had already enabled the organization to directly handle critical business functions and customer service teams had been recruited and trained, with all customers informed of the new processes and contact details. In addition, manufacturing in Europe was transferred shortly after Day 1 from facilities that fell outside of the deal to three of the newly acquired subsidiaries. Even as the Close was celebrated, however, Hitachi Consulting knew that was only the beginning of a successful integration. The goal was to extend success through the 180 Day mark, and Hitachi Consulting teams continued to work side by side with the client to reinforce productive behaviors and invigorate the workforce with a positive, unified culture.

Results

In the end, the value was there: Day 1 happened flawlessly and projected synergies were delivered in full, ahead of plan. Operational improvements manifested in a number of defined areas based on Hitachi Consulting activities, including:

- Achieved Synergies of Euro6M, in line with expectations
- Established processes and operations infrastructure in nine new geographic markets and over 30 countries (including new legal entities)
- Completed Macro Distributor transition
- Maximized customer retention with no disruption to service
- Mapped and implemented customer cross-selling opportunities
- Facilitated transition of seller’s products
- Led lab and technology consolidation in Europe
- Maintained regulatory compliance across operating geographies
- Managed supply chain transition, including site consolidation and warehouse optimization
- Integrated global finance and accounting processes
- Integrated HR processes and practices
- Hired more than 40 associates to complement a team of approximately 170 acquired employees that transferred to the portfolio company on Day 1
- Established quarterly earn-out tracking and reporting with seller
Global Technology and Specialty Materials Company
Merger Planning and Integration Resulting in Record Returns from IPO

Situation
Our client was a Private Equity-owned global integrated producer of chemicals and advanced materials. At the time of Hitachi Consulting’s engagement, the company had over $6 billion in sales, and employed over 9,000 people across 30 production plants and 5 R&D centers over 11 geographies in the Americas, Europe and Asia.

Using a total equity stake of $300 million from its private equity owner, the company acquired another chemicals company in an aggressive three year roll-up strategy to build a globally integrated acetyl chain. Hitachi Consulting was engaged to identify and capture operational synergies, integrate the acquisitions and develop the ongoing operating platform.

Challenge
Achieving profitable growth is a fundamental challenge, particularly in industries as mature and competitive as Chemicals. While inorganic growth was a key strategic initiative, our client felt as though internal acquisition and integration teams lacked the required experience. Fundamentally, the lack of a structured internal approach and necessary capabilities posed risk to successfully building a globally integrated acetyl chain leader through a roll-up strategy.

Approach
Hitachi Consulting created a robust integration process driven by a combination of five key factors:

- Creation of a clear and common understanding of success – Vision
- Establishment of financial, logistical, and governance targets, focused on driving the right behaviors; “High level” targets were broken down into logical levels (target trees), which in turn fed a function specific activity list, ensuring alignment, transparency, prioritization and measurement – Planning
- Development of a framework for key personnel to make timely decisions, and support the rapid timeframe necessary for integration – Program Management
- Development of clear processes, leadership accountabilities and organizational structures to drive success – Communication
- Implementation of communication plan and management control and reporting systems that fostered teamwork and tracked achievement – Execution and Results

Overview
Location
Americas
Europe
Asia

Sector
Chemicals

Service Lines
Mergers & Acquisitions

“These acquisitions have been a very significant part of our strategy, and Hitachi Consulting has played a critical part in the successful delivery of this. Hitachi Consulting brought not only strong analytical capability to understand the opportunity and synergies in detail but also speeded implementation to integrate structures and processes in the early days of the acquisitions.”

– President, Client Company

$887M in Total Value Creation
Results

- Over the course of the three successfully targeted, executed and integrated acquisitions, the company had not only realized its vision of being a globally integrated acetyls chain, but also achieved synergies such as:
  - 55% increase in overall productivity
  - $90 million in EBITDA as a direct result of the Hitachi Consulting program or $887 million in total value creation
  - Hitachi Consulting managed multiple and successive acquisition integration programs, exceeding financial targets in a compressed time-to-value cycle
  - Improved profitability & growth within the first year of an integrated operation
  - Established new processes in value pricing, product development, customer service and planning with 15% reduced headcount
  - Installed a Management Control and Reporting System to achieve a controlled and transparent integration system focused on critical activities
  - $3 billion generated by the IPO for investors – securing a position in history as one of the largest returns for a PE Firm

Hitachi Consulting

We make it happen. Better.
Private Equity Case Study

Telecommunications Provider
New Standards in Efficiency and Effectiveness

Situation
A Private Equity Firm invested in, the mobile arm of Europe’s largest telecommunications company. At the time of Hitachi Consulting’s engagement, our client’s customers would make 260 million calls weekly, across 120 countries around the globe.

The UK operation of the company had over 12.5 million customers and approximately 25% of the UK market. With four incumbent competitors and a fifth entrant gaining traction, the UK mobile market was easily one of the world’s most competitive.

Challenge
To increase customer satisfaction and investor confidence, the company sought network development as a core competency of its competitive strategy. In order to successfully execute this strategy, they would need to outpace competitors in building and acquiring networks with seamless and cost-effective mobile technology integration.

The company chose Hitachi Consulting because of our demonstrated track record in the Telecommunications sector, as well as our hands-on, collaborative approach to sustainable business performance improvement.

Hitachi Consulting’s task was clear: ensure the development of the Network Build Program was executed in the most efficient and cost-effective way.

Approach
A joint team of client managers and Hitachi Consulting mobile specialists launched a four phase analytical and execution engagement to develop this core competency.

During the first phase, Analysis, the joint team conducted a detailed analysis on the proposed Network Build Program and discovered further opportunities to improve efficiency and effectiveness. Against each recommendation, the joint team established a set of key performance indicators to measure successful execution. For example, the team leveraged metrics in process compliance, data collection / integrity and estimated build timeframes to align incentives with performance.

The results of the Analysis phase further illustrated the urgency of the situation and the necessity for improvement. During the Mobilization phase, the team collaboratively designed a four-pronged program including installation of a Management Control and Reporting System (MCRS®), development of a Planning Module, management of a Forecasting System and execution of Organization Effectiveness. Across these workstreams, Hitachi Consulting engaged constituents through a variety of techniques in project management, process development, training programs, problem solving sessions, statistical analysis and empowerment.

During the Stabilization / Optimization phase, the project team explored key processes in the client’s Network Build Program. The team identified the root causes of process failure

Overview

Location
Europe

Sector
Telecommunications

Service Lines
Operational Excellence

“What Hitachi Consulting brought to this project was a much needed systematic approach that allowed us to get to the heart of our issues and identify and implement the process improvements required, supported by a comprehensive management system that ensured identified benefits were realized and sustained.”

– EVP and Head of Business Support, Client Company

Project work implemented by Celerant Consulting
and delay, as well as interdependencies that could affect data quality and integrity. Gaining key stakeholder approval, the team successfully designed, installed and monitored process improvements. To ensure the revised processes were performed effectively and efficiently, key management controls were installed.

The final phase, Internalization, embedded the new working practices in the company’s management culture. Hitachi Consulting provided the necessary techniques and discipline through system implementation auditing, project governance and specialist project skills to ensure that the benefits and capabilities of this program remained integral to current as well as future network build programs.

Results

By the end of the 20-week project, the Network Build Division owned effective, measurable and adaptable processes that exceeded the compliance requirements of the company and third parties. In addition, essential process skills were installed at every organizational level to ensure that any future changes in requirement, investment or capability could be seamlessly managed. Achievement highlights included:

■ 21% reduction in the network site build process cycle times, increasing process compliance from 42% to 93% (versus a target of 80%)

■ Substantial rationalization of the equipment portfolio; for example, parts for standard towers decreased from 199 to 30, and cabin parts from 27 to 5

■ Improvement in business process data integrity from 42% to 95.1% actual performance (versus a target of 80%)

■ Installation of an effective forecast prioritization process and a just-in-time equipment forecast process
Situation
As one of North America’s leading domestic ocean shipping companies, our client was positioned as the only ocean cargo carrier to serve the non-contiguous domestic markets of Alaska, Hawaii and Puerto Rico from the continental United States. Owned at the time by a Private Equity firm, the company maintained a large fleet of Jones Act qualified vessels operating in five major port terminals.

Shortly after the company became a publicly traded company in September 2005, management selected Hitachi Consulting to be its partner in improving operating rigor and cost efficiency. Hitachi Consulting completed a comprehensive business analysis that highlighted improvement opportunities and quantified attainable benefits across the company’s diverse operations. Resulting from the analysis efforts, Hitachi Consulting developed a business case identifying more than $10 million in financial benefits could be attained within one year of implementation.

Challenge
Team leaders recognized two critical success factors in effectively coordinating and integrating improvement actions across the company’s diverse operations and vast geographies:

1) The need to implement highly replicable core processes and technologies that people throughout the company could apply to not only initiate change, but also sustain front-line improvement over the long term; and

2) The need to promote intensive 24/7 team communications, as well as “granular” exchanges during weekly project team conference calls and bi-monthly executive updates.

Hitachi Consulting worked to develop and install a Management Control and Reporting Systems (MCRS®) – a suite of metrics tailored to make operational performance visible at all levels.

Approach
A Joint Project Team comprised of nine client associates and nine Hitachi Consulting professionals developed an action plan to deliver the targeted results. The EDGE program set out to improve operations across the company including Port Operations, Ocean Transportation, Vessel Schedule Integrity, Inland Transportation, Sales & Marketing, Information Technology and Order Fulfillment.

Project team members also interviewed the company’s customers to explore their experiences and expectations to ensure the voice of the customer guided program initiatives.

Throughout the program, the joint client-Hitachi Consulting Team engaged employees and local management across work streams to achieve the targeted improvement opportunities utilizing Hitachi Consulting’s Closework® approach to drive front line behavior change. Representative examples of EDGE improvement actions include:

Leading Domestic Ocean Shipping and Integrated Logistics Company
Operational Improvement Returned 3.2 Times Invested Capital

Overview
Location
Multiple locations globally

Sector
Transportation

Service Lines
Operational Improvement

“Change is hard work. Yet it is clear you are making it happen in every person you’ve touched. The entire company is on board like I’ve never seen.”

– EVP, Operations, Client Company

Project work implemented by Celerant Consulting
Developed and implemented Key Performance Indicators (KPIs) to measure, control, and improve performance

Developed a RACI (Responsible, Accountable, Consulted, Informed) of key port decisions to clarify responsibilities and accountabilities aligned with KPIs

Established Critical Asset Management process

Improved cargo planning process and visibility into order flow

Developed Sales & Operations Planning Process integrated with Inland Transportation

Implemented Daily Vessel "Noon Report" for tracking and monitoring fuel consumption

Developed cut-off requirements that maximize cargo lift and ensure on-time departures

Implemented Sales Force Effectiveness tools and management processes

Developed pricing strategy and implemented pricing process improvements

Defined CRM requirements and facilitated initiatives for implementation

Implemented Order Fulfillment Management System

Designed Yield and Margin Management System

Maximized use of 3rd party equipment to reduce empty repositioning expense

Increased number of formal carrier contracts to 60% of carriers / 90% of spend

Results

The operational improvements achieved through EDGE are clearly valued by our client’s customers. Each year, Logistics Management magazine asks its readers – qualified buyers of logistics and transportation services – to select recipients for its Quest for Quality Awards. At the time of Hitachi Consulting’s engagement, the company moved up from 4th overall to the top spot among Ocean Carriers. In fact, Logistics Management readers rated the company the best provider in four-of-the-five evaluation criteria: On-Time Performance, Customer Service, Information Technology and Equipment & Operations.

$21.5 million in annualized EBITDA benefits

134% of planned benefits attained within 9 months

Earned prestigious Quest for Quality Award from Logistics Management magazine

Private Equity Owner divested its interest after three years, netting a return of 3.2 times invested capital
Leading East-European Brewing Co.
Integrated Planning to Support Product Promotions

**Situation**
Our client is the leading Central and Eastern European brewing group purchased in December 2009 by a private equity firm and sold to a competing brewer in 2012. The company has over 4,000 employees and brewing operations across seven countries in Eastern Europe. They are the clear market leader in three of their markets and enjoy a strong number two or three position in their other markets.

Market data indicated that promotions and innovations management were key differentiators for brewers in this market. In order to compete effectively in this market, management determined that they needed to upgrade their sales and operations planning. They were not able to maintain the proper inventory and service levels due to the rapid changes required by promotions and innovations programs. They determined that they needed outside help to improve their way of working and be better prepared to face these challenges. They chose Hitachi Consulting to analyze their operations, and then work with them to create and implement a program for sustainable operational improvement.

**Challenge**
Promotions and innovations were the keys to maintaining market share. Difficult for our client though, were the rapidly changing customer and product mixes that resulted from these very promotions and innovations. These and other challenges were traced to poor alignment and coordination between sales, marketing and operations which then created both inventory stock-outs and obsolescence. Under this scenario, they required sub-optimal inventory and higher operational costs in order to maintain current service levels. Any benefits created by promotions and innovation were wiped out by excess inventory and operational costs. To maintain and improve their market share, management realized that they needed a step change in both cross functional alignment and integration.

**Approach**
The Hitachi Consulting team worked closely across all levels of the client – from management to shop floor – to maximize performance. They helped design and implement strategic as well as short term integrated planning capabilities, using better market information. To ensure alignment and sustainability, the project covered all key demand and supply functions including Sales & Marketing, Supply Chain, Production, Procurement and Finance. Depending on the needs, the focus varied from strategic, to tactical planning, to daily execution. For optimal performance, the robust processes created by this project were installed across all markets and countries served.

Over the nine month course of the project, the creation and implementation of new systems and processes were built using our performance management and implementation methodology. In addition, a Management Control and Reporting System (MCRS®) was designed to improve the sustainability of the changes by managing communications between Sales, Marketing and Operations. The results were increased predictability, improved fulfilment and

**Overview**

- **Location**
  United States

- **Sector**
  Foodservices Distribution

- **Service Lines**
  Supply Chain

“The biggest improvement from the project is that – from the first week onwards – we now have communication throughout the whole organization. Sales and Marketing take ownership for information to be provided in order to improve demand transparency. Our cooperation with Procurement is much better, because we now understand better what we need from each other.”

– EVP, Operations, Client Company

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Project work implemented by Celerant Consulting
optimal decision making while balancing cost, service and inventory.

During the course of the project, Hitachi Consulting supported the implementation in three of their largest markets while training an internal implementation team, using a “train the trainer” approach. The client team then rolled the project out to the remaining four countries with minimal intervention by Hitachi Consulting. This method helped sustain the changes and embed the culture of continuous improvement throughout the company.

**Results**

Leverage was created across the organization via a holistic approach, creating an immediately positive impact. Sales and marketing speed and leverage was created through structured, internal collaboration and communication with widespread sharing of information regarding promotions and innovations planning. Operational leverage was created across all markets by sharing common processes, KPIs, benchmarking and best practices. Financial leverage was created in several areas including transportation management, inventory obsolescence, operational efficiency and costs. Resource leverage was created by aligning individual targets with roles & responsibilities, ensuring local ownership and alignment with company targets.

Promotions and innovation management are now key differentiators for the company, enabling them to maintain and improve their competitive positions in each of their markets, all while improving margins. Other benefits include improvements in:

- Changes to promotions, innovations and product mix
- Forecasting accuracy and planning
- Risk mitigation
- Coordination between countries
- Decision-making
- Visibility & reliability regarding the financial outlook, consistent with operational plans.

Hitachi Consulting is the business consulting capability of Hitachi, Ltd., a global technology leader and a catalyst of societal change. In that same spirit and building on its technology heritage, Hitachi Consulting is a catalyst of positive business change, propelling companies ahead by enabling superior operational performance. Working within their existing processes and focusing on targeted functional challenges, we help our clients respond to dynamic global change with insight and agility. Our unique approach—strategic pragmatism—produces consistent, measurable business results and delivers an exceptional consulting experience.

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Private Equity Case Study

Situation
Our client, a significant player in the Middle East, aspired to become a high quality, low cost manufacturer and marketer of steel. Despite strong technical capabilities and recent investment in a new service center, the company struggled to accomplish this strategy. Upon acquisition by a Private Equity Firm, the company’s new owners sought to create value through operational improvements.

Challenge
At the time of Hitachi Consulting’s engagement the Steel sector was at a cyclically-low bottom. Management decided to launch a high-impact Operational Change Management program that would re-instate the company as a successful operator. Hitachi Consulting was selected to drive this program and deliver sustainable value.

Approach
A formal and holistic Operational Change Management program was designed to increase profitability while balancing customer satisfaction with optimized cash flow.

The Supply Chain Management workstream sought to rationalize suppliers and installed a streamlined purchasing process to improve supplier ‘On-Time In-Full’ (OTIF), quality performance and inventory turns. The newly developed customer service center was assessed by the Sales Force Effectiveness workstream to determine customer satisfaction and services processes. In addition, the Total Cost of Ownership (TCO) workstream designed a sophisticated model to define and trace every cost element through procurement, processing, delivery and service.

To weave the workstreams together in order to achieve sustainable operational improvement, a Management Control and Reporting System (MCRS®) was designed and installed. The MCRS identified, installed and measured relevant KPIs to drive compliance and generate financial benefits at various functions and levels of the organization.

Results
- $5.15 million in annualized EBITDA benefit
- $13 million reduction of inventory write offs
- Inventory on hand reduced from an average of 17 days to 5 days

$5.15M in Annualized EBITDA Benefits

Overview
Location
Middle East
Africa
Sector
Metals and Mining
Service Lines
Supply Chain
Performance Improvement, Change Management

“Management compliant operational KPIs have been fully installed, short interval controls implemented across different functions, and a Performance Management system & culture, along with a ‘can do’ attitude has been fully embedded in the client team.”

– CEO, Client Company

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HCCV14613 Project work implemented by Celerant Consulting
Global Semi-Conductor Manufacturer
Productivity Improvement and Cost Management Across a Global Footprint

Situation
Our client was a leading worldwide manufacturer of complex multi-layer printed circuit boards (PCBs) and Electro Mechanical Solutions to OEMs, owned by a Private Equity Firm. The company engaged Hitachi Consulting to substantially increase productivity and lower operating costs at its high-volume discrete manufacturing facility in China.

Challenge
The company’s senior management understood improving manufacturing performance was integral to generating value. However, management also recognized the complexities and challenges of delivering such results at a facility operating half a world away under a local management team.

Approach
Over an intensive 42-week period, Hitachi Consulting designed and delivered a program to enable substantial and sustainable gains in manufacturing performance. In addition, the program established strong communication and decision making links between management in China and the Americas. Throughout the course of the program, Hitachi Consulting engaged the managers, supervisors and the large employee base.

Together, Hitachi Consulting’s project managers and the plant’s top leaders designed a sweeping project framework to drive fundamental cultural, operational and behavioral change at all levels – from the shop floor to the COO. In addition, the program sought to balance the plant’s hierarchical, top-down communication channels with bottom-up information flow.

Across each workstream, key performance metrics were designed, installed and analyzed. For example, to assess organizational alignment and communications, key metrics reviewed the behaviors of leadership, the company climate and even, the effectiveness of meetings. The outcome was a suite of solutions to be implemented in 20 weeks across two parallel workstreams: Manufacturing Excellence and Organizational Effectiveness.

Each workstream was co-led by the plant’s managers and a Hitachi Consulting team. The Manufacturing Excellence workstream focused on delivering sustainable benefits in Procurement, Maintenance / Reliability, Material Management, Scheduling and Energy. The Organizational Effectiveness workstream sought to mobilize the management and employees around an optimized Organizational Design, Reporting Structures and Training Modules.

Overview

Location
Asia

Sector
Manufacturing

Service Lines
Supply Chain
Organizational Effectiveness
Supply Chain Management

$34M in Annualized EBITDA Benefits

“We had been very focused on growth and on bringing our manufacturing technologies into China with little emphasis on cost control. With Hitachi Consulting, we’ve implemented management control and reporting systems that greatly improve our efficiencies and quality.”

– COO, Global Supply Chain, Client Company

“We had been very focused on growth and on bringing our manufacturing technologies into China with little emphasis on cost control. With Hitachi Consulting, we’ve implemented management control and reporting systems that greatly improve our efficiencies and quality.”

– COO, Global Supply Chain, Client Company
Results
The program and joint team delivered the following results to the board of directors:

- $34 million in annualized EBITDA benefits
- 28% productivity gain
- Ensured sustained improvement via competency development in Lean, KPIs and MCRS®
- Drove fundamental cultural, operational and behavioral change at all levels from shop floor to the C-Suite

Initially skeptical to alter their proven behavior, management quickly experienced the benefits of Hitachi Consulting’s Closework® approach to collaboratively achieve a data-driven improvement culture.
Private Equity Case Study

Foodservice Distributor
Focus on Finance

Situation
Our client made moves to become one of the leading foodservice distributors in the U.S. The company focused on acquiring the top players in each market to create an immediate, strong regional presence in pockets across the country. The strategy solidified the company’s domestic dominance, but as time passed the efforts to integrate the disparate divisions did not gain traction.

Challenge
At the core of this concern was the finance function – the heart of the organization that was split into 65 different business units following different processes, using different systems, and led by managers with different styles. Payroll, Accounts Payable, reporting, technology: each piece of finance was handled independently. Units operated on legacy organization and management structures, systems, and processes, resulting in a wide variation of performance and attaching high costs to the finance function due to redundant roles, dated processes, and duplication of efforts.

Issues ranged from the simplest of tasks, such as whether invoices were scanned or kept in hard copy, to more complex functions, such as margin visibility and reporting. Most important from the corporate perspective was to ensure consistency in reporting and methodology: to right the ship, the company would have to gain better visibility and standardize knowledge and skills across all units.

Approach
When Hitachi Consulting arrived to conduct its assessment, the team found that what appeared on the surface to be about processes was actually about the people and culture. They worked to forge a new environment that changed the workforce’s view of individual roles, the technology they used to reduce labor, and the way that local units communicated with the central finance function. The end goal: to reduce the administrative burden on the divisions and allow them to focus on their core competencies of sales and fulfillment.

The key to mobilizing quickly and effectively was to first conduct on-site visits to representative units. This painted an accurate and detailed picture for Hitachi Consulting professionals, who could then create a taxonomy, a timeframe for change, and a full RACI chart (who in each department is Responsible, Accountable, Consulted on decisions, and Informed about activities) based on every finance activity.

With these tools in hand, buy-in and communication from the top made a tremendous difference in motivating the divisions. Mandates were issued for changes to core and compliance processes including SOX control and standardized ledger codes; best practice recommendations were made for less critical concerns such as the use of cash vs. money orders for day-end deposits.

With these first steps as the launch pad, consultants worked closely with the company’s staff to:

Overview

Location
United States

Sector
Foodservices Distribution

Service Lines
Operational Strategy Development
Organizational Effectiveness
Establish a central Finance Service Center

- Provide forecast and analytical support for the VP of Finance
- Perform all close related activities
- Remove or consolidate “transactional and analytical” duties

Establish Remote Expense processing for AP

Institute EZ claim processing

Improve Inventory Cost Change analysis

Establish Weight Card analysis and adjustments

In addition, the team placed emphasis on new division positions that were created to promote future state roles and responsibilities, allowing for a sustainable model that would perpetuate consistent best practices after the Hitachi Consulting engagement was complete.

Results

The company experienced immediate results from the program. The annualized benefit is estimated at $21M and the company realized approximately $11M within a month of project completion. Resources were streamlined through a workforce reduction of 35 percent, while establishing more consistent skill levels brought vast improvements in high impact areas such as margin visibility.

On a strategic level, the company’s finance function advanced to a more sophisticated, centralized model:

- Division finance function was transformed to be less transaction oriented and significantly more focused on the business, with an emphasis on analysis and becoming a business partner to help drive results.

The newly designed Finance structure includes a hybrid of centralized and local resources. This provides effective support to the divisions within a governance structure that defines roles, performance and behaviors.

- Strategic finance activities remain at the division level
- Additional transactional activities will transition to the SSC
- Division-centric transactional, close and analytical activities will take place in the FSC
Private Equity Case Study

Foodservice Distributor
Focus on IT Infrastructure and Process

Situation
Our client followed a plan of growth by acquisition over the course of 30 years, growing into one of the largest foodservice distributors in the U.S. The company’s strategy solidified a position of market leadership in a highly competitive industry. However, acquisitions were left to operate independently as 65 unique divisions, leading to fragmented operations that were slowing growth. With competitors streamlining for the modern age, the company’s model was beginning to show weaknesses. Its new Private Equity owners saw an opportunity to affect change and create a stronger organization.

Challenge
In the area of IT, the culture of self-reliance among divisions showed negative effects that could be felt across the organization. Integration activities that were performed in most industries in the 1980s had yet to be addressed. The dated systems left the company with a static, siloed, tactical IT function that was well behind the times.

Using this technology and a regionally-focused model meant that there were limited resources to address advanced IT issues. In fact, most resources were devoted to managing basic IT support activities that could have been dealt with from a nationally centralized call center, such as resolving PC hardware and software issues and guiding users through the network. For the company, this resulted in a constant struggle to manage the IT infrastructure and coordinate activities in a consistent fashion, including maintaining acceptable costs, tracking user issues and service, improving user support that was slow, unwieldy, and unreliable and implementing IT future state models across the enterprise.

Approach
Hitachi Consulting entered the IT engagement with the fundamental goal of rethinking the way the company supported IT infrastructure and users in the field. The program would need to transform the function into more of a tool for solutions and less of a cost center and pain point. This would pave the way for IT to track trends and identify spikes in behavior, allowing the department to address problems before they gained momentum.

The most important step was to change the structure to eliminate the fragmented local centers and bring the organization together into one reporting organization. Hitachi Consulting’s team dug into discrete areas of the company to guide implementation and prove that change was within reach and could have a tremendously positive impact on our culture.”

– EVP, Strategy, Client Company

Overview

Location
United States

Sector
Foodservices Distribution

Service Lines
Operational Strategy Development
Organizational Effectiveness

Immediate Benefits of $3.2M+

“We were faced with a daunting future that demanded a large scale, complex transformation, and we had concerns about implementing new processes that were counter cultural at the time. Hitachi Consulting’s team dug into discrete areas of the company to guide implementation and prove that change was within reach and could have a tremendously positive impact on our culture.”

– EVP, Strategy, Client Company

Project work implemented by Celerant Consulting
Results
By providing more centralized control and processes, Hitachi Consulting was able to reduce costs in the form of FTEs in the field, and drive down costs for software, user hardware, and telecomm. But more importantly, speed of user support jumped significantly, and knowledge and tools were established to better track trends and address concerns quickly and effectively.

The company gained immediate benefits of $3.2M to $3.87M from:
- Net headcount reduction of about 36 percent due to standardization of processes and organizational alignment
- Normalized pay scale
- Newly defined and improved local IT support organization, structures, and processes
- Defined regional / centralized support processes
- Defined SLAs for IT support to the Division

The engagement also impacted processes that will contribute additional returns over time, such as:
- Problem Management
- Contingency Planning
- Desktop Management
- Disaster Recovery
- Hardware Support

Knowledge and tools were established to better track trends and address concerns quickly and effectively.
Private Equity Case Study

Foodservice Distributor
Creating Value Through Operational Change During a Downturn

Situation
As one of America’s leading foodservice distributors recently acquired by two Private Equity firms, our client saw its 30-year growth pattern disrupted by severe revenue and margin pressure that sent red flags flying. At the same time, market leaders were making waves with large scale transformation projects to gain an edge in this highly competitive – and now much tighter – marketplace. The company’s Private Equity owners saw this as an opportunity to make large-scale improvements that would ultimately result in increased value, so they reached out to Hitachi Consulting for help.

Challenge
The company had grown primarily through strategic acquisitions over the years, and while its moves contributed value, they were not always efficiently integrated into the operation. Acquisitions brought with them tremendous upside, but also legacy management structures and different product lines that competed with the core vision of the company.

As a Private Equity-backed enterprise, the company needed to rethink its approach to value for the sake of its shareholders, its customers, and its employees. With full support from their two Private Equity owners, the company looked to Hitachi Consulting to examine how its people, processes, and culture could be optimized to better compete in an environment that was dramatically different from the one in which it was built.

Approach
Hitachi Consulting brought in teams to conduct a comprehensive assessment to determine the best route to change. This discovery phase included onsite interviews and direct observation of the employee base at multiple locations to get a true read on the culture and processes already in place. They evaluated elements such as distributed and centralized models, core and non-core processes, and the current state of technology.

The priorities became clear: the company needed a new organization that fed off the efficiencies of a hybrid distribution model. Hitachi Consulting helped the company design a model that was not dependent on a centralized system, but capitalized on its regional centers to optimize elements such as supply chain, IT, and management systems.

Hitachi Consulting’s team designed and implemented new systems and processes. By remaining “joined at the hip” with the organization at every level, Hitachi Consulting was able to:

- Help the workforce see the benefits of change on a day to day basis
- Focus on delivering results
- Formalize and assist the Project Management Office on a daily basis
- Establish deep partnerships within each area of focus

Overview
Location
United States

Sector
Foodservices Distribution

Service Lines
Operational Strategy Development
Organizational Effectiveness

“We were faced with a daunting future that demanded a large scale, complex transformation, and we had concerns about implementing new processes that were counter cultural at the time. Hitachi Consulting’s team dug into discrete areas of the company to guide implementation and prove that change was within reach and could have a tremendously positive impact on our culture.”

– EVP, Strategy, Client Company
As important as systems and processes are, Hitachi Consulting’s approach was focused on changing the company’s culture, as well as standardizing and adopting best practices. The new environment would place a greater emphasis on standardization, allowing for more consistent results across the enterprise. The DNA of the organization was reprogrammed to conduct business more effectively.

Results
Hitachi Consulting teams helped the company evolve into a new firm with designs including improved spans of control, new Centers of Excellence, more effective service delivery models, and talent upgrading. Initiatives generated positive returns in most processes within 12 months.

Externally, the company has improved its capacity to manage vendors and reduce service costs, and internally teams are outperforming against a range of key metrics. Outcomes include:

- A revamped HR organization that invests in training and development programs, and enhances workforce productivity at all levels of the organization
- Reduced cost of IT support for over 20,000 employees
- Improved inventory forecasting and replenishment process that vastly reduced stockouts
- Standardized Health and Safety approaches, reduced incident rates, and more consistent compliance with federal regulations
- Better visibility into financial results, driving margin performance

Hitachi Consulting is the business consulting capability of Hitachi, Ltd., a global technology leader and catalyst of societal change. In that same spirit and building on its technology heritage, Hitachi Consulting is a catalyst of positive business change, propelling companies ahead by enabling superior operational performance. Working within their existing processes and focusing on targeted functional challenges, we help our clients respond to dynamic global change with insight and agility. Our unique approach—‘strategic pragmatism’—produces consistent, measurable business results and delivers an exceptional consulting experience.
Situation
Our client has grown over a 30-year period into one of the largest foodservice distributors in the U.S., primarily by following an acquisition strategy that captured market share in critical pockets across the country. The result was a strong presence in a competitive marketplace— but one that was split into 65 semi-autonomous divisions. The organization kept pace for years, but competitors were reacting faster to shifts in global markets, and the company was falling behind.

Challenge
The decentralized structure took its toll in a number of areas, and the company’s approach to the replenishment of its distribution centers required a significant overhaul. Replenishment divisions were responsible for managing vendors and customer fill rates, forecasting and freight, inventory, and overall costs. Purchasing routines varied widely and long-term vision was reprioritized in favor of filling immediate needs; available data was scattered and disconnected, making it difficult to drive accurate forecasting; and perhaps most importantly, the company’s fill rate was well below industry standards.

These underlying issues manifested in tangible ways every day. Trucks bound from suppliers to similar locations were not coordinated to maximize load rates. Scheduling efficiencies gained by combining deliveries across divisions were lost due to a lack of integration. Even more striking, divisions were paying different prices for the same goods from the same vendors.

In essence, the fractured approach was preventing the company from optimizing their leverage as a $20 billion market leader. By combining buying power and better coordinating systems across divisions, the company would be able to capture the benefits of volume purchasing for replenishments.

Approach
Hitachi Consulting teams set out to develop and implement a centralized replenishment model (the Replenishment Service Center). By pooling the resources and purchasing power of regional divisions, the company could benefit from a lower headcount and savings on freight.

In order to achieve the company’s goals and overcome obstacles both inherent and unexpected, Hitachi Consulting mapped out techniques to pave the way. That meant developing metrics to track operating variances from division to division, cleaning unreliable data before transitioning to the RSC, and instituting a massive communications plan to involve, inform, and engage the workforce.

The Hitachi Consulting team led training regimens and documented processes so that future employees could learn on the same system as the current workforce, developed clear reporting and accountability structures to ensure streamlined communications, and established an integrated meeting structure.

- EVP, Strategy, Client Company

"We were faced with a daunting future that demanded a large scale, complex transformation, and we had concerns about implementing new processes that were counter cultural at the time. Hitachi Consulting’s team dug into discrete areas of the company to guide implementation and prove that change was within reach and could have a tremendously positive impact on our culture.”

Overview
Location
United States

Sector
Foodservices Distribution

Service Lines
Operational Strategy Development
Organizational Effectiveness

Project work implemented by Celerant Consulting
to review performance and rectify concerns. KPIs were established to help replace a firefighting mentality, allowing the RSC to focus on improvement and track causes instead of symptoms.

The teams also leveraged legacy technology that was previously untapped. A purchasing system lay dormant due to lack of buy-in, with employees being trained on an ad-hoc basis over long stretches of time. Hitachi Consulting piloted a more structured and comprehensive training program to bring all users up to speed, enabling the RSC to purchase more with fewer people.

These initiatives combined with a rigorous transition plan allowed for a smooth shift from disparate, independent operations to the RSC.

Results
During a 10 month design and implementation process, our client company experienced the following results:

- Improved fill rate (99.4%)
- Improved service levels
- Improved response time to divisional issues
- Rigorous Special Order Drop Ship process
- Improved management skills at a Replenishment Service Center level

Drilling down even further, the RSC impacted processes that will contribute additional returns over time, such as:

- Reduced Days Inventory On Hand
- Reduced Excess and Obsolete Inventory
- Limited Dumps and Damage
- Improved PO Cost Accuracy
- Increased Inbound Cases per Pallet
- Increased percent of Alliant Logistic Managed Cases
- Increased percent of PO’s placed through the AWR system
Situation
Our client is the leading producer and refiner of pine chemicals. The company’s products are used in thousands of everyday products including fragrances, personal care items, plastics, household cleaners, inks, paints, and rubber products. Our client has 11 global manufacturing facilities.

In 2001, our client was sold by its parent as part of a $3 billion divestiture program. When a Private Equity Firm acquired the company in 2007 for approximately $485 million, it anticipated holding the company for a period of 3 - 5 years. In that time, its Private Equity Owner was focused on making intelligent investments to ultimately achieve a higher return at exit.

Challenge
The company initially needed to focus on improving and standardizing its manufacturing productivity in order to operate profitably as a standalone business post divestment. With plans to grow the company through acquisitions, its Private Equity Owners brought in Hitachi Consulting to focus on increasing the speed of implementation, drive necessary cultural changes in the leadership team, ensure laser-focus on profitability, and create a platform to quickly integrate anticipated acquisitions.

Approach
With divestiture planned, Hitachi Consulting was asked to conducted an analysis across all six of the company’s US manufacturing sites to identify cost savings and efficiency opportunities. In 2006, the initial improvement projects, focused on production throughput and maintenance efficiency, were completed across three sites. By project week 40, combined annualized benefits were already at $9.5 million and cumulative benefits were $4.6 million.

Based on our relationship and prior performance, Hitachi Consulting was asked in 2007 to a second analysis of the business; however, this time the scope was global and the intent was to identify opportunities to significantly improve EBITDA. The resulting Project Genesis was an essential building block of the company’s strategic plan of realizing an additional $61 million of EBITDA.

Project Genesis was designed to enhance the company’s current portfolio of projects and take the projected benefits even higher, to $17M+, while providing a structured approach and trained resources to support the 12 month program. Our program built upon Hitachi Consulting’s 5 Box methodology, which is based-on delivering sustainable performance improvement through a focus on behaviors — Systems, Processes, and People.

A Program Management Structure was developed and more than 30 individuals had full-time roles across global geographies — focusing on the PMO, Manufacturing Improvements, Supply Chain and Information Technology.

The PMO Team’s charter was to provide centralized coordination, support, and
administration of the overall project; to ensure consistency of approach and integration of activities, in order to realize all deliverables of the project; to remove barriers that could have impeded the progress of workstreams; and to provide a vehicle for escalating issues which need Steering Team input.

Hitachi Consulting’s Manufacturing Improvement Team focused its efforts on upgrading the current management system with appropriate tools focused on cost, yield, and energy at the process level; as well as implementing best practices from previous projects across all sites.

Our Supply Chain Team worked to implement new and enhanced processes and systems to improve supply chain effectiveness — through improved sales and operations planning, reducing distribution costs, and focusing on the rationalization of products, customers and suppliers.

Lastly, Hitachi Consulting put in place an Information Technology Team to ensure IT systems were enabled and supported optimized business processes required to deliver benefits as agreed in the business case. This group was also tasked with monitoring the rollout of IT systems in line with process installation.

Results
The initial project in the 3 US manufacturing facilities resulted in annualized benefits of $9.5 million and cumulative benefits of $4.6 million. The real value was driven by optimizing the global supply chain.

- Project Genesis enabled the company to realize an additional $17.7 million in annualized benefits and $11.5 million in cumulative benefits
- Delivered year-over-year savings of over $27 million, putting the company and its Private Equity Owner on track to realize their EBITDA improvement goals
- A plan was left in place to realize an additional $15 million
Private Equity Case Study

Provider of Mining, Heavy Construction and Pipeline Services
Improving Pre-IPO Operational Performance and Profit

Situation
Our client is one of Western Canada’s largest contractors. At the time of Hitachi Consulting’s engagement the company employed over 1,800 people. From its beginnings in road construction, the business has grown to four main operating segments: Mining, Piling, Pipeline and Site Preparation.

Challenge
The company sought to improve operational efficiency, to cut costs and to win more business. Internal systems were deemed inadequate to secure visibility and accountability for project performance. Maintenance systems, policies and procedures were hardly utilized, resulting in a “run to failure” reactive environment. Furthermore, the organically grown organizational structure produced roles and reporting relationships that were ineffective and poorly defined.

The company challenged Hitachi Consulting to develop a successful operational platform that would support the inevitable future demands of increased competition and the scrutiny of being a public company. Hitachi Consulting needed to establish this platform in a matter of months, in one of the toughest operating environments on the planet.

Approach
Working in close collaboration with the client, in the field and at the corporate headquarters, Hitachi Consulting partnered with a client taskforce to implement COBRA (Changing Organizational Behaviors, Results, and Attitudes), a comprehensive program that launched the company firmly back on track and laid the foundation for a successful IPO.

Results
■ Benefit targets were significantly exceeded: $32 million in annualized EBITDA benefits versus a base business case of $22.5 million
■ Designed and installed an organizational structure to fully align with strategic and commercial imperatives
■ An overall program ROI of 5:1 was achieved

While benefits were achieved rapidly, the implementation of improved processes, tools, and management systems has ensured a sustainable legacy for COBRA. The impact of COBRA is as important for front line operations as it is the stock price.

Overview

Location
Western Canada
Oil Sands

Sector
Metals and Mining

Service Lines
Asset Management
Organizational Effectiveness

“What would have taken years, Hitachi Consulting did in months.”
– CEO, Client Company

“What Hitachi Consulting recognized that measurement and sustainability are keys to success and they brought us the experience, the measurement, the reporting tools and the people skills to deliver results.”
– EVP, Client Company

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Situation
At the time of this Hitachi Consulting project, our client was an $800 million revenue petrochemical company owned by a Private Equity Firm. The company produced crude C4 products, with half of their revenue in the butadiene product category and the other half in MTBE, a gasoline fuel additive.

MTBE was in fierce competition at the time with ethanol as a gasoline fuel additive. The Midwest corn growers lobbied congress extensively on the basis that MTBE posed ground water risks, should old underground tanks at gasoline stations leak. Ethanol, on the other hand, was touted as only posing air pollution risks.

Congress banned the use of MTBE as a fuel additive, in favor of ethanol. California first banned its use, then New York. Soon after, the domestic market for MTBE collapsed. The export market remained, as foreign countries, including Europe did not react. However, with domestic demand drying up, the company’s financial credit evaporated, and suppliers started withholding crude C4 raw material. As a result, cash flow turned negative, and several months later, the company had to file for bankruptcy.

Approach
The company and its Private Equity Owner understood the business needed to transition from MTBE quickly, and needed to address not only plant configuration and technology issues, but also the organization’s culture and belief systems to accept the need for rapid and dramatic improvement. At present state, reliability, process control, capital project quality, and safety were all less than acceptable.

For years, the company had ignored underperforming KPIs because of MTBE’s profitability. The world had changed overnight however, and now the company needed to change the products it produced and the way it operated.

Hitachi Consulting was brought in to conduct an analysis that determined how the company could rapidly cut costs, while also increasing throughput for their remaining products. This cost-cutting and production optimization model was considered critical to cash flow, so vendors could be properly funded during the transition.

During the final meeting of the analysis phase, the then current CEO announced his retirement. In his place, former CFRO, an inspired student of change management, fully understood his need to lead change at the company. Hitachi Consulting quickly initiated a change improvement program. Immediately targets were set for reliability and workforce productivity. Hitachi Consulting redesigned the company’s plant
organization and achieved targets for productivity improvement.

Results
The project was considered by all to be a great success, a key component in the company’s survival. A few years later, the company acquired its largest competitor’s business unit for crude C4 processing. The acquisition increased domestic market share to more than 60%, and the company continued to prosper.

The following results were delivered over the course of our engagement:

■ $18 million annualized EBITDA benefit, 50% of which was derived from reduction in energy costs and plant labor
■ 25% reduction of fixed costs within 8 months
■ Significant increase in plant throughput
■ 30%+ reduction in operational costs, year over year
Private Equity Case Study

Situation
Our Private Equity Client engaged us in the evaluation of an acquisition target in the specialty electronic technology sector. The target was an embedded division within a multi-billion dollar conglomerate. The lighting division operated with 8 major technology platforms, across 12 facilities worldwide and served 3 industry sectors – Defense, Healthcare and Industrial. The target division was not deemed to fit with the parent company’s strategic outlook. As such it suffered from minimal re-investment, leading to sub-par performance.

Challenge
The investment thesis was to carve-out this business as an independent entity, unlock revenue growth potential and increase margin through facility rationalization and cost reduction. Hitachi Consulting needed to:

- Conduct Operational Due Diligence in a complex global environment
- Evaluate upside EBITDA opportunities and validate the business case
- Develop and re-align a global operating model

Approach
Hitachi Consulting partnered with the Private Equity Firm from the beginning of the auction process with a CIM review. We completed a due diligence exercise that involved visiting all 12 facilities, leading a number of functional forums and performing data room analysis.

The due diligence resulted in identification of over 40% EBITDA improvement potential along with opportunities for working capital reduction through improved inventory and accounts receivables management.

The Private Equity Firm however, was not successful in the auction and the division was sold to another financial buyer, who then set up the acquired division as a fully owned independent company. Nevertheless, impressed by Hitachi Consulting’s due diligence process, quality of outputs and high engagement with the target management team during the transaction, the management team chose to engage with us post-close and launch a twelve-month operational excellence program.

The first step of the engagement included a deep dive analysis to validate the due diligence outputs, refine the benefits case and develop a detailed implementation plan to capture the value. A two phase implementation approach was developed with Phase I being focused on:

- EBITDA improvement through facilities rationalization, lean implementation and strategic sourcing
- A cash release program through improvements in accounts receivables and inventory management
- Sustainability of improvements through installation of a Management Control and Reporting System (MCRS®)

Overview

Location
Global

Sector
Manufacturing

Service Lines
Operational Due Diligence
Operational Excellence

$16M in Annualized EBITDA Benefits

A Global Manufacturer of Specialty Electronic Technologies
Highly Complex Carve-Out and Operational Excellence
Results
Hitachi Consulting worked collaboratively with the management team and global client teams to sustainably harvest benefits in the following areas:

- Productivity improvements through lean implementation in three major sites in North America
- Facilities rationalization, including site closure and migration of products and customers to new sites
- Global strategic sourcing initiative to leverage spend and move to low cost country sourcing
- Working capital improvements through accounts receivables and inventory management

The program resulted in:

- $16 million in annualized EBITDA benefit (30% improvement);
- $9 million in one-time working capital cash release;
- An additional $9 million in EBITDA identified;
- Developed stand alone cost projections and Pro-forma P&L.