

A large, cracked globe of the Earth is shown from a high angle. Overlaid on the globe is a large, metallic, industrial footprint. The footprint is composed of various mechanical parts, including gears, shafts, and a central vertical column, all rendered in a dark, metallic color. The globe is cracked, with numerous black lines representing fissures across its surface. The overall image conveys a sense of industrial impact on the environment.

**How to ensure
your new Industrial
Footprint gets off
on the right foot.**

All thoughts must be distilled into action and action that brings results.

A strategic vision is the key, but it will remain just a vision if it isn't consistently translated into action.



A new Industrial Footprint has to be right first time, says Fernando Cruzado, Principal Manager at Celerant Consulting Germany, and there are 5 major steps you can take to ensure that it is.

These days, every major organisation is putting its Industrial Footprint under the microscope, either to explore cost reductions or support profitable growth. There's no doubt that such structural changes can provide a real step-change in performance, but how do you design and deploy the new Footprint so that it links consistently to the overarching company strategy?

Redesigning an Industrial Footprint goes way beyond shifting manufacturing assets from one place to another. Complexity kicks in when you consider the necessary supplier network, the know-how transfer of R&D functions or the restructuring of a sales organisation. Then there's the people dimension. Major change programmes always have a significant impact on the organisation and that will need careful handling. Adding to the complexity, typically a significant number of possible Footprint options can be identified in the beginning creating the challenge to discard the non-viable ones and concentrate effort on the appropriate scenarios.

Translating strategic ambition into operational reality

In simplistic terms, to develop a successful Industrial Footprint a company needs to answer these 4 questions:

- WHAT products and services should we offer to what markets?
- WHERE should we situate our Manufacturing, R&D and Supply Centres, and where should we generate value, in-house or by outsourcing?
- WHY should we choose a particular set-up? What's the inner logic of the envisioned Footprint and how does it link to our strategic vision?

- HOW does our capability profile, skill level, technology etc match what is needed to deploy the envisioned Footprint successfully?

Most companies will have a pretty clear idea of how to answer the WHAT and part of the WHERE questions, but our experience has shown that the other 2 are often not considered thoroughly enough. Thus the Footprint is sometimes more the result of a 'historical' network development and given structure of acquired assets than of a consistent translation of the strategic ambition into an operational reality. It's therefore crucial to follow a phased approach which ensures consistency from the strategic level right down to the implementation projects. We have developed a 5-phase approach to ensure this.

Phase 1: Setting scope & onboarding stakeholders. Determine the scope of the Footprint exercise – what products, markets and functions are in & which not. Ensure to onboard the stakeholders on the scope to have their full support for the following phases.

Phase 2: Understand market and business specifics. Following an outside-in-view, major market requirements such as cost efficiency, innovation leadership and customer intimacy are captured, prioritised and translated into network consequences. At the same time, the constraints of the existing setup e.g. the flexibility for product transfers and relative cost structures need to be understood.

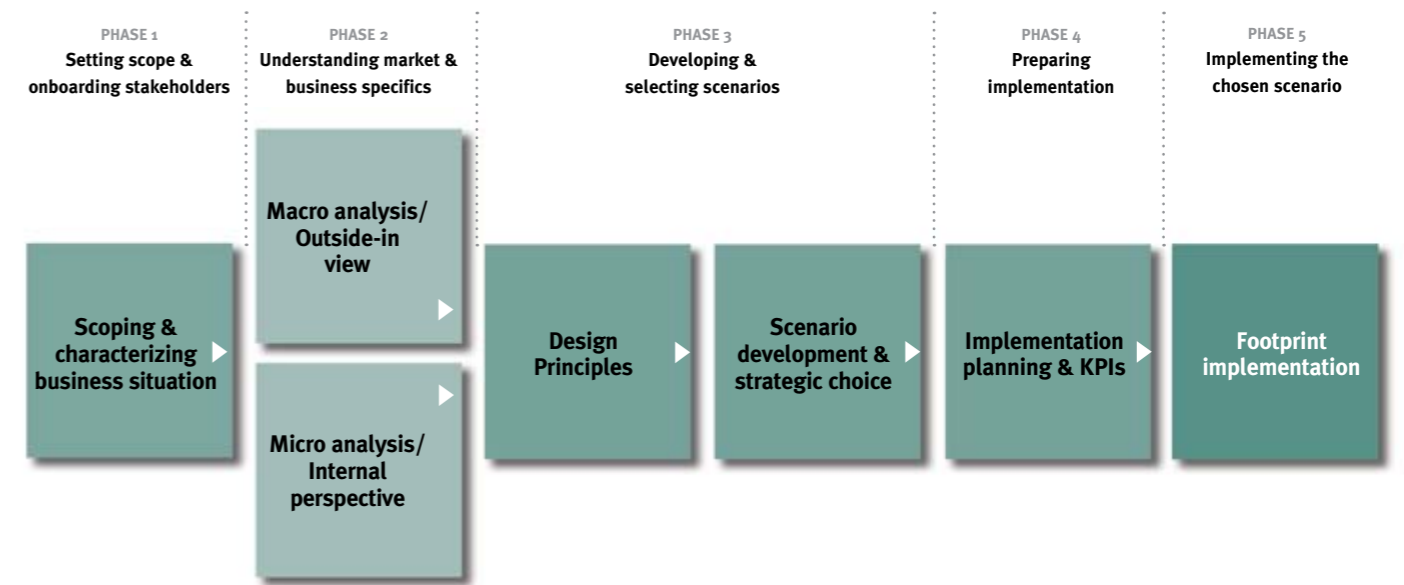
Phase 3: Developing and selecting scenarios. Outside-in and internal view are the basis for the Footprint Design Principles that will need to be followed when developing the future

structure. It's extremely important to have a clear alignment on these overarching principles in the management team, as they will form the foundation for the Footprint design. Whenever questions arise in the later stages of the process, these Design Principles will ensure a consistent approach. They will also help to keep focus when developing the scenarios – starting with a Green Field approach and then generating a long-list. Filtering No-Go options and low benefit alternatives helps to identify the few scenarios to investigate further. That means to rigorously test operational feasibility and business case per option. Key outputs are the value/risk ratios which serve as a basis for the final selection.

Phase 4: Preparing implementation. Once the final selection has been made, it's important to determine the main implementation steps and projects which will help to make ambition become reality - and have a transparent view on feasibility and effort required. Latest at this stage it has to be also clear how the portfolio of projects will be managed.

Phase 5: Implementing the chosen scenario. This phase is the most demanding in terms of Change Management expertise because many parts of the organisation will undergo profound change. Numerous elements need to be closely managed and range from driving capacity expansion or divestment projects securing know-how and key resources, through the qualification of Supply Chain partners up to the management of motivational/performance factors within the organisation. It's therefore not unusual to sequence the implementation projects according to their effort/impact ratio.

Our Industrial Footprint approach comprises 5 phases



Ensuring success and sustainability

Redesigning your Industrial Footprint is not just about creating a profitable, future-orientated structure, it's about transforming your organisation. So success can only be achieved by following a really comprehensive approach. Insufficient consideration of relevant factors can lead to sub-optimal set ups – at worst leading to costly rework of the new Footprint. Based on our experience we believe that the following dimensions need to be addressed to ensure to be right first time:

- **Quality, Technology & Compliance:** An assessment of the process capability and know-how level of the receiving entities that provides a comprehensive view on quality as well as R&D capabilities. It can help to avoid apparently attractive transfers to low-cost countries, which then turn out to be more costly than an existing set-up.
- **Source, Plan & Delivery:** This focuses on the changes induced by the drive for optimisation of the Supply Chain. For example, an extensive evaluation of global sourcing synergies, warehouse structure and costs, as well as supply performance benchmarking in the old and new footprint.
- **Transformation Feasibility (external & internal):** An evaluation of implementation feasibility, considering both internal and external constraints for the giving and the receiving entities. For example, unionisation level of sites and the resulting limitations regarding changes.
- **Operations Efficiency & Manufacturing Costs:** Financial and efficiency benchmarking of the operating units and optimisation of product allocation. For example, OEE and capacity utilisation assessment, COGS benchmarking and an assessment of the remaining capacity potential

of the existing set-up. This also includes make-or-buy decisions and the use of external manufacturing resources.

- **Strategic Market Factors, Taxes & Duties:** An assessment of the impact of the Industrial Footprint on market access, for example the political limitations to sell in a country if there is no local production, and an evaluation of the political/economical stability of a target country to avoid investment risks. Consideration of Footprint impact on import duties and tax level – especially relevant for high value goods and global flows.

Next to the content dimension the tactical aspects, i.e. the right involvement of stakeholders is also decisive for success. During initial strategy development this will focus on the top management team to ensure objectiveness and confidentiality. Going into implementation larger groups will be involved to build confidence and get commitment. Ultimately, the ability to align different functions to one operational strategy and actively manage change in the implementation will determine success of the new Footprint.

A new Industrial Footprint can deliver real impact on the ground

Successfully deploying a new Footprint can have an impact of 20-40% on the total cost base through:

- **Cost reduction/network optimisation:** realised economies of scale and consolidated network capacity. Improved Supply Chain structure and increased responsiveness to the market, as well as lower total cost of delivery.
- **Strategic alignment:** consistent translation of company strategy into operational consequence – do the 'right things' not only the 'things right'.

'A new Footprint can have an impact of 20-40% on the total cost base.'

Focus on core business, establish a consistent make-or-buy strategy.

- **Improved market access:** proximity/appropriate presence in strategic emerging markets as a base to leverage growth opportunities.

A new Footprint offers significant potential for a step-change in performance, but it does contain risks, so it must be comprehensively designed and thoroughly checked, otherwise the benefits can be consumed by re-work.

Is it worth the effort? Absolutely - if you do it right.

For a presentation on 'How to ensure your Industrial Footprint gets off on the right foot' call +49 211 58 33 00 33 or visit celerantconsulting.com

For over 20 years, Celerant Consulting has delivered successful, sustainable change for world leading companies. Our expertise covers the entire spectrum of the Operations Management ecosystem, with a core focus on Performance Improvement and Behavioural Change Management. Every project is a strategic partnership where we get down on the ground to identify and analyse a Client's most significant business challenges, then work with them to drive up results. We implement customised solutions that capitalise on existing systems, processes and people - and deliver substantial benefits. We change business for good and over 90% of our Clients say they would work with us again.

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