



Operational performance improvement in industrial companies

Recognizing and exploiting cost reduction and improvement opportunities

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Introduction

Bain & Company has developed a state-of-the-art program for operational performance improvement. Our program applies 10 performance improvement levers without losing sight of long-term company goals. Using Bain's Performance Improvement DiagnosticSM, also known as the PI X-ray, a company's efficiency can be screened both accurately and quickly. This process identifies areas with high optimization potential. It also develops and prioritizes suitable improvement initiatives. Companies can then focus on projects and initiatives that promise genuine success.

Virtually every company is familiar with the broad challenge of improving work efficiency and streamlining costs to boost profitability. By simplifying operational procedures and focusing the product ranges, companies can reduce complexity in specific areas and increase revenue while reducing costs. Companies can also achieve long-term structural improvements by, for example, optimizing plant networks, inventory management and distribution structures.

Regardless of their individual circumstances, companies usually ask themselves the same question: Where does the operational full potential lie along the value chain, and how do we achieve it?

Examining operational performance

Regardless of its financial situation, every company should carry out an operational performance improvement program every once in a while. However, the motivations for conducting such a program vary substantially. Typical

reasons include urgency to achieve financial targets, exhausted cost-reduction potentials, a challenging strategic and competitive position, and evolving market conditions. Bain assumes three different starting situations:

Expanding leadership positions

Successful market leaders work constantly to improve a good cost structure. However, some market leaders achieve a satisfactory profit margin but fail to fully exploit their profitability potential. Bain refers to these companies as "happy underperformers."

Closing cost gaps

Next we find companies with a size handicap that prevents them from realizing the same "leadership economics" as the market leaders in their sector. The key is to determine the extent to which the current profitability and cost gap results from operational inefficiencies.

Operational restructuring

Companies experiencing stormy weather are often confronted with drastic changes in market conditions. Especially in capital-intensive sectors, cyclical or structural market weaknesses quickly lead to revenue losses and dwindling profits. In this situation, companies must optimize their operational business, usually under time constraints.

The Performance Improvement X-ray

Regardless of their individual circumstances, companies usually ask themselves the same question: Where does the operational full potential lie along the value chain, and how do we achieve it? Bain's PI X-ray involves a thorough screen of key performance dimensions, including procurement, production, service, distribution and administration. The result is a dashboard of the most important cost and improvement potentials across the entire company. The main areas of action can be defined, goals determined and concrete measures planned.

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The X-ray is based on a sound understanding of the four critical parameters of operational improvement: cost, market position, customer trends and complexity, which is probably the most underestimated.

Complexity arises from several causes. Insufficient knowledge of customer needs can create technical complexity due to a needlessly broad range of products. On the other hand, unclear responsibilities can create overly complex processes and organizational structures. Whatever the cause, Bain studies reveal that the least complex companies grow 30% to 50% more quickly than the peer average.

Benchmarks are good, but not good enough

Using the PI X-ray, Bain applies proprietary benchmarks and databases as well as a variety of leading cross-sector and sector-specific databases. The point of benchmarking is to determine the targets for numerous Key Performance Indicators (KPIs) that embrace all company functions.

However, benchmarking has its limits. Benchmarks indicate how good “good” really is, but they do not indicate whether it’s possible to be better than just “good.” Nor do they show companies how to achieve performance improvements.

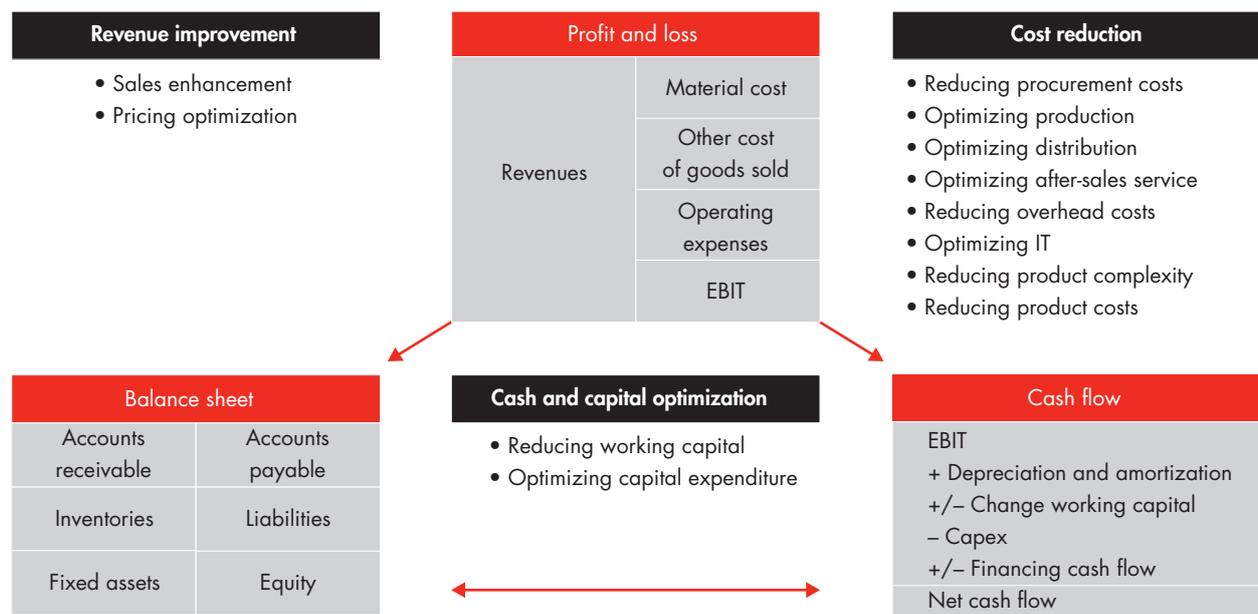
In addition to benchmarking, Bain draws on the functional expertise of experienced specialists in different fields as well as its own experience in best practices across many industries.

Operational performance improvement potential

Bain’s X-ray is geared to 10 performance levers that have proved valuable over many years (see Figure 1). These levers are:

- Reducing procurement costs
- Optimizing production
- Optimizing distribution

Figure 1: Ten focused initiatives can improve profitability and cash flow quickly



Source: Bain & Company

- Optimizing after-sales service
- Reducing overhead costs
- Optimizing IT
- Reducing product complexity
- Reducing product costs
- Reducing working capital
- Optimizing capital expenditure

We apply different approaches to each lever (see Figure 2). For example, benchmarking can help estimate potential savings in overhead costs or working capital requirements. In contrast, it takes considerable functional expertise to estimate potential improvements in procurement or production efficiency.

Key improvement levers

At practically every company, measures promising rapid return on the capital employed can be identified at short notice. But equally important are the levers to be applied over the longer term, defined as three years or more.

Reducing procurement costs

Purchasing is a crucial area for industrial companies, where material costs frequently account for 50% of revenue or more. Industrial companies with whom we have worked have saved an average of 8% to 12% of their material procurement costs. This yields a 4% to 6% expansion in the operating margin, or the difference between good and bad profitability.

In general, three steps must be taken to identify potential cost reductions in procurement:

Figure 2: Different initiatives require a different X-ray approach

	Initiative		Approach
Cost reduction	• Reducing procurement costs	→	Expertise
	• Optimizing production	→	Expertise
	• Optimizing distribution	→	Expertise
	• Optimizing after-sales service	→	Expertise
	• Reducing overhead costs	→	Benchmarking
	• Optimizing IT	→	Expertise
	• Reducing product complexity	→	Analytics
	• Reducing product costs	→	Benchmarking
Cash and capital optimization	• Reducing working capital	→	Benchmarking
	• Optimizing capital expenditure	→	Benchmarking

Source: Bain & Company

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- **Creating transparency:** This starts with creating transparency on which products have been ordered in which quantities for which plants—and from which suppliers in which quantities and for which prices. Companies must also reconcile all expenditures with the profit-and-loss account to ensure that all external spending is captured.
- **Identifying savings opportunities:** As soon as the necessary transparency has been achieved, we work with the responsible buyers to conduct a systematic analysis of all procurement categories. Are all cost-reduction levers being exploited? Such levers fall under five main headings: demand control, price negotiations, volume allocation, design-to-cost and system cost reduction. The result is a list of concrete improvement initiatives, including the estimated cost reduction target and the milestones, responsibilities and necessary implementation requirements. We prioritize the list by potential and ease of implementation with regard to the implementation of each initiative.
- **Organizational optimization:** In a parallel process, Bain identifies organizational and procedural improvement needs. Here we consider procurement organization, competencies, processes, tools and systems as well as the incentive system. This work identifies initiatives with the objective to improve the current procurement organization to world-class level.

The entire diagnostic process can usually be completed within the space of a few weeks. The result is an integrated implementation plan that addresses operational cost levers along with concrete organizational, IT and procedural improvements. We then move to the implementation phase, which happens in several waves over a period of 12 to 24 months.

Our clients typically achieve savings of 8% to 12% of their entire procurement volume. In some categories, it is possible to achieve savings of up to 40%. We also find that our clients can achieve an annual procurement productivity by an average of 2% to 4% per year after conducting a comprehensive procurement program.

Optimizing production

At many industrial companies production has not been systematically optimized. Plant networks often have evolved historically rather than as a result of strategic planning. Optimizing production requires companies to answer three fundamental questions:

- What do we want to produce ourselves, and what do we want to purchase?
- What plant network do we require?
- How do we implement lean production at world-class levels in all plants?

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To make or to buy

Industrial companies often maintain great vertical integration and attribute strategic importance to many of their production processes. In these situations, companies rarely leverage outsourcing opportunities to the full extent. These opportunities include:

- **Unit depression:** Few manufacturers would consider producing their own ball bearings, but many companies still produce components that can be purchased more efficiently from suppliers with scale effects from larger production volumes.

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- **Specialization advantages:** Some components require specific production processes. For example, a certain manufacturing process might require noncritical components with a specific surface treatment. In such situations, specialized suppliers can generally operate more cost-efficiently.
- **Factor cost differences:** It is often attractive for companies to outsource to a suppliers in low-cost countries, particularly for labor-intensive component production. For example, this often pays off for production of cable harnesses and castings.

To identify the outsourcing scope, manufacturers need to calculate the true production costs for each component or operational step in question and need to estimate the outsourcing cost based on a quantification of the above described levers. This results in an estimate of the potential savings through outsourcing. In addition, companies must determine the strategic significance of the compo-

nents or operational steps in question to fill in the framework (see Figure 3). The components and process steps in the lower left quadrant are then typically outsourcing candidates.

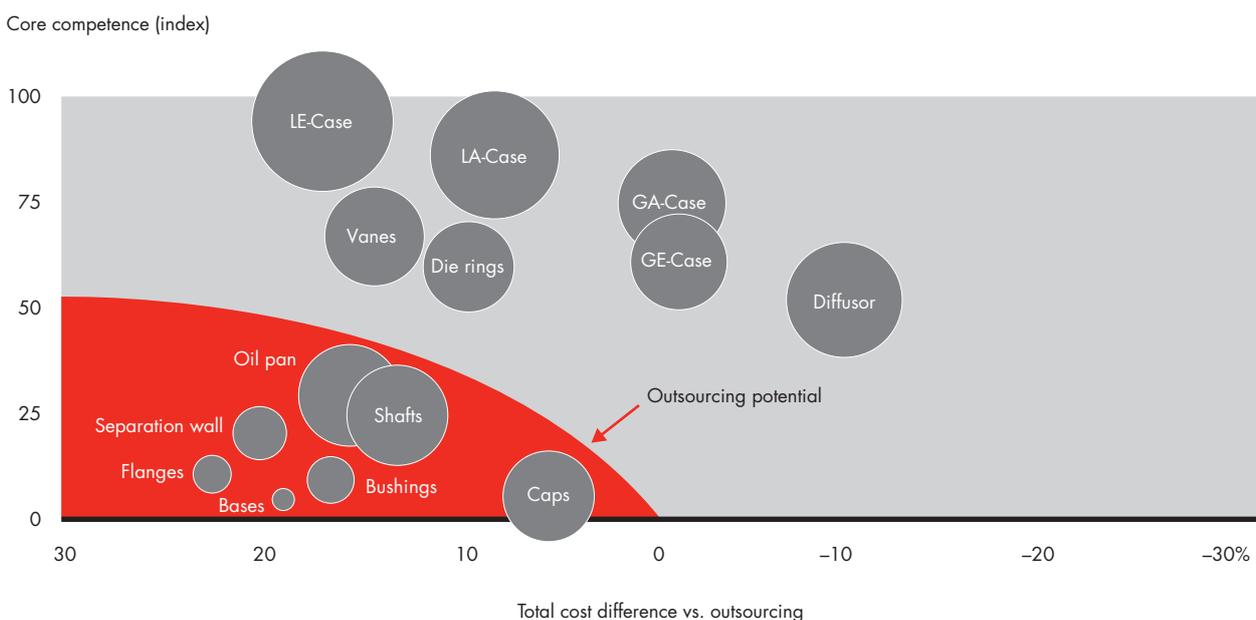
This process usually yields outsourcing savings of 10% to 20% of total production costs for the components and products concerned.

Optimizing the plant network

Production costs are frequently too high because there are too many plants, an excessively complex interplay between plants or an abundance of labor-intensive processes at high labor cost locations. These conditions often arise after as a result of acquisitions, especially if the issue of plant network optimization is not raised during the integration phase.

Optimizing a plant network encompasses four elements: consolidation, specialization, migration and expansion.

Figure 3: Many producers give away cost reduction by engaging in-house resources in high-cost, non-core activities



Source: Bain & Company

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- **Consolidation:** Companies can often realize significant efficiencies by merging two or more under-utilized sites involving the same production steps. The economics tend to be far less attractive in cases that involve merging two or more sites in the same labor cost environment while carrying out extensive new construction. For example, an electro-mechanical components producer in Germany was considering a production-optimized “super site” that would replace five existing sites. The company decided not to proceed with this plan after Bain’s feasibility study showed that the business case was weak.
- **Specialization:** In cases where all plants produce all products, typically unit costs are higher compared with a situation where each plant is specialized on certain product lines with optimized processes and equipment. A good example here is a manufacturer of forklift trucks that produced all types of forklift trucks at all of its plants. A clear specialization of plants on product types allowed a significant reduction in manufacturing costs.
- **Migration:** Industrial companies frequently display a lack of consistency about migrating labor-intensive processes to low labor cost countries. Nonetheless, cost savings of 20% and more are possible, provided that relocation costs do not spiral out of control.
- **Expansion:** By establishing new plants, industrial companies can more effectively serve new markets with specific demand profiles. The key is to achieve closer proximity to customers as well as local service units. Ideally, products customized to particular markets should be developed locally and produced with locally purchased components.

Bain addresses the optimization of a company’s plant footprint in four steps. First, we conduct a detailed examination of the existing plant network. We then draft a hypothetical optimal solution based on the assumption of new plant construction (greenfield approach). Next we consider options to come closer to the optimal solution while still allowing for acceptable payback periods

for individual plant moves. Finally, we provide recommendations for a medium- and long-term plant network optimization program.

Cost reductions from plant network optimization can range from 10% to as much as 30% of total production costs. Such programs are especially worthwhile if a significant migration to low labor cost countries appears worthwhile and is feasible.

In economically strong regions such as Europe, North America and the developed Asian economies, the analysis tends to show that only a few manufacturing sites are required. Consider a German producer of industrial equipment operating more than 70 plants worldwide. The optimal development of a greenfield footprint revealed that only about 15 plants were necessary. The implemented brownfield footprint then allowed for 40 plants.

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Lean production

Industrial companies often do not apply and manage lean production systematically. In many plants, the 5S principles are neglected and KPIs are not diligently applied. Workflows are suboptimal and huge inventories make it difficult to retain clear oversight of production processes.

Achieving lean production at a single site is a laborious task. Even more challenging is to realize lean production

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at the highest performance level across a worldwide plant network. We recommend a package of measures with the following elements:

- An examination routine that determines the lean status of each plant
- Clearly defined and comprehensibly formulated best practices and processes
- Central administration for all documented Best Demonstrated Practices, tools and operating procedures
- A set of KPIs to measure the operational performance of each plant at short notice—in the categories of safety, customer service, quality, cost and inventories
- A procedure for regular performance measurement

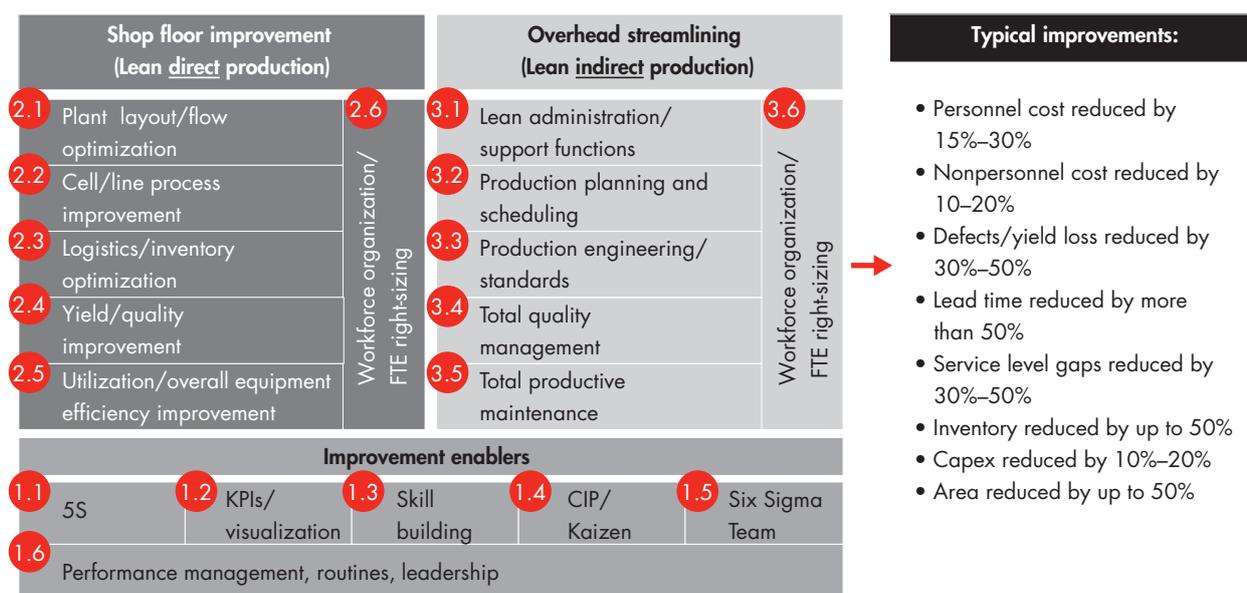
- A procedure for formulating and monitoring improvement measures
- The deployment of a lean task force to support under-performing plants

These measures need to be implemented directly on the shop floor and equally on the overhead functions in production (see Figure 4).

The examination routine should include a yearly assessment that tracks each plant’s progress on its “Journey to Lean.” Subsequent adjustments can be made to the goals if required.

The KPIs are short-term management tools. They are useful for planning concrete measures with plant managers and for tracking whether measures have been implemented and have led to success. In practice, it pays

Figure 4: Bain’s approach to plant performance optimization examines 18 areas of improvement



Source: Bain & Company

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to have the managers of the best and worst evaluated plants join forces to develop solutions for improving each lean element.

A central team should be tasked with documenting and rolling out Best Demonstrated Practices, along with associated tools and operating procedures. The deployment of a team of experienced engineers trained in lean production is also indispensable. Even if certain plants consistently implement lean production, other facilities will still need support to redevelop the production layout and work flow, boost statistical measures of quality or significantly reduce inventories in production.

Companies that adopt all of these lean production measures can typically reduce production costs by 5% to 15%.

Optimizing distribution

In many cases, industrial companies develop inventory management structures that are neither efficiently nor effectively managed. As a consequence, service suffers and inventories balloon. Optimizing distribution requires companies to answer three key questions:

- Which warehouse network is required?
- Does the company require its own warehouses or is outsourcing the better option?
- How can lean distribution processes be implemented at all sites?

Optimizing the warehouse network

A systematic analysis often shows that industrial companies have too many warehouses, and often too many levels and channels of distribution. A company that ships products on a tight delivery schedule to a fragmented customer base all over Europe can usually get by with approximately 10 European warehouses. In many cases, one central warehouse will suffice.

Bain's warehouse network analysis begins by mapping all customer locations with direct shipments. The optimal locations for various scenarios are then modeled and a calculation is made of the total costs for warehousing and transport. By taking this step-by-step approach, the optimal warehouse configuration can be established quickly and accurately. In this way, clients with previously complex warehouse networks achieve cost savings of between 10% and 20% for warehousing and transportation costs.

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Outsourcing distribution

This can be a good option if current warehouse locations are too small to operate efficiently, if the company needs a cost structure with maximum variability or if there are significant gaps in internal logistics competencies. Outsourcing distribution typically achieves cost reductions of 20% or more.

Optimizing distribution processes

For companies that have not optimized their distribution processes, a structured lean approach frequently leads to cost reductions of 5% to 15% and inventory reductions of 30% to 50%.

Optimizing after-sales service

Most industrial goods producers find significant performance differences between service centers and between individual service technicians. We often see efficiency differences amounting to a factor of two or three for identical service tasks.

Companies can realize enormous revenue and profit growth by converging these differences to an adequate efficiency level. For example, one coatings service provider was able to improve its service gross margin by 10% within four years by introducing rigorous performance management.

Structural efficiency

Service efficiency starts with the structure of the service center network. Companies need to find the right balance between dispersed service units that deliver routine support in close proximity to customers and centralized units that provide technical expertise for more complex tasks such as coaching customer teams or upgrading machinery.

Staff efficiency

Personnel are a service organization's biggest cost. For this reason, industrial companies that seek to optimize profitability in the service business should concentrate on improving staff efficiency. A number of time-tested levers can be applied here:

- Increasing the number of billable hours by reducing unproductive work through improvement of first-time right ratio, for instance
- Improving the work cycle of technicians by optimizing workflows and ensuring that the right tools are available locally
- Reducing problem-solving times by training technicians and simplifying their access to expert support
- Shortening travel times by improving route planning and optimizing staff deployment

- Lowering labor costs by reducing overtime and using fewer subcontractors
- Optimizing overhead by rationalizing and automating tasks

Continuous improvement

The best service organizations never stop questioning the status quo. They optimize their processes continuously by applying the same instruments:

- Performance benchmarking exposes the top service locations and teams.
- Best practices are documented and distributed throughout the entire organization.
- Standard operating procedures are developed on the basis of established and time-tested best practices, and employees are appropriately trained.
- New technologies such as smartphones and tablets are used to improve service and staff efficiency—through GPS tracking, online support and expertise sharing, for example.

Reducing overhead costs

Overhead reduction is one of the main goals of any operational performance improvement program. The reasons for bloated overhead vary greatly but often include overstaffing, complex organization structures, inefficient and unclear processes, and/or inadequate IT systems.

Many companies estimate potential overhead reductions by benchmarking their overhead costs as a percentage of revenue. In reality, simple benchmarking can neither quantify potential savings nor explain how overhead reductions should be achieved.

Bain applies benchmarks at both functional and activity levels. As a rule, “functional costs as percentage of revenue” is a useful benchmark to identify potential cost reductions. An activity benchmark such as “pro-

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cessed creditor accounts per employee and month” is even more precise. No benchmark can show a company how to reduce overhead. Bain applies a wide range of best practices to achieve efficient process redesigns for every overhead function. By combining benchmarking and process redesign, we often help our clients reduce overhead by 10% to 20%.

Optimizing IT

IT expenditures are high at many industrial companies. A systematic examination of IT efficiency and effectiveness can reveal potential savings while identifying ways in which IT can better support the business.

Pure IT benchmarking frequently suggests a simple top-down savings potential. Bain considers IT more intensively by focusing on the following three areas:

- IT administration
- IT infrastructure
- IT projects

IT administration

IT departments are frequently overstaffed. In these cases, cost savings of more than 20% can be achieved by applying a best practices approach and corresponding reorganization.

IT infrastructure

The most important levers for lowering IT infrastructure costs are complexity reduction, capacity adjustment and procurement/outsourcing optimization.

- **Complexity reduction:** At many industrial companies, different PC infrastructures, software platforms and ERP systems exist side by side. Companies can lower IT costs significantly by reducing this complexity. For example, a client from the construction

industry managed to lower its PC-related costs by 40% by introducing a harmonized infrastructure and outsourcing.

- **Purchasing optimization:** In our experience, IT departments frequently display less procurement discipline compared with other corporate functions. Companies can address this issue by separating the procurement role from that of specifying IT requirements, and by implementing license and support agreements throughout the organization.
- **Outsourcing:** IT is well suited to outsourcing because independent service providers often achieve significant scale effects and work with greater professionalism compared with internal tech teams. PC infrastructure and server hosting are only two examples of how outsourcing can significantly lower costs.

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IT projects

An examination of current IT projects often reveals a lack of coordination between the project roadmap and the company’s operational needs. Project management in the IT area can be optimized for compliance with budgeted costs and project goals.

Reducing product complexity

Many industrial companies recognize that they offer too many products. However, it is not always possible to scrap unprofitable products because the portfolio is frequently based on complete solutions. Even so, companies can often reduce their product range by only 5% to 10% via internal initiatives. To meet this challenge, we recommend the following four steps:

- Create portfolio and profitability transparency
- Develop a preliminary catalogue of measures (long list)
- Coordinate the long list with marketing and distribution
- Decide the final catalogue of measures (short list)

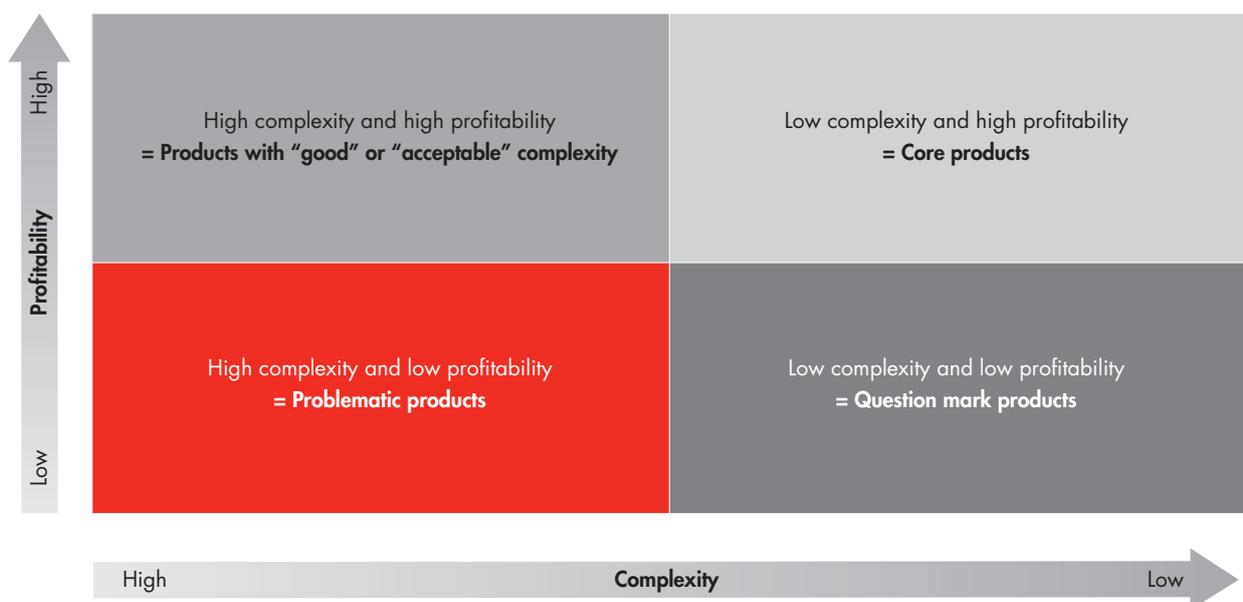
Portfolio and profitability transparency

Bain identifies opportunities to reduce product complexity using a tool called the “morphological box.” After

compiling a structured inventory of product attributes, including special features as well as data on the number of SKUs, revenue and margin, we separate the product range into four groups (see Figure 5). When possible, problematic products should be replaced by core products. If problematic products can't be eliminated, their price should be raised. For question mark products, a detailed analysis must be carried out to establish whether production costs are too high or whether product pricing is too low.

- **Long list:** By systematically working through the morphological box, we create a long list of potential actions. These include product elimination, product replacement, price decisions or reduction of production costs.
- **Coordinating with marketing and distribution:** Coordinating the long list with marketing and distribution ensures proper consideration of strategic issues such as the need for entry-level products, cross-selling

Figure 5: Framework for product portfolio evaluation



Source: Bain & Company

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or special regional requirements. This process typically restores a number of products that were slated for elimination.

- **Short list:** We then compile a short list of product simplification measures that has been approved by all key stakeholders.

This approach has succeeded in lowering the range of products at article number level by 50% or more. Because complexity has a negative impact on the entire value-added chain, the cost reduction effect is difficult to quantify. In cases where we have made a detailed calculation of the savings volume, savings ranged from 2% to 4% of total costs.

Reducing product costs

Industrial companies can frequently achieve significant cost reductions by applying so-called Design-to-Cost or Design-to-X approaches.

Value analysis

This method specifies the value that customers and experts attribute to specific product qualities and services, thereby addressing common problems such as overengineering.

Competitor analysis

This involves gathering information on the most effective products and features offered by rival manufacturers. A detailed analysis also helps companies understand how their competitors make cost and performance decisions.

Idea generation

Structured discussion and brainstorming sessions can help companies identify product-distinguishing features and cost optimization opportunities. By considering disparate factors such as technology, marketing, customers and buyers, companies can gain new insights into their own products.

Marginal cost and marginal benefit analysis

By using tools such as marginal benefit calculation, margin analysis and feature benchmarking, companies can identify potential compromises between economic and technical considerations. Technical and marketing staff can then determine the viability of each compromise.

A full Design-to-X action plan includes the results of these four steps. X can stand for cost, value or manufacturability. Each potential opportunity receives its own business case based on inputs such as customer feedback, internal analysis and external expertise. Bain has deep Design-to-X expertise and can advise clients on all aspects of product optimization. Our Design-to-X projects typically achieve cost savings in the range of 5% to 20% of product costs. With the help of quick wins, we frequently ensure a rapid return on Capex.

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Reducing working capital

In-depth benchmarking can help reduce a company’s working capital requirements. Bain has access to various benchmarking databases that help us identify potential improvements swiftly and accurately.

In many cases, accounts receivables and accounts payables can be optimized significantly by optimizing debit and credit management. Certain core processes, how-

ever, must typically be re-drafted. This is especially true when individual functions don't integrate well or when the company's debit or credit procedures are excessively time consuming.

Lowering inventories involves comparatively more work. In many cases, the key is to improve operational procedures or reduce product complexity before addressing inventory reduction directly. Here, too, we often find low-hanging fruit that is quick and simple to pick. For example, many companies use the wrong parameters in their inventory planning processes. At other companies, inventory management responsibilities are unclear, with the result that nobody feels responsible for certain inventories. Both issues can be quickly identified and rectified.

By applying these methods, industrial companies can typically achieve working capital improvements of 20% to 50%.

Optimizing capital expenditure

Capital expenditure (Capex) is another area where benchmarking can help achieve significant improvements. Companies with very high Capex relative to benchmarks are generally deficient in the principles of investment cost management. These principles include:

- Structured budgeting processes for investment projects
- Clear valuation principles for investment budgets
- Clear responsibilities for investment decisions
- Controlling for investment projects

If these principles are applied, industrial companies can optimize Capex in all areas. Our experience shows that the examination should span a five-year period to balance out any Capex waves.

We divide Capex into three main categories:

Maintenance investment

The aim is to preserve the status quo of buildings, installations and equipment while keeping Capex as low as possible.

Rationalization investment

This is about achieving the greatest rationalization effect on the capital employed. It requires rigorous analysis of all possible rationalization projects, including cost-benefit effects.

Growth investment

This type of investment typically does not come up every year—one reason why costs and time schedules of major expansion projects tend to spiral out of control. Key measures for keeping growth investment under control include:

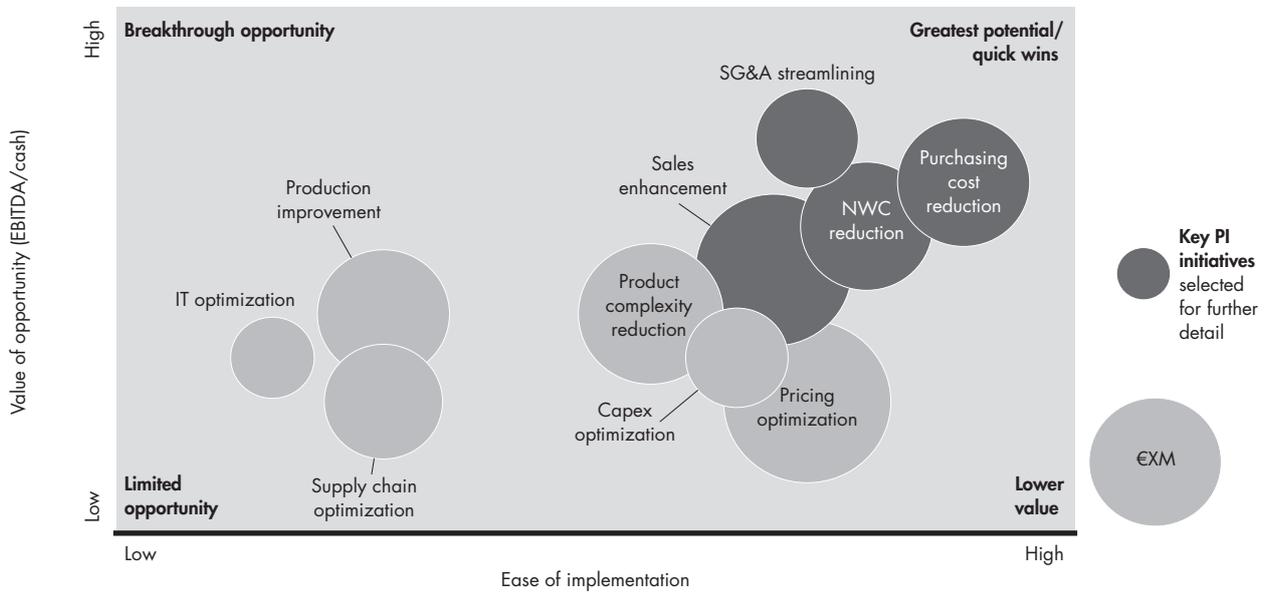
- Strict examination of every aspect of the investment plan
- Structuring of the investment projects into sub-projects that are given clearance in stages
- Reducing implementation risks by creating minimal interdependencies between various project activities,
- Active management of the critical path
- Continuous Capex controls

By systematically analyzing Capex, industrial companies can typically achieve investment reductions in the range of 20% to 40%.

Where should the focus be placed?

Bain's diagnostic X-ray can quickly and reliably identify improvement levers that can be applied at short notice, as well as initiatives that are important for the long term (see Figure 6).

Figure 6: High-level prioritization to select PI levers with greatest opportunity for further detailing



Note: Revenue enhancement impact translated into EBITDA impact
 Source: Bain & Company

Financially appealing improvement options always exist alongside strategically interesting ones. For example, procurement costs and working capital reductions are usually located in the “Greatest potential/quick wins” quadrant in the upper right. Production improvements are generally found in the bottom left quadrant due to the low addressable cost base but comparatively high one-time costs and Capex involved in the implementation.

The final result of the PI X-ray and client prioritization work is an improvement program with a concrete implementation time plan (see Figure 7).

How we achieve results

A recent Bain study of operational performance improvement programs at several hundred companies revealed the following:

- 12% of the companies reached or exceeded their program targets.

- 50% of the companies succeeded in reaching more than half their targets.
- 38% achieved fewer than half their goals.

Successful performance improvement programs require the following elements:

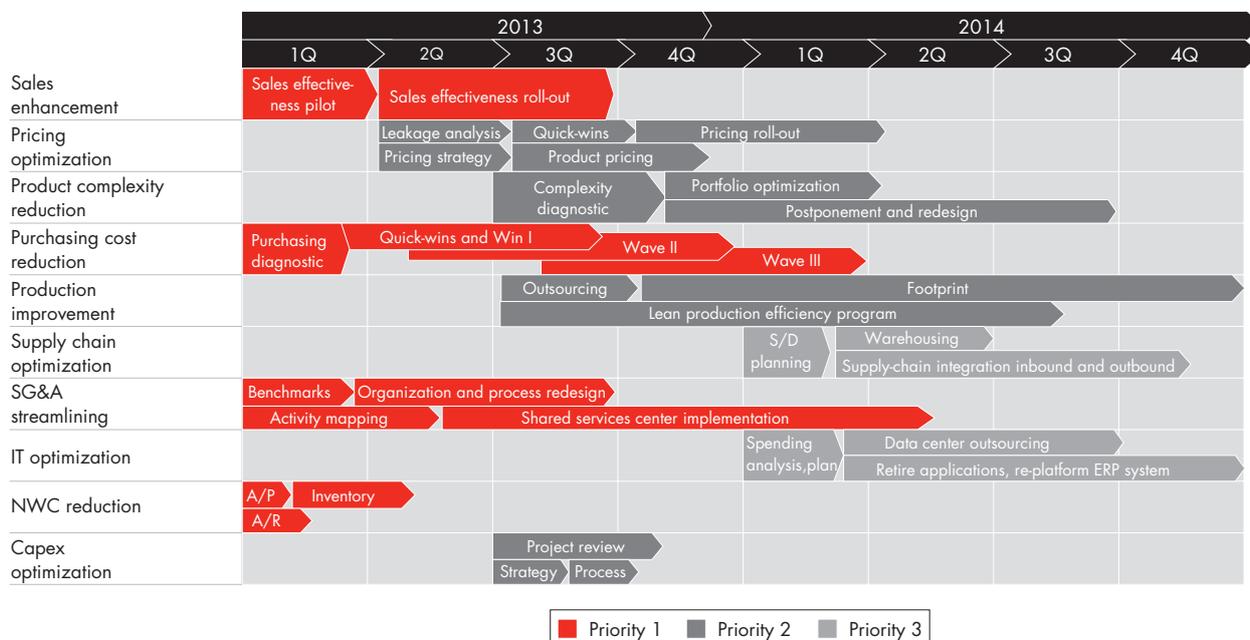
Program definition

All project targets need to be translated into feasible performance improvement ratios. All activities must contribute to defined projects, which in turn must fit into an all-encompassing program. Employees must be given clear tasks, and managers must set clear goals that include direct impact on the balance sheet.

Employee competence

For organizations to change, people must also change. To deliver the results expected of them in an operational performance improvement process, employees

Figure 7: The implementation roadmap defines timing and the phasing of prioritized initiatives



Source: Bain & Company

will need to change their behavior and experience a sense of achievement from these changes. It is therefore vital that companies invest in coaching measures to ensure that these new behavior patterns have positive and consistent consequences.

Companies can achieve high employee competency by focusing on four factors:

- **They live the future:** A clear and convincing story about the desired changes ensures that everyone works toward a common goal.
- **They engender commitment:** Executive staff must collaborate effectively and demonstrate clear support for the performance improvement program.
- **They keep their feet on the ground:** A realistic implementation plan focuses on achieving goals while bearing in mind that there are limits to each individual's ability to change.

- **They ensure sustainability:** Feedback channels and checkback possibilities ensure effective learning and lasting solutions.

Process tracking and intervention

Whereas some things are easy to measure, others take too long or the measurement doesn't function properly or fails to have the desired effect. Having identified the most promising improvement levers, we can help set priorities and define a time plan based on the customer's particular goals.

Conclusion: "What gets measured gets done."

With the aid of operational performance improvement, Bain clients typically boost their margins by an average of seven percentage points within two to three years. Areas that tend to show rapid and significant improvement include procurement with its high cost impact, a reduction in working capital (cash management) and a critical examination of current Capex.

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Projects that display performance improvement in the medium term include outsourcing, new plant networks, inventory management systems and measures to reduce complexity. Projects that typically need more time include the introduction of lean management, reducing product complexity and systematically trimming product costs.

Bain's X-ray diagnostic identifies potential short-term improvements as well as longer-term improvements that can result from changes in production or product configuration. The priorities set by the client decide which of these potentials to leverage.

About the study

Bain supports its clients worldwide in identifying and achieving their full operational potential. We apply both a holistic approach that spans the entire customer organization as well as a single-attribute approach for targeted improvement of specific problem areas. The study is based on the project experience and extensive expertise of Bain & Company in the field of performance improvement. You can find the study "Operational Performance Improvement in Industrial Companies" on our websites www.bain.de and www.bain-company.ch. 

Shared Ambition, True Results

Bain & Company is the management consulting firm that the world's business leaders come to when they want results.

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 51 offices in 33 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

What sets us apart

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.



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