



SUNTEC



Benefits at a glance

- ▶ **Saved from bankruptcy**
- ▶ **Net sales €25.1 million in year one**
- ▶ **Increased profit margin of 10-15%**
- ▶ **Class A in IBP accreditation**

Customer Profile

How Integrated Business Planning Pumped up Profits

After teetering on the edge of dissolution, SUNTEC has undergone a radical transformation to reaffirm its position as the leading global gear pump manufacturer, with a turnover of over €25m. Guiding this remarkable accomplishment and working directly alongside SUNTEC's people, were business transformation specialists, Oliver Wight. Through the implementation of a major improvement programme, Integrated Business Planning (IBP), SUNTEC and Oliver Wight have worked together to overcome some formidable challenges, and have successfully re-established SUNTEC's reputation as a reliable and innovative industry leader.

Imagine the **possibilities**,
realize the **potential**.





Laurent Chevalier
CEO of SUNTEC

“Because of IBP, we now have the capital from our current operations to further invest into new growth projects and prepare for the future.”

Established in 1984, SUNTEC is one of the world’s leading providers of gear pumps, designing, manufacturing and marketing more than 600 models across the globe. As well as pumps, SUNTEC is also a partner of the largest heating system manufacturers, leveraging its experience and expertise to deliver technical solutions for domestic burners, industrial boilers, heating systems, hydraulic systems and high pressure cleaners. As a multinational organisation, SUNTEC has two production sites across two continents, employing 145 highly-skilled specialists to design, manufacture and market an unrivalled range of gear pumps and accessories.

History

Although SUNTEC was founded in the latter part of the 20th century, the company’s origins are rooted in the Sundstrand Corporations Group, which was established in 1926 in the United States. In 1984, the Hydraulic Division of Sundstrand was taken over, with the creation of a newly-formed organisation; SUNTEC. Operations were migrated across the Atlantic to Europe, with SUNTEC setting up its headquarters and main production site in Burgundy, France, whilst retaining a small subsidiary in Kentucky. Armed with decades of expertise and knowledge, the company focused on building a reputation as the global go-to pump specialists, releasing several new pumps and obtaining industry certifications within a few years since its formation.

As SUNTEC entered the 21st century, it was quick to recognise the importance (and potential) in exploring environmentally-

friendly technology. The 00’s saw the release of new models designed specifically for bio-fuels, as well as designs which reduced electrical consumption and improved efficiency. These innovations, in conjunction with SUNTEC’s status as one of the last manufacturers of fluid pumps, resulted in a recognised reputation as pioneers in the field of pump manufacturing technology.

A spanner in the works

However, SUNTEC’s stellar reputation amongst its customers was quietly shielding a multitude of detrimental operational practices and processes, which had begun to manifest themselves in the 2010’s. Despite working in a very stable market, with an established customer base, SUNTEC was experiencing serious cash flow problems and



Class A award presentation (Oliver Wight associates: Flavio Pietrocola far left, Catherine Schimtt-Weber centre, Christophe Aynes second from right, Laurent Chevalier far right)

struggling to balance its books. It was overdue in paying its suppliers, causing them to lose confidence and cut ties. A chaotic supply chain left SUNTEC struggling to source the raw materials to manufacture its pumps. Laurent Chevalier, present-day CEO of SUNTEC recalls, “It wasn’t a market problem, it wasn’t a competition problem with rivals starting price wars – it was an operational problem.”

This lack of clarity extended to demand forecasts, with management unable to communicate credible or reliable figures. Often, there would be an unfounded projection of growth – for example, one senior executive projected that profits would double in three years - which would then not materialise. “And there was always a reason to not meet the target,” says Chevalier.

Looking back, it’s unsurprising that inaccurate forecasts haunted the company, when SUNTEC was unable to even obtain accurate figures for sales revenue. A disjointed commercial policy resulted in some geographical markets being sold discounted goods, producing another set of sales figures which were used by some but not by others, when calculating total revenue. Chevalier explains, “There were always changes and variations with the two figures - we didn’t even know how much we had sold, or how much revenue we were generating.”

This lack of transparency and absence of cross-organisational cohesion was symptomatic of an autocratic style of management, which had forged an ‘us-and-then’ mentality between those at the very top, and the rest of the company. It served only to create a startling disconnect between the ambitions of the CEO and the reality on the factory floor,

encouraging operational SILOs and discouraging communication between departments across the board. Co-operation was displaced by conflict. Chevalier admits, “Teamwork did not exist at SUNTEC.”

In addition to this, hasty expansions resulted in poorly-run subsidiaries, with an unsuccessful production site in Hungary and distribution site in Japan only increasing costs, whilst producing no real profitable returns. Even the long-established site in Kentucky suffered from a lack of integration, with a habit of hiding inventories and deliberately over-estimating component orders to ‘cushion’ themselves from potential supply shortages from the French manufacturing plant.

As SUNTEC’s debts continued to escalate, its then-CEO turned to Chevalier in May 2016 for a solution. At the time, Chevalier’s role was that of a fund manager representing the interests of SUNTEC’s shareholders, but his previous personal experience had brought him into contact with business transformation specialists, Oliver Wight.

Keen to get SUNTEC on the road to recovery, initial introductions were made in the same month, and with the help and guidance of Oliver Wight’s consulting partners, the team at SUNTEC designed a renewed programme of education and activity. The aims were clear; driving common processes of working, implementing cross-organisational collaboration and increasing visibility across the organisation by working from one set of numbers.



However, things got worse before they got better. Although the Class A IBP programme was introduced as swiftly as June 2016, it was too little, too late. Management made the decision to file for bankruptcy shortly after the initial IBP implementation, and SUNTEC prepared to close its doors after over 30 years as the global pioneers of pump technology.

Bad workmen blame their tools

Fortunately, SUNTEC's tale could continue. The initial, pre-IBP audit conducted by Christophe Aynes, SUNTEC's IBP project leader, revealed that SUNTEC's people had the skills, competency and enthusiasm to turn the company around, once a programme like IBP was in place. It wasn't the people, or even the products that were the problem, it was the processes – and these could be overhauled with IBP. This evaluation was welcomed by Chevalier, who was a staunch advocate of Oliver Wight's tried-and-tested transformation methodology. Although his background was in finance, Chevalier understood the significant benefits that IBP could bring and how, when harnessed correctly, it could transform a struggling organisation into a global top performer.

After proving to the courts that there were demonstrable plans already in place to coordinate SUNTEC's turnaround, Chevalier was given the opportunity to bring SUNTEC back from the brink of complete liquidation. He officially assumed the position of CEO in December 2016 – having represented SUNTEC's shareholders since 2001, Chevalier was a reassuringly familiar face amid the chaos. And, as a firm advocate of IBP, he could

oversee the implementation of the programme with the rigour necessary, alongside a renewed sense of enthusiasm.

Bizarrely, it was SUNTEC's bankruptcy that proved to be the catalyst for the wave of change that was to follow. The fact the company was in such a perilous position as to resort to bankruptcy, served as irrefutable proof that it needed to radically rethink its processes, strategy and ways of working. Chevalier explains, "The bankruptcy was an opportunity. People were confronted with the problems head-on, so we either had to do something, or do nothing. We chose to do something."

The bankruptcy also eradicated any doubters or non-believers – an issue commonly encountered by organisations during transformation processes, when inherited behaviours and fear of change can often impede implementation. Not at SUNTEC. With Chevalier at the helm and supported by both Aynes and Oliver Wight consultants Catherine Schmitt-Weber and Flavio Pietrocola, SUNTEC's people fully committed to transforming – and thus, saving – their organisation. Chevalier says, "Nobody ever came to me and said we're making a mistake, or this isn't the way we should be proceeding."

With the objective of achieving Class A accreditation as the tangible pinnacle of 'success', SUNTEC began its transformation journey. "At the beginning, it was crucial to make people really believe in the process," Chevalier recalls, "The fact that we were working with Oliver Wight, who could help us gain control and improve operations, was very important. And getting the certificate would be proof that we had regained that control."



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SUNTEC was in a more precarious position than most – after declaring bankruptcy, it had to periodically and visibly demonstrate to the court that it was improving to avoid total liquidation. Chevalier confirms, “We had to prove we were profitable, to exit bankruptcy.”

But once again, in a peculiar twist, SUNTEC’s bankruptcy proved to work in its favour. Upon hearing that one of the world’s leading pump manufacturers might cease to exist, some of SUNTEC’s customers increased the level of their orders to stockpile the pumps, as they worried that their trusted supply would disappear. “People were ordering more than they needed,” explains Chevalier, “Most of our customers told us that they needed SUNTEC, and that it would be a real problem if we ceased operations. It made us work harder.” Not only did this give a massive boost to SUNTEC’s sales at a crucial time, it was also testimony that its reputation as the go-to provider of fluid pumps was still firmly intact.

Understandably, not all of SUNTEC’s customers stayed loyal. Chevalier admits, “We did have one customer who decided to go for double-sourcing and to give some volumes to our main competitor, to protect his supply.” But this only spurred SUNTEC to push even harder to truly overhaul its processes. Clearly, SUNTEC had to restore faith amongst its clients – both suppliers and customers – and it achieved this by developing transparent channels of communication. No longer did management hide behind inaccurate forecasts, firefighting as orders lapsed or weren’t delivered. Individual face-to-face meetings with suppliers became the norm, enabling SUNTEC to

demonstrate that the company was truly committed to change. Chevalier says, “Sometimes we went to them, sometimes they came to the factory, but we always told them that we were implementing a new management programme. And they could see that.”

Positive Verdict

Five months after the initial IBP implementation, SUNTEC had its first appearance in court. The aim was to demonstrate that the improvement programme was producing results, and that SUNTEC was still very much a viable business. The numbers spoke for themselves. “We showed rather good figures”, smiles Chevalier, “We had 60% marginal variable costs, and by reducing the fixed costs, we were confident that we could increase the profit margin up to 10-15% to generate between €24m and €25m of sales.”

Things only improved from there. The introduction of the monthly IBP cycle, enabled management to monitor progress and adjust plans accordingly, through the monthly ‘check and correct’ activity. As new information became visible, with decisions communicated back to all departments in the form of the latest approved IBP plan, any issues and potential problems could be monitored and discussed, with solutions executed the same way at both the Burgundy and Kentucky sites. “A stream of information and data from the market provided the intel we needed to gain an insight for the real demand for our product,” says Chevalier.

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Crucially, for SUNTEC, this process enabled the creation of its very first 12-24 month forecast, in January 2017. Now, it works three-to-six months ahead, anticipating and preparing for issues which would have previously crippled its production, such as the annual one-week factory vacation shutdown.

Stamp of approval

At SUNTEC’s court appearance in April 2017, it proved that not only it was a sustainable business, but that it was also profitable. In the first quarter, SUNTEC had taken measures to cut down the fixed costs, and increase prices to protect margin growth. “I regularly sent the reporting figures,” says Chevalier, “In our ‘good’ quarter, we had sales of above €2million and even in our ‘quiet’ quarter, we had projections of €1.7million.” With approval from the courts, SUNTEC could enter discussion with the banks and creditors to work on a concrete plan to save the business. With IBP in place, it had the tangible proof that it had regained control of operations. “We showed them the improving accuracy of forecasts, the continuation plans and the monthly reviews. That reassured them the company was viable,” says Chevalier.

Initially, there were a couple of hiccups. At the beginning of 2017, SUNTEC experienced at least one technical problem a week, because it hadn’t invested in the maintenance of equipment when cash-flow was non-existent. But instead of reacting on impulse, management acknowledged the issues, and then incorporated them into the monthly reviews to enable strategic decision-making to find a solution.

Additionally, it took some months for US subsidiary to fully embrace integration, and understand that SUNTEC was one entity. With the US representing 25% of its market, successful integration was crucial. “Now, we are a group,” enthuses Chevalier, “Every month after the financial review, we have another financial review with the accountants in the US, exchanging forecasts to ensure everyone has all the information.”

By driving collaboration across all departments and subsidiaries, SUNTEC now works from one set of numbers, driven by assumptions and activity plans. In turn, this has helped to forge a close co-operation with SUNTEC’s key suppliers and customers, as reduced costs and increased reliability helped to reinforce its reputation as the global go-to-guys for pumps.

The results

SUNTEC is well on track to achieve its first-year sales forecast of €25.1m, with an outlook for next year of €25.8m, with the core business generating margins above 12%. The cash-flow situation has been brought well under control, with SUNTEC’s cash reserves restored to a good position. And, In June 2018, it reached the milestone of Class A for IBP – tangible proof that it had achieved its aim of transformation.

Most importantly, SUNTEC has successfully transformed the cultural behaviours and climate. Chevalier praises, “What’s dramatically changed, is the confidence of the people. Now, when we have meetings there are no interruptions and people genuinely listen. We work together to devise solutions and make



collaborative decisions.” This has had a positive knock-on effect in the retention of SUNTEC’s best talent, with its employees fully committed to making SUNTEC a success.

Underpinning Oliver Wight’s transformative philosophies is the concept of people, processes and tools, and cultivating the right environment to enable a top-down, bottom-up approach has been fundamental. From the outset, SUNTEC recognised that people are the catalysts in inspiring transformation, and that knowledge empowers them to motivate change. Already benefitting by overwhelming support from its employees, SUNTEC continued to encourage engagement and personal investment in the transformation project, with an on-going education programme.

Future prospects

Having exited the ‘at-risk’ zone, and settled with a stable status, SUNTEC can begin to plan for its future, as it seeks to maintain its position as one of the leading manufacturers of pumps. The game plan? Diversification and innovation. Although it will continue to build on its core business, SUNTEC will allocate significant resources to explore untapped opportunities for growth.

Chevalier says, “My focus now is more strategic.” SUNTEC has appointed an innovation committee as part of the long-term plan for the company, which has been tasked with the objective of growth through diversification, expansion of products and external growth projects. But none of this would have been possible without Oliver Wight and IBP, which has laid the crucial

groundwork for SUNTEC’s future, with KPI improvements across the board; supply, production, customer OTIF, sales, EBITDA, and forecast accuracy.

“The implementation of IBP, led by Catherine, Flavio and Christophe, helped the team to gain confidence in their capabilities and control of the operations, as well as enabling the team to grow in maturity. The management experience of the Oliver Wight consultants has been integral in SUNTEC achieving Class A in IBP in June,” Chevalier enthuses, “Now, most of our meetings are focused on working on the long-term, rather than having to address short-term issues. Because of IBP, we have the capital from our current operations to further invest into new growth projects and prepare for the future.”



When you talk to Oliver Wight about improving your business, we'll assume you want results, not just better processes - things like increased revenues and margins and greater market share. If you have the ambition, it is possible to make improvements that truly transform the performance of your organization and create more fulfilling roles for the people within it. We believe this can only be delivered by your own people. So, unlike other consultancy firms, we transfer our knowledge to you; knowledge that comes from nearly 50 years of working with some of the world's best-known companies.

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