

CASE STUDY

Hubbell Leverages Operational Excellence to Improve Operating Profit by \$300M+

Client

Hubbell Inc., a \$3B manufacturer of electrical and electronic products.

Challenge

After years of successful growth, sales and profitability had flattened. In order to fund their stated growth goal, Hubbell needed to integrate their many business processes, reduce working capital, and cut operating costs across more than 30 worldwide locations.

Solution

Implement a lean management system to align strategies and key performance indicators, improve business results and implement a Design for LeanSigma (DLS) process to increase speed to market, ensure design for manufacturability and ensure meaningful product differentiation.

Results

- Increased operating profit margins to 15% from 4%
- Increased net income from \$48MM to \$268MM
- Recovered from recession faster and increased revenue to nearly \$5B today
- Reduced inventory from 93 days to 49 days and generated \$240MM in cash in five years
- Increased EPS by 338% from \$0.82 in to \$4.42
- Improved new product development process, speed to market, innovation effectiveness

Potent Competitive Advantage, More Responsive, Higher New Product Success Rates

Hubbell Incorporated operates manufacturing facilities in the U.S., Canada, Puerto Rico, Mexico, Italy, Switzerland, Brazil, Australia and the United Kingdom; participates in joint ventures in Taiwan and the People's Republic of China; and, maintains sales offices in Singapore, Hong Kong, South Korea, the People's Republic of China, Mexico, and the Middle East. The corporate headquarters is located in Orange, Connecticut, USA.

An Organisation Built by Acquisition

Hubbell, an organisation built by acquisition (37 acquisitions in 16 years), was characterised by multiple cultures and diverse practises and was historically managed as a collection of businesses. After years of successful growth, sales and profitability at this \$2+ billion global maker of electricity transmission products had flattened. In order to fund their stated growth goal, Hubbell needed to integrate their many business processes, reduce working capital, and cut operating costs across more than 30 worldwide locations.

In early 2002, Hubbell had too much working capital and they were unable to adapt to rapidly changing market conditions. Former CEO Tim Powers wanted the company to undergo dramatic change and issued an aggressive challenge to the organisation just one year into its lean transformation.

The Challenge After The “2x4” Strategy

“2 X 4” Strategy Objectives	Operating Income	Cash Flow
2x inventory turns by per year	-	\$150M
2% margin improvement per year	\$50M	
2% market share improvement	\$25M	
Total Improvements	\$75M	\$150M

Developing A Comprehensive Go Forward Plan

In conjunction with the Hubbell leadership team, TBM developed a comprehensive go forward plan for all the major operating divisions and began directly implementing the LeanSigma transformation. In support of this transformation plan, TBM also began selectively training key continuous improvement professionals and began training the first line leadership teams on how to independently drive and sustain change in their organisation.

In late 2001, Hubbell launched its lean journey at six sites with heavy emphasis on plant operations. Lean education and training focused on 5S, cycle reduction, waste elimination, inventory reduction and cell creation. Just one year later, Hubbell engaged TBM for Policy Deployment and launched the 2x4 strategy creating a burning platform for improvement and focusing the organisation on the vital few goals that would help Hubbell improve speed, flexibility and quality. The company drove immediate results. They were able to free up enough cash flow from operations to fully fund a significant acquisition in 2002, and their stock price increased by more than 50% in a flat and declining market.

By 2004, Hubbell expanded its continuous programme to all thirty of its locations—adding business process improvement and new product design to its lean skill set.

Metric	2001	2007	% Change
Sales (\$B)	\$1.3	\$2.5	95%
Net Income (\$M)	\$48	\$208	333%
Earnings Per Share	\$0.82	\$3.50	327%
Inventory (Days)	99	51	-48%
Operating Profit Margin	4.3%	11.8%	174%
Working Capital (as a % of sales)	27%	20%	-26%

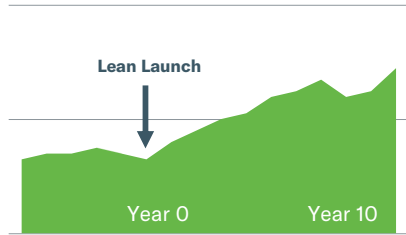
Over the years, Hubbell has tapped TBM to help extend lean thinking into other business processes including new product development.

“I’ve found TBM to be truer to Toyota Production System principals and the core of process improvement than any other consulting firm – but their expertise extends well beyond process improvement. They’re not only solving problems, they’re changing us. TBM is truly our partner.”

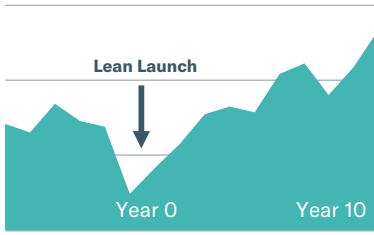
**—Tim Powers,
Former CEO at Hubbell**

Hubbell Performance Transformation

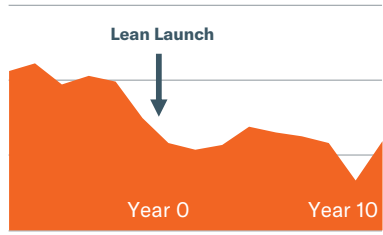
Revenue



Net Income



Inventory Days



- Doubled sales in seven years
- EPS and net income growth over 4x
- Generated \$240M+ cash in first five years
- Lean Steering Committee ensured alignment
- Executive development to build bench strength

Speed wins every time.

TBM specialises in operations and supply chain consulting for manufacturers and distributors. We accelerate operational performance to make you more agile and help you accelerate business performance 3–5x faster than your peers.



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Lindenstrasse 16
6340 Baar, Switzerland
O: +44 7909 522287