



# Kraus Group Manufacturing turnaround

## Background

Founded in 1958, Kraus Group is one of the largest manufacturers and distributors of flooring products in North America. Its primary manufacturing site is an 850,000 sq ft facility in Waterloo, Ontario. Hilco acquired Kraus Group in June 2012 and, as part of the overall company turnaround, a series of restructuring and improvement projects were initiated within the Waterloo manufacturing facility. The key Waterloo facility comprises synthetic yarn spinning assets capable of processing polypropylene and nylon resins (Strudex 1 Plant) and carpet tufting and backing production facilities (Kraus Carpets).

In the recent past, the Waterloo site had increasingly suffered from underinvestment in maintenance of the key production assets. This combined with the financial pressures of an over-leveraged buy out and the lack of a structured and focused improvement plan had led to a deterioration in quality, output and cost performance that was having a significant impact on the business.

## Hilco's Role

Immediately on acquisition, Hilco worked with the existing management team and drew on previous due diligence assessment to define four key target areas for the initial 90 day turnaround plan:

1. Cost reduction
2. Working capital improvement
3. Production quality improvement
4. Production output improvement

Within five days of acquisition, a comprehensive 90 day time based action plan had been agreed and issued, together with set control measures, to create focus on the 'critical success factors' and monitor implementation on a weekly basis.

Five operational implementation teams were established to drive the key actions defined in the 90 day plan, each lead by a senior manager and with participants from all levels in the organisation. The plan was progressively and successfully implemented with comprehensive weekly progress and measurement review with each implementation team.

The roll out of the plan was supported by a comprehensive on site communication programme to all operational teams. This included out of hours 'mess room' presentations to ensure all staff were engaged with achievement of the initial objectives and to encourage input to improvement processes; within the first 90 days Hilco led over 25 separate improvement presentations.

## Results

The investment in communication resulted in high levels of support and enthusiasm for the improvement work at all levels across the site. Carpet production performance during the first 90 days was 14% above the monthly average for the prior period. The quality of the manufactured product improved significantly from 3.03% to 1.86% annually and continues to improve. In the last months of 2012, this reduced to less than 1% of total carpet production which is significantly below accepted industry standards.

Annualised cost savings of \$1,690,000 were in place and running within the first months of the project with a further \$242,000 of initiatives now identified and in progress.



### Key Facts

- › **CAD \$350m** turnover Canadian flooring business acquired by Hilco in 2012
- › 850,000 sq ft manufacturing facility in Waterloo, Ontario
- › Fully integrated polymer extrusion and carpet manufacturing processes
- › Historically poor production quality performance

### Results

- › Production up 14%
- › Seconds down from 3% to less than 1%
- › **\$2m** annualised cost savings