
Found Money:
**Improved Profits are there, but
you have to know where to look.**



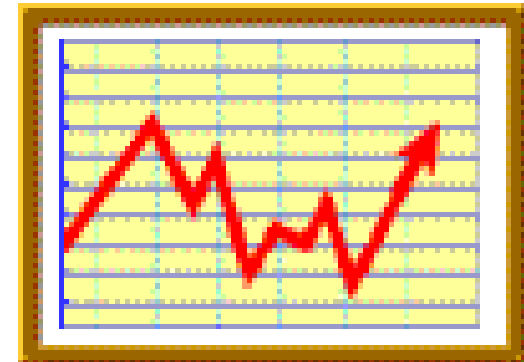


Every system and
operating procedure
you have in your mill is
perfectly designed...

...to get the results you
are currently getting.

Is that what you
want?

If not, let's talk
about changes
that can increase
profitability.



Discussion Outline

- Getting to Know Each Other
- Turning Decisions Into Profits
- Framework for Analyzing Mill Profitability
- Industry Issues
- A Checklist for Improved Performance

Doug's Profile

To increase profits, I need:

- Access to reliable, current information
- A way to analyze the impact of possible alternatives
- A way to communicate decisions

Audience Profile

- Summary of survey results
- Requested discussion points
- Types of decisions you are making

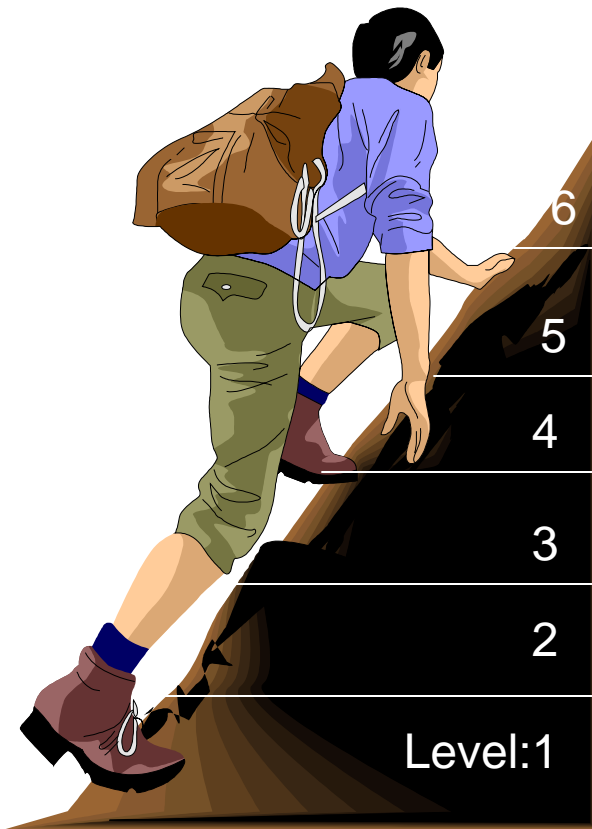
Decisions Into Profits

Understanding the financial implications of operating decisions you make is the foundation for improving profits.

Decisions Into Profits

You need to have the tools that will allow you to analyze the financial impact of actions you are considering.

Six Levels of Financial Knowledge



6: Optimization Across Time

5: Enterprise Performance Management

4: Throughput Based Understanding

3: Substantive Cost-Volume-Profit

2: Basic Cost-Volume-Profit

1: Financial Statements

Levels 1-3 → Operating Issues

- Primarily accounting-based information.
- Increasing understanding of break-even levels, pricing, return on assets.
- Driven by strong cost accounting and financial analysis.

Levels 4-6 → Operating Issues

- Integrate engineering data with financial data to combine “what’s possible?” with “what’s profitable?”
- Drive decisions related to product mix, marginal economics and inventory levels at all production stages.

Framework for Analysis

Key places to look for profits:

- Customer Profitability
- Plant Optimization
- Product Mix
- Additional Sales
- Conventional Budgets
- Acquisitions

Framework for Analysis:

Customer Profitability

- Who are my most profitable customers?
- If a line goes down tonight, who will be my top priority in servicing?

Framework for Analysis:

Plant Optimization

- Did I make money yesterday?
- Should I choose to run at a rate that is lower than capacity?
- When does shutting down equipment increase profits?

Framework for Analysis:

Product Mix

- Which products are most profitable for me?
- How can I run my products more profitably?

Framework for Analysis:

Additional Sales Opportunities

- If presented with an opportunity to make more of a particular product, should I accept the order?
- How should I price the next ton of product I make?

Framework for Analysis:

Conventional Budgets

- Are corporate spending guidelines or restrictions reducing my profits?
- How should I look at fixed costs?

Framework for Analysis:

Acquisitions

- What will the acquired mill(s) add in terms of profitable customers?
- Can I shift production among several mills to create more profits?
- Can we optimize profits to create value that is greater than the acquisition price?

Industry Issues

We've Always Done It That Way

Conventional practices are keeping us from succeeding.

- Timing of Capital Investments
- Willingness to Invest in New Equipment

Industry Issues

Performance Appraisals

Performance Appraisals are designed to reward conventional behavior.

- Staying within budget is safer than increasing profits.
- Maintaining run rates and high machine efficiency numbers are rewarded more than making a profit.

Performance Appraisals

- Managers are rewarded for their people skills more than for their technical skills.

Check List

Where to Look for Improved Profits

- Create a good system for evaluating and resolving repeat failures.
- Monitor efficiency numbers.
- Be very aware of contribution dollars on your dearest resource.

Check List

Where to Look for Improved Profits

- Maintain a list of A,B,C,D jobs for maintenance to perform when equipment is down.
- Understand the cost of quality and the cost of waste.

Improved Performance

To “find” more profits we must:

- Be willing to think creatively.
- Have accurate information and the tools to analyze our options.
- Be allowed to try something new.

For Questions or Additional Discussion:

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