

## Piston Seal Strategy for Freudenberg

### **Issue for Freudenberg**

The piston seal was one product group for the shock absorber seal division. The issue was that profitability for this product group had dropped over previous years and as Steve took over as divisional manager they had fallen to 5% loss on sales. This group represented 30% of total sales and the cash drain was now impacting severely on the total divisional result. Demand was increasing faster than output and special freight had significant extra costs, so the trend was worsening.

### **Overall contribution / achievement of objectives**

After analyzing the current position Steve embarked on a strategic change with 3 main elements. Firstly to change the contracts with the supply base in Germany and Spain, this would reduce financial exposure. Secondly to improve the operational efficiencies in manufacturing, even though the product was over 75% material content, further savings were still possible. Thirdly to renegotiate with the German customers improved terms and conditions.

### **Impact on the business / bottom line**

Over a period of 18 months the piston seal product group moved from 5% loss to 10% profit on sales, which increased cash-flow by around £2m annually. The customers even invested their own money in machines to expand capacity at Freudenberg.

### **Leadership / people management skills**

“Steve was determined to make this work, even though it was initially against the wishes of the CEO. To Steve’s credit he rightly identified the strategic advantage which we had with regard to product performance and used this to advantage. He negotiated hard (in German) and repositioned the entire business. He proved it was possible and without the support of the senior management at the headquarters. His division went on to become the most profitable and cash generative of all of the automotive divisions.”

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