PODCAST – Steelonthenet.com
Profit Improvement Programmes

Metals Consulting International

[JK] Hello from Steelonthenet.com. This is a transcript of an MCI podcast about steel industry profit improvement programmes. Our speaker is Andrew Kotas, Managing Director of **Metals Consulting International** (MCI).

Andrew will spend about 5 or 6 minutes on this topic. In case you have any questions, you can contact **MCI** by email. The address is mci@steelonthenet.com. You may also call MCI directly, on +44 775 149 0885. These contact details are repeated at the end of the podcast.

Andrew, Good Morning. Perhaps we could ask you to say a few words about steel company profit improvement programmes. A good starting point for many listeners, maybe, is: what exactly are they?

[AK] Good morning, and thank you Julia for your introduction. Let me turn to your first question immediately. What then is, a profit improvement programme ?

Well, at its simplest a **profit improvement programme** or PIP is a short to medium term plan for improving steel company profitability

… both through **revenue improvements**
… and through cost **reduction measures**.

It is a plan prepared by a team of experts who have a combination of skills. These skills include metal-sector market and technical expertise in the main, but also business and industry understanding so that, working with management, we can convert ideas into improved bottom line performance.

At its simplest, the profit improvement programme is a short written plan – it can be 10 pages or less. It is a plan that is jointly worked on, by consultants and local managements, alike. And although every steel company is different, the typical PIP will address matters such as:

- revenue improvements on the one hand. These will normally be identified as arising from improved product mix (that's emphasis on more value added), from more efficient distribution, from better product pricing (including new surcharges, sometimes) and quite often, from improved customer selection;
- cost improvements on the other hand. These improvements are normally established through better yield performance, from improved productivity, through changes in purchasing practices and behaviours, from adoption of new technology, and from better utilities consumption, better use of know how, better commercial understanding etc…

In the typical PIP, each of the revenue and cost opportunities that I have just listed is assessed, described, quantified and where possible, built into the company business plan with allocation of targets and implementation responsibilities.

[JK] That's very clear, Andrew. Thank you. That brings me to a second question about the profit improvement programme. Why would a company normally want to run such a programme?

[AK] Well, different companies typically implement their PIP's for different reasons. Sometimes these reasons can involve the need for a fast business turnaround – from loss to profit – as part of a major corporate restructuring. Quite often, management will be new and may feel it can gain from having a fresh and independent perspective. Often also, an existing management may remain in place, but may feel the need for a better understanding of foreign markets, or of international best practice at operational level ... and thus wish hear the opinions of international consultants.

Sometimes however, a PIP is undertaken less for management purposes, and more for the benefit of other stakeholders. These stakeholders can include bankers, who may wish to ensure that every profit opportunity is identified and then grasped in order to maximise a return on investment. Other stakeholders can also include bodies such as National Governments or the European Commission, who require emphasis on improved profitability as part of a National Steel Restructuring Programme or who can require an independent assessment of future **business viability** as part of a State-Aid related investigation or undertaking.

[JK] I see. Let me turn to a third question now. How do you actually go about putting together the profit improvement programme?

[AK] Well, what happens in almost all cases is that we follow a simple, four step process.

Step 1: this normally involves the preparation of a short questionnaire for management and then also involves assessments of plant performance based on management responses to the questionnaire
Step 2: this also involves Consultant familiarisation with the business, with the consulting team looking through company documents such as market studies and existing business plans
Step 3: this usually involves a field visit, and is typically focused on discussions with management and on plant visits. Such a field visit generally involves two or three expert consultants visiting for 2-3 days, depending on the size and complexity of the steelmaking plant;
Step 4: this then involves the preparation of a short PIP report – the profit improvement programme itself - including calculations about the likely magnitude of any profit uplifts and deliberations on management priorities and overall implementation responsibilities.

From start to finish, the whole process can last as little as two weeks. The process can also however be ongoing – so that the Consultants return after 6 or 12 months to appraise the progress made and perhaps to 'unblock' or 'refocus' the original efforts. Quite often, we also assist with a re-write of original profit improvement plans 1, 2 or sometimes 3 years after their original formulation, and these activities too can be relatively fast.

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[JK] I guess that that pretty much sums up today's podcast. We have covered the questions: what is the PIP, who is it for, and how is it done; and I guess that our allotted six minute slot is probably now used.

So Andrew, on behalf of Steelonthenet.com it just remains for me to say thank you very much for that. For any of our listeners who may need a reminder, our speaker today was Andrew Kotas from Metals Consulting International, a metal sector consultancy based in the UK. If you would like further information, please contact Andrew by email – the address is MCI@steelonthenet.com, or call MCI directly on +44 775 149 0885.

Thank you very much for listening to this podcast. This was brought to you courtesy of www.steelonthenet.com.

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