

Turnarounds: A SOAR Turnaround At Chardon Rubber Co.

New strategies bring new opportunities.

By JOHN TERESKO

July 1, 2007 -- Pondering a turnaround strategy? Don't let conventional thinking hinder either the planning or the objectives, advises Chardon Rubber Co.'s Marian DeVoe, president and COO.

For example the Chardon, Ohio-based company even became critical of the weeks that conventional consulting help required. The solution: selection of the Parkland Group's SOAR process that begins offering evaluation on the first day of implementation.

"Working with Parkland, we uncovered numerous profit and growth opportunities, says DeVoe. (Chardon Rubber is a designer and manufacturer of rubber and plastic components and systems.)

The two most significant:

- * Realizing that the standard costing system did not accurately represent the true cost of servicing customers.
- * Understanding that Chardon Rubber was trying to be all things to all customers rather than focusing on company strengths -- the sweet spot.

Adds DeVoe: "Like almost every company that uses standard costing, our process was misleading. It spread a large pool of overhead costs over all of our products using criteria that did not accurately represent where costs actually were incurred. Parkland developed a list of approximately "30 Costs to Serve" that took into account the traditional costs of producing a product plus all the costs involved in servicing a customer."

Under Chardon Rubber's standard costing model, the company had erroneously considered numerous customers as profitable. "But when we applied yields and variances back to the customer and took into account other costs such as engineering support, specialized packaging or specific requirements, we realized that many customers were actually not profitable."

In addition the company found that some products and customers formerly categorized as not profitable were actually profitable. Reason: they were low maintenance and/or easy to run and service, explains DeVoe. She says Parkland's SOAR analysis helped revealed that 15% of the company's 250 customers were responsible for 90% of sales dollars and a similar percentage of gross margin dollars.

With this increased sensitivity to the relative value of individual customers, Chardon Rubber initiated new Value-Based pricing. DeVoe reports ultimate validation of the move -- very few of the



Larry Goddard, founder, the Parkland Group, and Marian DeVoe, president and COO, Chardon Rubber Co.

150 affected customers were lost. Her conclusion: "We had, in fact, underestimated the value that we provide our customers; value that our customers are willing to pay for."

Larry Goddard, who founded the Parkland Group in 1989, says his focus is on helping business rapidly improve business and profitability. His SOAR process uses a scorecard approach to evaluate a business in 16 key areas. "In one day we give people a complete snapshot of their business. Think of it as a corporate body scan -- an MRI of the company."

He says SOAR's focus goes beyond the financial statements to the underlying strengths of the business. Self-assessment helps accelerate the process. The approach starts by having a cross-functional team of managers and employees each answer more than 300 carefully designed questions. Goddard says SOAR's proprietary software quickly provides an evaluation.



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