

## Dashboarding at Applichem<sup>1</sup>

### After the Productivity Survey:

After the plant productivity survey, Joe Spadaro spearheaded a strategic plan to transform Applichem. This plan took months to execute, was extremely costly, and involved some painful “corporate restructuring.” Simply put, it was one of the most challenging periods of Applichem’s 40 year history.

The pay-off was ultimately worth the pain. As part of the strategic plan, Applichem instituted regular meetings among the plant managers to share best practices. Overall, wasted materials were down and product quality was up across each of the plants. A thorough analysis of plant capacity and throughput was conducted, and in a few places, excess capacity was trimmed or re-allocated to other product lines. Most importantly, Applichem instituted a new dynamic re-allocation strategy for production.

Specifically, depending on local demand, labor costs, and foreign exchange risk, production is re-allocated each quarter between the plants. That way, plants with more spare capacity this quarter (because local demand is low) or lower variable costs (because exchange rates are in their favor) serve some of the demand from other plants, and ship product to them. Negotiating the specifics of this re-allocation strategy between the plant managers was extremely difficult; nobody wanted to give up their business. In the end, though, the dynamic re-allocation strategy allowed Applichem to be more responsive, nimble, and take advantage of shifting foreign exchange and labor markets to reduce costs.

Despite the obvious gains from the strategic plan, no one at Applichem senior management was eager to undertake a serious restructuring like this again any time soon, least of all, Joe Spadaro. Rather than waiting another 40 years for the operations to slip into disrepair and then launching another productivity study, Spadaro wanted to begin tracking a key set of metrics around plant efficiency, productivity, labor and raw materials costs, demand and inventory. His hope was that by constantly tracking these metrics and sticking close to targets, management could red-flag potential problems, and address them before they ballooned out of control. A good set of metrics would also facilitate the dynamic re-allocation strategy described above.

The challenge was in defining the “right” metrics. Indeed, this had been a huge sticking point in the original productivity study. All of the managers disagreed about what metrics defined a successful plant, naturally preferring those on which

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<sup>1</sup> This case is based upon HBS Case 9-694-030, “Applichem (A) Abridged” by Prof. Marie-Therese Flaherty and abridged by Prof. Jan Hammond and Gary Pisano. This extension was developed for USC Marshall’s BUAD 425 by Prof. Arif Ansari and Prof. Vishal Gupta.

their plant scored highly. Spadaro needed to identify a small number of metrics that could help manage his company and unite the various plants in a single goal.

**Pre-Case Questions:**

1. In a few sentences, describe Applichem's business model.
2. Before the productivity survey, what were Applichem's most significant challenges to continued growth and success? Be brief.
3. For each of the challenges you listed above, which of the interventions described in "After the Productivity Survey" do you think address that challenge, if any?
4. Based on the above, describe 4 (or more) metrics Spadaro should track to assess the status of operations across Applichem. Be specific with respect to units, data-requirements, and frequency of tracking these metrics.