

RIGHTSIZING TO PROFITABILITY

How industrial companies
realign capacities and utilization
- without breaking the business

The company, a diversified industrial machinery manufacturer, had been loss-making for several years. The root cause was structural: a broad segment portfolio, declining volumes, and accumulated operational complexity had left the footprint oversized and chronically underutilized.

While top-line stabilization and growth were part of the broader turnaround agenda, increasing volumes into a misaligned footprint would have compounded inefficiencies rather than restored profitability. The first priority was therefore to restore economic clarity by defining which parts of the business were truly worth running.

This required a disciplined portfolio reset, translating strategic exit decisions into a new operational baseline. Only once utilization, capacity, and complexity were structurally reset could growth be pursued without recreating the conditions that had driven losses.

Revenue Perimeter & Business Portfolio Reset

All major business segments were assessed using a consistent economic and strategic lens: contribution margin, scale and trajectory, market attractiveness,

and competitive position. Several segments were structurally unattractive – consuming disproportionate manufacturing and engineering capacity while offering limited margin or defensibility.

A clear keep / exit logic was applied. This was not a retreat from growth, but a prerequisite for restoring utilization, reducing complexity, and focusing resources on segments that could be run profitably.

You cannot rightsize operations until you decide which business you are truly willing to run

Translating Portfolio Decisions into an Operational Baseline

Portfolio exits were translated directly into operational demand. Exited products and segments were mapped into manufacturing, engineering, and indirect workload hours across the entire AS-IS footprint.

Importantly, exited hours were applied across all sites rather than

assumed to disappear locally. This created a “pure view” of utilization – showing what the footprint would look like today if exited business had already been removed.

This post-exit view revealed the true structural problem: utilization collapsed across multiple sites, fixed-cost absorption deteriorated, and engineering capacity was misaligned with economic demand. This baseline became the factual anchor for all subsequent rightsizing decisions.

Manufacturing rightsizing is not about cutting capacity – it is about restoring utilization and focusing on core competence

Manufacturing Rightsizing: Aligning Footprint and Capacity to Economic Reality

Manufacturing rightsizing began with a footprint reset, not headcount reduction. Sites were redefined based on the revised sales

perimeter, technical capabilities, and realistic utilization targets. Duplication that made sense at historical peak volumes no longer did at the reduced scale.

Where sites were closed or consolidated, work was transferred using a receiving-plant logic rather than one-to-one labor transfer. White-collar functions were reviewed first to prevent fixed-cost inflation, applying clear principles on spans of control, role necessity, and system maturity.

Before absorbing all remaining volumes internally, manufacturing depth was deliberately reduced. Non-core activities were externalized to lower fixed-cost exposure, increase flexibility, and avoid rebuilding internal capacity for activities better delivered externally.

Transferred volumes were then absorbed with a clear focus on utilization and productivity. Lean principles, line balancing, and process standardization ensured that additional work increased utilization rather than recreating inefficiencies.

The result was a structurally different manufacturing setup: fewer, better-utilized sites, lower fixed costs, and a footprint aligned to economic demand rather than historical peak volumes.

Engineering rightsizing: Aligning Capability to the New Business Reality

Engineering capacity had been built to support a much broader and more complex portfolio than the revised business justified.

Utilization was low, priorities fragmented, and effort spread across too many products and variants.

Following the portfolio reset, engineering demand was recalculated based on remaining platforms, expected volumes, and required lifecycle activities. This made visible which engineering work was no longer required, which needed to scale down materially, and which remained critical.

Rightsizing focused on simplifying scope before resizing capacity: eliminating work linked to exited segments, reducing low-margin variants, and clearly separating “must-have” from “nice-to-have” engineering.

Engineering must follow the business reality – not the legacy complexity

Engineering capacity was then restructured around a clear location strategy. Core, IP-critical activities remained close to product ownership, while scalable engineering work was shifted to cost-efficient locations or partners. This restored focus, flexibility, and execution capability without recreating fixed cost rigidity.

(After Sales) Services Rightsizing: Aligning Field Capacity to a Simplified Business

Services rightsizing followed the same logic: simplify the model before resizing capacity. Portfolio exits and reduced product complexity directly changed service demand profiles, allowing the delivery model to be simplified.

The focus was on structural clarity: separating field service, technical back-office, and commercial roles; consolidating regional coordination; eliminating duplicated planning and dispatch; and aligning resources to demand clusters rather than legacy site structures.

Flexibility was increased through selective use of subcontractors for peak demand and non-core activities, while critical expertise was retained internally. This ensured service capacity followed demand without rebuilding rigid cost structures – preserving

customer trust while restoring economic viability.

Where this leaves the transformation

Rightsizing is not a headcount exercise. It is a system-level recalibration of demand, footprint, and execution capability. When done correctly, it restores utilization, protects core capabilities, and creates a structurally viable platform for future growth.

The difference between failure and success lies not in ambition, but in execution discipline.

Services rightsizing is not about cutting technicians – it's about aligning capacity to a simplified portfolio without breaking customer trust

A COO Checklist for Sustainable Rightsizing

Portfolio & Demand

- Have structurally loss-making segments been exited?
- Is demand translated into hours – not revenue narratives?

Footprint & Capacity

- Is each site's role clear at the new scale?
- Has duplication been removed *before* resizing capacity?
- Are utilization targets realistic and enforced?

Manufacturing & Engineering

- Is capacity sized to demand *after* synergies and productivity?
- Are non-core activities deliberately externalized to preserve flexibility?

Services

- Is service capacity aligned to the simplified portfolio?
- Are customer-critical capabilities explicitly protected?

Execution Discipline

- Are decisions sequenced to protect delivery stability?
- Are leaders accountable for utilization, not just cost?
- Is the organization structurally ready for growth *before* growth is pursued?

The Rightsizing North Star

**Rightsizing is
successful only
when utilization
stabilizes and the
business
consistently delivers
positive EBITDA at
the revised sales
perimeter**