

UP BY THE BOOTSTRAPS

BACKGROUND

The company is an iconic Australian brand dating back to the 19th Century. It is privately owned. Manufacturing, supply chain and head office facilities are in Australia and are supplemented by manufacturing facilities overseas.

The company currently employs 400 people. Products are both ISO 9001 and AS/NZS 2210.3 accredited. The factory uses the latest technology, organised around work type, to permit the effective production of products.

The Board and management team are committed to keeping the majority of manufacturing activities in Australia.

OBJECTIVES

The business faces substantial competitive pressures from local and overseas manufacturers. In order to contend with those pressures the company's senior executives recognised the need to identify and reduce waste in the supply chain. This included production, warehousing, raw materials supply and customer requirements. The outcome expected was improved produc-

tion processes, increased productivity, and increased flexibility – giving the company the ability to respond to changes in market trends and consumer tastes.

KEY RESULTS

Substantial improvements were achieved across manufacturing, planning and scheduling, as well as forecasting (sales and marketing), finished goods inventory and capital project implementation. The fundamentals of continuous improvement have been applied to the supply chain. As a result:

- WIP inventory reduced by 75%.
- Seconds' production reduced by 50%.
- Machine utilisation improved by 20%.
- Orders arriving at the warehouse are 95% on time and in full.
- The number of warehouses reduced by 50%.
- Product development process reduced from 1-2 years to 3 months.



The biggest challenge was managing the managers. Some did not want to change and believed that there was no scope to improve the factory or warehouse operations. Others regarded the company as unique and held the view that what worked in other environments would not work there. Their opinions altered when the results flowed through.

NOT ALL THAT COMFORTABLE

Although their manufacturing facilities use the latest technology, the company had a number of serious production issues that were hampering the business. An extensive review was undertaken covering the operational processes, product design and development, the supply of raw materials, purchasing and warehousing processes, and desk audits of the overseas manufacturing and supply processes. Among the problems uncovered were:

- Frequently the warehouses were stocked with a large inventory of finished-goods of the wrong type, and insufficient inventory of the products that were in demand. DIFOT was only around 80%, customers often received less than their full order, and / or received their orders late. Inevitably this lead to a falling market share.
- Cultural and environmental issues within the manufacturing facility meant that the company was not getting the most out of its management team or workforce. Management's KPIs were not aligned with the measurements that were important to customers and forecasting requirements were not integrated into the production process.
- Poor morale within the workforce resulted in a major absenteeism problem of seven to nine percent, and staff turnover was approaching 30 per cent per year. In no small measure this was due to the monotony of the job – the layout of the factory was based on one person doing the same task every day – and the fact that employees did not feel valued and were discouraged from suggesting improvements.

- Production planning and flow was variable, at times resulting in a cluttered environment. Machine utilisation was low and changeover times were extensive.
- The quality and volume of leather from the supplier was variable.
- Product development was cumbersome and slow (one to two years). The consequence was that the business almost always trailed its competitors in bringing new products to market.

AN OPPORTUNITY TO PRIORITISE

The review of their operations, and the findings, enabled the company's executive team to set priorities in improving the product to customer supply chain. Their immediate aim was to ensure a reliable supply of high quality product in order to build sustainable and profitable relationships with customers. Four key objectives were prioritised:

1. To identify significant improvement opportunities in the supply chain.
2. To develop a business case for change, including costs and benefits.
3. To develop an implementation plan.
4. To transfer skills to the organisation's management team.

The caveat was to achieve this without detracting focus or energy from a number of improvement initiatives that were already underway. These included capital equipment projects, sourcing raw materials and finished goods from overseas suppliers, integrating a local raw-materials supplier

into the business and implementation of MRP systems.

SMART RESOURCING – ALLOCATING THE BEST TEAM

This company's executives were not looking for a one-off fix. A key element of the implementation program was to build – at least the foundations of – a continuous improvement program. To achieve this the operational changes had to be undertaken by a joint team of the company's managers and GPR Dehler consultants.

Considerable credit is due to the company's executives for committing the right resources to the project. In many similar situations companies allocate internal teams based on who is available (which often begs the question 'why are they available?') rather than those who are right for the task. The internal team included the human resources manager and the logistics manager – people who had responsibility for areas that were critical to the project and would have a big part in its success. Additionally, the company's CEO demonstrated his support both by scheduling time for regular meetings with the key GPR Dehler consultant, and by attending steering group meetings.

SOME NEW SKILLS TO STEP IN TO

The company's team members were given training in the use of tools and techniques to facilitate workshops and in conducting meetings using a practical, hands-on approach. GPR Dehler's consultant worked alongside them, coaching and mentoring them in continuous improvement techniques, transferring skills and instituting a rigorous, disciplined and sus-

taining process for the business's supply chain. This included guiding the company's managers through activities such as improved communication, obtaining management and workforce support, dealing with objections and reporting results.

The implementation team used a proven supply chain methodology, that GPR Dehler has applied on numerous projects, refined to suit the company's environment. Key to this was the involvement of their own people – at all levels – to document the existing supply chain and the problems within it, to create a picture of the ideal chain, and to identify the steps needed to achieve it. Changes in work flow and machine utilisation were piloted before final implementation in order to test and prove the benefits.

This participative approach, and the increased communication that was intrinsic to it, provided employees and managers with considerable personal comfort and the knowledge that their views were respected and valued. In turn, this helped make the changes 'part of the way we do business' rather than a stand-alone project imposed upon them.

Throughout each stage of the supply chain implementation, senior management were kept updated on progress. Strong emphasis was placed on tangible, measurable, results from specific activities based on sound cost benefit analysis.

A BETTER WORK ENVIRONMENT, AND THE RESULTS TO BOOT

The fact that the project had senior executive support, a strong internal implementation team and a workforce that relished the opportunity to participate in improv-

ing the operations and their work environment, helped expedite a list of impressive results.

- Factory layout changes dramatically improved productivity and morale.
- Absenteeism reduced by 50%.
- Staff turnover reduced by 50%.
- WIP inventory reduced by 75%.
- Seconds' production reduced by 50%.
- Factory layout was based on a pull system with product based work cells.
- Machine utilisation improved by 20%.
- Orders arrived at the warehouse 95% on time and in full.
- Forecasting requirements were integrated into a company wide planning process.
- Customer DIFOT was 85% and improving.
- The number of warehouses reduced by 50%.
- Warehouses rationalised to hold fast moving stocks.
- Product development process reduced from 1-2 years to 3 months.

The changes included a number of substantial modifications to the tannery, which is operated by the company. However in order for this area of the business to achieve the desired results, cooperation was sought – and received – from the company's local leather suppliers. This contributed to an improvement in leather

volume of 30% and a more stable supply of the leather quality that the company requires.

EASY ON PAPER

This project, like many of our engagements, looks straight-forward on paper. The reality is far from it. Our skill is not just in identifying problems and designing solutions, but in making those solutions work – often in a tough business and cultural environment.

GPR Dehler has an excellent record of implementing change programs in Australia, New Zealand, Asia, Europe, North America and Southern Africa. Everything we do is geared towards achieving results – not writing reports. We have the management and planning skills as well as hands on consultants with experience to overcome obstacles and transform good ideas into effective and successful programs. Significantly, we do this with minimum disruption to our clients' business operations.