A Wooden Board Manufacturer

A Case Study by

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Introduction

- Industry: A wooden board manufacturer with four factories (includes a chemical plant) with more than 500 employees and a headquarters office.
- Main products: wooden boards, MDF and melamine.
- Type of company: Family owned
- Location: Danbury, Nottingham, Skelmersdale, Washington (UK)
- Turnover: Around € 150.000.000
- Profit**: - 2%**
- Duration: 33 weeks + 15 weeks follow up

Problem Statement

1.- The company was not competitive due to its very high operational costs.

2.- Constant quality problems, some of them excessively repetitive. Lost sales.

3.- Lack of strategy or long/medium term vision. Management overwhelmed by day to day problems.

4.- Very low morale, lack of supervision and cooperation at all levels. Lack of proper standards created poor planning, poor delivery performance and poor quality.

5.- Authoritarian company culture with subjective performance evaluation. Management more focused on pleasing the boss than on performance.

6.- A new general manager appointed a few weeks before had the challenge to lead the owning family (specifically the CEO) and the company through a big cultural change.

Objectives

1. To design and implement a shared vision and strategy by the management team to set a road map.

2. To implement a new overall management system at Board level and Management Team level with a Balanced Score Card as the tool to get the significant information to make the right decisions.

3. To develop a high performance management team oriented to achieve the strategic goals defined and shared with them, with cooperation and team spirit.

4. To implement a more effective and ambitious new sales management system with well defined processes and procedures, client classification and improved information. New commercial objectives to be defined (other than sales volume). To develop a new approach for the customers relationship based on a collaborative forecast and planning (and do the same in the other end of the supply chain)

5. To increase dramatically the performance of the production, with a new SMART goals and objectives, a new planning system based on standards, complete job instructions for every position, trained supervision and a reporting system that allows to objectively evaluating performance.

6.- To implement a new maintenance management system that focuses on response time, down time and other key performance indicators that are crucial for production performance. To calculate workload and to identify critical inventory to ensure a high performance maintenance department.

7.- To develop a new approach to the supply chain management establishing a new approach with suppliers, with collaborative forecast and planning and evaluation of their performance. Also to develop a new planning system for transports and deliveries and a new inventory control system based on actual utilization, delivery times and work in progress control.

McGrath Solution

A new strategy was defined through workshops with all the management team and the new MD as leader. These workshops were reviewed with the CEO, in order to involve him in the process. The strategy and road map were defined and agreed with all stakeholders (including the union representatives).

A new commercial approach with new tools and more knowledge of the market increased the value of the brand within the industry (they were already major players) and the sales increased. Salespeople had new skills and showed to be more confident.

The production management and supervision went through an important cultural change, focusing on performance and rolling down the values changes to the personnel. Morale improved and motivation started to show.

Simple method changes proposed by the staff were implemented immediately. New weekly meetings based on key performance indicators were held all across production.

No people were laid off, but a few of them changed jobs to new added value tasks.

Quality increased dramatically at the same time that production costs felt significantly.

Inventory was kept low and useful by the new system.

Breakdown fell to less than a half and a lean maintenance department was more effective using less resources.
A new preventive maintenance program was defined and done at a 100% level.

Internal working groups sponsored by McGrath with effective methodology managed to reduce changeover time to minimums (55% reduction) and increased quality to world class levels.

No stock outs were identified for a year after the project.

With lower inventories and quality checks of raw material (now inspected on arrival) the evaluated suppliers established a long term relationship with the company at lower prices.

Benefit 1: Profit

The new strategy, management systems and culture turned around the financial performance of the company. The first financial statement after the program showed a **profit of 2%** and the following years **increased to 10%.**

Benefit 2: Sales Increase

By the implementation of the new approach and the new management system with the new indicators, reporting and procedures and the skills training received by the sales force made the sales to boost also supported by the sudden better performance in quality..New clients were gained and in total there was an increase of 15% of the sales but also an increase in the average margin of the sales of 12% on the year after the program.

Benefit 3: Manufacturing cost reduction

The new production management system, the fluent communication at management team level, and a new reporting system focused on new indicators (that a few months ago were ignored) achieved a significant reduction of the operational costs with net savings of **more than three million Euros**. A strong reduction of the work in progress inventory (34%) was also achieved.

Benefit 4: Culture and Behavior change

The new culture, the new management systems, the intensive management training to all the executives and managers and supervisor, created a behavioral change oriented to an improved performance in all the fields. The results of the optimization at all levels worked also as a very strong motivational factor to keep the good performance.

Benefit 5: Improved quality

The quality problems reduced dramatically during the execution of the program and in the three months after achieved a world class level. After that the quality indicator kept stable with slight reductions to a very satisfactory level. The reduction of the non quality costs reached **800.000 Euros** during the first year after the implementation of the program.

Benefit 6: Effective and collaborative supply chain

The new collaborative approach with the suppliers (now evaluated) reduced stock outs which created down time, changeover time and quality problems. Inventories reduced also in Raw Materials (23%)

Implementation Program

Throughout the project, the CEO was kept informed and consulted by monthly progress meetings and the MD and the management team was involved in determining the best approach and action.

Strategy Definition

A number of workshops were held during the first weeks to develop the new strategy. The CEO was directly involved, sometimes participating in the workshops

and sometimes through meetings to keep him informed. A strong commitment to the new strategy was developed during those workshops with the management team. Meetings and presentations were held across the organization communicating the changes the company and the staff will experience. A balanced score card was designed and implemented almost immediately after and was also presented at supervisory and management level to create awareness on what was important from that moment onwards and to help the required cultural and behavior change.

Orders Process, Traceability, Planning

A new process and procedures for orders (from clients and for suppliers) was defined and allowed production planning to improve efficiency and dramatically reduce customer complaints. The new production planning, based on accurate standards, also reduced work in progress and production and added certainty to the whole process. An order now could be delivered better and on time.

Management Team training and coaching

With the new Balanced Score Card and effective management meetings, management training and individual and group coaching the management team started to work together towards the achievement of the goals. A couple of teambuilding workshops (outdoors) also helped to create a strong team spirit. A new way to cooperate was established within the team and good communication started to flow between production and sales. Action oriented meetings with action plans to follow up on decisions were set and meetings become effective and efficient reducing the duration. The management team felt in control of the performance of the company.

Supervision and mid management training and development.

All the middle management and supervision was trained in management skills. The management training helped the middle managers and the supervisors to achieve the new ambitious goals increasing motivation and accountability. The training with the pressure of the new goals and the management tools available worked together to achieve unprecedented levels of performance and behaviors. That also was encouraged by the top management. The organization became client oriented and efficient.

Sales & Marketing Management System

A new sales management system was implemented, changing radically the approach to the market. After a client classification process, a new collaborative approach was set with the A clients with forecasts and plans that became an essential feedback for the production planning. The development of the relationship, the new skills acquired by the sales people and the procedures and tools that they acquired improved significantly the performance of the sales area. New lead generation processes were defined and conversion rates were controlled in order to identify and promote best practices within the team. As a result there was an increase on sales of around 15% with improved margins due to the increase in volume and more efficient production.

Production management systems

In the four areas (wood, melamine, MDF and chemical plant) new management system were installed. A master schedule was defined and implemented to calculate resources long and medium term, and flexibility matrixes were made covering 100% of the production staff. Workload was defined for all the production positions and crewed accordingly, freeing up some staff that was reconverted in

several added value functions (mainly quality) . A medium term forecast was implemented based on feedback that was coming from sales. Work instructions and procedures were installed in every production position. Two internal working groups with effective tools and methodologies were focused on reducing non quality costs and reducing changeover time with the SMED methodology. A Total productive maintenance set free maintenance resources that enabled to comply with a new preventive maintenance program. And a simple reporting system based on key resources from the maintenance department which it possible to comply 100% with the new preventive maintenance program (before the compliance was around 45%). A new maintenance management system focused the maintenance technicians on reducing downtime and giving prompt response in the corrective maintenance tasks. A new production reporting system based on key performance indicators was designed and implemented at supervisory and middle management level, that also fed the Balanced Score Card. Productivity increased in more than 10% just a month after the implementation and reached almost 15% a year after.

Customer service and complaints

Due to the poor performance in quality and delivery, a working group to deal with non quality and customer satisfaction was created. The group was given effective tools and methodology and had a short weekly meeting where problems were treated and solutions implemented.

Logistics and Supply Chain Management

Apart from the new approach for suppliers and the important inventory reduction, new transport planning tools were designed and implemented, linked with the production planning. Workload was calculated for the warehouses and the master scheduling was also extended to these areas. Some visual factory techniques were also implemented to simplify work and avoid frequent confusions and errors that penalized the quality performance. A 5S program was also executed in all the warehouses.

Conceptual design ERP

All processes were defined step by step with information requirements for each step and all The hardware,software and Information architecture was defined to prepare the organization for an imminent ERP implementation.

Summary

The organization went through an important cultural change. The new strategy, management tools and systems, management and technical skills and procedures and rules, made the company become professional but most of all created a behavior change that perpetuated and even improved more upon the results achieved during the program.

A new focus on performance and customer satisfaction was shared now by most of the people in the organization and a fair system to evaluate personal and area performance was in place which increased the motivation and the commitment creating a virtuous cycle that fed itself. The better the performance, the more committed the staff which improved performance even more. And this was now part of the organizational culture, so the company became a world class player.

MCGRATH

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