

BeLean[®]: A Recipe for a Successful Lean Program

**Why and How to Implement a Lean Program
To Deliver Continual Improvements**



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1. Abstract

The ongoing margin pressures in the Consumer Products industry have caused companies to continually seek initiatives to improve profits. This paper discusses why they are turning to enterprise-wide Lean programs to achieve this objective.

A successful Lean implementation drives a behavioral change throughout the organization and is underpinned by a specific leadership style, driving and measuring the program.

To maximize the gains, improvement opportunities are tackled cross-functionally lining up processes in the way the customer sees them. An advanced program extends beyond the enterprise to include customers and suppliers.

The success of a Lean program is dependent on effective, timely measurement from initial business case through a cascaded management system of Key Performance Indicators (KPIs), as well as decision hierarchies and management “drumbeat.” Bringing all the elements together in a structured approach, such as Capgemini’s BeLean® methodology, will lead to fast benefits and sustained continual improvement.

2. Introduction

Lean management programs have been around in some form since the 1950s, drawing upon other concepts that embody continual improvement and the systematic removal of “muda” (Japanese term for waste). Such an approach is underpinned by five principles, which define the Lean philosophy:¹

- Specifying value in the eyes of the **customer**
- Identifying the value stream and eliminating all **waste** within it
- Making the value **flow** at the pull of the customer
- Involving and engaging **employees**
- A **continual improvement** towards perfection

While it is easy to agree that these principles are a laudable goal for any organization, their application is the hurdle for many. A program that applies these underlying principles into concrete methods of working is required if a Consumer Products company is to successfully apply a Lean approach to its organization.

This paper looks at how a Lean program should be applied to a Consumer Products company to ensure that the potential gains are achieved.

¹ Toyota Production System, Taiichi Ohno

3. The Drive for a Lean Program

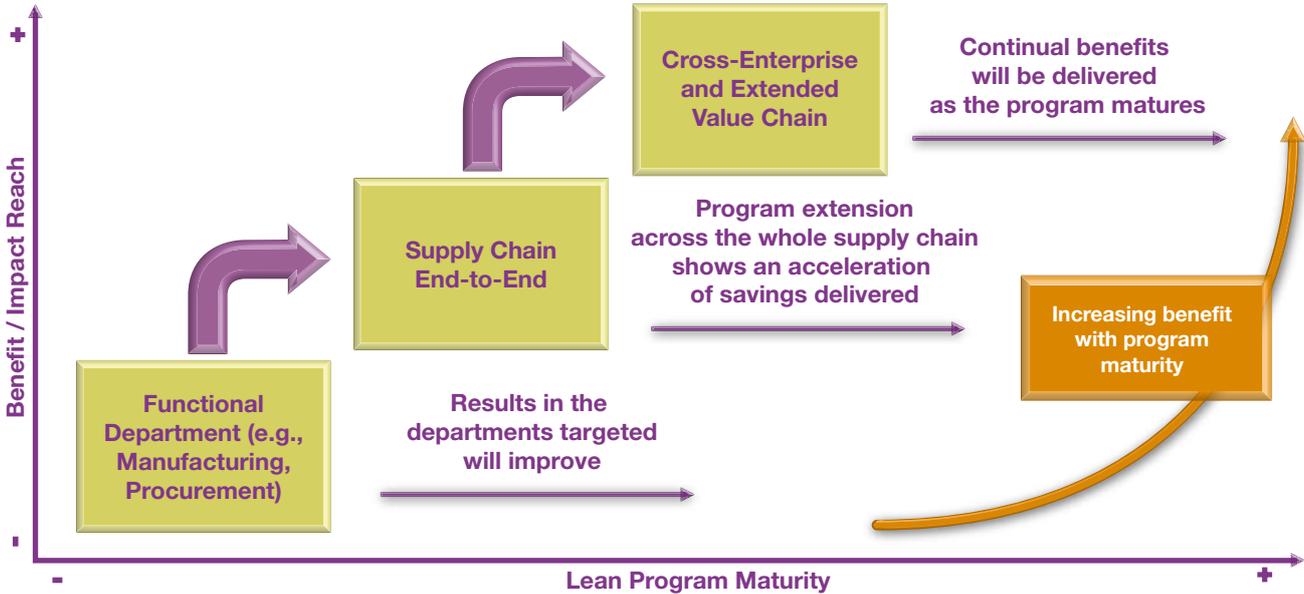
Over the past decade, pressures from consumers, retailers and the economic environment have impacted the ability of Consumer Products companies to protect and grow their margins. Many Consumer Products companies have undergone large restructuring programs, carrying out such initiatives as back-office consolidation, supply chain network optimization, and changes to the sales and marketing operating model. Consumer Products companies have also embarked on cost-cutting programs particularly in areas like procurement, inventory management and Information Technology. These have proved useful in maintaining margins. But what do companies do once they have already realized the gain from these efforts and the opportunities become harder to find?

Companies are looking for new measures to ensure future sustainable gains, and Capgemini believes that a BeLean® program can provide the answer.

Many Consumer Products companies have already begun some form of Lean initiative driven by, as research shows, the economy/competition and a demand for rapid product introduction. However, only 24% of Consumer Products companies indicate they have pursued an initiative that is labeled as Lean across the organization.² The rest have either not yet started or never got beyond the first rung of their Lean journey as it was not implemented as a company-wide program with full management support.

A typical starting point for a Lean program is a functional area such as manufacturing. As the benefits from Lean are delivered and the approach is proved, companies can extend the program into other areas. As shown in Figure 1, as the Lean program matures Consumer Products companies will start to connect the supply chain functions delivering a further step change in benefits. With ongoing maturity, extending a Lean program across the enterprise (e.g., innovation and new product development) and ultimately into supplier/customer organizations will lead to an acceleration of benefits.

Figure 1: The Lean Maturity Model



Source: Capgemini

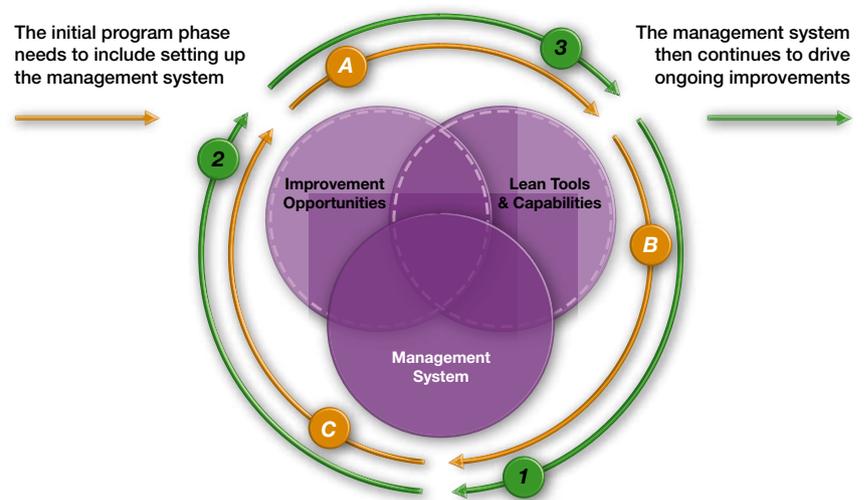
² "Lean Product Development for Consumer Packaged Goods," Aberdeen Group, January 2009

4. Creating a Lean Program in the Organization

4.1 Major Program Components

In Capgemini's BeLean® methodology a Lean program is made up of three components: Improvement Opportunities, Tools and Capabilities, and a Management System (see Figure 2). Typically Consumer Products companies focus their Lean program on identifying improvement opportunities and selecting the tools and capabilities for resolution. Where companies go wrong is that this leads to a siloed project mentality, seeing the initial benefits targets as the only goal.

Figure 2: The Essential Components of a Lean Program



Source: Capgemini

Successful Lean programs use the targeted improvements as a vehicle for building Lean capability across a nucleus of practitioners and leaders in the organization. A management system should be embedded as a way of driving the benefits and change. This puts the building blocks in place for a continual improvement culture, using the management system to highlight areas of future opportunities and deploying Lean tools to deliver. This should be the goal of a Lean program to ensure it does not fade away after the initial project areas are tackled. The program should continue to grow and deliver results as a sustainable business capability.

4.2 Management Challenges

The two biggest barriers Lean practitioners cite are top management commitment and making the behavior stick. Consumer Products companies also find it difficult to quantify the business value of Lean.³

The Lean management system needs to address these three main challenges and mitigate against them. Firstly a Lean program must be driven by the leaders of the Consumer Products company; secondly Lean behavior of driving ownership and decision making to where the value is created needs to be embedded across all levels of the organization; and finally the right KPIs should be implemented and tracked (see Figure 3).

A Lean implementation will fall short of its true potential to transform when a company does not manage these key challenges effectively. In this case the company will *install* rather than fully *implement* the program. A Lean program is primarily about sustained transformation not cost cutting, which is why the management system is so crucial.

Figure 3: Management of the Top Challenges



Source: Capgemini

Leadership Driven

The leaders of the Consumer Products company should also be the leaders of the Lean program. Lean transformation begins at the top of the organization. Leaders are responsible for determining the business case, defining the scope and establishing the goals and the project timeline. They must ensure that the strategic direction of the program and the overall strategic direction of the company are aligned so the right gains from the program are delivered and it continues to get management support. They must also ensure that the Lean program is focused on increasing value to the customer.

³ Ibid, "Lean Product Development for Consumer Packaged Goods," Aberdeen Group, January 2009

Lean Culture

An effective Lean program must permeate all levels of the organization. The essential core Lean element of continually striving for waste elimination needs to be embedded in every employee's behavior. As the required behaviors become part of the culture, ongoing continual improvement will be delivered year-on-year. The cultural element of the program needs to be addressed at the outset, not as a later reaction to a disappointing program start. Employees involved at program initiation with their ideas incorporated will likely engage fully and stick to new ways of working. A "can-do" attitude must be developed throughout the organization where all employees believe they can have an effect on driving better results for the business.

The organization will need sufficient people with the right technical and functional Lean skills. Initially this may be people external to the organization, but a Consumer Products company should work with its external Lean expertise to train and build this capability inside its organization. This will ensure the culture is embedded for the long term and will survive after any external Lean expertise withdraws.

Key Performance Indicators

The right KPIs underpin the success of the Lean management system. In the beginning of the program a proper business case for a Lean project should be developed. This provides the compelling reason for a Consumer Products company to go ahead with the Lean program and will secure the senior management support required from the outset.

KPIs for the Lean program need to line up with the strategic direction of the company and the goals of the program. They should also drive any new behaviors that are expected and be readily quantifiable in the organization. Once the KPIs are established, a drumbeat for management decision making needs to be designed and embedded, covering the areas of forecast, plan, control and review. This drumbeat becomes the catalyst for continual improvement in the dimensions that add value to the customer. (For Consumer Products companies the customer must encompass both consumers and retailers.)

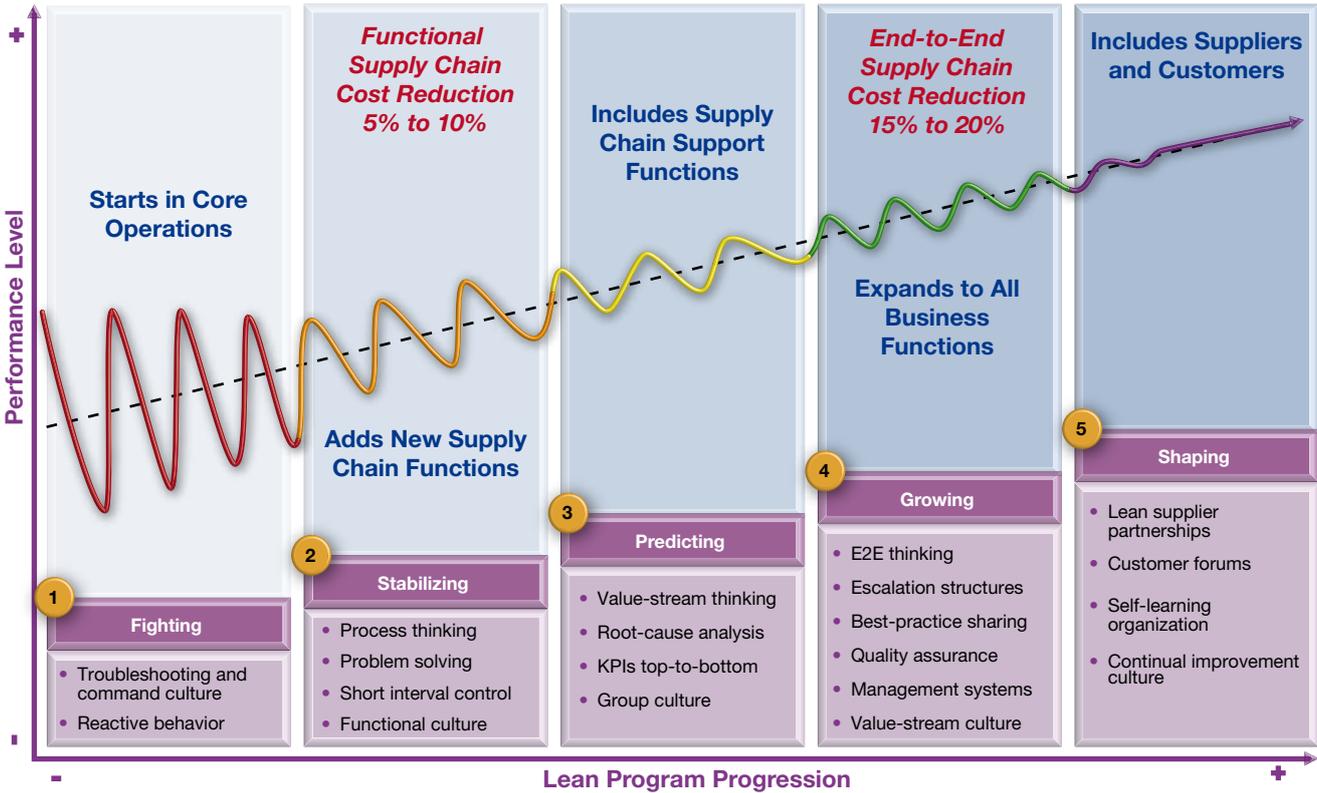
The KPIs must be regularly measured, deviances acted upon, and these results and improvement measures cascaded throughout the organization. Training employees to interpret the results and effective problem solving using root-cause analysis are important factors for success of the program. The results should be visual and available to everyone in the organization. Visual management boards and company-wide dashboards are techniques that Capgemini has successfully used with its Consumer Products clients that have implemented a BeLean® program. Visual, readily available results are one of the most compelling signs for the organization that a Lean program will change the way everyone works.

4.3 Continual Improvement and Stabilization

The constant cycle of waste elimination driving towards perfection is a base Lean element.⁴ In line with this, a BeLean® program does not attempt to be corporate-wide from day one. Five steps that bring about stabilization and improvement of the results are typical. These steps – Fighting, Stabilizing, Predicting, Growing and Shaping – are illustrated in Figure 4.

In the initial Fighting stage, Lean projects are introduced in pilot areas to begin the process of on-boarding employees and managers. The program should rapidly move to a Stabilizing stage introducing process-based thinking across typically the main supply chain departments. Further supporting functions are included in the Predicting stage that lead to value-stream-based thinking and embedding of the Lean culture further across the organization. In the Growing stage, all organizational functions are included in the Lean program, leading to end-to-end thinking, best-practice sharing and an enterprise-wide Lean culture. The Shaping stage is characterized by inclusion of vendors and customers as part of the Lean program driving the Lean benefits further still.

Figure 4: The Five Steps to a Stable Cross-Enterprise Extended Value Chain Lean Program



Source: Capgemini

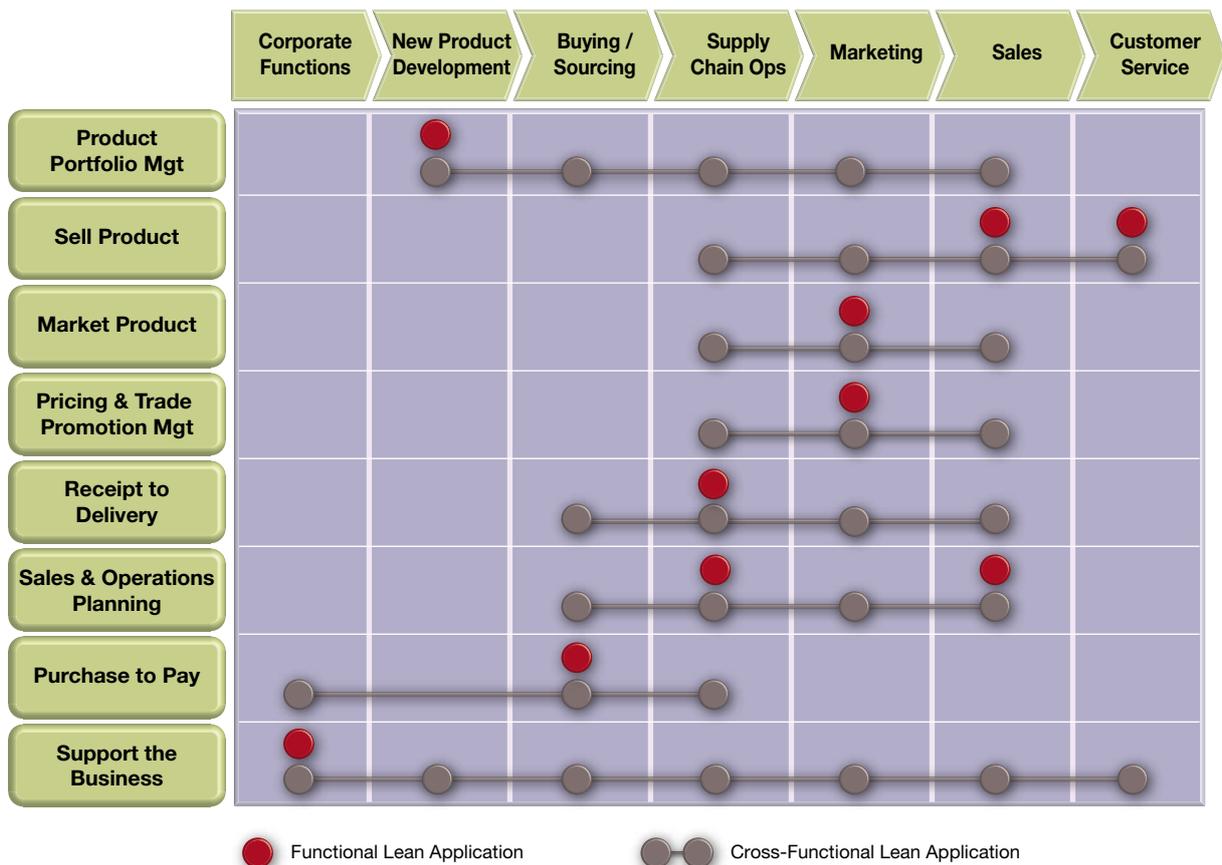
⁴ Ibid, Toyota Production System, Taiichi Ohno

4.4 Cross-Functional Approach

Though a Consumer Products company may start piloting with one functional area, it should rapidly begin to tackle Lean improvement areas cross-functionally. Customers will think of their interaction with a company as a process, such as ordering and receiving a product, rather than in operational functional areas. A Lean approach should reflect this by looking at improvement areas from a process point of view as the customer would perceive them and engaging all the necessary departments in the improvement project.

In Figure 5 typical improvement opportunities from a customer value point of view are listed. The functional and cross-functional approaches are indicated, which shows that the cross-functional approach is more comprehensive and would drive greater benefit from the improvement area. This highlights more than ever the need for the Lean program to mature to be enterprise-wide as departments will need to collaborate.

Figure 5: Cross-Functional Approach to Improvement Opportunities



Source: Capgemini

5. Impact of a Lean Program

Kellogg's Case Study

Kellogg's chose a Lean program as the key enabler to meet its three-year margin challenge across Europe. Capgemini's BeLean® methodology was considered the best fit to deliver the objectives and ensure continual improvement. Capgemini ensured Kellogg's built the foundations of Lean sustainably through trained Lean practitioners across its operations. Within a year the project had delivered:

- Over 6% improvement in Cost of Goods Sold (COGS)
- Increased business units' packing and process capacity by between 24% and 40%
- Improved asset care and maintenance effectiveness by 35%
- More than 150 operational improvements identified and completed
- Improved employee morale and union engagement

Capgemini continues to support Kellogg's in taking its Lean journey forward through the stages of maturity across the supply chain and beyond.

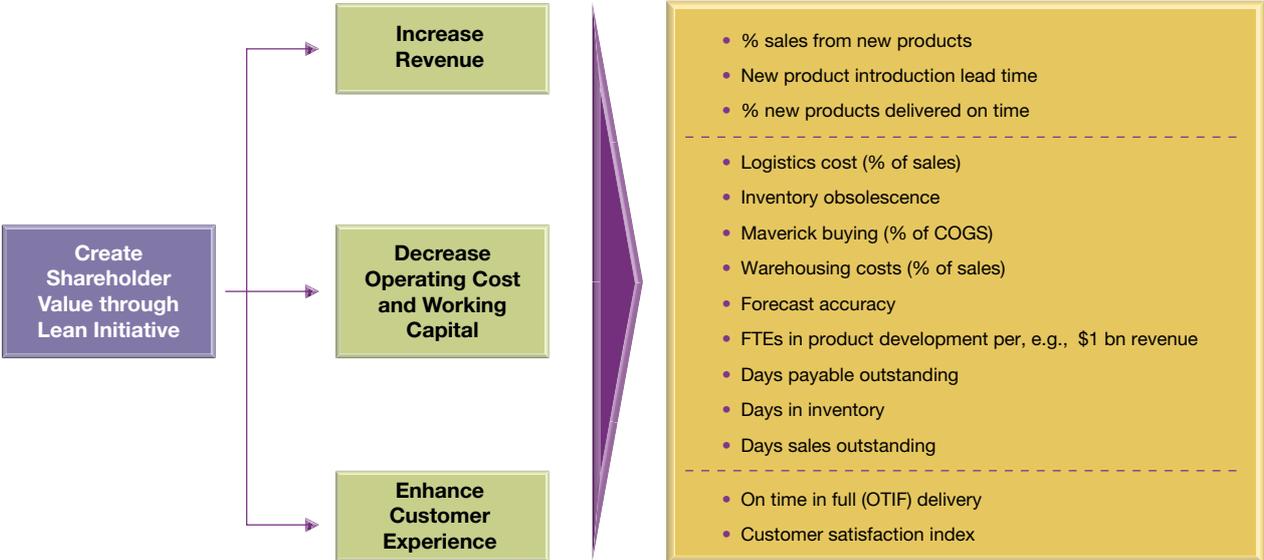
5.1 Creating Shareholder Value

A BeLean® program can help increase shareholder value with its relentless pursuit of customer value and elimination of waste. The three major results levers affected are revenue increase, operating cost/working capital decrease and enhancement of the customer experience. Figure 6 shows typical results areas that can be improved for each of the main shareholder value levers.

A Lean program will resolve improvement opportunities in end-to-end processes focusing on their customer value rather than how the organization compartmentalizes them. It is this customer focus that delivers outstanding results. For example, considering the end-to-end supply chain in this way ensures the Consumer Products company has a faster, more responsive global supply chain, which comes from improvements such as:

- Implementation of a customer pull process leading to increased agility to meet unpredictable customer demand
- Relentless cost and efficiency improvements
- Simpler processes with consequently fewer errors
- Less duplication of tasks and roles
- Productivity increases in the end-to-end processes by focusing on the value-adding activities

Figure 6: How a Lean Program Positively Impacts Shareholder Value



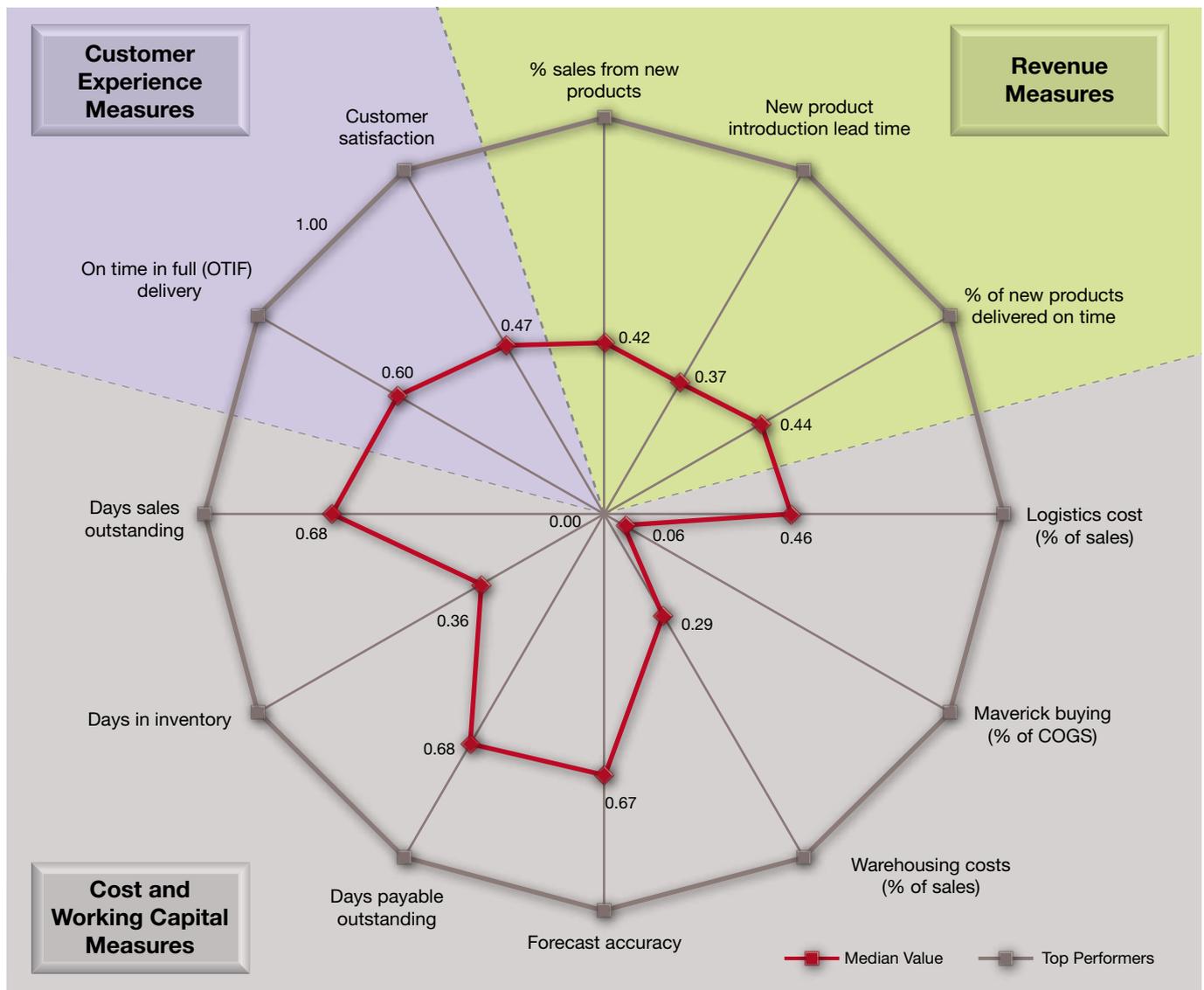
Source: Capgemini

5.2 Lean Results Gap Analysis

When embarking on a Lean program it is important for a Consumer Products company to develop a business case and understand the gains that could be achieved. Understanding how current levels of performance differ from best-in-class enables the gaps that could be closed with a Lean program to be calculated. From this a target for program delivery can be set. Margin improvements in excess of 4.5 percentage points can be delivered by an effectively targeted and managed Lean program.⁵ Figure 7 shows how the gap analysis of a typical Consumer Products company may look against some illustrative normalized KPIs.

After a Consumer Products company has engaged in a Lean program it is important to keep assessing its results against its competitors. As new improvement areas are embarked on, a gap analysis can provide data against which Lean project selection can occur.

Figure 7: Gap Analysis for a Consumer Products Company versus its Best-in-Class Peers



Source: Capgemini and APQC data normalized so the value of Top Performers results equals one

⁵ Capgemini analysis from APQC data

6. Recommendations

A Lean program is a big commitment for a Consumer Products company. However, in light of the ongoing pressures from consumers, retailers and the economic environment to deliver better, cheaper products with enhanced customer service, Capgemini believes that its BeLean® approach is the ideal initiative to adopt. And as the pressures are relentless, the sooner a program is launched the sooner a company will start to benefit from improved top- and bottom-line results, and the base for ongoing continual improvement will be put into place.

The gains can be large and sustained if the Lean program is implemented and supported in the right way following these recommendations:

Start the Journey where Success can be Proved

Starting the journey within a single function (normally manufacturing or shared-service centers) can enable the organization to deliver tangible results fast and build the foundations for wider application.

Make the Program Cross-Functional

Gains can always be delivered by applying a Lean approach to individual functions. However, it is only with a cross-functional approach that touches the whole enterprise that full, long-term gains can be sustained. After initial projects in a single function have delivered successful results the Lean program should move to a cross-functional approach. In this way processes can be defined end-to-end from the value point of the customer and the full value and waste identified and acted upon.

Extend beyond the Enterprise

Functions do not stop at the edge of the enterprise but extend on to interact with customers and suppliers. As the Lean program progresses, processes should be considered along their entirety, which will involve bringing outside resources into the program. For example, supply chain functions will often start with improving processes with suppliers, and customer service functions should actually include the customer in their Lean improvements.

Underpin with a Management System

The Lean program components of improvement opportunities and Lean tools and capabilities need to be underpinned by a third component, a management system that drives and sustains the changes if the overall program is to be successful. This management system needs to exist from the outset of the program and should address the three challenges of driving the change from the top of the organization, embedding a Lean culture of ownership and decision making across the organization, and selecting and tracking the right KPIs.

Embed a Lean Culture Throughout the Organization

Embedding Lean behavior in the organization ensures ongoing improvement after the initial program gains. This is done by engaging employees from all levels of the organization at the beginning of the program ensuring their ideas are built into the ways of working. This engagement drives the change in culture.

Feed KPIs into a Management Drumbeat

The right KPIs should be used to keep a Lean program driving towards continual improvement by lining up the program's strategic intent with that of the business and reinforcing the type of behaviors that are expected. They feed into the management drumbeat, which sets the targets and pace of change for the program.

Decision-making systems will reinforce the drumbeat throughout the organization. The drumbeat KPIs should be visually cascaded throughout the organization.

Regularly Benchmark the Best-in-Class

A Consumer Products company should initially determine what a Lean program could deliver in quantifiable benefits by comparing their measures to the best-in-class. This will give a compelling reason for change and build senior management buy-in from the program outset. Once the Lean initiative is under way, regular comparison outside the organization will help a company set targets and ensure they are delivering benefits commensurate with their competitors.

Support with Agile Technology and Data

The technology in an organization needs to be responsive enough to support the ongoing change that a Lean program brings. There will be continual improvement of processes and the supporting systems will need to be able to respond and change appropriately. There is also a need for data to support the Lean KPIs, and single points of data that can be used throughout the organization are preferable. That said, a company need not embark on a technology change prior to a Lean program if it considers its IT to be inflexible. It can use manual techniques such as visual display boards and may well find it can drive out waste in the IT systems themselves.

In conclusion, a Lean program can deliver large, sustained improvements for Consumer Products companies. The challenge is to ensure that the program is effectively implemented for the medium to long term so that the Lean methodology is embedded across the entire enterprise and becomes the ongoing way of working.

How Capgemini Can Help: Capgemini's BeLean® Methodology

Capgemini's BeLean® can help Consumer Products companies to achieve their goal of sustainable transformation and continual improvement.



- Each phase completes specified deliverables and those deliverables are supported by BeLean® tools, templates, techniques and management systems.
- Completion of the deliverables builds BeLean® sustainable results.
- The activities required to complete the deliverables are detailed in a comprehensive program planning framework.
- To progress from one phase to the next the completion of the phase is assessed versus benchmark criteria at a formal phase review.
- The final phase defines and plans how the next generation of BeLean® transformation will be deployed.

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About Capgemini and the Collaborative Business Experience™

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called Rightshore®, which aims to get the right

balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 35 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion and employs over 100,000 people worldwide.

More information about our services, offices and research is available at www.capgemini.com

About Capgemini's Consumer Products and Retail Practice

Capgemini's global Consumer Products and Retail practice works with 27 of the world's largest Consumer Products companies, 27 of the world's top retailers and hundreds more. Our team of approximately 5,000 specialists throughout the world helps these clients reap the benefits of industry-specific solutions such as Global ERP Integration, Demand and Supply Chain Management, Cost Reduction and Global Data Synchronization. More information is available at www.capgemini.com/products

About Capgemini's Consumer Products and Retail Strategic Insights Group

The Consumer Products and Retail Strategic Insights Group carries out research and produces thought leadership and guidance on global issues affecting the industry.

