

In Conversation with a Lean Leader

Lean perspectives from the industry leaders

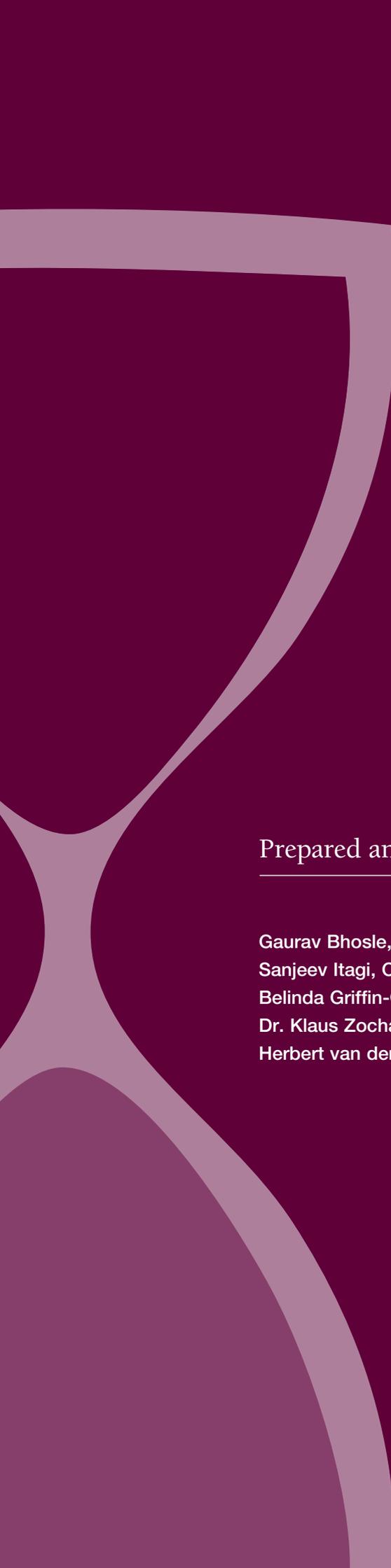


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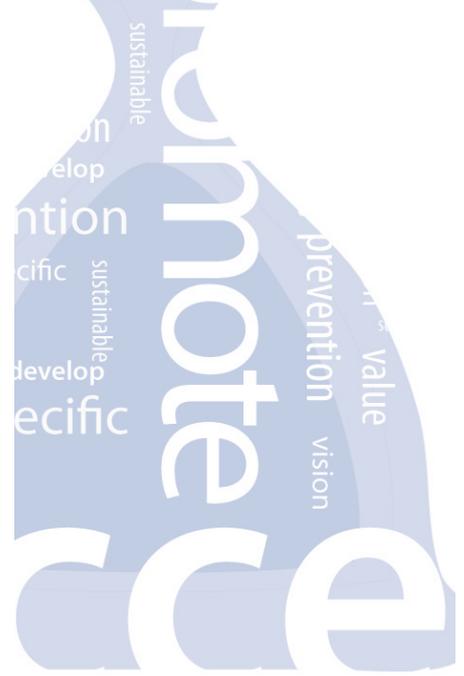
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INTRODUCTION

Over the past few years, the business world has experienced unprecedented challenges from the global economic meltdown. Organizations across the globe struggled to survive through these tough economic conditions. With revenue performance diminishing, companies focused on cost reduction and operational efficiency improvement initiatives to support their balance sheets.

Now, with the economy on the path to recovery, organizations have shifted their focus to growth initiatives that can help them create value for their stakeholders. Organizations that successfully deployed Lean during tough times are now poised to reap even more benefits from Lean and lay a strong foundation for sustainable growth. However, this new era requires organizations to move away from pure opportunistic cost reduction programs to initiatives that can help them achieve long-lasting and sustainable business results.

This requires a paradigm shift in the way organizations view Lean – a shift from viewing Lean merely as a set of tools for cost reduction or operational efficiency improvement to viewing Lean as a way of life. Organizations that can successfully transform their culture, the mindset of their people and their behaviors – and embed a continuous improvement drive into their organizational DNA – are more likely to emerge as winners in the long run.

To explore some of these issues, Capgemini Consulting – a strong proponent of achieving sustainable business growth through Lean – has launched this new publication – *In Conversation with a Lean Leader*. It is designed to capture perspectives from the industry leaders responsible for Lean initiatives through conversational interviews, accompanied by related insights from Capgemini Consulting's own Lean experts.

We believe that this publication will provide valuable insights into the emerging trends in Lean deployment, the challenges organizations currently face and the strategies that leading organizations use to overcome these challenges through Lean deployment.

For this first issue of the publication, we focus on developing a Lean culture and what it means for those who get it right. Capgemini Consulting recently caught up with Mr. Rainer Frerich, Plant Director, Kellogg Manufacturing GmbH & Co. KG, Germany who has successfully led the Kellogg Lean initiative (K-Lean) at the organization's Bremen plant.

In this interview, Mr. Frerich shares his experiences of the successful Lean journey at Kellogg and talks about the steps required to build a sustainable Lean culture in an organization. We would like to take this opportunity to thank Mr. Frerich for taking time out from his busy schedule and sharing his views on Lean. We hope you enjoy reading his perspectives.



In conversation with Rainer Frerich,

Plant Director, Kellogg Manufacturing
GmbH & Co. KG, Germany

This Lean leader interview has been broadly divided into five sections, which will take you through the Lean journey at Kellogg, outlining the Lean imperative, the current situation, challenges faced during Lean implementation, the benefits delivered, and best practices for success.

A THE IMPORTANCE OF LEAN FOR SUCCESS

CAPGEMINI CONSULTING: What were the focus areas for your K-Lean initiative in recent years?

RAINER FRERICH: In 2007 our focus was on improving the capacity utilization, resource utilization and supporting the Social initiatives. For 2008 the key focus area was to improve our competitiveness and effectively manage the labor related issues within the plant. Through our K-Lean initiative we have successfully emerged from tough times and shown that the organization is resilient during tough times.

CAPGEMINI CONSULTING: Why did you choose Lean initiatives (as opposed to any other) to tackle these challenges?

RAINER FRERICH: At Kellogg, Lean is a global initiative. The initiative was timely and has provided the company with a strong platform for efficiency improvement and growth.

CAPGEMINI CONSULTING: Which Key Performance Indicators (KPIs) do you intend to improve through the K-Lean Initiative?

RAINER FRERICH:

1. Waste reduction
2. Overall equipment effectiveness
3. Capacity and resource utilization

Lean has been instrumental in allowing us to keep pace with further efficiency improvement initiatives and helped us achieve best in class results on most of our KPIs.

B LEAN PROGRAM OVERVIEW

CAPGEMINI CONSULTING: When did you start the K-Lean journey and what were the approach/broad steps taken to reach the current maturity level?

RAINER FRERICH: Our K-Lean journey began in September 2009 together with Capgemini Consulting. The first step was to identify the areas in which Lean tools could help us uncover the seven wastes (WORMPIT – Waiting, Over Production, Rework (defects), Motion, Processing (over or excess), Inventory & Transportation). After a detailed analysis phase, we defined the key business focus areas and aligned them into a time-boxed deployment framework. This resulted

About Kellogg:

Kellogg Company is the world's leading producer of cereals and convenience food products including cookies, crackers, toaster pastries, cereal bars, frozen waffles and vegetarian foods. In 2009, Kellogg Company achieved net sales of \$12.6 Billion with a cash flow of \$1.3 Billion. In the same year, the company delivered a 10 % improvement in Operating Profit through cost savings and efficiency.

The Kellogg plant in Bremen was established in 1964. The plant consists of six process lines and fifteen packaging lines. It has staff of around 270 employees, who handle the production of 19 products and 235 SKUs. Finished products from the plant are shipped to over 50 countries around the world. The plant operates 5 days a week.



in the launch of various K-Lean streams, which focus mainly on the areas of waste prevention and in-sourcing opportunities.

During a 30-week deployment phase, and working with Capgemini Consulting, these streams have initiated and implemented several projects. To make sure that our Lean journey was sustained after the 30 weeks, we transferred the responsibility of the streams to our business process owners and employees in a phased manner. The aim was to make sure that the Lean journey continues and becomes a way of life within the organization.

CAPGEMINI CONSULTING: *From your perspective, what do you believe are still the biggest challenges with these types of business programs?*

RAINER FRERICH: To keep momentum and to make it sustainable over a period of time!

C THE LEAN JOURNEY AND ITS KEY CHALLENGES

CAPGEMINI CONSULTING: *What are some of the key challenges faced by Kellogg while implementing K-Lean and how did you address them?*

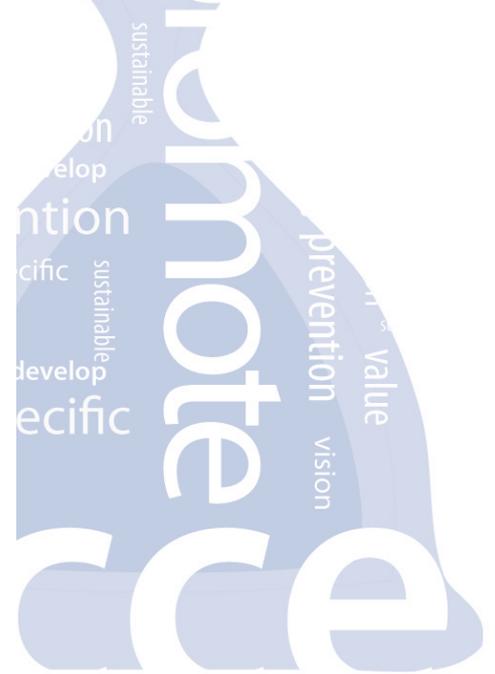
RAINER FRERICH: One of the main challenges was to make our employees understand that K-Lean and Lean management are not one-off projects that will run for a limited period of time. Even today we sometimes have to remind them (and ourselves) that K-Lean and Lean culture are forever.

With an extensive education exercise and comprehensive communication plan, we emphasized the importance of Lean for our company and that we are in the midst of paradigm-shifting change.

We made sure that people understood that our Lean journey is not about headcount reduction, but that it's about doing our jobs in a smarter, efficient way and becoming "fitter" for the future. The fear of another headcount reduction was one of the largest hurdles that led to initial staff resistance. Through open communication, much of this negativity has faded away. A regular newsletter, constant reports from the management (where the staff could ask questions of the plant director) and a lot of senior management involvement on the shop floor helped us tackle doubts, reduce criticism at a very early stage and avoid rumors.

However, the biggest challenge is to change behavior at all levels and achieve results through a bottom-up approach instead of the traditional top-down approach. We needed a system that allowed employees to express their ideas in a very open way. We had to ensure that these ideas are pursued continuously and that staff are involved in implementing the ones that made business sense (or explaining to employees why an idea is not implemented).

CAPGEMINI CONSULTING: *Do you think that top management involvement is necessary for a Lean program? If yes,*



how did you ensure top management commitment in your K-Lean program?

RAINER FRERICH: Top management involvement is essential in successfully implementing sustainable Lean initiatives. Any such large-scale change program will only be successful if employees can see and believe that the top management is equally involved and living the same values that are expected from them. The supervisors and managers serve as role models and coaches for the employees. It is important that they take the time and effort to talk to their teams to make them understand the importance of Lean initiatives in the organization.

At the beginning of our Lean journey, the top management was trained in relevant Lean tools and philosophies. They then took the responsibility of coaching employees on the shop floor. In all the Lean streams, there was senior management representation. It was part of their job to act as Lean coaches and to develop and champion the Lean culture within their teams.

CAPGEMINI CONSULTING: *What kind of behavioral/change management issues did you face while implementing K-Lean? How did you handle these issues?*

RAINER FRERICH: We communicated our new principles at the beginning of the program

1. Respect the employee
2. Team work
3. Challenge the status quo (no more "we have always done it that way")
4. Go – Look – See (discuss issues on the site)
5. Continuous improvement

We wanted to show employees that we want a closer cooperation between all levels in future. Our employees were initially skeptical, believing that this would simply lead to more work, such as increased documentation. But we have tried to create a balance: if we wanted to have some new documents, we have abolished the old records. We have tried to explain to them the benefits of the change and showed each benefit immediately. In the last nine months this has worked well and now is slowly becoming a self-sustained initiative run by the employees.

D THE BENEFITS OF THE LEAN JOURNEY

CAPGEMINI CONSULTING: *How did the K-Lean program help you to address the issues and challenges faced by Kellogg? What were the benefits achieved through the K-Lean program (profit, cost, customer satisfaction and employee satisfaction, operational efficiency/productivity improvement, ROI, etc.)?*

RAINER FRERICH: We reached the targeted objectives for the year 2010 well in advance. We have managed to increase our effectiveness and thus we can offer the company a higher "Crewed Capacity". Also, in terms of waste reduction, we achieved our goal. Meanwhile, new projects for 2011 have been defined to keep this trend going.

K-Lean is now seen as a part of our daily business and culture. It is normal for our operators to perform root-cause analysis or ask/answer the five whys. They try to

solve problems systematically and communication /escalation processes are internalized.

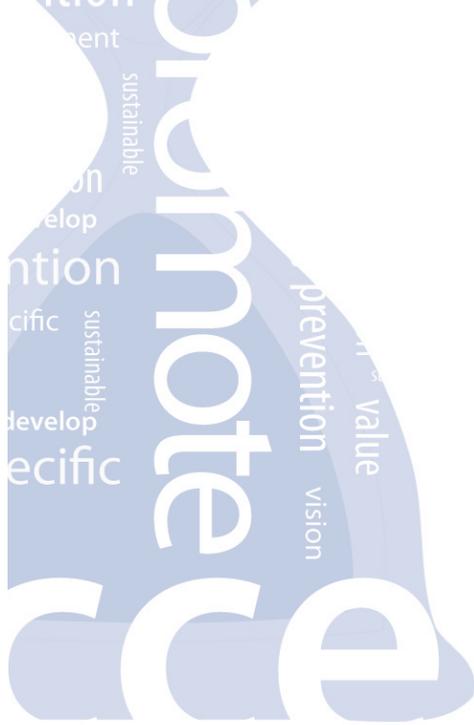
CAPGEMINI CONSULTING: *Could you please identify a specific example of an improvement that has resulted from your K-Lean program at Kellogg?*

RAINER FRERICH: With Lean we have made the biggest step forward in our continuous improvement process. Within the new "strip" system we are able to generate new ideas to improve our processes almost on a daily basis. Some of them are "low-hanging fruit" which can be implemented at very short notice. These ideas help us carry out the right TPM activities at the right time or speed up such processes as assembly, dismantling or change-over on a line. Runs are stable and root causes can be narrowed down faster.

CAPGEMINI CONSULTING: *What steps have Kellogg taken to sustain the improvements achieved from K-Lean?*

RAINER FRERICH: We are now in "Phase 2", which is about sustainability. To improve the process further and to ensure process adherence, we have developed and put in place several measures. The supervisors ensure that we adhere to our defined processes through focused coaching.

We plan to conduct a six-monthly European assessment that will help us understand where we are and where we can improve. Also, it will ensure that we share best practices across different sites and plants. On top of that we can escalate issues where we need help from the top management in our European HQ.



E BEST PRACTICES FOR SUCCESSFUL LEAN IMPLEMENTATION

CAPGEMINI CONSULTING: What are the five most important things that any company should consider in making their Lean journey successful?

RAINER FRERICH:

1. Involve ALL employees
2. Live the "bottom-up" approach
3. Define realistic sub goals/milestones and communicate results
4. Ensure constant communication
5. Act and behave in a way consistent with what you're saying

CAPGEMINI CONSULTING: What are the most common pitfalls that should be avoided during any Lean program?

RAINER FRERICH:

1. Having very high expectations very early in the Lean journey (changes do take time)
2. Not involving employees from the beginning
3. Poor or no communication
4. Introducing/implementing Lean "top-down"

From this conversation with Mr. Rainer Frerich it is clear that behavioral change and organizational culture change played a key role in Lean success at Kellogg. Clear top management commitment to Lean, tight alignment of Lean initiatives with the corporate vision, employee training and mentoring, constant communication and making Lean a part of employee performance management process are some of the practices that helped Kellogg to achieve substantial success from the Lean journey.

In the section that follows, we provide our views on why building a strong culture is key for Lean success, highlight what key strategies successful companies use, and outline a structured approach for building a sustainable Lean culture.

CAPGEMINI CONSULTING: If you started all over again, what would you do differently?

RAINER FRERICH: We started our journey in meeting rooms which are in a separate building. Next time I would start directly in the plant. This would give more visibility and transparency to all employees from the beginning.



Why building a strong Lean culture is key to success

Today, companies are under increasing pressure to improve both top-line and bottom-line performance as margins are squeezed from both sides. In this difficult situation, Lean has already helped many organizations achieve lower costs, faster delivery, greater flexibility and better quality. Typical Lean programs often focus on eliminating non-value-added activities (waste) from the business processes through various tools such as Value Stream Mapping, Kaizen, 5s, Just-In-Time, Poka-Yoke, Visual Management, Kanban etc.

However, our experience shows that organizations often fail to maintain momentum over the long run and the effectiveness of Lean programmes starts receding due to some common challenges.

In Capgemini Consulting's recent research – *Lean for the Long-Haul: Why behavior is key for sustaining success* – the senior Lean and operational excellence executives who responded emphasised behavioural issues as one of the key challenges (well ahead of other reasons). In addition, nearly half of the survey participants listed “resistance to change/ organizational culture” or “lack of focus/ commitment for operational excellence” as key challenges.

Key challenges affecting successful Lean deployment

- Resistance to change
- Lack of focus/ commitment
- Conflicting objectives
- Lack of review, reward and recognition mechanisms
- Lack of knowledge/ skills
- Expecting too much too soon
- Low leadership support



The Capgemini Consulting approach to developing a Lean culture

Capgemini Consulting helps organizations become Lean enterprises through a holistic approach that focuses on the people, process and organizational aspects needed to bring required behavioral and cultural changes.

Developing Lean practitioners and leaders within an organization through significant training in Lean tools, techniques and their application is a very important aspect of Lean deployment. These Lean practitioners go on to become the Lean evangelists within their organizations and help in successful organization-wide Lean deployment.

However, winning the hearts and minds of people is not achieved

through training, accreditation or capability development alone. Capgemini Consulting recognizes this as only one of six tenets (Figure 1) for developing and embedding a Lean culture.

By embedding these six tenets, Capgemini Consulting's BeLean™ approach focuses on building strong leadership commitment for Lean, connecting employees with the broader organizational vision, developing capabilities and accountability within employees and bringing structural and infrastructural changes that can further foster the Lean culture. In addition to this, Lean sustainability is achieved by building a strong platform to promote sharing of best practices, employee visibility

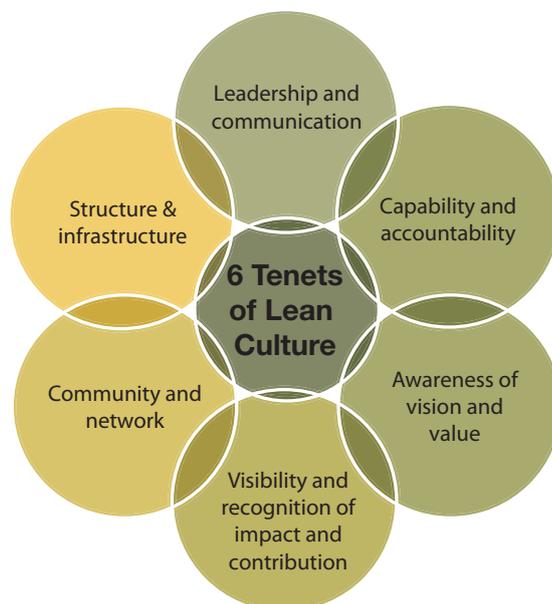
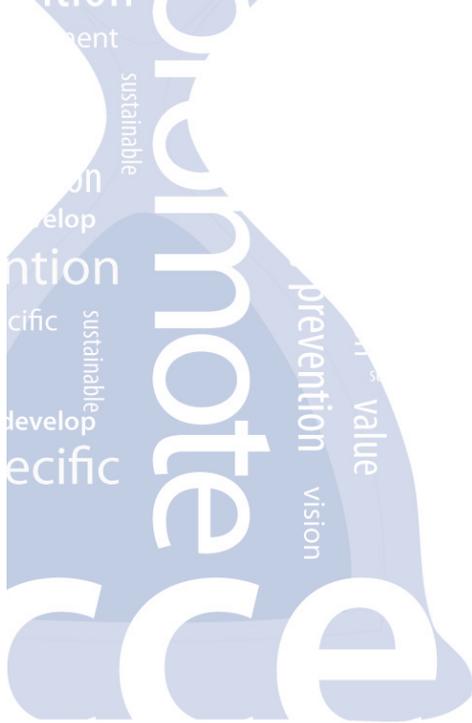


Figure 1: Six Tenets of Lean Culture



and recognition for their contribution to Lean.

Capgemini Consulting recognizes that achieving any long-term, sustainable cultural change is not a simple task. Neither can it be achieved overnight. We propose a step-by-step deployment approach that addresses each of the six tenets of Lean culture in various stages (Figure 2).

The BeLean™ approach focuses on two broad phases that help in the logical step-by-step deployment of Lean: (1) *taking control* and (2) *achieving excellence*.

Taking control

This phase improves and controls the existing business, achieving quick win benefits and creating momentum for future change:

Building change readiness within the organization: The value of having a clearly articulated vision and committed leadership are fundamental for success of any lasting cultural changes. As a first step, we work closely with the leadership and top management to unambiguously articulate and communicate their vision, objectives and values in terms of what Lean means to the organization. This helps in establishing leadership commitment towards Lean and in identifying key sponsors and champions who can drive an organization-wide Lean culture. To further establish widespread acceptance of Lean, we equip identified employees through Lean methodology and tools training. In turn these employees become Lean evangelists and can further train wider groups of staff. This first step helps in building a strong foundation for further transformation.



Figure 2: A progressive approach to building sustainable Lean culture

Evaluating system demands: This step focuses on further cascading down the organizational vision and values to the broader employee base by translating key customer and internal business requirements into objectives and targets for the employees. To enable this, we establish a performance management system to capture, measure and improve the key performance indicators. This key step helps in establishing clear responsibility and accountability amongst employees to ensure change at the grass-roots level.

Looking at value streams: At this stage, we encourage and help employees to clearly identify and define all the key processes that affect customer value. The focus here is to make employees accountable for various key processes, help them identify value-adding and non-value-adding activities and make them responsible for reducing or eliminating the non-value-adding activities. Further, the workplace is streamlined with a Visual Management System which in turn helps in easily identifying and eliminating waste.

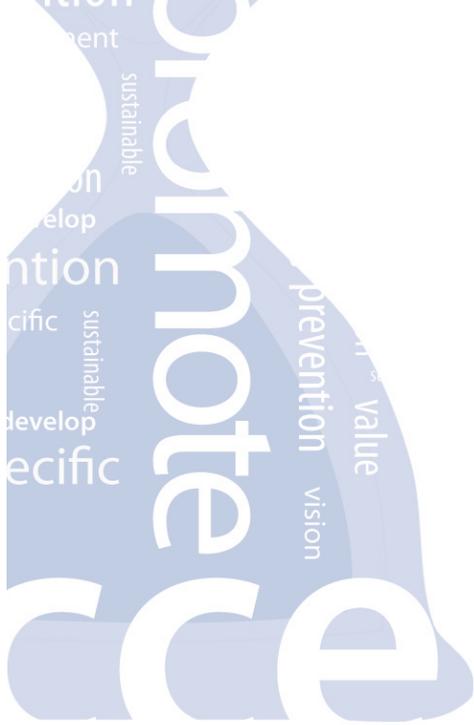
Evaluating and installing solutions: This is the stage where the real action lies. After identifying the waste, a long-term solution is put in place with a step-by-step approach towards waste elimination. For broad-based implementation, a master schedule is drawn and all the waste reduction programs are implemented as per a time-boxed deployment plan. A team approach is followed to make sure all

the key process owners and employees are engaged in waste reduction programs. This embeds a strong waste identification and elimination culture within the organization, where every employee constantly strives to eliminate waste from the system. In addition, there is an effort to streamline the flow and optimize system demands so that the waste elimination programs can be deployed efficiently.

Assuring quality standards: This is a critical stage in the deployment, where the focus shifts from waste reduction to proactive waste prevention. A well-defined quality system is put in place to drive measurement, audit and conformance across the organization. Non-value adding activities are prevented from entering the system by error-proofing (Poka-Yoke) the processes. Employees at all levels are encouraged to stop the line if they find a waste in the system. The principle here is to stop the waste from moving into downstream processes by simply stopping the process, conducting a root-cause analysis and correcting the process immediately before further processing. At this stage best practices are actively shared across the organization and this enables a strong waste prevention culture.

Achieving excellence

Once the foundation is put in place through the first phase, the focus here is to further strengthen and embed a genuine Lean culture within the



organization by transforming the organizational structure and core business functions. This phase consists of one step:

Next generation improvements:

In this stage, the organizational structure, workplace layout and key business functions are completely aligned to the value streams to enable smooth flow and waste prevention. Key assets are proactively maintained to eliminate waste. Self-managed work groups take complete responsibility for delivering value to the customers and employee performance is measured against quantifiable targets that are aligned to the value delivered. Lean behaviours are recognized and rewarded to further reinforce the Lean culture. As a result, continuous improvement becomes a way of life in the organization where every employee understands their role in delivering sustainable value to the customers.

When implementing BeLean™, we use tools like Change Readiness Dashboards, Cultural Radars, Cultural Webs, Culture Alignment Frameworks, Culture Pairs of Opposites Assessments, and Transformation Maps which specifically focus on cultural aspects of the transformation.

Lean can help organizations achieve a win-win outcome when the implementation includes a focus on sustainability and continuous improvement. But, by no short measure, the behavioral change

attained during their Lean journey clearly distinguishes the Lean leaders from the rest of the pack.

Using the BeLean™ approach, Capgemini Consulting has demonstrated success in transforming organizations, such as Kellogg, into Lean enterprises. Using the approach outlined here, a Lean culture can be achieved across the enterprise through the following: conducting extensive staff training and education, instilling clear and open communication, ensuring top management support and focus, along with staff involvement, at every stage of the Lean journey, embedding continuous improvement habits and identifying/eliminating waste across processes. We do this by helping organizations to successfully build a strong culture throughout their enterprise.



About Capgemini

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 30 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion and employs 100,000 people worldwide.

More information is available at www.capgemini.com.

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