

From one-off results to long-lasting value

Six lessons learned from the manufacturing industry on continuous improvement

Manufacturing organisations have been striving towards operational excellence for decades. They aim to increase output in times of high demand or to reduce costs in times of high competition or recession. Lean is a method often employed to attain these objectives. Lean tools themselves are not enough, however. In order to receive the full benefit from Lean, companies should aspire a mindset of continuous improvement. Our study shows that only 25% of the surveyed companies succeeded in realizing continuous improvement after starting a Lean initiative.

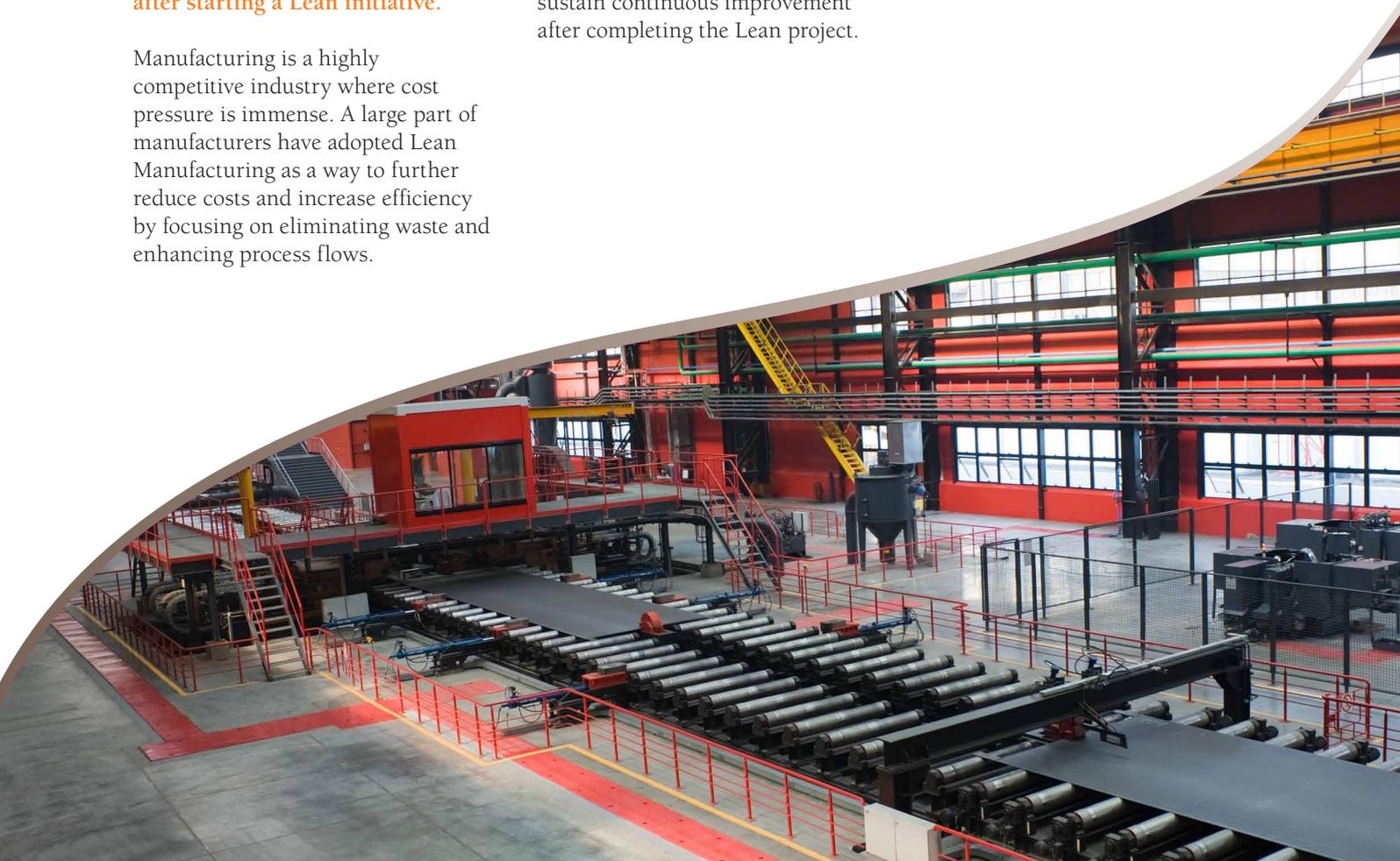
Manufacturing is a highly competitive industry where cost pressure is immense. A large part of manufacturers have adopted Lean Manufacturing as a way to further reduce costs and increase efficiency by focusing on eliminating waste and enhancing process flows.

In our study we asked 20 manufacturing companies in the Netherlands to what extent Lean Manufacturing was implemented in their facilities, to what extent the implementation was truly sustainable and what lessons were learned during implementation.

Out of the 20 companies, 16 had started a Lean initiative, varying from applying Lean tools like Value stream mapping and Kaizen events to comprehensive Lean programmes. Only 4 out of the 16 consider that their organisation has been able to sustain continuous improvement after completing the Lean project.

This raises the following questions:

- What are the benefits from achieving continuous improvement over merely realizing the quick wins that Lean tools offer?
- How can we increase the chance of achieving continuous improvement?



The benefits of continuous improvement

Lean is often used to achieve specific goals such as cost reduction or increased efficiency. Companies set targets and select employees to join workshops and brainstorm about improvement areas. Most companies, however, fail to consider if such projects represent a one-off Lean effort or a pursuit to create a culture of continuous improvement. In most cases this means that the project is destined to become a one-off effort.

The return on investment from a one-off Lean effort can be significant. Depending on the project scope, cost reductions up to 25% are achievable and typically a project can be completed within 6 months. The risk, however, is that after project completion (management) attention is drawn elsewhere and the organisation gradually returns to its former ways of working. What remains are residual project benefits.

Hence, a business case for continuous improvement is positive in two ways. First, benefits identified and implemented in the Lean initiative will be more sustainable. Second, the constant generation of ideas for improvement translate into future benefits.

These future benefits are difficult to quantify. Companies that have sustained continuous improvement are very positive about the business case calculated with hindsight and continue to invest - even if future benefits are not readily manifest.

Most companies that implemented Lean tools without a goal of continuous improvement reported results that were not sustainable. They are concerned that by stopping their Lean efforts, they will not only lose efficiency measures currently in place, but also perceive the step to continuous improvement to be unachievable. In essence, their

feeling of 'being stuck' indicates that Lean tools by themselves are not enough. The journey to continuous improvement can still be taken, but requires a renewed and open-minded beginning.

Successful continuous improvement

Continuous improvement requires a completely different skill set and maturity level than any other improvement project. The focus is not on processes and data, but on people, behaviour and new, sustainable ways of working.

The companies surveyed shared their lessons learned:

1) Empowering and mobilizing operators

Mobilizing operators is the key success factor for implementing Lean and achieving continuous improvement. To do this, managers must make a fundamental choice: will they delegate full responsibility to operators? If they do, operators begin to tackle issues and frustrations during their daily work by themselves. They become motivated to take responsibility.

For management this is an excellent approach to create momentum, demonstrate the required level of trust and directly reap the harvest of this. At the same time, this shift in responsibility is probably the most difficult element of achieving continuous improvement. The goal is to make the operators feel that the plant is theirs and that they are empowered to improve their work on a daily basis. In addition, operators should receive the necessary training and support from management in order to succeed.

If operators do not feel empowered or supported enough, they will not embrace the new responsibilities and continuous improvement will not get off the ground.

2) Leading by example and showing commitment

To achieve continuous improvement it is essential that all layers of the (manufacturing) organisation are committed. It should be high on the management agenda - not only during the initial Lean project. Management must give the right example by committing to even the simple rules such as good meeting management and following through with agreements and decisions. They should show commitment by stimulating operators to look for improvements and to value and reward good ideas. They should be willing to discuss a small investment when operators contribute with good ideas. One company surveyed collected all promotional gifts (mainly given to purchasing, marketing & sales) and distributed them to employees with the best improvement ideas.



These types of behaviours demonstrate that continuous improvement is important at all levels of the company.

3) Clear roles and responsibilities

To be successful in continuous improvement, (project) roles and responsibilities need to be clearly defined. Project leaders of Lean initiatives are responsible for the implementation in the organisation. They should start embedding Lean from the very beginning, in close collaboration with line manager and operators. The operators own the day-to-day improvement activities in their work environment.

Experience shows that coordinating the improvement opportunities and sharing best practices is very useful – if not indispensable. One of the companies surveyed put a simple IT tool in place to gather and process the ideas from the work floor. A more personal method is preferred, not because it is more efficient (it is not), but because it fosters communication and provides additional opportunities to learn, intervene and steer the change project.

4) Lean working routines

Continuous improvement should become part of operators' working routines. A key indicator for this being the case is when operators feel trust instead of expecting blame. They feel comfortable with giving and receiving feedback in order to improve routines. They have a positive attitude towards problems and perceive them as opportunities to further improve their work. Coaching and (feedback) training helps achieving this.

5) Freeing up the right people

Many companies interviewed had an abundance of projects and a lack of resources to successfully complete all the projects. What we found was that most companies do not manage their portfolio of improvement projects and resources. Companies with successful continuous improvement programmes stressed the need for proper staffing, with – to start with – at least one dedicated resource for the programme.

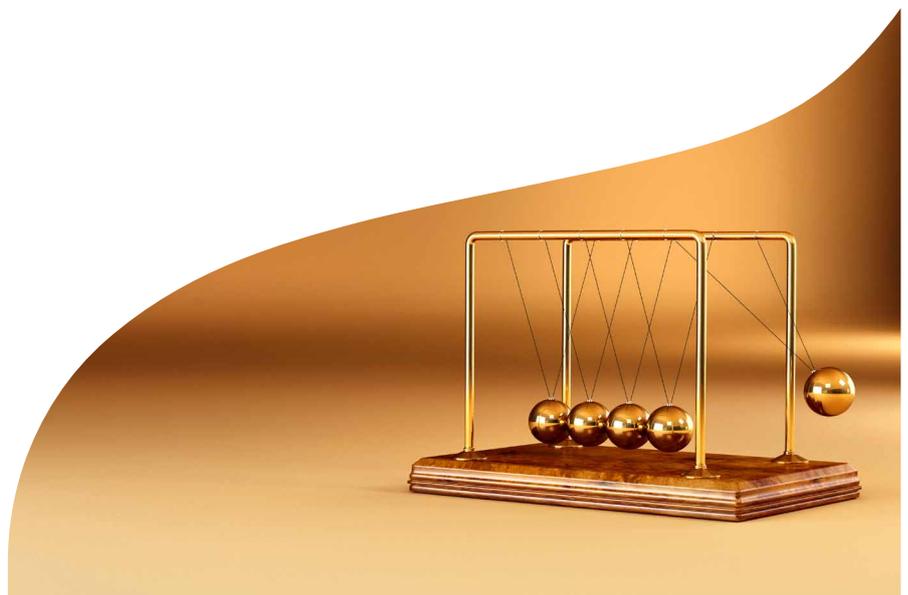
6) Let visual aids do the talking

Visual management is a strong tool to mobilize operators and to drive continuous improvement. It displays the performance of operators and their shift and links it to the company performance using so called infocenters. This is most effective in combination with a frequent, disciplined meeting regiment. It enables shifts to see their daily performance and team leaders to easily report out to plant or site management. An infocenter usually encompasses a mechanism to register, address and track issues. These issues can often be either immediately solved or easily be escalated to management. In practice, few issues reach (top) management as most issues can be solved by operators.

Conclusion

A mindset of continuous improvement can not be accomplished from solely implementing Lean tools or initiating a one-off Lean project. It requires a conscious decision and an implementation strategy to realize it. Delegating responsibility to operators and creating and embedding new working routines are key success factors. This means that companies need strong and facilitating leaders who can clearly define roles and division of responsibilities between the project and the organisation, while providing the necessary resources and using visual aids.

Continuous improvement requires an organisation where trust, change and learning are part of the way of working and thinking. Leadership is crucial in encouraging and facilitating the workforce to pursue improvements in their daily jobs. This means that continuous improvement should remain at the top of the management and executive agenda.





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