



A WOODEN BOARD MANUFACTURER

A
Case
Study
by

MCGRATH 

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Introduction

- Industry: A wooden board manufacturer with four factories (including a chemical plant) with more than 500 employees and a headquarter office.
- Main products: wooden boards, MDF and melamine.
- Type of company: family owned.
- Location: Western Europe.
- Turnover: around 150.000.00€.
- 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. There were constant quality problems, some of them excessively repetitive and lost sales.
3. There was a lack of strategy or long/medium term vision. Management were 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 of leading the family that owned the company and those within the company (specifically the CEO) through a big cultural change.



Objectives

- 1.** To design and implement a shared vision and strategy developed by the management team and to commit to a road map.
- 2.** To implement a new overall management system at board level and management team level, using the balanced score card as a tool to get significant information; information that would enable them to make the right decisions.
- 3.** To develop a high-performance management team oriented to achieve the strategic goals defined and to do so in a cooperative manner with 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 customer relationships based on collaborative forecasting and planning (and to do the same on the other end of the supply chain).
- 5.** To dramatically increase the performance of production with new SMART goals and objectives. Create a new planning system based on standards, complete job instructions for every position, trained supervision and a reporting system that would allow the company to objectively evaluate 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 high- performance in the maintenance department.
- 7.** To develop a new approach to supply chain management by establishing a fresh approach with suppliers; enabling them to collaboratively forecast, plan and evaluation their performance. To develop a new planning system for transports and deliveries and a new inventory control system based on actual utilisation, delivery times and work in progress control.



McGrath Solution

A new strategy was defined through workshops with the whole 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 the stakeholders (including the union representatives).

A new commercial approach with new tools and an increased knowledge of the market strengthened the value of the brand within the industry (they were already major players) and the sales increased. Sales people had new skills and exuded more confidence.

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

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 fell significantly.

Inventory was kept low and useful based on the new system.

Breakdowns fell to less than a half and a lean maintenance department was more effective with less resources.

A new preventive maintenance program was defined and executed 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 full year after the project.

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

Benefit 1: Profit

The company experienced a turnaround in financial performance spurred on by the new strategy, management systems and culture. The first financial statement after the program showed a profit of 2% and in the following years this profit increased to 10%.



Benefit 2: Sales Increase

Sales were boosted by the implementation of the new approach and the new management system (with the new indicators, reporting, procedures and the skills training received by the sales force) and as a result of the sudden and improved performance in quality.

New clients were acquired and in total there was an increase of 15% in sales and also an increase in the average margin of the sales of 12% 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 were ignored a few months prior to the newly introduced systems) 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

A behavioural change oriented towards an improvement in all fields was achieved by the new culture, the new management systems, the intensive management training given to all the executives, managers and supervisors. The results of optimisation at all levels worked as a very strong motivational factor to keep up good performance.

Benefit 5: Improved Quality

The quality problems dropped dramatically during the execution of the program and the company was at world class level within three months after the program was executed. Thereafter the quality indicator remained stable with slight reductions at 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. The MD and the management team were 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 involved through meetings to keep him informed. A strong commitment to the new strategy was developed during the workshops with the management team. Meetings and presentations were held across the organisation communicating the changes the company and the staff would experience. A balanced score card was designed and implemented almost immediately afterward 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 behavioural change.

Orders Process, Traceability and 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 could now be delivered to a higher standard 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 outdoor teambuilding workshops 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 middle management and supervision were trained in management skills. The management training helped the middle managers and the supervisors to achieve the new ambitious goals increasing motivation and accountability. Training with the pressure of new goals and the management tools available combined helped achieve unprecedented levels of performance and behaviours. This also was encouraged by the top management. The organisation became client oriented and efficient.

Sales & Marketing Management System

A new sales management system was implemented, radically changing the approach to the market. After a client classification process a new collaborative approach was set with the A clients (forecasts and plans became an essential feedback for production planning). The development of the relationship, the new skills acquired by the sales people and the procedures and tools that they acquired significantly improved sales area performance. 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 systems were installed. A master schedule was defined and implemented to calculate resources at 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 freed up maintenance resources that made it possible to comply with a new preventive maintenance program. A simple reporting system based on key resources from the maintenance department made it possible to be 100% compliant with the new preventive maintenance program (prior to this compliance was around 45%). A new maintenance management system helped the maintenance technicians to reduce downtime and to give prompt responses 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 by 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 was created to deal with non-quality and customer satisfaction was obtained. The group was given effective tools and methodology and had a short weekly meeting where problems were resolved 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 and linked with the production planning. Workload was calculated for the warehouses and 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 penalised the quality performance. A 5S program was also executed in all the warehouses.

Conceptual Design ERP

All processes were defined using step by step information requirements. The hardware, software and information architecture was defined to prepare the organisation for an imminent ERP implementation.

Summary

The organisation went through an important cultural change. The new strategy, management tools and systems, management and technical skills, procedures and rules, allowed the company to become professional but most of all created a behavioural change that was perpetual and ever improving as a result of the achievements made during the program.

A new focus on performance and customer satisfaction was now shared by most of the people in the organisation and a fair system was created to evaluate personal and area performance. This increased motivation and commitment, creating a virtuous cycle that fed itself. The better the performance, the more committed the staff; which improved performance even more. This was now part of the organisational culture and so the company was able to establish itself as a world class player.

