

A stylized map of Southeast Asia, including countries like Thailand, Vietnam, Laos, Cambodia, Myanmar, and the Indonesian archipelago, rendered in a light blue color against a darker blue background. The map is positioned in the upper half of the page, above the main title.

LCA Case Study

Lifting FMCG Factory Output

July 2007

The client

Our client is a multinational manufacturer with business units operating across a number of FMCG market segments. In this instance, the business unit was the national market leader, producing very high product volumes.

The issue

Outbound transport from the client's factories was the responsibility of the customers, dedicated distributors, operating owned and sub-contracted vehicles to haul the product to their distribution hubs. Most factories were suffering from severe on-site traffic congestion. As a result:

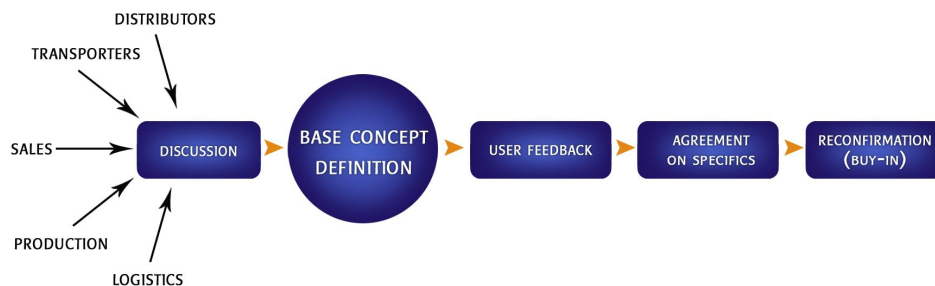
- Loading was slow – causing both production stoppages and stock-outs at the customers' end
- Factory sites were dirty and made dangerous by manoeuvring vehicles
- Local communities were unhappy about their streets being full of parked up vehicles

Daily off-take volumes were allocated to each distributor. However, this was loosely managed as it was impossible to maintain proper scheduling. Sites were constantly grid-locked, resulting in both loading and transport operations being inefficient. To compensate, distributors would send more vehicles to join the loading queues, thus compounding the problem.

The solution

The largest (and worst congested) factory was selected as the pilot and a task force team was formed. Establishing collection windows, (or time-slotting) was identified as the only viable solution. The question was – how to make collection windows work in an effective and sustainable manner?

The team started with a sustained effort to fully understand all the issues, formulate the right solution and then to get buy-in from all concerned parties. The message was, **'we will all benefit by doing this smarter'**. A discussion period was scheduled – allowing for a number of meetings where the base concept could be explaining, followed by user feedback, further debate, and agreement on specifics – all the time building consensus on the solution and buy-in to the project.



As a control mechanism, the client's IT department developed a simple Collection Order (CO) system that was installed at the factory gate. The day was divided into 6 4-hour windows (2 per shift). The new process required the arriving driver to present his CO document at the factory gate. If his window was not yet open, he was sent away. If he was late, the CO was automatically cancelled. The CO system time-stamped both arrival and departure times, - all deviations from plan being assigned a reason code for KPI reporting purposes.

PROJECT QUICK FACTS

CLIENT TYPE:
MNC manufacturer

SECTOR:
FMCG

BUSINESS SCALE:
USD 300 Million

PROJECT OBJECTIVE:
Clear shipment bottleneck at factories

SOLUTION:
Establish and maintain collection window disciplines

Physical site control was simplified. Every vehicle entering the site was given an A4 queue card to be displayed on the windscreen. The card showed the collection window and the vehicle's queue number. Displaying the card was mandatory, giving supervisors a visual means of ensuring that vehicles were:

- Where they were supposed to be
- Being processed in the right sequence
- Being loaded on schedule

Making it happen

Just before switching to the new system, the project team undertook a final round of workshops with the participants, re-selling the concept and ensuring that everyone understood that new work-rules were about to be established, and that they would be rigorously enforced.

Simultaneous to the above preparations, the team led a major spring-cleaning exercise at the factory. Roadways and parking areas were re-marked, pot-holes were filled, signs were erected, walls and fences were washed and/or painted, litterbins placed everywhere and new site regulations posted wherever people congregated. (Work-rules were also printed on the back of the queue cards - facing the drivers in their cabs). Banners were erected to further reinforce the change message. Colour-coded work-shirts were provided for all staff - to help the project team identify who was doing what.

The result was that, on go-live, management, staff and drivers arrived at the site to find a very different environment. It was cleaner, safer and well-ordered, with notices and banners constantly reminding them of the new work-rules were in place. Effectively, the team had created an environment in which it was easy for people to emotionally accept change. In turn, this made it easier for them to adapt their behaviour to comply with the new work-rules.

For the first few days, every shift began with supervisors and administrators being briefed on progress. At the same time, the zero-tolerance message was reinforced. In turn, supervisors would conduct a shift-start meeting at which operational staff and arriving drivers were reminded of the new work-rules.

Keeping it happening

The final step was to ensure that new disciplines would be maintained.

The CO system was designed to automatically produced KPIs that could be used to manage the operation. The team went to great effort to ensure that the headline KPIs were presented on a single A4 sheet, and that a simple drill-down capability allowed the user to quickly uncover the root cause of any performance failure.

A weekly meeting, attended by the CEO, ran for 3 months after go-live. The stated purpose of this meeting was to identify and rectify problems impacting performance. However, more critically, this meeting delivered the message that the project and performance measurement were both important to the business. This reinforcement worked well, and before long both the factory and the distributors were both using the KPIs as a daily management tool.

Specific Challenges

#1 The team needed to create an environment where change was possible.

This meant finding solutions for real obstacles whilst gently but consistently disproving the long list of 'perceived' obstacles put forward by the parties involved. Dedicating time and displaying empathy in a patient but persistent manner was the best way of achieving this. We also ensured that senior management team was consistently 'on-message' about their determination that this would happen.

#2 The team needed to demonstrate they meant business.

Distributors needed to know that COs really would be cancelled if the vehicles were not on schedule. This was achieved by having the CEO repeatedly reinforce the point – until everyone knew how serious he was about this change. At go-live, a zero tolerance approach was enforced - rejecting the argument that people needed time to get used to the changes.

#3 Payment for favours

We knew from hearsay that drivers had to pay staff to be unloaded quickly. The solution was simple – create transparency and rigidity in the CO system and operating disciplines that would make it impossible to make undetected sequence changes.

#4 Credibility had to be achieved on go-live

This meant senior project team members being on-site 24 hours a day to ensure that everything worked.. In the event, things went so smoothly that the project team was able to stand-down on the 2nd day of operations.

#5 Operational disciplines had to be maintained long-term

To begin with, the benefits of the new system meant that people adhered to the new work-rules. However, new efficiencies meant that trucks were returning to the site faster. As loading was now being completed within the first 3 hours of each window, the supervisors started letting drivers enter the site to load early. This 'reasonable' approach soon caused the site to begin clogging up again – and the old conditions reappearing. The solution was simply to reinforce 100% adherence to window disciplines. At the same time, we explained to all parties that maintaining a rigid, fair, well-organized schedule was more beneficial than the occasional early departure.

#6 Avoiding blame / encouraging honesty

With the KPI recording now in place, management could drill down to see the real causes of delay, and address them. Traditionally, the factory always blamed distributors for delays and the distributors always blamed the factory. As expected, we soon caught factory staff entering the wrong reason codes to hide factory error - undermined confidence in the system and damaging efforts to fix the real issues. The solution was a simple, strong statement from senior management:

“We are seeking to clear obstacles preventing us from shipping to schedule - not to assign blame. However, if anyone undermines this by entering false data - be assured that disciplinary action will follow.”

CHALLENGES : A QUICK LOOK

- **MINDSET:**
Change is possible
- **DISCIPLINES:**
A zero-tolerance approach
- **TRANSPARENCY**
- **CREDIBILITY FROM DAY 1**
- **MAINTAINING LONG-TERM OPERATIONAL DISCIPLINES**
- **AVOIDING BLAME**
- **ENCOURAGING HONESTY**

Benefits achieved

#1 Productivity – same plant/resources, more product shipped

From day 1, consistently high levels of output were achieved. Within a few months of go-live, an extra production line was added at the factory. Within days, new shipping records were being achieved without any stress on the distribution function. The impact of collection windows was critical. Over the 12 months following the nationwide rollout, the client increased output by over 15% - without investing in additional plant capacity.

#2 Transport cost reduction

Collection windows reduced the time vehicles spent on site and allowed for realistic scheduling of deliveries. Reduced cycle times increased per-vehicle productivity and reducing the fleet size required. Immediately after roll-out of collection windows, the client renegotiated national transport rates down by an average of 6%. Even greater rate reductions are imminent – as time-slotting has opened up opportunities for better planning and vehicle utilisation.

#3 A better, safer workplace

Everyone in the organization immediately appreciated that their workplaces were now cleaner and safer. At all levels of the organization, the system dramatically reduced complexity and the daily stresses of managing a high throughput environment, improving morale across the business.

#4 Management through KPIs

Everyone in the business now measured themselves by what counts – shipped product. Collected In-Full & On-Time (CIFOT) rapidly became the standard measure of both a factory's and the customers' performance. Both parties now use the KPI report as a standard management tool to measure performance and to jointly identify and eliminate obstacles.

#5 Increased product availability on retail shelves

Quite simply, the client got a lot better at meeting demand and getting the goods onto retailer shelves, ensuring that sales growth matched the output growth achieved.

#6 Creating a progressive ethos

Within 24 hours of go-live, buy-in to the new process was almost universal. Almost immediately, an internal team was established to take responsibility for rolling out collection windows across the remaining factories. This roll-out created enormous enthusiasm. The highly visible success of the project broke down a lot of barriers to progress, encouraging a "can do" ethos that senior management is gradually instilling across the business.

BENEFITS : A QUICK LOOK

- INCREASED PRODUCTIVITY
- IMMEDIATE TRANSPORT COST CUTS
- BETTER, SAFER WORKPLACE
- BETTER MORALE
- KPIs AS PART OF DAY-TO-DAY MANAGEMENT
- INCREASED PRODUCT AVAILABILITY
- CONTRIBUTING TOWARDS A PROGRESSIVE ETHOS

In conclusion

The overall impact on the client's business was immense. Some months after the CO system had been rolled-out, the senior team had just completed a weekly KPI review where a lingering obstacle had been discussed at length. It had been a difficult meeting, but the CEO ended it by saying,

"Before we leave the room, I want to remind everyone here that we are discussing how to maintain our output performance at high levels.

One year ago, we had no idea how we were going to meet market demand without major investment in new plant. We are now working our assets much harder than we have ever done before and we have reduced our costs.

This has been a considerable achievement!"

At the end of the year, management reinforced this message by awarding the two project champions a special commendation and bonus for outstanding contribution to the company.

TO FIND OUT MORE ABOUT LCA AND ABOUT WHAT WE DO, PLEASE CONTACT:

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