



Henkel

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Benefits at a glance

- ▶ *Inventory reduced by £1.5 million*
- ▶ *OTIF up from 75% to 95%*
- ▶ *Output increased by 5%*
- ▶ *Overtime costs cut by 22%*
- ▶ *Distribution costs savings of £300,000*
- ▶ *Supplier delivery and manufacturing schedule performance up to 95%*
- ▶ *Oliver Wight Class A certification for planning and control*

Customer profile

Henkel seals its bid for improvement

From its humble beginnings 130 years ago, when Fritz Henkel launched a washing detergent, Henkel has undergone phenomenal growth to its position today as a global corporation, employing 50,000 and with such diverse brands across its business as Pitt, Schwarzkopf, Sellotape and Loctite.

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In the UK, the Winsford, Cheshire site is the leading manufacturing facility for the Consumer Adhesives division, where products such as sealants and tile adhesives are made, including the Solvite and Pritt brands. Since embarking on an improvement programme with Oliver Wight, the site has undergone significant change, reaping huge financial returns, and it achieved Class A status in 2006. The Winsford facility has been transformed in terms of efficiency and its experience is now being adopted as a standard for other sites across the organisation.



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Operations Director
Henkel***

Mark Hamlin is the operations director at Winsford. He saw what Class A could bring to an organisation, when in a previous role with a pharmaceutical company. “The understanding of the programme, and the benefits it could bring, had always stuck in my mind,” he recalls. He joined Henkel in 1996 and he could see how highly the organisation rated quality and innovation, and his site was no exception. Benchmarking was always seen as a valuable exercise, particularly when that could be combined with recognition in awards schemes. “We were highly commended in the Best Factory Awards in 1999, which was certainly one of our high points,” he says. But despite the site’s successes, Hamlin wanted to go further. “We thought we were pretty good, but we wanted to know where we stood on a global scale.”

So in 2003, he decided the time was right for the Winsford site to grasp the opportunities that Oliver Wight’s Class A accreditation would offer. “There wasn’t enough experience and knowledge of manufacturing best practice on the site, and I knew that the Oliver Wight programme could deliver the necessary understanding. I wanted us to follow

a process of improvement that would be measured and benchmarked.” The timing was planned, too, to coincide with the introduction of a new distribution centre and an expanded production area. “I wanted to make sure we implemented best practice right from the start in the new areas, rather than just replicate what we’d always been doing.”

But Hamlin wanted the benefits of this to go farther than just his site: “Within the group’s European organisation, we were talking very different languages in terms of manufacturing performance, so I wanted this to be the start of a European initiative.”

There were no significant problems that prompted the decision, more a general lack of integration: “We needed to find a way to link all the functions together. This is a highly competitive business to be in, and it’s vital that you strive to be the best you possibly can,” he says. “We did have a good history of continuous improvement here at Winsford, but I knew that going for Class A was something that would pull the whole operation together, not just manufacturing.

“The commitment remains very high. Everyone knows what Class A is, and they can see what needs to be done.”

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Looking back, if we hadn't gone for Class A, it would have seriously hindered our improvement opportunities for Winsford."

Hamlin received immediate buy-in from his colleagues on the senior management team: "Two of them had also been exposed to Class A training previously, so it made it easy to explain what we wanted to do. They understood it, they wanted to do it and, like me, this was very much ingrained in their business brains."

Hamlin called in the Oliver Wight consultants to carry out the initial benchmarking and to map the proven path. With their help, he selected the three areas on which Winsford's activities would focus: continuous improvement; people, behaviour and teamwork; and planning and control. "In reality, we knew the planning and control element would be the main focus for us – we were already very much a team-based organisation and we had a fairly mature continuous improvement programme in place."

Six teams were elected to focus on the areas of suppliers, customer services, continuous improvement, master data,

master scheduling and manufacturing. Each team was drawn from various functions in the business, and each was headed by a member of the senior management team.

Oliver Wight came in and carried out some initial training for all the team members in subjects such as supply management, lean manufacturing, master scheduling, Six Sigma and warehouse management. Each team then set about the task of process identification, measurement and redesign.

The full task of refining processes from initial training through to Class A accreditation took 18 months. It wasn't all plain sailing, but the results have been astonishing. "We had a lot of work to do with our suppliers," says Hamlin. "We held several workshops and invited our top 40 suppliers to attend. We told them our plans, told them what we expected from them – a reduction in inventory, an increase in service and a commitment to continuous improvement." Most reacted positively, though Hamlin admits to losing "one or two" fairly early on in the process: "They said 'this is how we do business, like it or lump it'." Henkel was left with no choice.



This investment in the supplier improvement programme ran to workshops, individual education, follow-up sessions – and the launch of a new supplier portal, where suppliers have online access to Winsford’s planning data. “Each supplier logs on to see our future demand, so they can schedule their own production much more efficiently. We weren’t just demanding change, we were saying we’ll help you by giving you this tool and we trained them how to use it.” The portal went live in the second half of 2004 and has now become standard for any new supplier.

This investment of time and resource has paid huge dividends – the Winsford site has saved a staggering £1.5 million in reduced inventory, cutting levels from £9 million to £7.5 million. On time in full (OTIF) delivery from suppliers leapt from 75% to 95% in the first year.

And Hamlin’s initial guess that planning and control would be a key area for undergoing improvement proved correct. “We saw huge improvements in manufacturing schedule performance – from just under 50% right up to 95%.” Better planning led to greater efficiencies across the site: with output up by 5%, overtime costs were cut by 22% and the

cost of distributing the products was slashed by almost £300,000.

“We also carried out a lot of process redesign using value stream mapping,” says Hamlin. This meant that the expanded production area could be laid out in the most efficient way from the outset: “The value stream mapping exercise helped us to create blueprints, which we then applied to the new area.” One of the value measures is velocity of material flow – that’s added value time as a percentage of total time. “We removed all the interim ‘holding’ stages, since the materials now arrive from suppliers and go straight to lineside. We’ve seen a huge difference here, from an average of 2,000 minutes down to just 500.”

Henkel’s customers are, in the main, large retailers who demand product on same-day or next-day delivery. This has placed its own demands on the new ways of working. “It has been especially tough for us, for example, to achieve 95% manufacturing schedule compliance consistently. We don’t have the luxury of long lead times like other organisations, our customers want it tomorrow. So to



get to 95% performance has been a challenge, but we did it thanks to a great effort.”

Sustainability was crucial for Henkel. Hamlin knew that the early successes would be tough to replicate if the motivation and drive wasn't there. After the first few months, in which the initial training and workshops were carried out, the Oliver Wight consultant visited the Winsford site on a monthly basis to check progress. “The great thing was, too, he was always available by phone or email,” recalls Hamlin. “This meant, for example, we could send him new process designs to check and ask for his help with any queries.” The Class A audit was performed in April 2005 and Henkel Winsford passed in every area.

Any celebrations were cut short, however, as the same month proved to be the most difficult in many years for the operation. “Just after the audit, the DIY market suffered its worst downturn for 20 years: our sales in April 2005, for example, were down almost 30% year on year,” says Hamlin. This meant some organisational changes, including

redundancies. The shopfloor cuts were restricted to temporary labour and contract workers, rather than full-time employees, but it remained a difficult time for everyone at the site.

Organisational changes meant moving some production from another site in Dunstable, Beds, up to the Winsford operation. This left Dunstable to focus solely on tape production. Later that year, Henkel also acquired another sealant manufacturer: the acquisition resulted in that site being closed and its production also moving to Winsford.

So 2005 was very much a year of double-edged results for the Winsford site, with the elation at achieving Class A blurred by the actions required in the unexpected trading climate. It was a difficult few months, but the fact that the Winsford site could demonstrate it had sophisticated and highly efficient processes contributed significantly to its ability to absorb the changes. “The fact that we'd gone through the Oliver Wight process allowed us to make our performance even slicker and we were in better shape



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to handle these dramatic changes. Our processes and procedures were robust enough to handle the increased volume from other sites.”

Since the start of 2006, the market has been recovering for Henkel. Indeed, Hamlin says volumes have increased beyond the levels of 2004 and despite all the organisational changes and resultant additional complexity at Winsford, a recent internal audit shows the operation is nearly back to Class A standards. Hamlin is upbeat: “It was vital we got back on track with our two key measures of supplier delivery and manufacturing schedule performance. Both dropped to around 90%, but we’re already starting to see them rise back towards 95%.” The motivation is there from everyone: “The commitment remains very high. Everyone knows what Class A is, and they can see what needs to be done.” Hamlin is confident that Winsford can not only achieve Class A levels, but can go on to improve processes even further.

For the immediate future, Henkel’s Winsford site is concentrating on implementing techniques such as SMED

(single minute exchange of dies), a move which will speed changeovers and increase capacity – more crucial with the increased product lines now being manufactured at the site. Hamlin’s ambition for Class A to be a European programme has been borne out. The group’s Dusseldorf site has also achieved Class A accreditation, and now the programme is being rolled out elsewhere in Germany, France and Spain, and as far afield as Brazil and Mexico.

For Henkel, Class A has been – and continues to be – a true journey, one which has highlighted many unexpected opportunities along the way. “While the Oliver Wight programme is prescriptive to a certain extent, it also gives you the chance to take a good hard look at your processes and decide what you want to improve. It’s a fantastic vehicle and is a great format for improvement,” says Hamlin.

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