

**Nampak Flexible**



### Benefits at a glance

- ▶ *Productivity doubled*
- ▶ *Lead times reduced by two thirds*
- ▶ *Operating costs slashed with no loss in sales*
- ▶ *Working capital and headcount reduced by 50%*
- ▶ *Transformed from loss maker to highly profitable business*
- ▶ *Dramatically improved visibility over a 12-18 month horizon*
- ▶ *18% of revenue from product innovation*
- ▶ *Sales team incentivised on forecast accuracy*
- ▶ *Awarded 'division of the year' by Nampak Group*

## Customer profile

### **Flexible to Change**

Nampak Flexible is South Africa's leading flexible packaging company. Five years ago the company was making a loss and fighting for survival. Today is a very different story. In a spectacular turnaround, Nampak Flexible has received the Oliver Wight Class A award for Integrated Business Planning, doubled productivity, reduced lead times by two thirds and witnessed a return to profitability.



Nampak Flexible is part of the R15,8 billion Nampak Group, South Africa's largest packaging company. Established back in 1968 and with a presence in over 21 countries, the Group offers a comprehensive range of packaging, manufactured in metal, glass, paper and plastic.

Nampak Flexible operates as a semi-autonomous division of this wider organisation, providing an extensive range of printed and laminated flexible packaging to the South African market: from chocolate wrappers to crisp packets, and washing powder to wine. With factories in Durban, Cape Town and Port Elizabeth, Nampak Flexible employs around 850 people.

Nampak Flexible has a strong ABC customer model and its top 16 customers account for around 80% of its revenues: these are the big suppliers of fast moving consumer goods (FMCG) in South Africa; including major multi-nationals and 'super-nationals' such as Unilever, Mars, Frito-Lay, Kraft, and Nestle. Managing Director, Robin Moore, says the company focuses heavily on these partnerships. "We see ourselves as a customer-intimate business; we try and build relationships with our customers and provide a value offering."

Dealing with FMCG suppliers does, however, add to the complexity of Nampak Flexible's supply chain. "FMCG

suppliers are dealing with the large retailers and are often driven by things like promotions and retail pushes and pulls, which means their planning and forecasting can't always be as good as we or they would like it to be," says Moore. "So we have to have quick response times to react to changing demands, such as new packaging designs and so on." At the same time, Nampak Flexible's supply chain is a long one; situated on the southern tip of Africa and having to import a large proportion of its raw material, means planning well in advance. What's more, the organisation faces increasing competition in the flexible packaging market, particularly from Middle East, Chinese and Indian manufacturers. "Flexible packaging has a high volume to weight ratio which makes it easy for importers to enter the market," explains Moore. "So it is essential we give the quality, service and innovation that discourages customers from going elsewhere."

Five years ago however, it was poor quality and service that meant customers were being lost, and the company was in





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trouble. At the same time local and international competitors had installed significant additional capacity and were aggressively seeking to increase their market shares. Having recently acquired one of its competitors, Nampak Flexible had to consolidate its market and operational offerings, as well as its operating sites. And on top of this, the company was also completing the implementation of a new JD Edwards ERP system. It created what, Business Strategy Director, Monte Maritz, calls ‘the perfect storm of internal strife’.

The organisation tried to overcome poor service by maintaining high inventory levels and cutting prices: “We had stock of everything. The sales team tried to cut costs by ordering raw material in bulk; they were doubling their forecasts to get what they wanted, but ultimately causing huge wastage. We had poor efficiencies in our plants, and our OTIF was just 50%”. The business was losing money but desperate to hold on to customers, hence price cutting became the primary defence. “Clearly, this was not the most sustainable business strategy,” observes Maritz. “Finding a new way of working was a matter of urgency.”

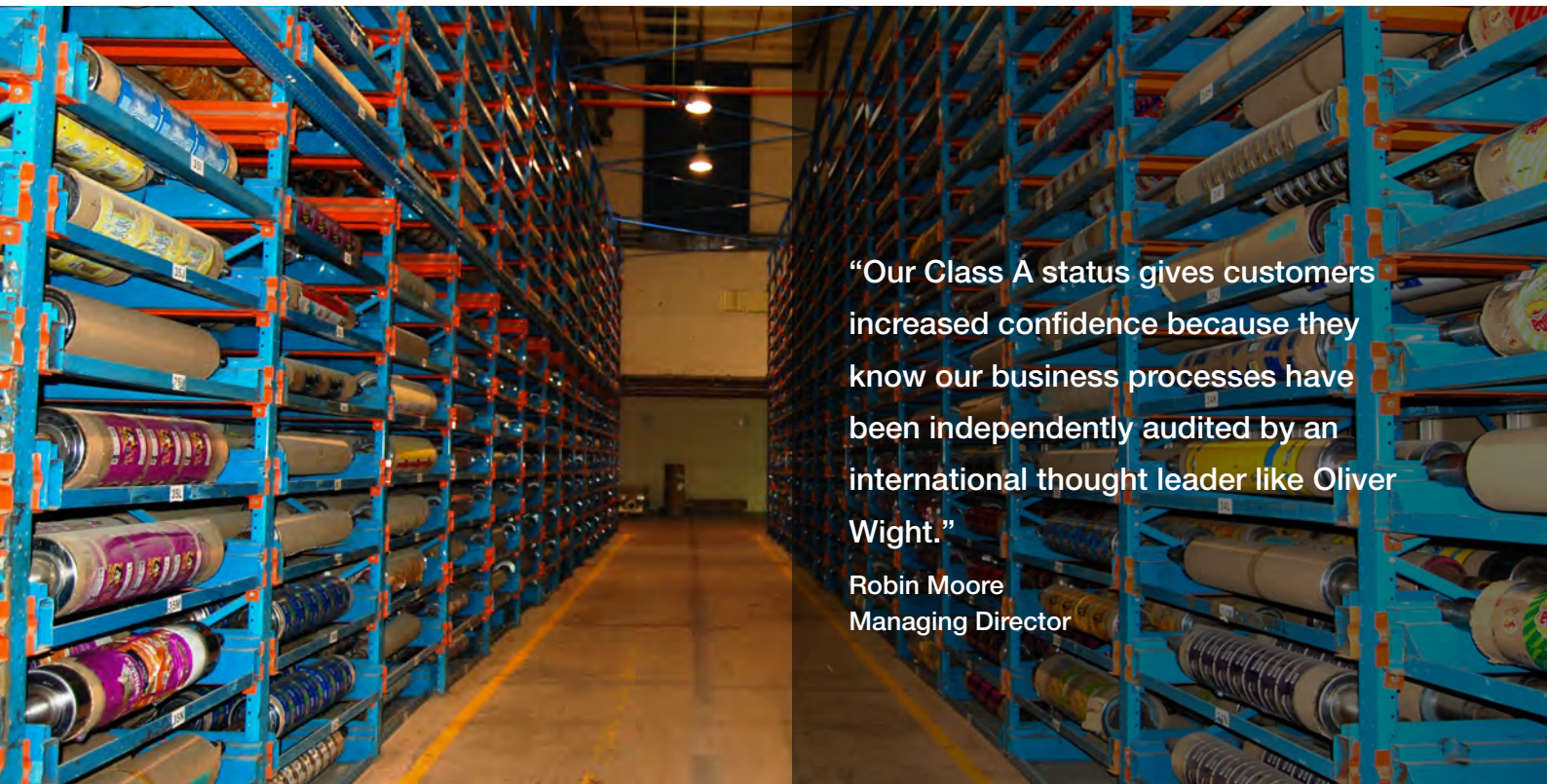
Robin Moore, had just joined as MD when the business was at this crossroads. He and his team immediately developed

a six point recovery plan, which included the implementation of a sales and operation (S&OP) process to integrate the management of the business.

The six initiatives (strategy; customer growth; benchmarking; S&OP; lean and six sigma; and Grid culture) were underpinned by a concise vision from Moore: ‘Let’s do everything first time, on time, every time.’ And it was this vision that allowed the company to formulate a clear strategy to become the customer intimate organisation it aspired to be, rather than one driven by price and product. Nampak Flexible benchmarked itself against other successful flexible packaging suppliers and began to communicate more effectively with its customers. At the same time, waste was reduced and efficiency improved through lean manufacturing and Six Sigma activities. Every change was accompanied by cultural change process; the ‘grid culture’ encouraging greater internal communication. “People learnt to talk to each other and work together,” explains Maritz. “There was a significant shift towards being a process-run business. Instead of doing everything by the seat of our pants we would actually focus on implementing the processes.”

It was during its ERP implementation that Nampak Flexible recognised it needed an S&OP process to derive real value





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from the new system, so senior management drove hard to get a sales and operational culture into the business. It started focusing on some of the basic principles, including monthly demand and supply review meetings, and entrenching the use of standard processes. However, although the company was implementing the basic process, Supply Chain and Operations Director, Grant Page, says: “It became clear, we were not quite there. We had established two important principles: the need to forecast and that the S&OP process should be used to run the business, but we felt there were significant benefits we were missing out on.” This realisation led the organisation to partner with Oliver Wight and Page believes this move was fundamental to the company’s resurgence. “Having tried it ourselves without the assistance of Oliver Wight, it is my view that we would have significantly accelerated the process, had we engaged Oliver Wight from the start,” he explains.

Initially Nampak Flexible began engaging with Oliver Wight through its public workshop programme, and it soon became evident there would be significant benefit in moving from basic S&OP to a complete Integrated Business Planning (IBP) process. From there a proper IBP implementation was planned, with Oliver Wight’s coaching and guidance.

The Oliver Wight work began with an audit of Nampak Flexible, identifying exactly where the gaps were, before rolling out a cascade education programme and implementing IBP as the company’s new, advanced S&OP process model. “We had our new tools (ERP and BI) but it was teaching the business to use processes that gave us the results. Not only that, it also refined our strategy for us; as we put our strategy through IBP, we were able to make it more focused,” says Page.

### **Spectacular results**

The turnaround has been nothing short of spectacular. Despite the recession the organisation has experienced real volume growth without any significant capital investments, and has returned to profitability. With the new focus on the ABC model, the company has rebuilt its reputation and become the supplier of choice again for its key customers. It has slashed operating costs, reducing the number of sites from 20 to four, without any significant drop in sales. Working capital has halved, as has head count - including a cut in the number of directors from 53 to seven. Productivity has doubled and efficiency increased, with lead times a third of their previous level. Fundamentally, Nampak Flexible has gone from a loss making business to a highly profitable one, with a healthy return on net assets. Nampak Flexible started its path to recovery as a supply





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chain project, but it has now moved far beyond this. Where previously S&OP was seen merely as part of the supply chain process, IBP is now the business leadership model. Maritz emphasises, “IBP and your business structure must be one and the same. And IBP must be adopted as a whole; you cannot just focus on creating a strong demand review, supply review and product review; you need the complete IBP process.”

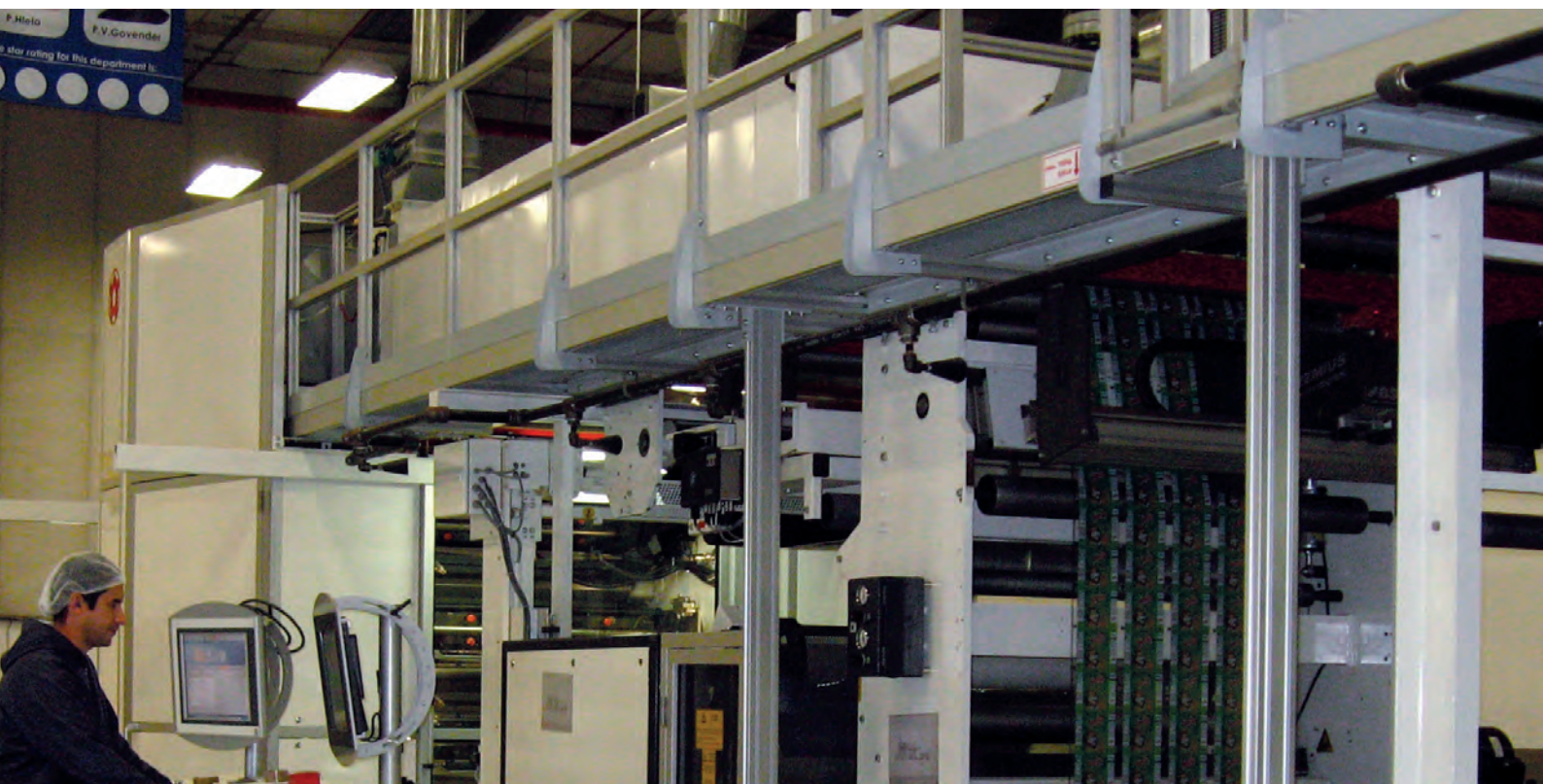
So, a key part of Nampak Flexible’s success was making IBP an integral part of the organisation’s culture, and to that end, Maritz was appointed full-time IBP Process Leader, a role was elevated out of supply chain to a senior management position. “You can’t do IBP in the background,” Maritz explains. “It has to be the way you run your business”.

He also believes that aligning structure of the organisation with the IBP process is essential; apart from the plant manager, all leadership roles at plant level were removed and centralised: supply, planning and finance etc. “Within the central structure, the senior management roles were redefined by their position as IBP process leaders. There had to be no distinction between the IBP process role and the day job; process leadership is the key responsibility, and all the activities below that become part of the role. For

example, the product review leader also happens to manage R&D and technical development, rather than the other way around”. Maritz stresses it is important for the process leaders to also own the success of their processes: “Once you get them to own the process, they take pride in it and can help to develop it; and ultimately you will get accelerated improvement”.

Page adds that the supply chain is a good example of this approach, “Unlike most businesses, we define the supply chain as truly end-to-end, from procurement to delivery, including manufacturing, which is simply seen as a number of supply-points. This allows us to break down traditional barriers in the chain that often exist in organisations, and focus instead, on delivering what our customers need. And this is all managed centrally through a single supply review process.”

Maritz believes implementing IBP successfully, depends on rigour and discipline. “We now operate a strict monthly cycle and publish our calendar 12 months ahead, which means no one has an excuse to miss a meeting. We’re very hard about dates,” he says. “It’s something you have to be very vigilant about. The preparation cycle flows backwards not forwards; so if someone wanted to move the meeting back a couple of days, because they haven’t finished their



preparation, we ask them to take another look at their processes. At the end of the day, it's critical that you have a proper handover between cycles; once you compress the days between two meetings, the process becomes inefficient."

### **Growth through innovation**

The organisation has also implemented a 'bad news first and fast' rule, which involves getting staff to talk about and address any problems that prevail. "We're trying to install a culture of working together to solve issues; it's better to tell someone about a problem you've caused than to keep quiet, so we can all work on fixing it," says Maritz. Robin Moore says the product review element of the IBP process has been a particular success for Nampak Flexible and product portfolio management is core to its future strategy: "We really need to be at the front end of the innovation cycle. Any product that is on the shelf too long becomes a commodity and once something is a commodity it jeopardises the business; the commodities fall off the backend and are replaced by new innovations" he explains. He says flexible packaging is becoming a key innovation around the world as products move out of cans and bottles into flexible packaging. "Our multinational customers not only expect us to have the capability to deliver new products for them, they expect us to be able to do so at short notice

for emergency launch. It's a service we can provide that other companies can't and customers also expect to pay a premium for that. We've doubled our turnover with one particular customer, simply because it now gives us all its product launches." The organisation has set itself the goal of getting 25% of its revenues through product innovation, thus entirely refreshing its product range every four years. Thanks to IBP, it has already achieved 18% in just 12 months.

The improved visibility of the pipeline means Nampak Flexible can also make better informed investment decisions. "Since we implemented the IBP process, we've made two significant capital investments. When deciding on what machines to buy we use the pipeline to determine the specification. It is no longer just thinking about the immediate future; instead of saying 'We need a new line now'; we say, 'we need a new line that can not only do this now, but in a year's time, must also be able to do this'; because we can see the sort of challenges we'll be facing in 12 or 18 months time."

Maritz believes the most important part of the IBP process is the demand plan: "It starts and ends with the demand plan. We take our demand plan and plug it into our system to do our forecast; just like that. We don't adjust it up or down." The sales team are not incentivised on growth but on





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forecast accuracy; a stark contrast to before when the sales team were doubling their forecast to get what they wanted. “Employees now adhere to a ‘truth as we know it’ motto. I think it’s so important,” Maritz says. “Rather than waiting one more day, to be that extra bit certain, accept it as the best information your business is giving you. Don’t question it every time.”

The organisation was also awarded Oliver Wight Class A accreditation for capable IBP just eighteen months after it first implemented its IBP process, and has been further acknowledged for its success, both internally and externally: it was awarded ‘division of the year’ by the Nampak Group at the end of last year, and has also received wider industry recognition in South Africa.

Grant Page believes Class A has brought added credibility to the business: “Our Class A status gives customers increased confidence because they know our business processes have been independently audited by an international thought leader like Oliver Wight,” he says. CEO, Robin Moore agrees. He says that successful assessment against the renowned Oliver Wight Checklist is a sought-after goal for any company with a serious commitment to high standards. “This is a significant milestone for our business,” he says. “It proves to our customers that we are

not only the best choice supplier, but a valuable strategic partner who operates according to World Class standards.” Nampak Flexible, however, is not stopping there. It is currently working with Oliver Wight on improving planning and control and has made the decision to go for full Class A accreditation as part of its growth support strategy to help its next generation of leaders. For Nampak Flexible, IBP is not simply a means to an end; it has been firmly embedded in its culture. “Our new vision is ‘Flexible is MORE’ and that is what we aim to deliver over the next 5 years,” says Moore. “You can’t just sit back and say ‘okay, we’re fine now’, because you never are. If you stand still, you go backwards and this is something we are not prepared to do,” he concludes.



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