



**Henkel Consumer
Adhesives**



Benefits at a glance

- ▶ *€1 million in permanent savings*
- ▶ *Sustainable 95% performance levels*
- ▶ *Shortened cycle times*
- ▶ *Improved new product introduction process*
- ▶ *Improved visibility*
- ▶ *Increased collaboration between plants*
- ▶ *Improved planning*
- ▶ *Oliver Wight Class A certification for planning and control*

Customer profile

Sticking to the task

Henkel Consumer Adhesives is part of an international company that emphasises innovations and fast produce introduction. Despite an existing optimisation project, it was failing to deliver to expected standards, of operational excellence and in new product introduction. Over a period of 18 months, the company used the Oliver Wight ABCD Checklist to raise performance in two of its German factories and achieved Class A in Chapter 5: Planning Control, in Autumn of 2004.

Imagine the **possibilities**,
realize the **potential**.





Henkel Consumer Adhesives is part of the international Henkel group, which is a global corporation with about 177 production sites around the world and operations in 53 countries. As well as adhesives, the parent company manufactures laundry and home care products; cosmetics and toiletries; and sealants and surface treatment products. Henkel Adhesives owns the international Pritt and Loctite brands and manufactures for both household/consumer/DIY and professional markets.

The company's two plants in Düsseldorf, Germany, make products for domestic consumers as well as for worldwide export to affiliated companies. By April 2003, it had been running a Kaizen improvement programme for 18 months. However, the performance of the two plants was not good enough in the context of international competition and there was concern that production of the core range could be moved overseas in the future.

"We didn't initially feel we were a poor operation: Henkel is a good company and it's a good business," said Liane Kornberger. Now international project manager, she was previously project team leader and key account manager for site excellence. Self-assessment is always difficult: loyalty

to the company and to the team can get in the way of truly dispassionate measurement, and so it proved to be in Henkel's case.

"The basic assessment evaluated us as poor in operations planning, financial planning and reporting," she said. "Our planning control was quite poor, also: Oliver Wight identified a problem with visibility – what we were measuring and how we could make our performance measures clearer." Product development planning was also assessed as poor. Initially, the company didn't agree with the assessments but, as it understood the questions better, it accepted that there was a lot of room for improvement – and that the Checklist offered a clearly mapped out route to achieve it. There

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*Anne Marie Kilkeny
Oliver Wight Consultant*



were positives, too. “Our data was quite good, as was our continuous improvement programme.” Overall, the company was assessed as being in the ‘C’ range. The existing Kaizen programme meant that there was something to build on and the workforce had already been introduced to the concept of improvement.

“At the time we undertook initial assessment, in Spring 2003, it was clear that Henkel had good planners and good people working in manufacturing but the integration wasn’t there, so it was experiencing regular backlogs,” said Anne Marie Kilkeny, the Oliver Wight consultant working with Henkel. “There was a really strong focus on improving the planning process but it wasn’t immediately visible to the rest of the organisation.”

The first step was to define and deliver an educational programme. It was mostly undertaken internally, with Oliver Wight consultants presenting on some key issues. “Our people did some sessions on operational excellence, what it means and how it applies to Henkel, then we delivered some specific training on supply planning,” Anne Marie Kilkeny said. “The course content reviewed key principles,

including integrating business planning and demand planning – especially supply chain. It also covered master scheduling, data management and inventory management.”

From Henkel’s viewpoint, it was important to make the company – manufacturing especially – more flexible and responsive, in order to meet increasing demand, and to be able to respond to the needs of larger customers, both national and international. It established a series of teams, each with its own head, and assigned them to specific areas identified in the ABCD checklist.

“The planning team covered both plants and dealt with Core Question 3.9 and Chapter 5, except for those questions that were covered by the shop floor teams,” Liane Kornberger said. “We had individual data and shop floor teams for each plant, in addition to the new product introduction and continuous improvement teams. The project team united all the disciplines and was directly responsible for keeping the project running. It reported to a steering committee, which had the global responsibility to approve projects and to clarify issues – like budgeting – with other departments.” The teams were all launched on the same day. Initially, the

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Liane Kornberger
International Project Manager
Henkel



project was established as a pilot, focussed on operations. Henkel was well aware that other departments, in addition to those covered by the project teams, had to be included. Some were easy to involve – the head of central materials management (CMM) had recently been appointed from the production department, so he was very much aware of the issues. It wasn’t quite such smooth going with other areas.

“We invited R&D, packaging and other departments to become involved but not all did, initially. There was something of a silo mentality but we were fortunate that we were able to get at least some co-operation when it was necessary,” she explained. For some people the silo mentality has been extended to a resistance to implementing and using the SAP system that was already in place: people were continuing to use their own tried-and-trusted spreadsheets. Ultimately, the overall project owner, vice-president of operations, Volker Puchta, had to intervene by giving a clear direction and convincing the team. “It was emphasised that we have decided on this system, we’ve bought the tickets and the train is leaving the station: it is up to everyone to get on board or be left behind.” The outcome was that Henkel achieved the establishment

of real planning rules, using SAP. When the customer generates an order, the order request now goes to central materials management (CMM) for distribution to the plants. Proper rules for CMM cover what should be achieved and tolerances, and the compliance with SAP meant that visibility was greatly improved.

While leadership from the top is necessary – and sometimes has to be strongly asserted, in order to drive through improvement – the majority of the individual projects at Henkel have been sustained by the willingness of the teams themselves and of the company as a whole to change. “The teams undertook rigorous self-assessment, based on proper understanding of the questions in the ABCD Checklist; then they created a list of actions that were designed to close the gap between our current performance and Class A,” Ms Kornberger continued. With the involvement of process owners, some teams were able to generate improvement very quickly. “We established proper performance measures, with a red/amber/green traffic light system, green representing Class A. Wherever we encountered problems, we undertook root cause analysis with the continuous improvement (CI) team to identify



why we weren't improving." The shop floor had already been responding well to the CI initiatives: its progress was monitored by measures calculated by supervisors. "The shop floor staff told us that they had had ideas for a long time but there wasn't a process for implementing them," said Anne Marie Kilkenny.

"The CI team delivered education on improvement and taught them some straightforward tools to give the confidence to go ahead and make the changes for the better." All performance measures are still discussed on a daily basis and reasons sought if, for example, an operation or section isn't achieving 95 per cent performance. The focus is on the identification of issues and what is being done to resolve them. The product introduction team highlighted problems in communications and interface with marketing and packaging. The solution was to bring all the parties together and involve them with the improvement process, with planning and with production.

"We have a global new product introduction process. We had to identify where we were standing within it and what had to be done to achieve Class A," said Ms Kornberger.

"We focused on areas where production was directly involved – in the artwork and packaging, in filling lines, implementation of ID numbers (materials master data), bill of materials, and routing of SKUs. We were able to achieve better visibility and to set up a process that was more controlled and structured, with better and clearer information." Cycle time has been shortened and there are more opportunities to progress, with closer involvement of marketing, more training and investment in new software to help speed redesigned workflow processes, and improve visibility. The work done so far gained Henkel Consumer Adhesives Class A in Chapter 5: Planning Control, in October 2004. The value to the company goes beyond the plaque.

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When you talk to Oliver Wight about improving your business, we'll assume you want results, not just better processes - things like increased revenues and margins and greater market share. If you have the ambition, it is possible to make improvements that truly transform the performance of your organization and create more fulfilling roles for the people within it. We believe this can only be delivered by your own people. So, unlike other consultancy firms, we transfer our knowledge to you; knowledge that comes from nearly 50 years of working with some of the world's best-known companies.



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