

White Paper

10 easy ways

to save money

in every food

factory



Are you missing these easy wins?

Over the last 10 years **Applied Acumen Limited** has been working with many food production and supply management teams, across the UK, Europe and the United States. In every single case the client company has ALWAYS been in the middle of some internally led effort to “improve performance”.

Sometimes such initiatives are capital led, for example the automation of a production process or digitising back office processes to remove headcount. With increasing frequency improvement initiatives are being led under a banner or ‘umbrella’ initiative, such as ‘operational excellence’, ‘lean’, kaizen, ‘six sigma’, or even ‘lean sigma’.

Such improvement is occasionally for the purposes of immediate survival, more often to simply hit a budgeted number, and always to ultimately achieve and protect margins, which are under constant threat.

In every case however, **Applied Acumen Limited** has found opportunity being overlooked, ignored or even avoided. With margins in this sector under so much pressure, we ask – “can anyone afford to be complacent?” and offer a few examples of some of the easier targets for saving that you ought to get at.

What’s your score?

Clearly, we think all food companies should be chasing these easier savings themselves, and hopefully no one reading this paper will score zero. However, we know that whether it’s delivering step changes in productivity and yields, or simply chasing small incremental savings like those outlined here, the first hurdle is to accept that improvement is always possible, no matter what the starting point.

Contents

10 Easy Wins	
Intelligent supply	2
Intelligent scrutiny	3
Why businesses under perform	
Bigger opportunities	4
Are you just average?	5
Barriers to greatness	7
Detail Abstract	
10 Easy Wins How to guide	11
Contacts	21



For more detail behind each of the wins highlighted, see the detail sections below...

Your first wins: intelligent supply

WIN1 WASTE BAGS

A typical food factory will have collection points around the shop floor. You cannot implement a meaningful reduction in the *number* of these bags used unless they are being half filled for some reason (which we have also seen), and you do not want to encourage overfilling – where material may fall out in transit to the skip, but how *thick* are these bags? Usually, they are thicker and more expensive than they need to be, and that means you can save money.

WIN2 WASTE DISPOSAL

You should be spending time optimizing yields, but what happens once it's in the skip? Too many companies fund the profits of large waste disposal suppliers, paying for bales they don't need, and are badly informed on the true value of their waste. Savings here can run into thousands, and is rarely scrutinized with a professional eye.

“Try phoning round for a better quote for your cardboard and plastic, and you'll be surprised at how much your current disposal partner will be profiting from your ignorance”

What can I do?

Once supply chains are established a business tends to move on. The interesting work that keeps the expensive office people busy, happy and employed is done, and what remains is a structure whose principle purpose is to expedite: to expedite the inbound plan, to facilitate the production schedule, hit the deliveries for the day.

If there is any spare capacity in the function beyond this, it will be consumed by chasing stock, correcting errors in Bills of Materials and stock counts.

Purchasing (the function) rarely encompasses any serious incremental improvement work, not least as it is nowhere near as exciting as beating up or being smooched by a supplier, but more often it is considered small beer in comparison with the main job of reducing the supply base, seeking cheaper alternatives and so on.

You may not be able to personally make all the decisions we suggest, but you can influence, and you can save.

WIN3 SHORT SUPPLY

It is rarely possible to check all inbound deliveries with 100% inspection for quality and quantity, weight and appearance and so on. In fact, if your business is doing 100% inspection, then your goods in function is overstuffed! However, by the same token if no measures at all exist for your supplier deliveries, or no audits are carried out, then there are always those suppliers who will seek advantage, and those suppliers who will simply get it wrong unintentionally. An intelligently targeted audit scheme will always get results.

WIN4 COLLABORATIVE BUYING

In many cases there is opportunity to develop collaborative buying relationships with others to achieve a better deal than you currently are getting. Utility charges are an obvious target. There are numerous brokers who exist with this sole purpose. They are able to get better prices through scale (channelling a volume of business through them to the providers triggers better unit prices), but don't stop with the power and water supply!

WIN5 LAUNDRY

Food manufacturing sites require that shop floor employees wear various types of gear in the form of PPE, coats, boots and so on, and in most a contractor is employed to launder these items regularly and at some expense. What is also clear is that the competition for winning these contracts is immense. Understandably so: turnover is pretty much guaranteed, and so long as there are no major events (dyeing everything pink, say), the contract is likely to be rolled over each year. It is therefore an attractive business to be in, quite simple and straightforward, and gets better with scale. We recommend that you review your current laundry contract, and in tune with the current economic climate, suggest you ask for a discount to retain the business

WIN6 INTERIM AGENCY FEES

Most food companies nowadays utilise interim managers from time to time, and a whole industry has sprouted in the last 10 years to service this need; a service that still constructed around charging agency fees for very little value added. Never pay another agency fee ever again – you can access similar services and get to the best networks for free. As a second win, you should ALWAYS link an element of day rate to delivery.

Your next wins: intelligent scrutiny

For every manager saying "We've looked at that", that's great, but there will be three more saying "I'll have someone look at that saving, thanks!"

WIN 7 PACKAGING

From over designed cardboard outers to unnecessary printed labels, there is always something to be saved in packaging. The first and easiest place to look is not at your own packaging, however, but at the packaging from your suppliers. To change your own packaging is usually quite involved, as it was probably developed and agreed with your customer. Hence, you need to go backup your supply chain, and hunt for obsolescence. That's where your easy win will be.

WIN 8 SAMPLING

Clearly, food is something where corners cannot be cut on safety, and certainly one shouldn't contemplate ever missing or deliberately avoiding checks that are part of the food safety compliance regime. However, in very many sites we visit we find disconnects between what the technical requirements actually are, and the custom and practice in play day to day. Can any of your samples be combined, or taken in a different way?

WIN 9 THE IMPROVEMENT MANAGER

It is a widely held view, correct in our view, that where consultants are employed for an assignment, there comes a time when their impact is reduced, their effectiveness is lessened, and the businesses needs to demonstrate sustainable revised behaviours. Exactly the same is true of an internal 'CI' resource. Transfer the responsibility for performance improvement to the people who ought to be doing it as part of their job (including you, not the CI manager).

WIN 10 HYGIENE OPERATIONS

Hygiene operations are a specialist activity within food production, requiring quite specific training and skills. It is critical in a number of key respects, and if it goes wrong, it affects the whole business. So it is no surprise with so much at stake that when it comes to taking cost out of hygiene, there is an immediate negative gut feeling that it can't be a good thing. However, simply challenge this function with the same rigour applied to production staffing, and it invariably yields better standards of hygiene, and lower costs.



Any idiot can cut costs...adding value is the real skill



The Daily Miracle

Success in food manufacturing often balances upon a knife edge - all of the time. A short delivery, a late delivery, a wrong ingredient, a poor mix, poor hygiene control, any of a thousand variables *every single day* can and frequently does cost the company dear, and at worst damage a business beyond repair.

Given the number of variables, one client described the achievement of the 99.8% service level demanded by their customer as 'the daily miracle'.

Because this is the most difficult of industries in which to manage, most of the time the manager is simply trying to keep the boat from springing a potentially catastrophic leak.

Consideration must be given to what potential negative effect any change may have on the operation, whether that change is dressed up as an improvement or not.

With so much at stake every day, with so many balls to juggle, it is unsurprising that we very often find that food manufacturing businesses waste an awful lot of opportunity to make improvements, to save money, and to make more money.

To understand why there is *always* opportunity to go for, no matter what the current perceived level of performance, see page 5.

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Quick Results / Lasting Change

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The real opportunities...

In reality, we find there are many more, and much larger opportunities in most food businesses, and it is these that Applied Acumen are usually engaged to flush out. These include but are not limited to

- New products impacting existing schedules and performance
- Misleading efficiency measures hiding opportunity in direct labour
- Yield improvement, and waste reduction
- Maintenance, hygiene, production performance
- Front line management effectiveness
- Commercial margin and portfolio margin improvement

“A great advantage of working with so many businesses is that we get an insight into true industry benchmarks of performance and capability - and right now, most businesses are more average than they like to think...and have no real idea how much better they could get”

So why do businesses under perform?

- Managers never ask for or are provided the support they actually need
- When support *is* provided it is not as good as it should be.
- Most of the measures and controls being used are inadequate, misleading or simply wrong
- They buy the wrong thing (not just the wrong support)
- They don't challenge themselves hard enough
- They don't push in the right way



*Without exception, the businesses where **most opportunities** exist are those that have a tradition of saying “we don't need or want any help”.*

Are you great, or simply average?

We are often asked, in various ways, what is the key differentiator between good and bad? What makes a good CEO, a good employee, a good business, versus the not so good, the ones who you wouldn't pick out as winners. And what is it that sets apart *great* from merely *good*? It is possible to deliberate over this forever. Indeed, some people have made their fortunes from deliberating over it (for a large fee) for years. However, if we were to summarise the key differentiator, we'd say “*keenness*”.

Keenness is a strange word for some. Despite itself, it carries slightly unfashionable or even negative connotations. ***Keenness translates into hunger, into urgency, into inspiration, and into effort***, but more than that for us it also describes a **humility** that is required to learn and grow, to manage change effectively, to deal with each other with respect, and to make something more of whatever it is we have right now. It is for this latter condition that we purposely highlight *keenness*, rather than say simple 'competence' or 'urgency', as it is a more rounded description of what truly differentiates the great from the merely 'result oriented'.

You can be as result oriented as you like, but you need *keenness* to chase opportunity, to be open to new things, to innovate. If your employees have a sense of *keenness*, you'll see it. You'll be able to see it when you walk around and you'll see it in your numbers. Your customers will see it, and they'll appreciate it. Your suppliers will feel it, new employees will sense it, and the community around your sites and your brand will know it.

How do you break out of being just “average”?

The challenge for business leaders is how to build *keenness* into the culture. Most fail miserably, and a large proportion of CEO's would admit that they do not have a magic bullet. One big problem in most companies is that the people in it don't treat it like it's their own money being spent. Generally speaking, it *isn't* their money being spent. Most if not all of their wage packet will arrive in their bank accounts in a timely fashion, irrespective of whether the job they have done this month was good, bad or indifferent.

There are of course all manner of performance appraisal systems vexing the intellect of HR departments throughout the land, in addition to the performance management intentions of almost all operational managers we have ever encountered. There are a multitude of software vendors now making millions from providing really quite rudimentary applications for it. There are token bonus systems in some companies, some of them very well thought through. It is however only on the very periphery of business right now where *value added* means something tangible and *consequential* to the average employee, where *keenness* is actually rewarded. One immediately thinks of sales, but it remains one of the great enigmas of our time where so many businesses fail to link commercial success to commercial reward in the right way (i.e. profit rather than turnover), and further why those enlightened ones who make the link in sales rarely do it with anyone else.

A further common aspect of most businesses is the approach to getting results. Whilst 'results' and 'delivered' are now the hottest buzz words on every CV in the land¹, once into the world of the corporate, that impetus disappears almost totally. The hunger, the *keenness*, just fades.

Invariably the view from the top is - *if the manager doesn't do the job I think I want them to do, then I get a different manager*. It certainly is the case at the top: the CEO doesn't get the result, get a new CEO. It is expensive and damaging, but fairly common. However, this is the only position where this rule *ought* to apply. Why? Because it is the only position with the authority empowered to do *whatever it takes* to get the result, within the law. Even then, up to the point of being fired, the CEO will be getting a nice cheque each month, and will usually have a very big cushion payment on exit. Even then, ones you'd expect to be subsequently ostracised are always able to find a new home reasonably quicklyⁱⁱ.

As you then go down the hierarchy the relative autonomy is diluted, remarkably until you get to the agency temp. It's only when you reach that far that you find a person with the autonomy of a CEO, albeit a different kind of autonomy. Why? The agency temp can choose to not turn up today. Their minimum wage can be earned pretty much anywhere else. Any agency temp with a spark of life and energy is like gold dust, and will always have a job at minimum wage, even in this economy. If they don't perform they suffer immediate loss like no other employee – “don't come in tomorrow”. That's as close to results based payment as you get short of hiring Applied Acumen!

It is not *all* about remuneration and reward, though, and although it plays a big part, to suggest it is the *only* thing would be quite wrong. So how do you generate a culture of *keenness*? Does it exist already, and how do you measure it?

“That's the management's job” – the philosophy of the underperforming business

Most efforts of business decision makers to address the challenge is to try to select people around them that they feel embody what they are looking for. When it comes to that quality we term “*keenness*”, most hiring managers have a problem with it. Everyone is '*keen*' to be hired, naturally. In fact, if you're not '*keen*' you will quickly be eliminated. So, hiring managers look for more tangible and measurable behavioural characteristics, such as urgency, confidence and assertiveness. Whilst not necessarily bad characteristics in themselves, the daily fire-fight very often accentuates extreme behaviours. In the real world there is less time for a balanced approach, for explanations, for developing the capabilities of the team, setting challenges, enjoying success and all those other things we hope to come to work to do. Managers are under time pressure, seeking short cuts to 'get a result'.

The daily pressure creates the ideal breeding ground for assertive, confrontational and at times aggressive behavioural traits, particularly in operations. Such characteristics are associated with 'getting things done', with “getting quick results”, and the absence of confrontational behaviour is often a big problem in managing improvement.

When this results as it does in many instances of quite unpleasant working environments (more grievances, higher absence etc) and certainly no sustained performance improvement, the manager is sometimes, eventually and unfairly, branded a failure, and removed. Ironically, the manager is likely to repeat their 'mistakes' in the next role, since the conditions may be repeated wherever they end up, and the manager will never feel they could have behaved differently under those circumstances (they usually simply seek a role with different circumstances). It takes something else to *change the circumstances*.

There are managers in every business throughout the land battling to try to recreate a version of their previous large employer management system in a new business

In many cases, such managers make a dramatic impact when they arrive. They can be seen as ‘a breath of fresh air’, bringing a much needed spark of life to an operation in a performance rut. They might possibly be accompanied by some rudimentary tools

and techniques they bring from their last employment, such as *short interval controls*.

It is interesting that many big companies use such tools, as they run reasonably systematically (the TPSⁱⁱⁱ being the most famous), and thus breeds a confidence in the individual and the recruiter that such experience equates to capability. If only this were always the case! It is incidental that many companies select so called ‘Big Name’ consultancies to work with on the same (false) premise.

As an aside, a great many consultancies fall into the same fools trap, and has over many years left their clients feeling hurt and bruised, and very many consultancies with reputations for getting short term improvements that fall quickly away – another good reason to not engage them, quite apart from the initial expense.

But that’s not us, you say. That’s not me.

So let’s say you get (or are) a good manager. How does one manager make the difference? It is possible, certainly, but then it comes down to how many hours are there in the day? In the food industry it is not uncommon for operations managers to be working 48+ hours per week and then being called in “off shift”. Time served managers can very often see there are issues in the business, sometimes even being able to pinpoint who or what the root cause is, but how to get the head room to act? Are you working less than 40 hours every week? Let’s say you have one (manager), or are one - the only one in the country, perhaps...

How should a manager approach peers, and with authority one doesn’t have

- insist that they adopt a different sales strategy
- change the way the business is measured
- review numbers which are completely different to those being pointlessly collated and reported by finance, or
- re-structure operations and improve efficiency so that we can meet the service levels being demanded by our customers *just to retain the custom we dreadly have?*

Who’s going to throw that stone whilst they stand there in the middle of the greenhouse?

When you view using a consultant like a professional mountaineer uses a sherpa, you realise both what a consultant should be and how to use them.

It’s a long time since mountaineers realised that the ones who said “oh, I know how to climb so wouldn’t use one” could be safely found padding around on the nursery slopes.

With that as a backdrop, which manager is ever going to walk up to the CEO and state ‘I’m ineffective in my work: there are issues that you’re not dealing with in X and Y departments which impact my ability to perform, including the lack of any kind of helpful measures, and I need help to sort this out’?

Even if the manager can see this, even if the toolkit, methodology and knowhow was there, as would be claimed by many an interim manager (rarely true), the autonomy and authority to act upon it will be limited at best, damaging at worst (to the individual and the business).

Still in denial? That leaves those of us claiming to be working as a team, in great unity and harmony, improving performance being second nature to everyone. This could perhaps be claimed to be the ‘nom’ for big

companies like Mars, Toyota, Honda and others, who operate in a highly systematic way, whose ‘team based’ culture is revered and applauded, and whose behaviours are driven down specific channels to ensure a consistent level of performance against accepted norms (the subject of a different AA white paper). Whilst such companies are certainly operationally ahead of the game, there remain massive improvement opportunities within them (witness the sheer number of recalls every year in the case of the auto manufacturers). Moreover, when such opportunity exists within these leaders, you can imagine the potential within the rest who either think they are that good but aren’t, or know that they aren’t.

Whilst this may be the cultural target for many food (and non-food) manufacturers, large and small, we all know it rarely exists in reality. **There are managers in every business throughout the land battling to try to recreate a version of their previous large employer culture in a new business.** It’s not just because it’s what they know, but also because it seems right, it worked

Most operational consultants still use tools and techniques over 30 years old to get a short term boost to results, but are long gone before the client realises the fundamentals haven’t been addressed, and the bitter taste of resentment and regret is left with all who were involved.

before, and it's not that difficult to understand.

7

The result? Slow progress. Painfully slow progress. Any real urgency just leads to frustration, stress, and lack of impetus. We also find that this can lead to significant under-performance generally, as the manager

- feels no need for help, as they themselves are highly competent and know what they are trying to do
- requests and is given more time to implement the controls and measures they have in their own mind

Pride and faith in a competent, self-sufficient management is great in a business, if making money isn't your top priority.

This is great, if making money isn't your top priority.

So when it comes to *making money* rise up the "to do" list, for example the Directors throw a hissy fit due to a poor profit number, or the customer throws a hissy fit because of a series of poor service issues, suddenly the urgency returns. Along with an element of resentment that not enough time has been provided, of course, or that understanding/appropriation of blame is missing in some respect or other, both of which may indeed be true. But irrelevant.

The typical, if belated, remedy? A request for some kind of *improvement resource*. It's a compromise based upon pride, practicality and realism, but sadly is the compromise that is widespread – witness the sheer number of companies that now have a dedicated 'continuous improvement' resource^{iv}. Ironically, this number will match *almost exactly* the number of continuous improvement managers who feel under-utilised, mis managed, ineffective, under resourced and often plainly ignored. In recognition of this tendency, some companies have raised the profile of such resources, making them *expensive*, under-utilised, mis-managed, ineffective, under resourced and often ignored.

Continuous improvement, kaizen, call it what you will, is great. Just don't expect it to keep your business ahead of the competition.

Resource dedicated to continuous improvement has its time and place, but should not then be used as a panacea for making the bolder step changes which most businesses now need to consider *routinely* to stay ahead of the

game. *Continuous improvement is not step change*. **Continuous improvement is not culture change**. Continuous improvement is not going to get you the culture of *keenness* that every business should aspire to.

Despite widespread acceptance of the increasing pace of change, and better management education and awareness, the implications of this latter point have still not been taken on board by many company management teams or CEO's. It is in the area of making step changes that external consultants can be useful, and ought to be part of every company's armoury. The task is not about whether to utilise such resource, but rather when (not always), what type (be specific), and to what end (be focussed). The only time you don't need any help is when you're getting it completely right.

And when you get it right...

When there exists a management team on the same wavelength, capable of driving performance within their function in harmony with each other and with the value chain of the business, led by a CEO who leads and guides the team, smoothing out relationship and ego issues along the way, incentivising and building, creating the conditions and freedoms required for the management to deliver to their best ability, within a framework that every employee understands, values, and wants to play their part in. When your lowliest employee holds the respect of others in the community by virtue of whom they work for, when on the shop-floor you can sense an eagerness to *be* busy, not to *look* busy, you'll be ahead of the game.

But first...

The measures are wrong

Picture the scene: you are sat in the monthly Board Review, staring at a set of numbers in the laboriously prepared monthly accounts. In the first instance, it is remarkable that it takes the average company until the middle of the following month to find out how last month was, despite (or because of) massive investment in IT over the last 10 years. Even more remarkable that intelligent people then can sit all day reviewing this information as if it might help. You may ask a simple question regarding a number in those accounts, "what lies behind this number?" In other words, what moves it, and why is it what it is, rather than being a higher or a lower number than it actually is?

One of the most frustrating things for shareholders (the CEO, private equity etc) is to find yourself being given a garbled response. There are only two possible answers, and one of them is 'I don't know'. However, this scenario is not just common, you can practically set your watch to it.

The (superficial) reasons for this are several fold, but essentially boil down to

- The numbers being compiled are in many ways invented numbers, sometimes guessed, some based on more complex and obscure representations of reality.
- There is little or no link between what you are seeing in print and how well the business is actually performing
- The finance function is structured and run to kick out the accounts and the P&L sometime before the middle of the following month with any luck, to satisfy accounting requirements, not to drive business performance
- The ratios you are looking at may not be useful, or correct, and no one in the room has any better ones.
- People are just doing their job, not yours, so they have no idea what your problem is, or how the numbers might reflect the nature of that problem

You do not need a new financial controller, or new software. You just need a fresh perspective, and a fix.

It is incidental that what we describe here applies not just to food businesses, but almost every business including the banks. Especially the banks, in fact, who you would think should know better. We're a long way from ever fixing the latter, but you'd notice the difference if it were to be fixed, for sure. The same can be said for your business.

Are you buying the wrong thing?

During the 1980's there was a big push for business process reengineering, and In Search Of Excellence rode the top of the book charts, propelling its authors and their employers McKinsey into the big fee league where they have remained ever since, despite the original research for the book being largely fabricated^v.

Nonetheless, consultancy was in a massive growth phase, continuing through the 90's, which saw the rise of computing power and the big sell of ERP and the connected enterprise. With manufacturing becoming pricey, services carries a much higher margin: every big company wanted a piece of the big billing consultancy action – IBM stopped the difficult business of selling computers, opting to become IBM consulting instead; all hail the great “solution” bandwagon: even British Telecom stopped selling phones to sell consultancy, albeit mainly to sell telephony “solutions”.

In parallel the financial markets grew much more accessible, and with that the finance instruments that brought freedom to buy and sell, to build and break. Why improve and build over several years when you can bid, move and sell over several months? (The usual target tenure of ownership ended up around 3 years, although this will appear to be stretched since 2008 as the market has ground to a halt due to the financial crisis).

As we have come through the first decade of the new millennium, the big software houses have now run out of big ticket sales, so are busy now trying to seduce the smaller fish^{vi}. The “Big Name” consultancies are finding the same thing, having been bought a decade or so of big ticket revenue time with massive public sector spending. And competition is as hot as ever. There are spin offs of virtually every branded company attempting to sell consultancy in one form or another, old rope or not. It is almost a mirror of the drive for companies to sell any product at all, no matter what it is, simply to sell a lucrative and low risk financial product. The only point struggling to make a 5% margin on a vacuum cleaner is because you can make 29.9% on the money it cost to buy it!

In parallel, the age of long term employment is over, certainly in the private sector, and in any room of people you'll find a good proportion of self employed consultants and interims, all of whom are chasing their next assignment with you.

Yet for all this overloading of the market, the sheer ubiquity of consultancy, the level of knowhow (of how consultancies work) in business leadership is surprisingly low. Even some of our clients engage Big Name consultancies on very high fees, merely for the kudos (despite their propensity for not delivering anything of measurable benefit, occasionally fabricating information, and charging extortionate fees for people with little experience in the real world). But perhaps that can be forgiven as a vanity purchase. In the event that a more progressive leadership does possess that sense of urgency, when they are looking to get the organisation moved on quickly, and recognise the need for external resources to make it happen on the timescale in mind, the selection process is woeful.

It usually begins and ends with “I know some people”. This is often mirrored by the lazy approach adopted by many

People seem to buy into the most expensive solutions for the simplest of things, and big name companies have traded on this for years. Take HR “systems”: would you send your child to a primary school that ran your T&A system? Like hell you would – the teachers wouldn't know who was in until midday, and would spend the remainder of the day chasing and correcting data rather than teaching, that's why.

consultancies to sales. One CEO of a mid-sized consultancy actually had the temerity to brag “the CEO has to be an idiot not to say yes to a 3 -1 ROI”, when clearly cash flow, not return, is key to both any decision on investment, and the very survival of a company. We know of several companies that have gone right out of business whilst waiting for their 3 -1 return in 2010 alone. Needless to say, the last newsworthy item about that particular consultancy outfit was a surprisingly successful refinancing of their not inconsiderable debt pile (you should check if that’s your poorly invested money!).

When the stakes are so high, some basic criteria really ought to apply, to enable those with better things to worry about to weed out the 99.9% of consultants who can’t, from those who do.

- Do they find out what you need, not sell you what they’ve got?
- Do they get measured on the difference you see in your company accounts (value)?
- Do they get paid based upon it (or just invoice for time)?
- Do they match resource to the culture (or just focus on process)?
- Do they resource specifically to meet the objectives (or simply bring in the beached staff available)?
- Do they use experience, skills, and capability proven in the field, rather than cheaper graduates with just one or two years experience?
- Do they have robust methodology?
- Are they specialists in your sector?
- Do they match your expectations on the ground?

Whilst we assert that there is only one that can be said to accomplish positive responses to the above list right now, the market should and will demand more over time. Now the bar has been raised, existing companies will either be forced to adapt, or go out of business.

In the meantime, we’d advise you to shop around.

Not pushing hard enough

The simple fact is this: whatever performance you are achieving right now, it can be bettered. What Applied Acumen find surprising is the lack of urgency from the top about improving it, in a time frame and a manner that will make a difference in *this year’s P & L*.

One of the most powerful sales tools that we possess is the *truth*. Our analysis techniques allow us to get at the truth about performance. When true performance is laid bare, where disconnects and interferences are exposed, measured and understood, links between behaviours, systems, processes and products become visible.

When we then piece together the route through to improved performance with the client managers, and quantify in real cash what we all agree can be delivered, the process of awareness within the client business begins. It is akin to synapses flashing through a brain, until the idea forms into a belief of what can be done, and what must be done. On many occasions we find that when we collate our findings and present them, the client senior management undergo this revelatory process, most usually culminating in an immediate desire to act there and then on some of the more emotionally charged elements of what we discover: under performance in this area or that, badly managed workforce relationship here or there, product series with negative actual margin, and so on.

The simple fact is, whatever performance you are achieving right now, it can be bettered...and you can improve it quicker with help. And we can prove it.

In many cases we encourage an immediate plan of action, albeit in a coordinated manner that ensures any necessary change is managed so that it provides sustained performance – there’s nothing worse than a knee jerk reaction that creates a rebound of poorer performance down the line.

The criticism we level is that **businesses do not challenge themselves either hard enough, or often enough**. Budgets are most usually set internally, sometimes taking last year’s numbers and adjusting by 5% or 10%. There’s rarely any science in it, and to have it challenged externally, by experts, is an absolute rarity. Quite apart from the budgeting process, which most people would acknowledge as being generally flawed and unhelpful (unless you’re in denial, in which case Applied Acumen will offer to demonstrate your budget process flaws free of charge upon request), there is the management review process itself.

Even those businesses with the ubiquitous daily review and DWOR (daily weekly operating report) seem to find it difficult to

The market for consultancy and for interims has changed in only the last 5 years, yet most people don’t know it yet. The simple fact is, most pay far too much, for far too little.

challenge performance, standards and results. We know of more than one major manufacturer that runs various efficiency measures whilst being substantially over-manned.

When the cost of an *external* challenge to performance is so little, and the benefits so large, this is a real blind spot for industry right now.

Not pushing the right way

Applied Acumen has found that most shop floor employees and Front line Managers are rarely given the opportunity to contribute beyond the normal following of daily routine. On the one hand we have the CEO spending thousands of Euros with consultants to come up with company vision and values statements, amongst other things invariably espousing the virtues of a business that values its employees in some unspecific way (check yours). On the other, PR and Marketing compete with HR departments to make the boldest claims about how engaged the employees are; again mostly complete rubbish.

There are a million and one savings that exist in every business across the globe - relatively low level savings, but savings that could contribute to the bottom line nonetheless; the kind of savings that get ignored, or overlooked, the kind of incremental savings that could be considered ideal fodder for 'kaizen'. A whole industry has now been spawned from a limited understanding of the concept of 'kaizen', of course.

The theme of this paper is that all businesses have more potential for improvement than will ever be recognised and articulated without external help. Once this basic truth has been acknowledged, the real job of managing for optimum sustained profit begins.

Naturally, many if not all consultancies will possess a toolbox, much of which is generic, frankly, although it is usually the smaller boutiques that possess the most interesting tools rather than the Big Names. Various process mapping devices and techniques, time based studies and so on will be deployed to varying degree. Some of it may even be a reflection of reality. As with every management tool and technique, it is all about *how it is deployed*, the quality of the information, and how it is developed that makes the difference. This is partly the reason why you should ensure your consultants aren't 'wet behind the ears' (many consultancies use cheaper, less experienced staff in the field once a project has been sold), and check that the analysis is not conducted in relative isolation from your people, and that the focus is not merely on process engineering.

The key here is *involvement*, whether using consultants, dedicated internal resources, or simply leading a company through change. Our projects by definition always provide sustained financial success for our clients, but this is really a by product of involving, engaging and inspiring the management. For Applied Acumen, it is about defining what it is that will encourage and foster **keenness**. It will be unique for each business, and until it is defined, until it is made real, opportunity to improve will exist.

DETAILED ABSTRACT REGARDING 10 EASY WINS

Missed Saving 1

Waste Bags

The list of consumables within a food manufacturing environment is massive, and there are always, always savings to be had from reviewing these. However, our first easy saving is not about phoning around for a better quote, or for those who have moved on from that: setting up an e-auction. Both ideas are valid, but our recommendation is a simple one based upon changing the *type or grade* of consumable you are buying.

As an aside, there are very many companies and one man consultancies out there who will sell you the notion of a reduction in usage of this or that, which may or may not be possible. We recommend that you check and evaluate each proposal on merit. Of course: *never pay for anything before you see it being delivered!*

However, when it comes to grade or type of consumable, you will be aware as a personal consumer yourself that you can choose from a great many different grades of item. Sometimes you may choose the cheapest there is, because you know it's a generic formula and you do not wish to pay extra for someone's brand marketing (sometimes you might). Other times, the cheapest might not actually do the job you have in mind. On occasion you may go by recommendation, simply because you do not know any different.

When it comes to procuring items for a business all these factors come into play also, but with a few twists. The first is the most important: generally speaking, the person who is buying it is doing so with someone else's money! Several things happen as a consequence, and they are all material to the result. Individual purchasing behaviour changes, from the amount of time spent deliberating choices, through to the impact of any choices made on the individual themselves. The willingness to be steered by advertising, perceived knowledge superiority, group behaviour, past behaviour and so on are all different in making even low level purchasing decisions in business.

Take a specific: bin bags. A typical food factory will have collection points around the shop floor (sometimes several on each production line). You cannot implement a meaningful reduction in the number of these bags used unless they are being half filled for some reason (which we have also seen), and you do not want to encourage overfilling – where material may fall out in transit to the skip, but how *thick* are these bags?

We all know that there are many grades of bin bags available for domestic use, ranging from the garden sack (very thick), through to the cheapest on display wafer thin ones that we've all been caught out by at one time or another! As a domestic consumer you try a few until you find one that you know will rarely break apart, but is not the thickest, most durable sack on the shelf – or the most expensive! The trick is to get the right bag for the job in hand, and the same is true for a food manufacturing business. The same range and choice is there, but the difference in price between the bag you might have and be using right now, and the bag that is adequate for the job is usually huge. Advances in product technology, especially plastics, are so rapid that this exercise is worth repeating even if you've looked at this a couple of years ago.

We have found that the saving in changing to a lesser grade but still very adequate and fit for purpose waste bag can range from a few hundred Euros per year, to a few hundred Euros per week! We recommend you check it now.

Suggested Approach

Quite clearly you do not wish to be caught out with your waste collection bags ripping too easily and spilling their contents all over the floor! A simple way to avoid this is to *trial* different grades, just as you have surely done at home.

Sometimes you can get the supplier to provide samples free of charge, and if your current supplier doesn't play ball, there are plenty of others who will.

It is important that all aspects of the item are monitored, not just the cost. Clearly we are looking for a bag that doesn't split at any point, under whatever fill or loading criteria is considered normal, but other things to consider might include biodegradability, colour, minimum order quantity, ease of use, ease of separating and so on.

We would recommend as a first step discuss with the supplier what (cheaper) alternatives they can supply, and aim for a 50% reduction in thickness as a first trial.

Next Step – A Professional Approach

The list of consumables in most food businesses is very long indeed, and savings of 10% are not uncommon across the board. In a more in depth Applied Acumen analysis, a pareto of the spend would reveal most likely targets and opportunities, and a work stream set for the client to go after, in a structured and sustainable manner that wouldn't conflict with other operational and commercial priorities.

To achieve more savings it is usually necessary to apply further leverage into the purchasing decision; there's none as effective as a well orchestrated e-auction.

There are an increasing number of e-auction providers on the market, and they offer varying versions of the same thing. However, it boils down to this:

- Buy a licence for the auction software, and run it yourself.
- Get the provider to do it all for you.

No matter which route you choose, you need to bear in mind that you (YOU) will need to do the leg work, which is the thing that takes the time. The legwork involves data collection mainly, on usage and so on, and it can be quite onerous if this information isn't readily available.

However, what we would say is that if the information is readily available, go for it, and expect at least 10% saving. If the information isn't available, it means there's an even bigger opportunity in purchasing, and you could expect some serious savings even without doing an e-auction!

Typical Excuses for not doing it

- Our bags are wafer thin and keep breaking already (they're too thin, then!)
- We did it last year
- It's too much hassle
- It's only a very small spend, I've got bigger savings to make
- It (the spend) is controlled by someone else

Missed Saving 2

Waste Disposal

Most of the businesses Applied Acumen are invited to work with are keen to improve material yields. Great efforts are made to drive down shop floor waste, to reduce giveaway for example, or over production. In many cases (but certainly not all) material yield measures are in place, and standards are in place, usually encapsulated within the Bills of Materials. BoMs are rarely correct, but that is for another day...

Whilst we have yet to visit a site yet where we can't positively impact the waste or yields and drive a measurable financial benefit very quickly, this is not the subject of this missed saving – you already know you can do better on yields!

What we tend to find in most food manufacturing sites is that once the waste has gone into the skip, it's viewed as someone else's problem; too late to do anything of much value. The usual situation is that it falls to the engineering manager or technical manager to set up a system for disposal, or possibly the hygiene manager.

There are plenty of companies out there that will deal with your waste. They will love to rent skips to you, and compactors, and bailers, and they'll also want to tie you into a 5 year contract, too. Few will care if your volume of cardboard warrants a bailer, someone to do the bailing, or to segregate the waste, but they'll still say you should have one.

Be that as it may, your saving will come from doing a short afternoon's work. Whatever price you are currently getting for your cardboard, it's too low. That's it. The price of cardboard actually fluctuates daily, but you can be certain that whatever price you're being offered today is too low!

Approach

You can prove this to yourself by phoning up your current disposal supplier. Tell them you are thinking about changing supplier or are being asked to conduct a purchasing review. You've no real desire to do it, but you have been advised that you can get a better price elsewhere than you are currently getting. Your incumbent supplier will either give you a better price on the spot, or phone back later with a best (better) price.

That's as instant a saving as you'll ever get, so pick up that phone!

Next Step – A professional approach

The quick and dirty approach outlined above does genuinely work for a quick save, but to truly make some big savings, it pays to review how you stream your waste properly.

A key point to remember is that we very often find that an existing contractor can 'revert to type' very quickly, and prices can sink back to previous poor levels. In addition, and perhaps more telling, is that very often there is a cosy relationship between the supplier of disposal services and the site person dealing with it. The suppliers in this area rely somewhat on these services being procured at a low level, and as such the people procuring these services can be prone to or susceptible to the 'generosity' of the supplier, shall we say. Hence, you will often find a certain reluctance to examine different options, as to do so will be to challenge local loyalties that have been 'earned'. In one example, we found the person who had signed up to the waste disposal deal was going on nice free holidays with the contractor, and another who claimed to have only professional contact was found to be best of gym-friends with the contractor.

On a practical note, it doesn't always pay to have people segregate your waste once it has been mixed in, but most people stop at this level of analysis and give up. Whilst Applied Acumen are experts at reducing waste within the walls of a factory, we defer to the experts at Zero 2 Landfill (www.zero2landfill.com) for a more holistic review of waste cost reduction.

A Zero 2 Landfill analysis looks at

- methods of streaming materials through the process (to achieve both a reduction in process waste and a higher value of by product)
- disposal contracts and agreements (and if it's possible to get out of them earlier)
- options to actually achieve zero land fill
- commodity prices versus current rates being given
- bailer, compactor and skip rental charges
- effluent



Typically, as an independent, Z2L can not only find and implement significant savings, but also offer improved service terms for contracted disposal services.

Typical Excuses for not doing it

- We are tied into a contract (DO NOT sign up again!)
- We can't segregate our waste
- Our waste cannot go to farming/be recycled (ALL waste can be recycled)
- The transport costs are too high

Missed Saving 3

Short Supply

It is rarely possible to check all inbound deliveries with 100% inspection for quality and quantity, weight and appearance and so on. In fact, if your business is doing 100% inspection, then your goods in function is overstaffed! However, by the same token if no measures at all exist for your supplier deliveries, or no audits are carried out, then there are always those suppliers who will seek advantage, and those suppliers who will simply get it wrong unintentionally.

Examples include a supplier who knowingly sends buckets of whole peeled eggs with a few short of the 50 quantity specified, and the tuna supplier whose ratio of brine to fish creeps up. More often short supply can occur due to a change in supply, where the purchasing department has changed a supplier, or the material, and this has not been communicated either through the bills of materials or the goods receiving area. One example is where bags of flour changed from 25kg to 22.5kg. Goods In clerks counted the right number of bags every time, but yields seemed to drop! In more extreme examples, sometimes there is 'leakage' (theft) at goods in, or goods simply do not get delivered (box missing off a pallet), or goods get delivered in poor condition and are returned but no record of the return is made for subsequent invoice netting.

In all cases, the result is usually more difficult to trace after the event than it would seem to the casual observer. The reason is that by the time such errors are manifest, there may have been several stock turns, and the original error becomes buried in time. For example, the bucket of eggs is delivered to the production area and is consumed, revealing a poor yield (if such a measure is in place). Why would the production operative count the eggs in the bucket? Far too busy, or they ought to be, to be counting eggs!

Approach

The most obvious step to take here is to implement some kind of check at Goods In. However, this is counterproductive as it will cost far more money implementing inspection than you will ever hope to recover by random chance.

Your check must therefore be targeted. This requires that you employ a method of targeting, which will depend upon the level of sophistication of your measurement systems. At its most basic, your Goods Receiving staff will have the best idea which ones to target. They deal with deliveries day to day, are most familiar with packaging, stacking, appearance, and so on. They will tell you who the least reliable suppliers are and why. They may simply view the many corrections they make as part of their job, and therefore you never hear about it. Further in, your production staff (those who use the material itself) may also shed light upon which materials give them a particular problem – "we're always running short of X or Y", or "we're always having to go back to stores for X and Y". It's a start, and it's also remarkable how this basic approach can reveal much more, more quickly than a detailed forensic examination of variance reports.

Next Step A professional Approach

It has long ceased to surprise us at Applied Acumen Limited to find that most businesses we work with have some serious flaws in the way materials are managed. This applies to companies with reputations for robust systems and top flight management as much as it does for the less renowned family business experiencing growing pains, if not more so. In the latter we find people very much more open to the idea that there's some work to do.

Typically, we find

- Standard yields far removed from reality 'on the floor'
- Lack of understanding of the effect of product mix on material yield
- Poor link between financial standards, cost standards and floor standards
- Packaging running above a 2% loss, with packaging run outs poorly controlled
- Promotion mismanagement and mis-measurement
- NPD trials mismanaged and mis-measured, for example unrepresentative batch sizes
- Processes losses not well targeted (e.g. transfer losses)
- Night shifts not measured in any way like the dayshift
- Confusion between 'prep' or 'mixing' area performance and main production

These findings apply equally to those businesses running expensively installed ERP as much as those with Excel spreadsheets and cigarette packets. Fortunately both can be fixed, and by doing so a real measurable impact can be made on the bottom line.

On average, with our support, management teams are able to get a minimum 10% improvement in material yields, and often very much more.

Typical Excuses for not doing it

- We don't have a problem/we are already operating at "world class" yields (no one is)
- We have teams looking at this (So what, who doesn't?)
- It's too difficultⁱⁱⁱ
- The problem is a system one, not an operational one (it is invariably both)
- We're in the middle of an IT system change (...and you like burning money in the street?)
- That's the supervisors job to control it (and the mountaineers job to climb, but smart ones use Sherpas)

Missed Saving 4

Collaborative Buying

In many cases there is opportunity to develop collaborative buying relationships with others to achieve a better deal than you currently are getting.

Utility charges are an obvious target. There are numerous brokers who exist with this sole purpose. They are able to get better prices through scale (channelling a volume of business through them to the providers triggers better unit prices).

In larger companies there is often a central buying function which can be infuriating for satellites that are unable to capitalise on better local prices. However, larger central buying functions have more influence over suppliers, and themselves capitalise upon their buying power to negotiate the cheapest prices. This represents an opportunity, although not all larger companies realise it themselves yet, either.

Approach

It's a good idea to pick a simple item, which is reasonably commoditised. Can you identify a company that might buy similar commodities to yourself? Adding volume to their purchasing can only be of benefit to them – and if they are achieving a better unit price, benefit to you also. It is likely they also have better payment terms also, and it might be possible to take advantage of that too.

The simplest approach is usually the best also. Simply pick up the phone and try to get hold of the Purchasing Director. Unless they have competition issues, or that person is dimmer or haughtier than they ought to be in that position (an unfortunate trait in many purchasing professionals), they'll be open to exploring the opportunities for collaborative buying. Be aware that you may actually be getting a better unit price than your potential collaborator. It can therefore be prudent to offer to share any saving achieved by both parties – in other words, you take a share of savings the collaborator achieves.

Next Step – A Professional Approach

Purchasing is a specialist function, for which it helps to have a strategy, a structure, a process, and a system for managing that process. People often make the mistake of believing that purchasing skill is one of point to point negotiation but this wouldn't be correct. Rather like an iceberg, 9/10th of the power of purchasing is hidden.

In analysing businesses purchasing function, Applied Acumen review

- the spend structure and the supply base to determine how efficiently and effectively a client is buying (how many buyers is enough, how many suppliers is "too many"?)
- contracts and supply agreements
- negotiation levers (or absence of)
- purchasing management control systems
- measures and kpi's
- purchasing process
- purchasing strategy (including potential for collaborative partnerships)

Typically, by optimising a purchasing function a client can expect to see a measurable 3 – 5% saving year on year. With a company material spend being over 50% cost of sales, say, this is a good reason to do this job properly.

Typical Excuses for not doing it

- Our supplies are too specialist (What? - All of them?)
- I don't know anyone we could approach
- It's not part of our strategy (change the strategy, then)
- I'm a purchasing professional, and have forgotten more than you'll ever learn.
- We've just recruited a purchasing manager, so now is not a good time ("now" is the best time for anything).

Missed Saving 5

Laundry

Food manufacturing sites require that shop floor employees wear various types of gear in the form of PPE, coats, boots and so on, and in most a contractor is employed to launder these items regularly and at some expense.

What is also clear is that the competition for winning these contracts is immense. Understandably so: turnover is pretty much guaranteed, and so long as there are no major events (dying everything pink, say), the contract is likely to be rolled over each year. It is therefore an attractive business to be in, quite simple and straightforward, and gets better with scale.

We recommend that you review your current laundry contract, and in tune with the current economic climate, suggest you ask for a discount to retain the business.

Approach

You are not seeking to put the laundry company out of business, and you do not wish for any reduction in service, but you are seeking better economy.

As most businesses are incestuous, it is likely that by telephoning around for quotes for alternatives, this will alert your incumbent contractor faster than if you call them directly. You should study the contract as it stands, know which clauses you need to observe in order to either exit or amend the terms. Finally, you should be forthright and clear about your motivations and intentions. You are

seeking cost cuts in every area. Your margins are being squeezed by your customers (true), and it is only right that if the cow is being fed that little bit less, those feeding off the teats need to take a little less milk!
Whilst your incumbent supplier cogitates your proposition, your phone should be red hot chasing cheaper alternatives.

Next step A professional approach

Each analysis undertaken by Applied Acumen is different, scoped out to include areas where the client feels the most opportunity might lie. On occasion we are asked to analyse "wall to wall", for example where a leader is simply looking for us to "flush out the big game" for subsequent prioritisation. Alternatively in a turnaround situation where every penny counts, no stone can be left unturned. More often, an analysis will cover a number of areas, but will usually include a review of existing contracts with service suppliers in some respect. In a great many cases we find that there are improvements that are warranted, some involving significant cost savings. FM contractors are not untypical in making a larger margin than is deserved, but they are by no means alone. Certain chemical suppliers to the food industry are notorious in their ability to tie up their clients in vicious supply agreements. We know of one company with over €100k of hygiene chemicals in a storeroom gathering dust, with no hope of stopping the payment for and delivery of much more over the next 18 months!
We suggest you check yours today!

Typical Excuses for not doing it

- It's arranged & agreed by someone else (e.g. "Group")
- It's a contract we cannot change for x years.
- No one else can do as good a job
- We do our own laundry

Missed Saving 6 Interim Agency Fees

The last 10 years in particular has seen a dramatic rise in the number of interim managers both in demand and in the market. Fuelling this market has been a number of factors, including

- the flatter structures of many organisations that cannot operate effectively with a 'hole'
- the demand for specific skills
- the increasing pace of change in organisations (leading to more project based approach to objective achievement)
- the UK tax system (interims generally pay half the tax the rest of us pay)
- the increasing acceptance of interim contracts being 'normal'

Of course, where there's a market, there's a market trader. There are now more interim providers than golf courses in Dubai. And like all golf courses, there are some good ones, some not so good ones, and some that are frankly infuriating. All of them charge you a fee. All of them except one, that is.

There is some debate as to what an interim should cost (or charge). There is only one overarching rule:

An interim will always take a lower rate than they ask for, but this will still be more than you will want to pay.

Interestingly, rates have not really moved in the last 15 years. Wage inflation has been effectively decimated by oversupply (the same can be said of consultants, unless you're silly enough to be paying for a 'big' name).

There is also a supposed 'rule of thumb' that you will be told: that an interim expected daily rate is the same as the position salary divided by 100. Hence a €60k job would warrant a €600 per day rate. A word of caution here: there are plenty of people who are overpaid at €60k.

If you then have to add an agency fee on top; some providers charge 15%, others try for a great deal more, and this can get to be very expensive indeed. This is OK if you're a bank or an insurance company, and you get rewarded for throwing someone else's money at it for fun, but for the rest of us it sticks in the throat.

So, avoid this altogether, and head for Applied Interims.

Approach

The approach is very simple, in that the daily rate is agreed by the client directly with the interim, and there is no additional fee for the client to pay.

In order to ensure the right candidate is selected, the role needs to be defined, the objectives made clear, and care taken to put forward candidates that are the best fit, and this is all done free of charge by Applied Interims.

Next Step – A professional approach

Very often a company will opt to pursue an interim route to solving a particular resourcing need, and sometimes this is indeed the right thing to do. Unfortunately it is a route often taken when a more considered option would be more suitable.

More and more we see examples where interim managers are being asked to undertake rapid performance improvement initiatives. Ever eager to please, the individual interim will never say “actually this is bigger than I am” – they will merely be weighing up how many of their own colleagues they might be able to bring in! This is the equivalent of a functional or divisional director being asked to do the same thing, but without specialist skills or additional specialist resource. It’s an easier decision to make (to hire an interim), certainly an easier one to table (“I know someone”) and to stomach, than to mention the word ‘consultant’, which never goes down well. For those thinking “I’d never use a consultant”, think of a mountaineer saying “I’d never use a Sherpa”, and your idea of what a consultant ought to be should change, along with your view of what to look for and why.

With regard to interims, as more people and companies become aware of the Applied Acumen payment by results approach, the market will move to emulate it. This has already begun to happen in consulting. Eventually, starting with the contract market, everyone will have at least some element of their reward based upon measured delivery, rather than simply showing up for work. Hence, when it becomes the norm and widely known that assignments, functional management and projects can be undertaken by a performance improvement company on a measured results delivery basis, it will be (already is) foolish to place your eggs in one interim’s basket, especially if there’s no delivery related element to the remuneration. However, where functional improvement and a limited defined result is the goal, rather than transformation, step or culture change, never pay an agency fee – it’s a mugs game where you’re the mug.

Typical Excuses for not doing it

- We have an interim supplier already (who charges you)
- I myself know someone who could/would do it
- The interim won’t work on a contingency basis (you haven’t insisted)
- We don’t use interims (a good excuse, but only if true)
- We like to pay for a service that we could otherwise get for free (not your money?)

Missed Saving 7

Packaging

Everything comes in packaging, whether it’s a plastic returnable tray, a vacuum sealed bag, or a cardboard box full of other boxes full of bagged and packaged items. All of it comes at a price, and that price is invariably too high.

From over designed cardboard outers to unnecessary printed labels, there is always something to be saved in packaging. The first and easiest place to look is not at your own packaging, however, but at the packaging from your suppliers. To change your own packaging is usually quite involved, as it was probably developed and agreed with your customer, who you can be certain will not take kindly to any unauthorised changes or alterations, and perhaps more pertinently will demand every cent of any saving you might even hope to have realised by making a change! Not fair, but realistic. Hence, you need to go back up your supply chain, and hunt for obsolescence. That’s where your easy win will be.

Approach

Take your list of materials and pareto the spend by value. Starting at the top, see how it is being delivered, the format of the delivery.

- Is it on blue pallets?
- Is it in cardboard?
- Are there any labels?
- Is there anything printed on it?
- Any plastics?
- Is it shrink wrapped?

Can any of the operations be reduced or simplified? For example, most pallets do not need to be totally shrink wrapped for safe transit. Could it be done by wrapping only the top two layers, for example?

Are the boxes coloured or printed? You’re paying for that. Do the boxes get a bar code printed on it that you don’t use? Or a label? You’re paying for it. Who is paying for the blue pallet rental? Does it need to be transferred to a pallet that fits your warehouse bays? It’s all incremental cost.

Next Step A professional approach

Once supply chains are established a business tends to move on. The interesting work that keeps the expensive office people busy, happy and employed is done, and what remains is a structure whose principle purpose is to expedite. To expedite the inbound plan, to facilitate the production schedule, hit the deliveries for the day. If there is any spare capacity in the function beyond this, it will be consumed by chasing stock, correcting errors in Bills of Materials and stock counts. Purchasing (the function) rarely encompasses any serious incremental improvement work, not least as it is nowhere near as exciting as beating up or being smooched by a supplier, but more often it is considered small beer in comparison with the main job of reducing the supply base, seeking cheaper alternatives and so on.

As highlighted above, the approach is relatively straight forward; it is merely a case of creating the right conditions for a coordinated effort in this area, which in essence means ensuring alignment between purchasing, operations and finance. For example, it would be no

good to dedicate several days of study and effort in making a change to the format of an item to find purchasing intend to delist it the following week!

A further advantage that our clients value in working with us is that it genuinely does help to speed things up to have experts on hand who know what they are looking for. We advise also that this is an ideal assignment also for the training up of an internal resource, perhaps even a graduate trainee, as this is an ongoing exercise that impacts both internally and externally to the business, and is thus great exposure for the individual.

The next logical step is then to integrate this activity into the purchasing activity generally.

Typical Excuses for not doing it

- We have teams looking at this (how much saved so far?)
- We don't have anyone to do it
- That's a purchasing job (so what?)
- Our supplier is larger than we are, so we have no leverage

Missed Saving 8

Samples

The technical requirements and regimes in modern food manufacturing are second to none. Clearly, food is something where corners cannot be cut on safety, and certainly one shouldn't contemplate ever missing or deliberately avoiding checks that are part of the food safety compliance regime. However, in very many sites we visit we find a disconnect between what the technical requirements actually are, and the custom and practice in play day to day.

A first example concerns the requirement to take samples from each production run. In more enlightened businesses this is even built into the standard losses in the Bills of Materials. However, it is often an allowance based upon a certain run length! Taking 3 units from a run of 1000 is a small fraction. Taking 3 units from a more typical run of say, 100, is an easy way to make your yields look very bad indeed. What allowances for samples do you have, and does this stack up against your average production run? This examination can lead to a healthy debate about run lengths, samples and regimes, which is never a bad idea.

Of course, amending your standards doesn't actually save you any money! To do that you need to review what samples are actually being taken.

Approach

The most common reasons for taking samples are

- Metal detection
- Taste panel
- Giveaway/weight check
- Quality (appearance)
- Date code checks

Now you should check where these samples are being taken from, and moreover, can any of them be combined? It is not unknown for samples to be taken from the start, the middle and the end of a run, for different samples to be taken for any and every reason, and for samples actually taken to not be recorded as a QA cost (and thus be lost in whatever yield or operations consumption reporting may exist).

Next Step A professional approach

Challenging any technical regime is always hard. Not only are there legislative requirements, but there exist also a whole subset of behaviours and practices which may or may not be the preserve of an incumbent technical manager or Director, who will be acting not just in the best interests of the company, but will also be representing the interests of the customers.

It is therefore paramount that the analysis of sampling regimes is done with and driven by the technical management. The objective is to arrive at a sampling regime which provides the optimum solution – the technical objectives being met at the lowest cost. You are not just looking to cut the number of samples for the sake of achieving a cost reduction!

The Technical/QA function in a food business can represent a substantial cost, usually attributed to overheads in an accounting sense, and is rarely challenged other than by more forward thinking and commercially astute Directors less interested in empire building than in profit improvement. To actually make substantial (cost) improvements in the technical function it certainly helps to have expertise in technical activity analysis techniques. In a typical analysis, Applied Acumen would identify realisable opportunity (real cash) in

- Headcount
- Swabs
- Cost of compliance
- Sampling
- NPD
- Trials
- Waste

Typical Excuses for not doing it

- We have teams looking at this (how much saved so far?)
- We don't have anyone to do it
- We have more compliance costs coming, not less
- We are driven by the demands of our customers
- I am Technical, and you will never limit my ambitions for a huge empire

Missed Saving 9

The Improvement Manager

Many businesses now employ one or more individuals with a variation on the title Continuous Improvement manager. Profiles for these individuals vary greatly from firm to firm,

- Salaries ranging from €30k ("person with knowledge of kaizen required...etc") to
- Salaries over €100k (Business Improvement/Excellence Director...etc)
- Knowledge ranging from basic, through to ex-consultant 'specialists'

Commonly, such positions are filled by line managers for whom a line no longer exists – too good to let go, but there's no space for them in the structure anymore (at the level of capability). Alternatively, many are consultants bored with life out of a suitcase or lacking the energy required to repeatedly deliver new results with different people. Over the last 10 years, companies have specifically gone out to recruit people to fill specific positions.

What is interesting is that as good as these people may (or may not) be, they are rarely employed in any meaningful way, and most often are used knowingly or unwittingly as a shield from external influence (shareholders, board members, investors, consultancy sales people to name but a few). Moreover, it is a widely held view, correct in our view, that where consultants are employed for an assignment, there comes a time when their impact is reduced, their effectiveness is lessened, and the businesses needs to demonstrate sustainable revised behaviours. Exactly the same is true of an internal 'CI' resource.

Such people can indeed add value, even pay for themselves. However, we question how these resources are utilised, how they are measured, and in exactly the same way as we ourselves work we should challenge the real value added – can the objectives you have achieved another, quicker, cheaper way? In the days when consultants got paid whether they delivered or not, and they generally left a bad taste behind, and cost a fortune...perhaps employing internal resource as a cheap alternative was a good idea. Maybe get half the result you're after, but at a tenth of the cost! But **this is no longer true**. You no longer have to compromise.

Be that as it may, you have two choices to save money:

1. Transfer the responsibility for performance improvement to the people who ought to be doing it as part of their job (including you).
2. Get more from your resource

Approach

The very fact that this person is a permanent employee presents your first problem. Getting over the fact that you actually might like them personally, even if you determine that the individual is surplus to requirements you have a redundancy cost to find. Secondly, should you wish to bite the bullet, you will be in the awkward position of submitting to the business that you can do without this resource. This could be perceived as bold, stupid, maverick or myopic, or all of the above. If you are heading up but one of a number of sites and every other site intends to retain this resource, you'll look even more maverick.

We would recommend in the short term that you set your CI manager some new targets, and that these ought to be banded. As a minimum, they ought to save double their own salary, including all add on costs. This needs to be measurable in the accounts, which they also ought to ensure by working with the financial controller. It is important to ensure it is double the salary as you are looking to bank the redundancy cost, in case you need it. The larger the CI organisation, the higher the saving needs to be, of course. Those Business Improvement Directors are usually not cheap, but their initiatives will need to feed the double salary objectives of everyone under their remit.

As a bare minimum, you can get your CI resource to implement any of the quick wins we've highlighted in this paper that you haven't already done!

Next Step

A professional approach

In looking at a business it is easy to see why so many CI managers are employed. Many will be able to claim to be saving at least their own cost and usually many multiples of that cost, and thus it becomes a 'no brainer'. However, at Applied Acumen we have seen a great many businesses with improvement managers of one sort or another simply underperform and in some cases go to the wall.

The reason for this is simple, but all too common. The activity is usually conducted at a low level, in isolation from the real business numbers. Not a bad thing to engage in making savings wherever you can find them, but on its own it can prove lethal. Certain consultancies we know are guilty of it too. Taking a client on a 'lean journey' for example, is all well and good, but not if they're going out of business! The same errors are seen repeated with many CAPEX decisions also. Spend X, get X back inside one year. How about: get what you have performing better, don't spend X, and save 2 X?

Resource dedicated to continuous improvement has its time and place, but should not then be used as a panacea for making the bolder step changes which most businesses now need to consider routinely to stay ahead of the game. Despite widespread acceptance of the increasing pace of change, and better management education and awareness, the implications of this latter point have still not been taken on board by many company boards.

In addition, despite the wealth of evidence to the contrary, counterintuitive decisions are made every day in companies regarding exercises in transformation. Everyone recognises it as a massive challenge to be done properly, hugely damaging if done poorly, that can for even the very best person at times feel like herding mice tipped out of an upturned bucket. Yet for all this, how many companies think “we can do this ourselves”? The answer should be pretty much all of them if they are thinking properly! The issue everyone grapples with is this: *that to do otherwise is viewed as an expensive and even more difficult option.*

Typical Excuses for not doing it

- We already have consultants we like (that’s good, so long as they represent measured value added)
- We don’t use consultants (so says the sherpa-less mountaineer who’ll never make the big climbs)
- Our CI team do this work (no, they don’t)
- We are performing very well (could easily be proven otherwise)
- We have operations consultants (good, but it’s not just about operations)
- Consultants charge too much (yes, they do)
- We can only take on so much change (let’s stop the world so you can get off?)
- I can use interims (yes, but not as an alternative)
- There’s no budget for it (good answer to get the right consultant!)

Missed Saving 10

Hygiene Operations

Hygiene operations are a specialist activity within food production, requiring quite specific training and skills. It is critical in a number of key respects, and if it goes wrong, it can go catastrophically wrong^{viii}.

Allergen control, or lack of it, can result in one of your customers dying and potentially the directors of the company going to prison. Poor quality produce delivered as a result of hygiene deficiencies, for example contamination, can result at the very least in costly withdrawals and recalls, on top of the potentially disastrous PR that such an event can entail.

Finally, poorly executed hygiene is often the underlying cause of much downtime in food production environments. This downtime can range from the production lines simply not being ready in time, to the equipment itself being faulty and in need of engineering repair before it can be used again (wet solenoids is a particular favourite of many an engineering technician). It is particularly galling in many factories for the engineering manager who is often berated for poor performance, where the engineering budget is routinely blown each week, and for the production manager, certainly rarely a specialist in hygiene operations, to be berated for routinely low productivity or unplanned overtime.

So it is no surprise with so much at stake that when it comes to taking cost out of hygiene, there is an immediate negative gut feeling that it can’t be a good thing. Performance needs to get better, and as far as the hygiene manager (if there is one) is concerned, this can only be achieved with more money, not less! The production manager is not about to accept a lower standard, and similarly the technical manager wants higher standards and more cleaning, not least to keep up with the incoming legislation (this last phrase can be used at any time you like – there’s always a new standard coming through, an upgrade demanded by a customer, new legislation, or all three).

Finally, there may be a specialist company to whom the hygiene activity has been outsourced. Exactly the same issues apply, but the liability for the issues falls onto the outsourced partner company. Often these outsourcing companies insist on multiple year contracts, claiming this as necessary perhaps to justify any investment they may make in facilities or training etc. In such cases, the incentive to re-examine costs in this area is one step removed, and works as a great excuse to do nothing, of course.

So where’s the opportunity?

CHANCES ARE IT’S IN DIRECT LABOUR

Why?

Take a look at your hygiene crew. Firstly, we bet that a good many of them are agency temps. Bearing in mind everything we have just written above about the critical nature of this activity, how *getting it right* is so important, and then compare with your other operations personnel or office staff their terms and conditions, development and training, level of interaction with peers and managers, working environment, involvement in the company culture, the management systems and controls in place (or not) to challenge and nurture the right behaviours.

Secondly, when does your hygiene activity get done? When was the last time you spent an entire night with that crew? We’ve been to (too many) places where the Supervisor doesn’t even spend the shift with their crew!

Thirdly, to whom does the crew report? The technical manager has a vested interest to protect the company and the customer, to deliver standards and quality, not to deliver productivity. The production manager has to deliver everything of course, but is the production manager trained and versed in the management of hygiene operations? Without this specialist knowledge, has as much thought gone into calculating the right number of crew for the hygiene activity as has gone into manning the production lines?

Approach

A first pass, and an easy win, is simply to do your homework and challenge the hygiene management on direct labour. Spend a shift with the crew, observe the activity and see who does what. Do they all work in the same way, do they work as hard or as diligently as your other operatives? You'll quickly spot the opportunity, and be in a position to have a debate on the relationship between the activity and the time it is taking to get the standard you are seeking, even if you have little or no hygiene knowledge. In almost every factory or business we have encountered, the hygiene and cleaning staff are almost viewed as part of the furniture. Everyone ignores the actual activity taking place, either because it is out of sight (on nights, say) or out of mind (cleaning is not getting the order completed, which is the thing that has everyone's attention). There also is often a lack of a link between *presence* and *difference*. Having a person walk around with a brush is not the same thing as having clean floors, yet most businesses have the former and not the latter. Step back for a minute and take a look. Can you really tell the difference? Clearly, if in a chilled manufacturing hall you have a dedicated crew applying foam and washing down etc, a procedure that needs to be done, perhaps. A depositor head is removed, washed, dried, replaced; again it is obvious what has been done. However, not all activity is so well defined. Emptying the bins, sweeping the floor, keeping the yard clear... Simply putting a focus on this function and activity allows a debate to be entered that is long overdue. If the hygiene reports into someone else (e.g. a Technical Director or other Senior), you simply need to ensure you have enough evidence to make your case. Invariably, a first pass will yield one FTE, usually a temp, usually someone not directly involved or skilled in a technical capacity, and additionally your observation will enable the identification of areas where improved diligence will yield a better standard being achieved.

A word of caution. Where there is a genuine reluctance to reduce costs (heads) in hygiene, it is vital to manage the outcomes very carefully. Unless you trial properly, observe and measure properly, and demonstrate beyond any doubt the efficacy of any new regime, you can guarantee that the standard will drop, and your technical manager will rightly be stood before you screaming blue murder. Avoid this situation by ensuring that the standard is demonstrably achieved, that the reduction in man hours achieved is actually a reduction in the idle hours, the lost hours spent by those agency temps not working in the right way, and the better organisation and management of the hygiene team. Your aim should always be to achieve a higher standard.

Next Step – A Professional Approach

What we have outlined above is merely a quick win approach to making a small and rapid saving. As would be expected, we would certainly recommend a more thorough investigation and analysis by a professional team experienced and skilled in the specifics of hygiene operations, as we have certainly found that clients can achieve significant benefits in doing so.

Such an analysis would involve a much more thorough observation of the activity being undertaken, a review of the standards being achieved (at what cost) and the management controls and measures in place to manage and sustain a required level of performance. Photographic and video analysis would add to the weight of evidence to enable the right decisions to be made on resources, development needs, standards achievement and so on. Typically our specialist hygiene operations division **Acumen Environmental** would expect to see a reduction of 10%- 15% in direct labour, but more importantly would see standards improve through the development of skilled and motivated staff, and is most often the driver for improvements rather than simply cost. Finally, beware the outsource 'partner' that asks you to sign up to a contract after only a walk around the facility and a brief perusal of the figures. Their profit is your profit, and you don't need to give so much of it away.

Typical Excuses for not doing it

- We aren't achieving the standard with the resource we have now (probably true)
- We need more people, not less
- It's outsourced, so we can't take out cost
- The people are all 'working flat out'
- We don't have any hygiene crew [sic]
- Hygiene is too important to have someone else look at it (sic)
- We operate Clean As You Go, so is integral to operations (CAYG is NOT hygiene)
- It's a technical matter, not operations.



ⁱ <http://blog.linkedin.com/2010/12/14/2010-top10-profile-buzzwords/>

ⁱⁱ <http://247wallst.com/2010/02/08/disgraced-former-merrill-ceo-get-top-cit-job/> ,

<http://experts.blogs.lincoln.ac.uk/2010/04/28/leaders-pay-restraint/>

ⁱⁱⁱ http://en.wikipedia.org/wiki/Toyota_Production_System

^{iv} At the time of writing, one large electronic component company advertises for a “Continuous Improvement Business Partner”, with the group leadership having identified continuous improvement as a key priority for 2011. Firstly, they are actually talking about recruiting an employee, not a *business partner*. One might excuse this as confused HR-speak, but clearly the cluelessness extends throughout – “*continuous improvement* has been identified as a key priority for 2011” – really? That must have taken an age and several board room cups of tea to conjure. Finally, what on earth are their other 11,000 existing employees supposed to be thinking and doing?

^v http://en.wikipedia.org/wiki/In_Search_of_Excellence#Criticisms,

http://www.businessweek.com/magazine/content/01_49/b3760040.htm

^{vi} [http://www.sap.com/uk/campaign/2010_07_CROSS_SME_RC/index.epx?URL_ID=CRM-GB10-RDC-](http://www.sap.com/uk/campaign/2010_07_CROSS_SME_RC/index.epx?URL_ID=CRM-GB10-RDC-BBxB&campaigncode=CRM-GB10-RDC-)

[BBxB&source=gawukmids01&dna=85765.8.0.110421078.770054389.1292939927.sap+advert+for+sme.26799634.6215100529](http://www.sap.com/uk/campaign/2010_07_CROSS_SME_RC/index.epx?URL_ID=CRM-GB10-RDC-BBxB&source=gawukmids01&dna=85765.8.0.110421078.770054389.1292939927.sap+advert+for+sme.26799634.6215100529)

^{vii} an example is where the quality of inbound fruit was of such variable quality (seasonally driven/source driven) that it was perceived as being impossible to track to any kind of standard, and thus drive performance. In this case we developed an agile inbound yield measure and tracking system that tied into financial standards and product costings. The result was to enable the company to negotiate the right price per consignment, and establish the (right) margin for the product dependent upon the time of year. It is interesting to note that this same client was being short supplied on several products, too!

^{viii} <http://www.food.gov.uk/enforcement/alerts/2010/> carries just the examples in the UK for 2010 alone. See <http://www.fsai.ie/> for plenty of examples of food companies being closed down in Ireland (7 in the month of June 2010 alone!).

CONTACTS

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