

Mehitabel Furniture Philippines

Mehitabel Inc is a privately owned furniture company that has been established for more than 50 years in Cebu, the Philippines. The company's primary market segments are the high end export markets in countries such as the United States and Europe. Although Mehitabel had enjoyed a healthy margin for several years, the company wanted to ensure a stronger leadership position in the market that had become highly competitive with the emergence of Chinese and other South East Asian manufacturers. They also wanted to challenge themselves to achieve superior total returns on investment for the shareholders.

“The Renoir methodology helped Mehitabel achieve considerable operational and financial benefits, and more importantly from many senior managers point of view, enabled the organization to change the behaviour of its employees, increasing the managerial professionalism of its staff, and providing a valuable tool in the form of a continuous improvement team to aid in future initiatives.”

Key Results

21 and 63% productivity gains

Significant cultural change including:

greater sense of urgency
more proactive management

Implementation of an effective management control system

Development of a team of internal change agents to sustain and lead the continuous improvement process

ANALYSIS

Renoir Findings included:

- Elements of many processes in place, but not well managed, e.g. shop floor control systems
- Some processes weak, e.g. reliability centered maintenance
- Not designed to drive productivity, yield, quality and cycle time
- Not designed to drive improvements in performance, e.g. effective actions following root cause analysis
- Passive managerial style
- Supervisors doing too much manual work
- Span of control low in crucial areas
- Routines to identify training needs and focus to increase staff capabilities can be improved
- Many areas lack clarity of direction (especially with respect to customers) - alignment and roll down of key measures

Cultural findings included:

- Individuals attach very little importance to understanding and meeting the requirements of customers
- Low accountability - problems seen as being caused by other departments and not their responsibility
- Organization structure/decision making – recognition that they are not finding it easy to make the correct decisions, and a lot of finger pointing (lack of team work)
- Training and development needs rating #2 improvement area in both companies

PROJECT

The project, “Operations Excellence” was a 30 week program at 2 plants, with a commitment of a minimum, 20% improvement in productivity. To achieve the above target, the initial strategy was to break down the barriers between the 2 plants by establishing project structures that consisted of members from both sites.

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The project structure was comprised of a Steering committee headed by the President, who was also in charge of Sales & Marketing. Three 'Management

Action Teams' (MATs) were established in Production, Planning and Standards, and they worked with the project taskforce to implement the improvement processes.

Production MAT

The initial approach to these areas was to implement an effective shop floor control mechanism that reflected and captured daily performance. In Production, a Management Control System was implemented in all areas, capturing production throughput on an hourly basis. Supervisors and line leaders were trained to review the Control System and take corrective actions to minimize or eliminate negative variances.

Standards MAT

In Standards, the group was broken down into four key areas: Product Research and Development, IE and PE. Management Control Systems were then implemented in all areas with an emphasis on the planning process.

Planning MAT

A Daily Rolling Plan for production planning was developed and implemented to ensure a more effective control of planning. Previously, plans are not updated effectively enough for an efficient decision making process, and since the implementation of the daily plan, Managers and supervisors are updating the plan on a daily basis. Thus creating an up-to-date plan and improving the managers and supervisors decision making process.

Training was carried out at all levels of the organization to support the Management Control System implementation. The training was particularly critical for the supervisors and the line leaders to ensure that sound decisions and corrective actions were taken

Plant wide, Organization Balanced Scorecards were developed and implemented. Three tiers of rolled down Balanced Scorecards were put in place at both plants, focused on critical Key Performance Indicators (KPI's). This framework ensured that the organization moved in a single strategic direction.

SUMMARY

In summary, the 'Operations Excellence' project established a control and review framework within the organization, with an emphasis on effective planning and short interval control on the shop floor. This architecture not only captured and managed the tangible indicators, such as productivity and containers shipped but also less tangible indicators such as organizational and information effectiveness and human capital.

OUTCOMES

- Plant 1 achieved 21% improvement in productivity and Plant 2, a 63% gain.
- Significant cultural change

Higher sense of urgency

More pro active management

- Implementation of an effective Management Control System
- Development of a team of skilled change agents (Project Taskforce) to sustain the improvements achieved and drive further improvements

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