

Building better supply chains – making the right moves

Poor project planning in light of consolidation in the packaging industry has sent many a business to the wall. **Tim McLean** gives some valuable tips to proper planning and advice to help companies shift over the consolidation hurdle.

CONSOLIDATION HAS BEEN a consistent theme in the packaging industry over the past decade – the number of players has reduced, plants have got larger in size and fewer in number.

Unfortunately, the implementation of these plans through plant relocation and closure, technology upgrade and the likes of systems and integration acquisitions has often proved difficult and costly.

In some cases the viability of businesses has been destroyed through poor execution of consolidation projects.

With some good planning and the right advice there is no reason why these projects cannot be managed smoothly with little or no adverse impact on the business. So what are the steps needed to achieve this?

Appoint a project team

The vital first step is selecting a project team. Select a project leader who is a senior line manager close to the business being moved or restructured. This ensures senior management is engaged in the project and that someone at senior level is personally responsible for its successful execution.

Some companies like to completely outsource the project to a project manager (either a contractor or someone from a corporate head office). As an outsider lacking in authority, this person will then usually struggle to divert people from their 'business as usual' issues to focus on the project.

The project leader is only required to chair the regular – usually at least weekly – project meetings.

A Project Facilitator – often the contractor or the full time project manager – will then be responsible for compiling the minutes of the meetings, following up the actions, organising the meeting and managing the detailed execution of the project.

Apart from the project leader and project facilitator, the project team may include operational and supply chain management, finance, HR representatives, the project engineer, a technical specialist

BELOW: Supply chain consultant Tim McLean says with good project planning and the right advice there's no reason plant relocation projects can't be managed smoothly with little or no adverse impact on businesses.



and, ideally, an expert in environment and health and safety. Don't overload the team with engineers as the hard part of moving involves moving people and processes. Moving machines is relatively easy.

Develop detailed project plans

A common and often disastrous mistake made in major relocation and restructuring projects is setting the move or 'go-live' date and the budget in the executive boardroom before the planning is complete.

There will always be pressure to move sooner rather than later and to do it for less. My strong advice is to resist this pressure. Cutting the time line too short will escalate cost, increase stress on employees (who are likely to already be in a sensitive frame of mind because of the move or acquisition) and worst of all, put your ongoing supply to customers at risk.

Take the time to develop a detailed project plan using Microsoft Project or a similar planning tool. Make sure that the plan covers all aspects of the project, not just the engineering. Government approvals, environmental, health and safety issues, staff recruitment and training, technical issues and quality approvals can all potentially take longer to plan and execute than the physical move of inventory and equipment.

Detailed supply chain planning will be required. This may include a stock build, outsourcing some production and detailed shutdown and start-up scheduling for key assets. Customer communication and, ideally, input from key customers on the move, is also valuable and can lead to greater understanding should difficulties arise down the track.

Share the project plan with others on the team to make sure that everyone believes that it is a realistic plan. Once agreed, the project plan should then dictate the timing of the project.

Likewise, taking the time to do a proper budget will ensure that the project gets completed fully and that a functioning operation is the result. In my experience, many of the short cuts that get taken in the project budget end up being paid for later (at a higher cost) in a plethora of small 'maintenance' and capital projects. These get raised to fix up the omissions made in the relocation or restructuring project.

With the right commitment of resources, the planning and budgeting stage should take no longer than one month, even for a fairly major project. But don't rush it and make sure you consider all angles. Time spent planning will ultimately save time and money in implementation. How many times have you seen a mad rush to get the capital submission completed, only for it to then take six months to get board approval?!

New is better than old

This is so self evident I shouldn't have to mention it, but through poor project planning, many businesses go backwards in terms of efficiency, quality and customer service post-move. Take the time to think about your current operations and how they could be improved. Value stream mapping is a great process mapping tool to enable you to understand your current operations and to design a better operation from the ground up.

Again, massive project delays are not required.

I recently conducted a three day value stream mapping workshop in Beijing, China, which assisted an electronics company to come up with a completely new layout for the new plant it was building. As



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a result it was able to reduce lead time to customers by 80 per cent and greatly reduce the amount of space needed for storage, potentially reducing capital cost for the project. Value stream mapping also created a number of one-piece flow production cells that greatly reduced the floor space required for the new operation.

Carefully consider people issues

Again, an obvious point often ignored is that success of a major move or consolidation is wholly dependent on the commitment and goodwill of the front line employees involved in the business. Sadly, stories abound of companies spending tens of millions of dollars moving or upgrading plants to simply transfer cultural issues from the old to the new facilities. Avoiding this again takes thorough planning.

Maintaining goodwill is a first step. Communication that is timely, open, honest and frequent will help employees feel that things are being done with them and not to them. Employees exiting the business need to be treated with respect.

Equally important is the need to nurture

employees who are staying with the business. Individual employee needs should be considered with respect to travel, office accommodation and changing roles. If you are starting afresh with new employees, recruiting and training the new staff needs careful planning. The time and resources required to do this should not be underestimated – it's a big job.

However, the consequence of starting up with inadequate numbers or under-trained staff are typically reduced output, quality problems, safety issues and staff turnover which only compounds the problem. The culture of a new site will develop very quickly after the move. Employees are naturally optimistic about a new workplace if the initial start-up of the plant is a highly negative experience. This negative feeling can stay around the operation for a long time afterwards.

Deploy the right resources

Moving, restructuring and consolidating plants tend to be very complex projects. A relatively small project that I recently managed involved more than 1,000 hours of project management time in a four month period.

The question you need to ask is who in your management team has this kind of time to dedicate to the project – if they do dedicate this time to the project then what is a consequence of this to their ongoing role?

Most senior operational people these days are very busy, working upwards of 60 hours per week. Expecting these people to take on a project that might add an additional 20 hours a week will only have two likely outcomes – the project does not get the focus it requires leading to a chaotic and disruptive move or business as usual gets neglected leading to potential customer service, quality or safety issues before, during and after the project.

A much better approach is to employ a specialised project manager to facilitate the project and be accountable for and focus on its delivery.

My approach is to have a project facilitator with operational rather than engineering acumen. As discussed above this project facilitator supports the project leader who's usually the senior manager in the area being moved or restructured. The project facilitator will then be supported by specialists in project engineering,



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Putting someone with a business or operational focus in the lead means the emphasis will be on the needs of your business, your customers and your employees, rather than a purely engineering focus on moving the physical assets on time and budget regardless of the consequences for the business.

In the projects we have recently managed, the savings achieved by our customers from employing the right project management expertise have been two to three times greater than our fees.

The underlying message

Major business consolidation projects are a part of business today, but more often than not they are poorly managed, resulting in cost over-runs, damage to customer relationships, lost employee morale and turnover.

Businesses often take months to recover from a poorly handled move and the costs can run into millions. To ensure the project will be successful:

- Make sure you chose the right project team and put someone in charge with real influence in your business;
- Take the time to do a detailed plan and budget and don't take short cuts;
- Use the change as a chance to improve your business and don't repeat the mistakes of the past;
- Make sure you consider the needs of your employees as they are the key to the success of your business;
- Support your project team with the specialist project management resources to make the project a success;
- Remember you have invested a lot in the business you are moving or restructuring,

Top ten moving tips

Assuming you have chosen a site and done your capital budget, here's ten more things to think about.

1. How will you supply customers during the move?
2. How will the move impact your sales, profit and cash flow?
3. How and when will you communicate with customers and employees?
4. How will the move impact your people – where do they live? Can you retain the key skilled people you need?
5. How and when are you going to recruit and train any new staff you need?
6. How will you meet your safety obligations – risk assessments, dangerous goods requirements, employee consultation etc.?
7. Are there other stakeholders to consider, such as neighbours, council permits, EPA permits, customer locations?
8. Have you designed the office layout and have office staff had an input? This can be a very emotional and costly issue to fix afterwards!
9. Have you got a plan to put IT and telecommunication infrastructure in place? New connections can take several weeks to arrange.
10. How are you going to dispose of excess assets? Are there safety and contamination issues with the old assets? Have you allowed to write them off in your financial modelling?

turing, you owe it to your shareholders to make sure that you protect that business through one of the most major changes it will face.

Tim McLean is director of TXM Consulting – a specialist consultancy dealing in supply chain project management and process improvement. Before establish-

ing TXM Consulting, McLean spent 15 years in senior operational roles in the plastics, packaging and chemical industries. He has been involved with several major relocations and restructuring projects with some of Australia's largest packaging companies. McLean can be contacted on 0404 480 517 or tim.mclean@txm.com.au. ■



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