

**CASE STUDY****Full
Transformation
Through Strategy
Deployment**

Electronics Manufacturer, Regeneris, Uses Strategy Deployment as Foundation for Full Lean Transformation, Increases Productivity by 14%, boosts gross profit by 17%

Client

Regeneris repairs and refurbishes electronic devices for a global client base with revenues of over \$330 million and operations in seven countries.

Challenge

Rapid growth, acquisitions, increased competition, turnover, and poor morale prompted new leaders to launch a transformation program to improve efficiency, engage employees and open up access to new markets.

Solution

Established aggressive breakthrough objectives and goals for double digit productivity and gross profit improvements, and absenteeism reduction. Identified KPIs, developed detailed execution plans and implemented standard management practices.

Results

In 8 months, productivity was up by 14%, gross profit up by 17%, and absenteeism fell by 33%. Employee morale improved through open communication and training. Performance boards now serve as the focus of daily management reviews.

Strategy Deployment Re-Energizes Electronics Service Center

Sooner or later, because of market forces or internal turmoil, every business reaches a point when it's time to hit the reset button. For the Regeneris operation in Sömmerda, Germany (between Frankfurt and Leipzig), the time to reboot came.

The company services and refurbishes electronic devices for a global client base. It established the Sömmerda site to provide outsourcing services for Fujitsu Technology Solutions. Over time, by offering after-sales support as well as repair and maintenance, its customer base expanded to include Apple, ASUS, Fujitsu, Honeywell, TeleCash, VeriFone and other well-known electronics brands.

Regeneris Sömmerda experienced growing market pressure from competitors in Poland and Czech Republic, which have the advantage of lower labor costs. Rapid growth and the integration of a major acquisition, followed by several management changes had contributed to an impenetrable organizational structure. The confusion and discontent of the site's 300 employees was reflected by a silo mentality and lack of team spirit.

The Turnaround Begins

Alfons Krauthausen, Managing Director B2B/Infrastructure Sector & Germany, decided it was time to make some dramatic changes in Sömmerda. Ensuring the site's long-term future required a complete organizational realignment that would improve both efficiency and employee cooperation, and open up new market opportunities.

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—Dirk Jungnitz,
General Manager

TBM advisors began working with managers in Sömmerda. We helped identify areas with high immediate potential, then facilitated several kaizen workshops to engage the workforce in uncovering the root cause of the issues and implement streamlined processes. Following these successes, management decided to develop a comprehensive operational improvement program for the site using the strategy deployment process (also known as Hoshin Kanri).

During the strategy workshop that TBM facilitated that December, the Regeneris Sömmerda management team agreed on a number of key breakthrough objectives. Their targets included double-digit percentage increases in productivity and gross profit, and a significant reduction in employee absenteeism. We used the X-matrix tool to align the goals with their improvement plans and associated projects. Management then allocated the cross-functional resources that would be necessary to turn the plans into reality.

Constant Communication Smooths the Change Process

Krauthausen, Jungnitz and his management team recognized from the outset that taking everyone along on the journey, and actively involving them to shape the organizational direction, would be key to their success in Sömmerda. This meant proactively communicating the coming changes, and explaining why they were necessary.

The works council was actively involved from the start of the continuous improvement process. Management presented the strategy deployment program to the council before it was launched. Council members were also actively involved in rolling out the new job roles, management approach and work processes.

As part of the organizational realignment, the management team created a number of service delivery manager positions. The service delivery managers became responsible for managing individual customer accounts, and resolving any issues as soon as they arise.

“The greatest challenge we faced was how to integrate the entire management team into the culture change,” says Jungnitz. “We

consciously focused on junior managers with the courage to shake things up and move forward.”

That willingness to shake things up was necessary to implement another key element of the organizational change recommended by TBM: Managing for Daily Improvement, or MDI for short. A core element of an effective management system, MDI starts with tracking and reporting key performance indicators (KPIs) that were identified during the strategy deployment process. Managers review the KPIs with team leaders every day at a designated time. It’s important to monitor progress on a daily, weekly and monthly basis, so as to not lose sight of the objectives and sustain forward progress.

The focus of these daily meetings is on solving problems before they escalate into major issues. In effect, the approach turns the traditional problem-solving hierarchy upside down. Instead of considering options and making decisions, managers listen and guide the team to identify solutions for themselves. Over time, managers learn how to ask questions that engage employees, motivating them to come up with creative solutions.

The goal-oriented management style requires a willingness among management staff to change how they perform their daily work, or at least try a new way of working. The start of an MDI initiative can feel disorienting and threatening to managers who are comfortable with a command-based approach to leadership. In addition to helping establish a consistent performance review board with actionable KPIs, the external consultant’s primary role is to make managers feel more comfortable with different roles and expectations.

“I love my role as a coach and policy maker,” says Hans Werner Sohn, Senior Management Consultant for TBM Consulting Europe. “It’s great seeing the small successes that



7 Steps to Success

Rapid growth, multiple acquisitions and growing competitive pressure led Regeneris Sömmerda to undertake a top-to-bottom business transformation focused on process improvement and a lean operational approach. The steps included:

1. Strategy Deployment
2. KPI Development
3. Managing for Daily Improvement
4. Productivity Improvement
5. Employee Engagement
6. Standard Leadership Practices
8. Proactive Communications

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initially get the ball rolling. The team's passion then develops its own momentum. When the early obstructionists start contributing new ideas, it motivates others to become even better. Then you know you're really making progress."

Today, the management review meetings at Sömmerda take place every day at 10:30 a.m. Within 20 minutes, all of the service delivery managers and their team leaders get a complete overview of the previous day, what's on the agenda for the current day, and any potential problems or bottlenecks. If an area is off target or falling behind, corrective actions can be taken long before the financial figures for the month or quarter are prepared.

Team managers are currently working on sustaining their progress and implementing standard work, which helps ensure process reliability. Future priorities include implementation of 5S measures, the next level of MDI, further layout changes and training employees in A3 problem-solving tools.

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—Dirk Jungnitz,
General Manager

"After introducing hoshin kanri, we achieved most of our objectives within eight months," reports General Manager, Dirk Jungnitz. "We have set the bar even higher for the new business year, and know that we can only succeed as a team if we all pull together."

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