Assignment 2 - Case Study 2

Service Adhesives tries again

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‘I’m not sure why we’ve never succeeded in really getting an improvement initiative to take hold in this company. It isn’t that we haven’t been trying. TQM, Lean, even a limited attempt to adopt Six Sigma; we’ve tried them all. I guess that we just haven’t yet found the right approach that fits us. That is why we’re quite excited about what we saw at Happy Products’ (James Broadstone, Operations Director, Service Adhesives Limited).

Service Adhesives Ltd was a mid-sized company founded over twenty years ago to produce specialist adhesives, mainly used in the fast-moving consumer goods (FMCG) business, where any adhesive had to be guaranteed ‘non-irritating’ (for example in personal care products) and definitely ‘non-toxic’ (for example in food-based products). Largely because of its patented adhesive formulation, and its outstanding record in developing new adhesive products, it has always been profitable. Yet, although its sales revenue had continued to rise, the last few years had seen a slowdown in the company’s profit margins. According to Service Adhesives senior management there were two reasons for this: first, production costs were rising more rapidly than sales revenues, second, product quality, while acceptable, was no longer significantly better than competitors’. These issues had been recognized by senior management for a number of years and several improvement initiatives, focusing on product quality and process improvement, had attempted to reverse their declining position relative to competitors. However, none of the initiatives had fully taken hold and delivered as promised.

In recent years, Service Adhesives Ltd had tried to embrace a number of initiatives and modern operations philosophies such as TQM (Total Quality Management) and Lean; all had proved disappointing, with little resulting change within the business. It was never clear why these steps towards modern ways of working had not been successful. Some senior management viewed the staff as being of ‘below-average’ skills and motivation, and very reluctant to change. There was a relatively high staff turn-over rate and the company had recently started employing short-term contract labour as an answer to controlling its fluctuating orders. The majority of the short-term staff were from eastern European Union member states such as Poland and the Czech Republic and accounted for almost 20% of the total shop-floor personnel. There had been some issues with temporary staff not adhering to quality procedures or referring to written material, all of which was written in English. Despite this, the company’s management saw the use of migrant labour as largely positive: they were hardworking and provided an opportunity to save costs. However, there had been some tension between temporary and permanent employees over what was seen as a perceived threat to their jobs.

James Broadstone, the Operations Director of Service Adhesives, was particularly concerned about the failure of their improvement initiatives and organized a number of visits to other companies with similar profiles and also to a couple of Service Adhesives, customers. It was a visit to one of their
larger customers, called (bizarrely) ‘Happy Products’ that had particularly enthused the senior management team. ‘It was like entering another world. Their processes are different from ours, but not that different. But their plant was cleaner, the flow of materials seemed smoother, their staff seemed purposeful, and above all, it seemed efficient and a happy place to work. Everybody really did work as a team. I think we have a lot to learn from them. I’m sure that a team-based approach could be implemented just as successfully in our plant’ (James Broadstone).

Happy Products were a global company and the market leaders in their field. And although their various plants in different parts of the world had slightly different approaches to how they organized their production operations, the group as a whole had a reputation for excellent human resource management. The plant visited by Service Adhesives was in the third year of a five-year programme to introduce and embed a team-based work structure and culture. It had won the coveted international ‘Best Plant in Division’ award twice within three years. The clear driver of this success had been identified by the award-judging panel as its implementation of a team-based work structure.

The Happy Products plant operated a three-shift system over a 24/7 operation cycle making diapers (nappies) and health-care products and was organized into three distinct product areas, each containing at least two production lines utilizing highly complex technology. Each production line was staffed by five operators (with additional support staff serving the whole plant). One operator was a team leader responsible for ‘first-line management’. A second operator was a specially trained health and safety representative. A third was a trained quality representative who also liaised with the Quality Department. A fourth operator was a trained maintenance engineer, while a fifth was a non-specialist, ‘floating’ operator. The team had support from the production process engineering, quality and logistics departments. Most problems encountered in the day-to-day operation of the line could be dealt with immediately, on the line. This ensured that production output, product quality and line efficiency were controlled exceptionally well. Individual team roles enabled team members to contribute and take great satisfaction in the knowledge that they played a key part in the success of the organization. The team specialist roles also gave the opportunity for networking with counterparts in other plants across the world. This international communication was encouraged and added to the sense of belonging and organizational goal orientation. Teams were also involved in determining annual performance targets for their specific areas. Annually, corporate strategy identified business direction, and developed performance requirements for each business division which, in turn, filtered down to individual plants. Plants devised strategic targets for their sections and the teams themselves created a list of projects and activities to meet (and hopefully exceed) targets. In this way the individual operator on the shop floor had direct influence over their future and the future of their business.

So impressed were Service Adhesives with what they perceived to be a world-class operation, that they decided that they should also consider following a similar path towards a team-based work organization. They were obviously missing the organizational ‘cohesiveness’ that their customer seemed to be demonstrating. Until that time, however, the management at Service Adhesives Ltd had prided themselves on their traditional, hierarchical organization structure. The organization had five layers of operational management from the plant director at the top to the shop floor operatives at the bottom. The chain of command was strictly enforced by operating procedures entwined with their long-established and comprehensive quality assurance system. Now, it seemed, a very different approach was needed. ‘We are very interested in learning from the visit. We have to change the way we work and make some radical improvements to our organization’s operational effectiveness. I have come to believe that we have fallen behind in our thinking. A new kind of organizational culture is needed for these challenging times and we must respond by learning from the best practice
that we can find. We also must be seen by our customers as forward thinking. We have to prove that we are in the same league as the “big boys” (James Broadstone).

At the next top team meeting, Service formally committed itself to adopting a ‘team-based organizational structure’ with the aim of ‘establishing a culture of improvement and operational excellence’.

Questions

1. Service Adhesives Ltd currently employs up to 20% of their workforce on short-term contracts. What effect will this have on the proposed team-based working structure?

2. In considering a transition from a traditional organizational work structure to a team-based work structure, what sort of barriers are Service Adhesives Ltd likely to encounter? Think about formal structures (e.g. roles and procedures) and informal structures (e.g. social groups and communication).

3. Senior management of Service Adhesives thought that the reason for ineffective improvement initiatives in the past was due mainly to the apparent lack of cohesion amongst the organization’s human resource. Could a team-based work organization be the answer to their organizational difficulties? Why do think that previous initiatives at Super Supply had failed?

4. Employee empowerment is a key element of team-based working; what difficulties could Service Adhesives face in implementing empowerment?