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# DS Smith: Greater factory output - without capital expenditure

**DS Smith Plc is an international group focused on the production of packaging, paper and the manufacture and distribution of office products.** The Group holds leading positions in the markets in which it operates:

- Liquid packaging and dispensing
- Plastic returnable transit packaging and logistics
- Recycled papermaking
- Corrugated packaging
- Office products wholesaling
- Manufacturing of envelopes, books and pads

Within the Plastics Division, Rapak is a leading global supplier of Bag-in-Box liquid packaging and filling systems for aseptic and non-aseptic bag applications.

Their state-of-the-art manufacturing plant in Auckland, New Zealand provides ultra clean conditions for the manufacture of bag-in-box and bulk liquid packaging applications for customers, particularly in the fruit juice and wine sectors.



## The Background

The demand for this packaging is highly seasonal and therefore the plant needed to be capable of flexing its output to meet peak customer demands, without equipment lying idle during periods of lower demand. PSM were selected from a shortlist of five global consultancies to identify and implement changes to enable the Auckland factory to meet peak-season demand.

## The objectives of the project were to:

- Achieve a 50% increase in the output of specific production lines within a period of 8 weeks
- improve the upstream moulding and lamination process

- transfer the skills and knowledge of how to achieve a performance breakthrough to the factory management team.

## The Project

The work undertaken was structured into three phases:

### Phase 1: (2 weeks) Identifying opportunities for improving output:

PSM worked with the management team to analyse current production performance and compare this with benchmarks of best practice in order to identify the areas of greatest improvement opportunity. The results showed seven key opportunity areas:

- line cycle time
- quality of raw material laminate
- occurrence of breakdowns and downtime
- consistency of quality procedures
- process for change-overs and line setting
- planning and scheduling of production batches
- finished product packing processes

### Phase 2: (5 weeks) Setting up and facilitating improvement teams.

In the next two weeks PSM trained and launched improvement teams and equipped them with the tools and methods to develop and implement improvements in the above areas. PSM's role was to guide, coach and support the teams in the improvement activities and to anticipate and remove roadblocks.



### Phase 3: (1 week) Locking in improvements.

Towards the end of the project PSM

focused on locking the new improved working practices into new operating procedures and reinforcing problem solving and solution development skills.



## The Results

Improvements were measured by monitoring the consistent output of good product during each shift for the two most significant products. By the end of the eighth week there had been:

- A 60% increase in good output per shift for product A
- A 40% increase in good output per shift for product B

This was achieved without any significant capital investment. In addition the improvement tools and methods had been embedded into Rapak's improvement processes so that further improvement could be carried out without the need for external support. This was confirmed in a review carried out at the plant six months after the project had been completed.

## PSM's added value

PSM were able to quickly set up a good working relationship with the management team and to provide them with a method, tools and practical hands-on support to identify and mobilise a focussed improvement programme. The results were outstanding and were maintained because PSM made sure that skills and capabilities were transferred to the local management.

## The Client's view

Chief Executive Officer Adrian Whitfield says: *"The input of PSM resulted in significant, sustainable improvement in operational performance. They left the local team equipped to further build on these improvements"*.

# Sharing risk with our clients

Making change in business is always a risk. To remain competitive it is essential for businesses to develop new ideas, and to then successfully plan, implement and integrate them. However, time and money are committed to improvement programmes with no guarantee of a return.

Consultants can play an important role in this process: bringing additional resource, ideas and speed as well as being a catalyst for change. Traditionally, consultants are paid for the time they put into that process, rather than for achievement of the desired outcome.

PSM have always been committed to working in partnership with our clients to deliver tangible results and benefits. Over the last few years we have been increasingly "putting our money where our mouth is" and linking our fees to

the achieved benefits of the programmes we support. PSM consider this 'risk sharing' a statement of our confidence to deliver tangible results and benefits.

What does this mean in practice? Perhaps it is easier to give some examples:

- PSM identified the scope for improvement in a process manufacturing business as a 50% increase in output. A large portion of our fees were only payable on meeting that agreed target
- The speed of processing mortgages was a key driver to gain new business for a large building society. PSM was paid a fixed amount for each day by which the cycle time was reduced
- An industrial products manufacturer planned to launch a major

restructuring programme. However, they had no budget for the external support that was required. PSM conducted an audit of the programme and, on the basis of the size of opportunity, we assessed and agreed a charging scale making the programme self-funding out of benefits achieved.

Next time you are considering whether the cost of external support for your key initiative is justified, contact PSM for an open and honest discussion about costs, benefits and risk. True partnership shares all three of these!



**Koen  
Smets**

## Gary Widdows joins PSM

As the newest member of the PSM management team, I am very pleased to introduce myself via Insight.

I bring over 30 years of business consulting and IT experience to PSM, including over 7 years as a Principal Consultant for IBM Global Services across the Finance sector and over 10 years as an IT Systems Engineer and IT consultant across multiple sectors. I have also worked as a main board Director for two leading consulting and systems integration companies.

Most recently, I have been working within the Finance sector in the Business Process Outsourcing marketplace, in particular for the Insurance, Life and Pensions sector.

My initial focus with PSM will be to develop specific Value Propositions for the UK Finance market, working initially with the Building Society and Insurance sectors, where I believe PSM could deliver the most benefit within the shortest timescale. Both of these sectors are undergoing massive change, driven by many external factors from

regulators and general marketplace conditions. I will be looking to extend the existing client base to new PSM clients who are seeking to:

- Improve business operations and processes
- Manage complex change
- Achieve business excellence

For the non-Tier 1 Banks and Building Societies, I believe that change, and the deployment of a continuous change culture, are no longer options - they are essential for ongoing survival within a highly predatory business environment. We will be helping these new clients to develop and deliver new and creative product lines while reducing operating costs for core banking processes.

I will also explore the opportunity of extending the PSM market focus to a new area, Travel, Tourism and Leisure, where I have recently completed some extensive research. This market is both fragmenting and consolidating against a backdrop of new, innovative, low-cost market entrants (Expedia is an example)

and of increasing costs. These cost pressures are driven by the regulatory demands of global terrorism prevention and external factors such as unstable energy costs. Again, within this market, the traditional players need to reshape their businesses from top to bottom to survive.

In addition, I intend to open up new channels with technical business partners who have appropriate solutions to work in tandem with PSM as the business consulting partner.

So, to summarise, a lot to do and many exciting challenges ahead. I am looking forward to working with the PSM team, our clients and our partners.



**Gary  
Widdows**

# Visualising change with simulation

Improving operational performance is a tough challenge. Within any change initiative there is uncertainty around the level of overall improvement to be gained, and how to get the involvement and commitment of the people who will be affected by that change.

## The risk of change

PSM have encountered many situations where technology or a business process has been introduced or altered with high expectations of improvement. These expectations are usually based on isolated capacity or throughput calculations. In practice, it is then found that the overall improvement is not only lower than expected, but also that staff are quick to say "I told you so".

PSM recognises that the root of the problem in these complex situations is the need to replace an assessment using static data for one that is dynamic and can therefore predict how different factors in a process influence each other: for example, production schedules, the availability of people and breakdowns. The aim is to replace a subjective assessment for one that is objective, explicable and able to stand up to interrogation.

## Testing change using simulation

Increasingly, PSM solves this problem by creating a dynamic (computer) simulation model of how the current process works and then model the proposed changes. The simulation will show the flow of work through machines, people, storage points and process steps. It will also highlight problem areas such as bottlenecks, queues and delays.

Building the model typically takes two to three weeks and is an ideal vehicle to engage the key members of client staff. The flexibility of simulation enables variable parameters to be used such that all the 'what-if' possibilities can subsequently be tested. Of course, involving people

during the building of the model ensures that they validate the data used and that they contribute to the accuracy of the simulation's interpretation.

Once a model has been built, the real power of simulation can be demonstrated. It becomes much easier to:

- Compare the benefits from alternative options for improvement without incurring the time, expense and risk of pilot stages or full-blown implementation
- Spot unforeseen difficulties in running the new process and quantify them
- Visualise the changes so that:
  - They can be easily explained and demonstrated
  - Staff can suggest further improvements from their experience.

## Some examples

Simulation is a flexible tool and can be applied to a variety of situations. Recent examples where modelling was used include:

- Capacity improvement for an electronics manufacturer. Simulation demonstrated that a 10% capacity gain could be achieved through improving the planning and scheduling process. Our client had been investigating the need for a major investment programme to increase volume, much of which was subsequently avoided
- Traffic congestion at a super-market distribution centre. Our client was concerned that the local authority planners' insistence on a single access for goods vehicles and for employees' vehicles may be a problem. Simulation showed that mixing the two forms of transport was indeed unworkable.

On seeing the working model that showed major traffic bottlenecks, the planners reversed their decision.

- Process change in a bulk food manufacturer. Increasing volume caused our client to redesign his manufacturing process. Simulation of the new process challenged the amount of equipment, storage and handling planned. It also showed an imbalance in capacities giving a high risk of in-process waste. The model of the new process was then modified until a robust working solution had been found.

## In summary

Simulation is a low cost, easy to use tool that supports major change. It gives:

- Greater and more predictable benefits from implementing changes, particularly where there is variability in volumes and product mix.
- A reduced risk of taking incorrect decisions
- Faster implementation through avoiding potential issues and awareness of the critical factors
- Lower cost of change
- Better support and commitment from staff.

To find out more about how simulation would benefit your business, call Keith Eagle on 0207 872 5426 or e-mail to [Keith.Eagle@PSMconsulting.co.uk](mailto:Keith.Eagle@PSMconsulting.co.uk)



**Keith Eagle**

## COMPETITION

The PSM website [www.PSMconsulting.co.uk](http://www.PSMconsulting.co.uk) has recently been completely redesigned to give a fresh view of our team, the core services we offer and the main sectors in which our work is based. We have also taken the opportunity to offer a wider range of case studies and publications.

Please visit the site to review the changes in style and content.

In order to encourage our busy readership to do this, we have a competition! We would like to offer a bottle of Bollinger vintage champagne



to a person who can answer the following question:

Who from the PSM team has participated in the Harvard Business Schools Manufacturing in Corporate Strategy Program?

Please use the "contact us" section on the website to send in your answer with your name and telephone contact details. We will then draw the winner from the correct entries received by 30th March 2005

**Best of luck!**

# Our first 10 years ...

Having just passed our tenth Birthday, we would like to share with you a number of the milestones and highlights of our first ten years - and look forward to the next ten!

During this period our work with clients has been both exciting and also a tremendous challenge (both for ourselves and at times for them!) Together we have built a catalogue of achievements, which provides us with the confidence to face the next ten years.



Over these years we have worked with over 40 clients, in almost as many countries and completed over 250 assignments. More important statistics, though, relate to the value that has been created through this work, as measured by our clients:

- 10 major post merger integration programs completed
- 40 restructuring programs completed
- over \$500m of waste eliminated
- 15 business turnaround programs completed successfully
- 14 major product/market research programs carried out
- 20 benchmarking programs performed

*However there is another side to this achievement.....*

- over 3,500 flights
- 8,000 nights away from home

Apart from most of the developed cities in the world, our clients have given us the opportunity of working in locations such as Northern Russia, the Hawaiian beaches, the African bush, the Amazon rain forest, the favellas of Sao Paulo, and the deserts of the Middle East (but never near home!)

Our business has changed considerably since we started ten years ago. Back then we applied our well practised skills and experience to help our clients to secure a performance breakthrough in their manufacturing facilities. During the late 1990's we realised that these tools, honed in the sharp end of manufacturing, could also be applied with significant benefit in other business sectors. Since then, we have had achieved many significant improvements with our clients in the financial and service sectors.

In the early days PSM's founders ran the company on a day-to-day basis. Now it is different, with a management team in place responsible for the planning and execution of PSM's strategy and the day-to-day management of the business.

Our mission for the next ten years is to continue to provide our clients with practical, hands-on support to achieve significant and lasting improvements in business performance. In particular we will focus on two things:

- developing the capability of our team so that our people are recognised as the best in their field of work and continue to be sought after by our clients
- growing partnerships with specialist and niche businesses so that we are able to offer a wider set of skills and experience through PSM

Finally we would like to thank our clients for their confidence in our abilities and we look forward to continuing to provide high quality advice and value to you.



**Andrew Mansell**

## New Faces at PSM Consulting



**Meindert Boorsma**

Meindert Boorsma is a management consultant with extensive experience in programme and project management, acquisitions, business management and business solutions development.

Meindert is based in the Netherlands and works mainly in supply chain related industries, like retail, distribution and manufacturing (food, non-food, electronics and high-technology).



**David Venables**

David graduated in Physics and his initial career focused in Manufacturing, R&D and Customer Service functions before moving into business performance improvement, business

strategy and general management with ICI, Xerox and Schindler. His consultancy experience covers clients across Europe, Asia and the Americas.

David recently completed an assignment in New Zealand and this programme of work has now extended to other operations for this client in Europe and USA.



**Steve Webb**

Steve specialises in computer simulation to assist companies in the UK, Europe and the USA to model their operations. He has worked for blue chip clients in the food, manufacturing, logistics

and electronics industries over the last 12 years.

Prior to focusing on simulation, he was a director of a consulting company that provided business and productivity services to the apparel industry, working with them for 20 years.

### Could your photograph be here?



**Do you have the skills and experience to...**

**'Make a difference'**

**If so, please eMail your CV to:**

**admin@PSMconsulting.co.uk**