

# New Methods to Achieve Production and Financial Gains

BY SCOTT DICKMAN

Maintaining an entrepreneurial culture as a company grows in annual sales is difficult enough. The challenge became even greater for our business when we acquired a flexible packaging division from a Fortune 500 company with a totally different culture.

We needed to develop a business system that would maintain our spirit of progressive thinking and leaner ideas. At the same time we wanted to make our company better than our peers' in creating, producing, and marketing our products and services.

**OUR QUEST'S RESULTS** The results of our quest have made our company a better and stronger company. Culturally, we maintain the same spirit of innovation that existed before. But, operationally, we have made significant improvements. All this came as the result of adopting a new business way of life.

The solution lies in implementation of a management system, the Integrated Enterprise Excellence (IEE), developed by Smarter Solutions Inc. of Austin, Texas.

**IEE** Oracle Packaging is involved in many different kinds of packaging for retail purposes, including aluminum foil-based products, with facilities at two Winston-Salem locations. The Phoenix Metals Division has been the first of our operations to adopt the IEE system. At this facility we melt down large bars of aluminum ingots. The metal is then cast into large rolls that are milled into thin aluminum foil that is shipped to customers for use in packaging. Product examples include lidding, pouches, non-prescription items, and so forth.

Thanks to IEE, we now are able to reduce our production lead time to lower than the industry average and move materials faster and more efficiently through our production processes. The IEE roadmap is like a clear painting of the Metal Operation's processes. It establishes baselines to increase the value of day-to-day and future decisions, cash flow management, and profitability.

This enables us to create measurements that quantify only what is important to a business at opera-



tional levels and stops firefighting! We now have a process that provides a resource for operating the business in real time and have transitioned from a reactive to a proactive mode. This enables us to detect and predict problems by dealing with issues before they happen.

This operational and corporate level measurement process gave us a much clearer insight into the dynamics of the metals business. It has helped us make better process decisions.

With IEE, we are moving metal through the plant faster and seeing great improvements on both ends of the production process. And we have more indicators to look at in managing all our responsibilities better.

**THE SEARCH FOR A MANAGEMENT SYSTEM** This has happened because of a goal we set: to find a management system that would go beyond current practices and train our associates with the right resources.

With IEE, the results were quickly realized. In the first seven weeks after implementing IEE, inventory, working capital, and production lead time were cut by 50%. The first bonus was a 30% increase in the manufacturing of our aluminum foil products. The basic overall operating guidelines, measurements,

***“An excellent example of how the system’s discipline saved significant resources is how it produced data that enabled us to reduce the production cycle time between a quarter and a third.”***

and financial transparencies have produced significant results.

The new system told us where to focus improvement efforts in pinpointing processes to streamline and improve efficiencies that drove down costs. We now do an even better job of managing inventory as well as the supply chain in the division. Associates in our other businesses are now excited about the potential of this program and want to apply the system to their operations, which we plan to do in time.

We anticipate that primary business units as well as support functions, including finance, order processing, and customer services in other parts of our corporate structure, can gain from this system. It will even help develop strategic plans from the blending of measurements and innovation to benefit an entire company. It will help us react faster and smarter and make decisions for investments in achieving overall management and financial goals.

**GUIDING MANAGERS** The system is not just a replacement for quality and lean methodologies, but guidance for our managers to where they can focus resources for the best results. A critical component is the ability to establish goals and actions that avoid frequent changes in meeting corporate strategies or shifts in management responsibilities. Its tools help set those strategies and make sure they are well founded and followed.

Our lead time in the metals business is far superior now to competition in providing our customers what they need. With help from the new system, we have been able to reduce our lead time significantly, and we are currently way better than the 14-week industry average.

As another bonus of using the new principles, the system has helped us improve new business opportunities. One result was to improve the scrap rate of a new liquid packaging opportunity. And the system’s toolbox is insurance for continuing to drive improvements throughout our operation.

This method of using data to help drive an organization would be a great addition to any MBA course. It is how the system looks at data, what can be learned from it to set goals, and how we can use it to pursue the full roadmap process. It has provided us with a much better foundation from which to drive improvements in our business. It’s not a project—it’s a process and a way of business life based on founding principles of measurement.

Lean Six Sigma is fine, but, basically, it looks for projects that may or may not affect corporate results. Lean should play its role within the family structure of quality methodologies—when and where to tackle *only* those projects that impact the overall organization’s bottom line.

Any type of manufacturing operation with a product to deliver has potential wastes, things being measured that don’t drive performance, and other inefficiencies. This roadmap takes things apart, like order procurement, supplier and customer relationships, production, and supply chain dynamics, and it shows what will help or hurt corporate results.

**IEE’S BENEFITS** Completely different from conventional business and monitoring procedures, this system pulls together every element required to understand, control, and guide a business toward established strategies and goals. It provides management with ways to be innovative in its use to manage an enterprise. It’s far more than a tool to conduct individual projects.

IEE identifies how to get from here to there in operating a business successfully. It helps determine what is needed, what to do, and how to achieve the full potential of an organization. It guides management to achieve financial goals through performance and customer satisfaction (see accompanying article).

An excellent example of how the system’s discipline saved significant resources is how it produced data that enabled us to reduce the production cycle time between a quarter and a third. And the times

## NINE STEPS THAT GUIDE THE INTEGRATED ENTERPRISE EXCELLENCE (IEE) MANAGEMENT SYSTEM

BY FORREST W. BREYFOGLE III

**1. DEFINE: Describe a vision and a mission.** A company's full management team must sign on with employees to build a vision and mission that remains consistent as leaders and strategies come and go.

**2. DEFINE-MEASURE: Create the enterprise value chain.** In this business-view diagram, include corporate and operational processes that describe the enterprise-process work flow as experienced by business financials and customers. For the entire value chain, report satellite-level (corporate) financial metrics for the past three to ten years along with 30,000-foot level (operational) performance metrics. These metrics assess process predictability and report a statement for analytically determined predictive processes

**3. ANALYZE: Evaluate the enterprise.** Analyze the enterprise as a whole, looking for constraints, defective reduction opportunities, waste, new product opportunities, and other business performance issues. Avoid silo or organizational chart-based assessments, keeping an enterprise view.

**4. ANALYZE: Establish financial goals for corporate and operational units.** Goals are to be specific, measurable, actionable, relevant, and time-based. In addition, financial goals need to be realistic and consistent with improvement opportunities. These goals should be consistent also with the performance measures developed in step three.

**5. ANALYZE: Create strategies.** Develop strategies to improve performance when satellite-level metrics are not achieving goals established in step four. Focus on

creating strategies that are specific and benefit the big picture and its long-term health.

**6. ANALYZE: Identify high-potential improvement areas and establish operational goals.** Identify high potential target areas that clearly support the strategies identified in step five. Set 30,000-foot, operational level, metric performance goals to support high-potential areas for strategic-objectives achievement. Other business-area 30,000-foot level metrics are to maintain current performance levels.

**7. IMPROVE: Identify and execute projects.** Performance gaps in the high-potential areas are to "pull" for the creation of well-scoped projects. Project execution is to follow a well-defined roadmap that blends Lean and Six Sigma tools.

**8. IMPROVE: Assess each project's final impact on goals.** Each project will be judged against how well it positively impacted 30,000-foot level metric performance. If significant business improvement is not achieved, more projects need to be "pulled" into creation. Assess the collective impact of projects to satellite-level metrics.

**9. CONTROL: Maintain the gain.** Value-chain metrics are to be a part of companywide management review meetings for the assessment of day-to-day performance and process-steps execution. Make Integrated Enterprise Excellence a companywide governance system.

*Forrest W. Breyfogle III is president and CEO of Smarter Solutions, Inc.*

continue to get better! That has been a great customer benefit!

Another advantage is its designed capability to alert management when there is any slippage or movement off structured targets of performance. With other methods, problems can surface in ways that may be too late or difficult and costly to recover. IEE is the right thing for us to do for our business and we're going to proceed to grow with it as a vital part of our managing processes. It is a business management system in the true sense of the word—not primarily a project-oriented process.

### SUMMING UP

One of the real values also is that it's sustainable and perpetual. It's not dependent on management continuity! Once embedded in an organization's structure, its staying power is always there.

Operational level measurements have given us a way of looking at our metals business that we have never done before. It's going to be a real asset to the future of all our businesses. *MW*

*Scott Dickman is chairman and CEO of Pinnacle Packaging & Oracle Packaging.*

About the Author  
J. Scott Dickman  
COB & CEO, Pinnacle Packaging Company, Inc.



Relying on a formidable foundation of educational, legal, business and philanthropic accomplishment, Scott Dickman posts an impressive record of entrepreneurial success.

Having earned a BA degree from Tulsa University in 1986, Mr. Dickman married his wife, Martha, in 1987 and pursued studies in law; earning a JD degree from T.U. in 1992. He is a devoted father of two teenage daughters; Katherine Elizabeth (Kit) and Caroline Mackenzie.

Mr. Dickman's career began with a Senatorial internship with U.S. Senator Don Nickles. His responsibilities quickly evolved to include general legal counsel and partnership positions with some of Oklahoma's most prestigious law firms; specializing in corporate, securities and oil & gas law. His business path has included major executive and board positions through which he has demonstrated repeated success with regard to business acquisitions, public offerings of international securities and negotiation of industrial development bonds and international contracts.

An entrepreneur at heart, Mr. Dickman founded Pinnacle Packaging Company, Inc. in 2000. He completed his first packaging facility acquisition with the purchase of Oracle Packaging in Toledo, Ohio. Posting initial annual revenues of \$2 million, Dickman continued to pursue and execute significant acquisitions from major packaging firms including International Paper and RJ Reynolds; peaking Oracle's annual revenues at \$250 million with 800+ employees in eight facilities nation-wide.

About the Author  
Forrest Breyfogle, III  
*Integrated Enterprise Excellence*



In a professional career spanning over a quarter century, Forrest Breyfogle has established himself as a leading edge thinker, a prolific author, an innovative consultant, a world-class educator, and a successful business executive. His work is documented in eleven books and over ninety articles on the topic of quality improvement.

A professional engineer, Forrest is also a member of the board of advisors for the University of Texas Center for Performance Excellence. He is the founder and CEO of Smarter Solutions, Inc., an Austin, Texas based consulting firm offering business measurement and improvement consultation and education to a distinguished list of clients worldwide. Forrest received the prestigious Crosby Medal from the American Society for Quality (ASQ) in 2004 for his book, *Implementing Six Sigma* (second edition).

He founded Smarter Solutions in 1992 after a 24-year career at IBM. The associates of Smarter Solutions specialize in helping companies throughout the world improve their bottom line and customer satisfaction through the implementation of techniques that are beyond traditional Lean Six Sigma and the balanced scorecard methodologies. His latest and most extensive work has been in the documentation of a new system of enterprise management, the Integrated Enterprise Excellence (IEE) system, in a series of four books. IEE provides a detailed roadmap that builds on and integrates the best practices of earlier disciplines like Six Sigma, Lean, TQM, PDCA, DOE, and TPS combined with innovative analytical tools to produce improvements at the highest level of an enterprise.

In addition to assisting hundreds of major clients in the wise implementation of improvement systems worldwide, Forrest has also developed over 300 hours of classroom instruction used to train executives, managers, and Black Belt practitioners to plan for, implement, and manage IEE systems. He also leads formal seminars and workshops worldwide.