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Improving Competitiveness Using Lean Principles – The Irish Experience

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Background

Ireland is a small island nation, located on the Western periphery of Europe. Our closest neighbour and largest trading partner is the United Kingdom. Our economy is based on an “Open” business model where we have organised ourselves to be export led. Per capita of population Ireland is one of the leading global export economies. This openness is generally seen as a good thing for our country, but, it also means that we are very sensitive to negative changes in the global economy.

This paper deals with an aspect of the efforts of Enterprise Ireland to help indigenous manufacturers software and service companies deal with the consequences of the 2008-2013 global downturn, through helping companies address their competitiveness issues.

What is Enterprise Ireland?

Enterprise Ireland (EI) is the State body charged with the support and development of indigenous industry and businesses and Multi National Corporations using natural resources. EI has offices across the globe in leading markets for Irish companies and also in up and coming markets. These overseas offices support Irish exporters to enter markets and help overseas buyers identify potential suitable suppliers in Ireland. In Ireland, EI supports innovation in existing companies and Innovative Start Up companies as well as companies already exporting and those with the potential to do so. Enterprise Ireland employs about 800 staff. It works with a wide range spectrum of client companies from innovative start-ups to global players such as Kerry Foods, Diageo, Glanbia, Dawn Farm

Foods, Combilift, Keenans and McHale. The needs of this wide range of clients are very varied. Details of Enterprise Ireland and the full range of supports available to our client base are available on www.enterprise-ireland.com.

In 2008, the then Chief Executive, working with his analysts, identified the beginning of the downturn and decided that the State could help our clients to “weather the storm” if we could scale up our existing competitiveness offer. The then existing offer was delivered by Enterprise Ireland staff in a cluster format to a group of 30 client companies. The developed offer became known as the Enterprise Ireland Lean Business Offer (LBO).

The Lean Business Offer

One of the most notable features of change programmes is that many of them fail (Kotter, 2007). The Lean Business Offer is designed to address many of the factors that usually lead to failure or reduced success with change programmes. The thinking behind the Lean Business Offer (LBO) is also guided by the work of Prof Chris Voss (London Business School), who identified the link between Practice and Performance. Voss found that good practice drives good performance and identified the important role that government agencies can play in driving performance improvement particularly in SMEs. (Voss, 1994). The LBO was formulated to drive the adoption of improved practice by Enterprise Ireland clients. The LBO was also designed to meet the spectrum of needs of our clients. As was stated earlier they have very different needs and are at different stages in their maturity levels. The LBO was based on the author’s academic research (Improving SME Operational Performance using Benchmarking and World Class Networks, Ph. D. dissertation, National University of Ireland-Galway, 2000), and pilot level continuous improvement efforts carried out subsequently within Enterprise Ireland for its clients.

The first key point of note is that the Offer is a “Business” and not a “Manufacturing” offer. The Offer was designed from the outset to help companies improve their performance and competitiveness across all areas of the business using Lean Principles. The author co-wrote “Applied Benchmarking for Competitiveness” with Prof Eddie

O’Kelly, Oak Tree Press, 2004. This text gives a basis for the second key point of the LBO – it is based on the principles of Lean, but, has the flexibility to absorb key elements of improvement from other change initiatives such as Six Sigma, Total Quality Management, Total Productive Maintenance and Management, Business Process Re-Engineering and others. In other words the Enterprise Ireland Lean Business Offer uses Lean principles as a guide and not as a dogma.

The third key point of the LBO is that the services offered to clients are offered at three distinct levels of intensity:

- Lean Start – 7 day interaction, over 1-2 months,
- Lean Plus – 3-6 months of activity,
- Lean Transform – Over 2 years activity.

The offer is explained graphically as a “Spiral of Improvement” as opposed to the more traditional way of describing continuous improvement as “Circles” of Plan-Do-Check-Act circles (PDCA). The spiral of improvement represents progress, upwards and outwards as companies develop the capability and capacity of their people and processes. The tools and techniques “used” by companies change and develop as companies move “up” the spiral, as represented in Fig 1.

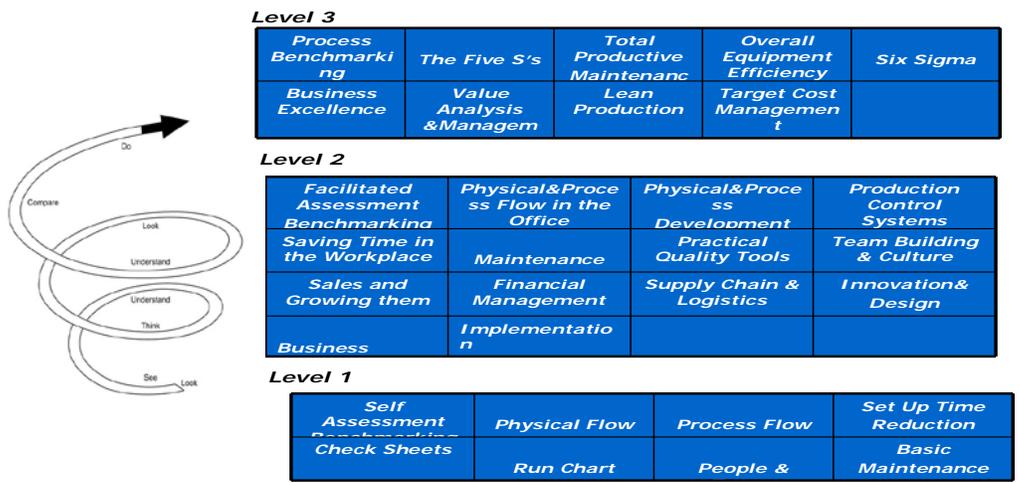


Fig 1: Spiral of Improvement and associated tools

The fourth key point of the LBO is that the programme is delivered by a cohort of Lean consultants, both national and international. These consultants are made available to EI client companies through a publicly available directory.

The fifth key element of the LBO is that Enterprise Ireland manages the directory. Consultants have to show they have experience and expertise with Lean implementation before they are accepted on to the directory. Also, EI convene Spring and Autumn Fora where the progress of the programme is discussed with the consultants and where issues and opportunities are considered.

The Lean Business Offer is further supported through the co-development of a National Guide to Lean in conjunction with the National Standards Authority of Ireland and a group of companies, indigenous and MNC, consultants, academics, representative associations and state organisations (NSAI, 2013). Additionally, Enterprise Ireland has started to develop a directory of Lean education providers with information on the availability in Ireland of diploma, certificate and degree level courses, and thereby further moving to professionalise the Lean effort in Ireland.

The Lean Business Offer – Method

Enterprise Ireland client companies work with their designated EI client relationship staff member to identify their suitability for the LBO and at what level, Lean Start, Lean Plus or Lean Transform. Clients are then encouraged to interview and select a suitable consultant from the directory. For the Lean Transform cases a multi skilled core team from EI typically engage with the leadership team in the client company to achieve a consensus on the scope and the focus of their proposed Lean Transform activity, before they interview and select their consultants. It is believe that this scoping and consensus before consultant engagement helps ensure that the topics and areas chosen for improvement activities are the central issues and challenges for the business.

The Irish State assists the client companies financially on their Lean journeys, through the LBO, and receives impact reports on their efforts and results.

Lean Business Offer – Results

The LBO was launched as a Pilot in 2009 and roll-out started in 2010. To date over 550 Lean projects have been supported across all established client sectors. The innovative start-up companies are not supported under the programme as they have bespoke funding mechanisms. The traditional sectors for Lean such as engineering have heavily engaged with LBO, as has the food sector. Many of the country’s leading food companies have engaged with LBO in a very positive way. Not surprisingly, the service and software sectors have been slower to engage, but, some early adopter companies have taken on the concept and have achieved significant results. These early adopters led us to produce “Becoming a Lean Service Business”, available through Oak Tree Press.

Our initial internal management analysis of some data from concluded projects has indicated that the simple savings achieved from the Lean Start projects are of the order of an average of €45,000, from the Lean Plus projects of the order on average of €130,000 and from the Lean Transform projects in the order of hundreds of thousands to millions of euro. The results for Lean Start and Lean Plus are presented in Fig 2.

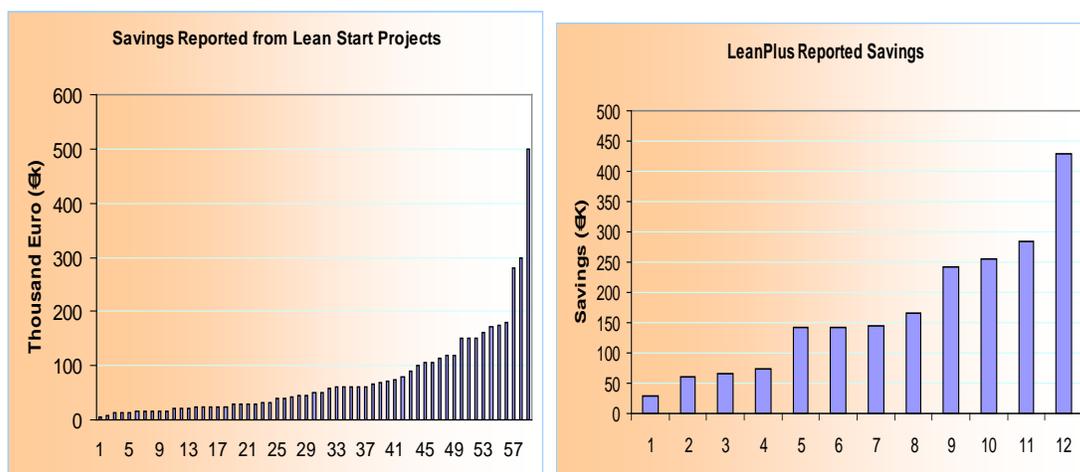


Fig 2.: Interim results from Lean Start and Lean Plus projects

One of the basic premises of encouraging companies to adopt Lean Principles was the belief that it would drive their competitiveness. This was believed to be a leading indicator. It was believed that the lagging indicator would be an increase in employment as the more competitive companies would be able to sell more and would need more staff to service their customers. Our early analysis leads us to believe that this is in fact the case, see Fig 3, where many companies involved in the Lean Transform projects have increased their employee numbers.

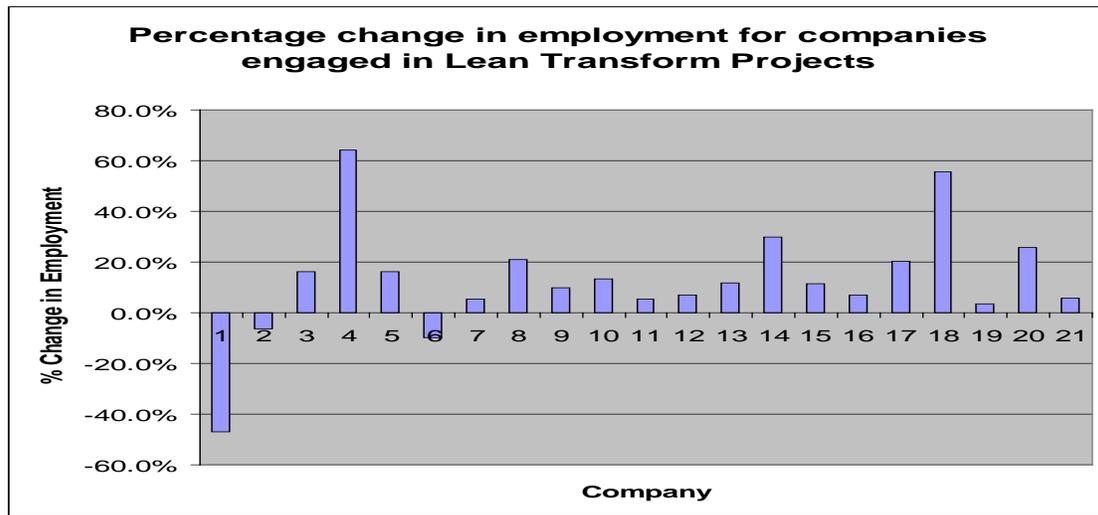


Fig 3: Employment impacts for Lean Transform projects

At a National level, Ireland has identified the need for Operational Excellence as a key element for our national recovery and future development. Forfas, the national strategy body identified the need for widespread adoption of Lean (Forfas, 2013), and has developed the concept of a National Step Change in Manufacturing performance. This Step Change has been translated into becoming a key element of the three essential reforms for the country as embodied in the Irish Government's Action Plan for Jobs (DJEI 2014), where Innovation, Internationalisation and the National Step change in Manufacturing are outlined.

Lessons Learned

This paper is not written as a definitive document on the Lean activities in Ireland as our efforts are continuing and evolving. However, a number of lessons have been learned from our experience to date and are now shared:

1. Need for a client centric approach. Clients are at different stages in their evolution and have different needs, wants and experiences and histories. Any effort to help them address their competitiveness issues needs to be aligned to meet their needs, now, and as they evolve.
2. Need to provide a “support” structure for companies over time. This longitudinal support and external challenge helps management and staff move from initial enthusiasm for Lean and initiative and set into a systemic change process where continuous improvement becomes the norm.
3. Need for resources. The development and roll out of a National or regional program require significant resources. The White paper on Competitiveness and Growth (European Commission 1994) identified SMEs as most needing support and also as most likely not to seek it. A subsequent study, carried out across five member states in which Enterprise Ireland participated, was designed to identify why this was the case. The key findings of this research may be summarized as follows:
 - a. SMEs didn't/couldn't know who is a good or a bad consultant,
 - b. SMEs didn't want to be “sold old rope” or the consultant's favourite solution. They wanted their real issues to be addressed,
 - c. SMEs wanted “local” support, typically within an 80 km radius.
4. The development of the Lean Service Providers Directory was designed to address points 1 and 3. above. The production of “Becoming Lean/ Applied Benchmarking for Competitiveness/ Becoming a Lean Service Business and the development of the National Guide to Lean were efforts to address point 2, by developing a coherent understanding of what the Lean process is, for all people involved in the improvement process, i.e., for shop floor personnel, management, consultants, academics and state agencies.

5. People like to hear success stories from their peers. They like to meet staff from other companies who have made progress with Lean. They like to hear from similar sized companies as well as from global leaders who have been involved with Lean for many years. Enterprise Ireland have organized and supported many Best Practice sharing events, site visits both local and international and have also published a number of case studies and presentations made by companies on the lean journey.
6. Need a base structure of a cohort of people who accept the challenge to try to support companies, day after day, who want to develop. This base structure can be as small as 1-5 people.
7. Need the energy to drive and want to drive the process. Someone needs to take ownership of the process and be the champion to make it all happen.

Need for further research

It is clear that this paper is presented at an early stage in the roll-out of the Lean Business Offer in Ireland and at a very early stage in the academic research of the impact of the program.

A clear, focused academic analysis of the program is required to study the method and the impacts of the program. The insights to be gained from this research have the potential to be of significant interest to regions and countries that are challenged by improving the competitiveness of SMEs in their regions and making a positive contribution to their economic development. There is also the potential to research the applicability of the approach to the development of larger companies spanning different geographic regions and with numerous staff.

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