



Reined-in Giveaway, Rework and M&R Costs Help Value-Added Meats Processor Recoup \$70 Million Over Three Years

Engagement Highlights

Industry

Meat Processing and Packing

Project Timeframe

3 Years (avg. 25 weeks/plant)

Number of Facilities

7 plants

Project Results

Total Savings:

\$70 million (3 years)

\$27.5 million (Year 1)

Plantwide Improvements

- Increased Efficiency 15-19%
- Cut Direct Labor Costs 27-33%
- Reduced Overhead Costs 4%
- Reduced Downtime 62%
- Project ROI: 4.12

Improvements by Area

Ready-to-Eat

- Pounds/Man-hour: 5-24% gain
- Reduced Giveaway up to 64%
- Boosted Yield 2% / >\$2 million

Raw Department

- Pounds/Man-hour: 24% gain

Maintenance & Repair

- Reduced Spend 17-39%
- Cut Overtime 22-50%

The Value-Added Meats division of this \$135 billion global leader needed to reduce giveaway, labor and M&R costs while boosting productivity and yield. The Powers Company taught supervisors to balance production lines; instituted startup preventive maintenance; developed leadership skills; and aligned resources with volume demands. We also put controls in place to minimize rework, waste and giveaway. The takeaway? Over \$70 million in total savings, a 15-19 percent efficiency gain and a 2 percent yield increase.

Our client, part of a U.S.-based global food conglomerate, supports foodservice and retail customers with raw and ready-to-eat (RTE) further processing of meats, hams and poultry. The Value-Added Meats organization sought to improve financial performance while maintaining product safety. Its leaders wanted to align planning and scheduling with customer requirements, and schedule production properly to minimize bottlenecks and other issues. They also needed outside resources to expedite, internalize and sustain continuous improvement.

Immediate impact

Impressed with our food industry experience and savings guarantee, they engaged The Powers Company for a 26-week project at one Nebraska plant. After our improvements proved effective – and cash flow positive by week 9 – they entrusted us with six more plants and continue to add projects and challenges.

Our consultants conducted extensive operational studies and financial analyses to understand the current environment and find opportunities in Production, Quality Assurance, Planning and Scheduling, and Maintenance and Repair.

Among the issues hampering performance were high costs, especially in giveaway, maintenance and labor; low yields; a lack of management training and development; the absence of a management operating system (MOS) to drive performance; high amounts of equipment downtime; and planning and

scheduling deficiencies. Although many of the plants were profitable, they were not generating the financial value they should because they were only utilizing 45-65 percent of their capacity. To increase utilization of capacity, they needed an effective MOS and greatly improved supervisory skills.

"We openly engaged our employees from day one of our improvement journey, asking them to help us change how we work. Not only did they respond to the challenge, we saw many individuals step up, lead, coach, continually challenge the status quo, and seek improvement."

– Complex Manager

Planning and scheduling

There was improper planning/scheduling and sequencing of material through the plant, and the production flow did not match capacity in all departments. For example, out-of-sync raw area processes and oven-cycle times created bottlenecks throughout production. We addressed capacity variances and trained supervisors in matching resources to the planned volume of work per day. We showed them how to optimize flow – how to sequence, plan and lock in a two-day schedule, and get through it with the fewest stops at the lowest cost.

Improvements Achieved:

Production

- Defined capacity for each piece of production equipment
- Gained an understanding of performance in all production areas (Raw, RTE)

Quality Assurance

- Established a measure of giveaway and guided production to reduce weight applied to final product
- Line balanced facilities to reduce the amount of labor needed to run actual volumes

Maintenance

- Instituted cost controls around R&M spend
- Established startup preventive maintenance activities so plants are up and running on time
- Repaired equipment to standard

Planning and Scheduling

- Built planning and scheduling tools to ensure proper sequencing through the facility

Management Reporting

- Developed a reporting structure within all areas
- Implemented reporting that enables general managers to monitor the health of the organization and push results
- Trained frontline supervisors to identify action items needed to make adjustments to variances

Companywide improvements

- Increased communication across all departments
- Greater accountability throughout the team
- A more open, proactive culture that addresses real issues
- Upgraded new-hire onboarding program
- Built bench strength by using MOS tools to develop new supervisors

Out-of-line waste, rework costs

Several plants producing trays of cold meats for warehouse stores had extremely high levels of wasted product, ingredients and giveaway. Employees didn't grasp the financial impacts of throwing in extra slices: substantial yield loss and rework to correct the quantity produced. Instead of stopping the line when a packing problem was identified, they kept going, generating more rework. In turn, this caused waste and expense in ingredients and film, so packaging and ingredients volumes were out of control. Plus, labor and material resources were not aligned with volume demands.

Changing costly attitudes

Instead of solving or preventing problems, more money was thrown at them – more people, ingredients, raw material, supervisors. The Powers Company consultants addressed these issues by transforming workers' and supervisors' worldview through training and leadership development. We showed supervisors how to best utilize resources related to planned production. We put controls in place to improve yield, reduce waste and minimize giveaway, and to make better use of employees during the day, reducing labor costs. We also taught them to slow down or stop the line when there was a problem, whether a maintenance, packaging or manpower loading issue.

Maintenance/repair challenges

To get done faster, employees on the line often ran equipment faster than it was designed to go. This caused rework, costly equipment downtime and more frequent replacement of parts, driving up M&R spend. What's more, the maintenance team was constantly in firefighting mode. There was no routine startup schedule; they just dealt with problems as they came up. We instituted a daily checklist of startup preventive maintenance (PMs) focused on the most important components to maximize uptime. Getting in front of issues has saved time, money and headaches, and driven more throughput across each facility.

Training and development

Without technical and tactical management training, supervisors needed to be brought up to level, but there was no impetus or system to develop lower-level leadership. Through numerous interactive workshops, we taught

managers and supervisors why data needed to be collected, how to balance lines, and why communication is important. We also worked with our client and line leads to develop potential supervisors, and to improve the onboarding process.

More productive – and profitable

Through these improvements, our client has recouped more than \$70 million over three years at seven facilities. They have reduced facility overhead by 4 percent and direct labor costs by one-third. The Powers Company increased overall plant efficiency 15-19 percent, sliced giveaway 64 percent and boosted yield 2 percent, delivering more than \$2 million to the bottom line. We enabled our client to cut maintenance and repair costs up to 39 percent, maintenance overtime 22-50 percent and downtime by 62 percent.

Today, our client has better-educated leadership who can perform their jobs more effectively and efficiently. They have the management operating systems and skill sets to sustain improvements and to stay on top of the business. Production flows are optimized and understood. Previously siloed departments are more connected and communicate better. Supervisors and leads now bring up real issues and act on them quickly. Plant leadership is equipped to identify and reduce barriers to attain absolute capacity.

About The Powers Company

Founded in Atlanta by C-level executives with strong operational experience, The Powers Company is a results-based management consulting group. We focus on substantially improving operating performance – profitability, productivity, customer service and quality – in a positive, collaborative way with your team.

Contact Us

To explore how The Powers Company can transform your organization's performance, contact us at **770-540-4845** or send an email to info@ThePowersCompany.com

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