

The Challenge:

Adecco Group's Adjust Cost Management Team was called upon to help streamline a forest product company's contract packaging division and help improve profit margins

Key Considerations:

- Rein in runaway direct labor spend: At the time of the engagement the client had 18-19% unfavorable contingent labor spend.
- Lean manufacturing: Client needed support with incorporating lean manufacturing practices - a new initiative - into its contract packaging business.

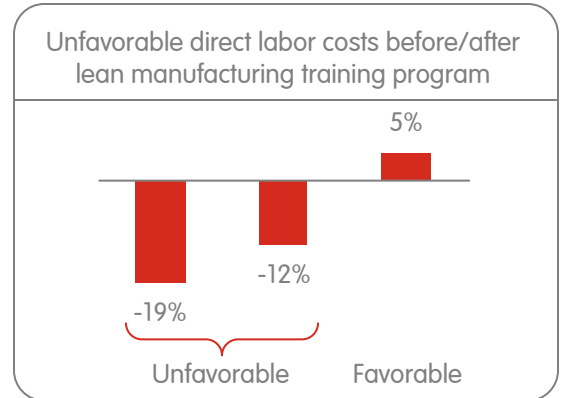
Strategy/solution

Partnered with the client's production and HR leadership teams to institute critical productivity enhancements:

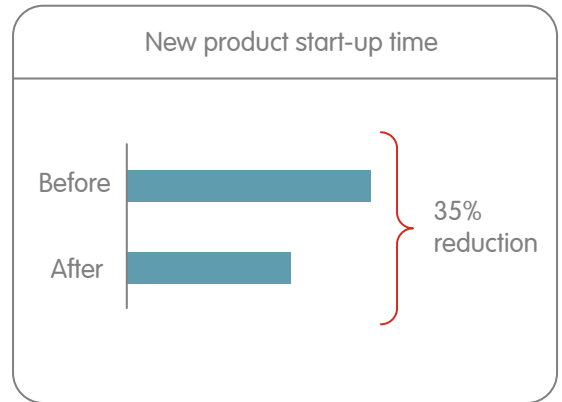
- Pay-for-Performance system: Designed and implemented an incentive system offering employees an opportunity to earn additional pay for producing more than 100% goal, which resulted in reduced turnover and absenteeism, improved morale and loyalty, with an immediate impact on increased productivity.
- Lean manufacturing training: Developed and conducted intensive two-month training session for key manufacturing plant supervisors on the concept and applications of lean manufacturing. The supervisors then applied the principles to manage a contingent labor force of 1,200.
- Achieved cost savings target: Reduced annual direct labor costs by 7.7% for 1,000 headcount contingent workforce. Eliminated \$1.1 million of waste within the first six months of the engagement, with total savings projected at more than \$2 million annually.

Results/ROI:

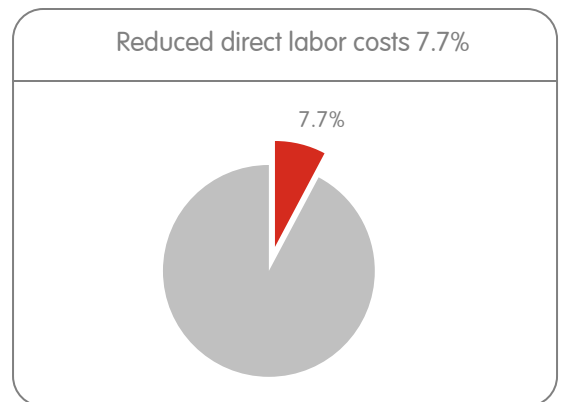
- Significantly reduced unfavorable direct labor costs: Unfavorable labor costs went from 19% to 12% as a result of the lean manufacturing training program. The performance-based pay system drove down labor costs and raised productivity, moving direct labor costs into profitable territory to 5% favorable.
- Reduced new product start-up time: Lean manufacturing production start-up guidelines, training and pre-meetings enabled us to help the client reduce new product start-up time by 35%.



+



+



\$2 million annual savings