

CASE STUDY

HOW CONAGRA FOODS ADOPTED A ZERO LOSS MINDSET

Zero-based thinking forces companies out of budget thinking — the traditional approach of an acceptable, budgeted range of failure. Despite being difficult, even impossible to achieve, it's hard to argue that zero shouldn't be the goal, particularly for metrics such as employee safety or product quality.



“We calculate, to the zero base, what the real opportunity is,” says Phil McIntyre, Performance Solutions Managing Director. “What we’re talking about is perfection.” This way of thinking pushes manufacturers to consider the size of the overall loss composed of all failures, which is typically an impressive number. Just as important, says McIntyre, “it’s going to directionally point you where you want to go work and you can allocate resources proportional to your loss opportunity.”

Zero-based thinking forces companies out of budget thinking — the traditional approach of an acceptable, budgeted range of failure. Despite being difficult, even impossible to achieve, it's hard to argue that zero shouldn't be the goal, particularly for metrics such as employee safety or product quality.

“When you measure success toward an absolute zero goal, there’s nowhere to hide,” points out McIntyre. “Zero base stretches you to perfection. What are the activities keeping you from perfection, and what are the costs of the activities keeping you from perfection?”

Understanding the cost of those activities allows you to work on the critical few things that control your greatest cost expenditure. Focusing attention on activities that increase costs also eliminates the frustration of trying to achieve vague mandates— i.e., reduce labor costs, increase EBITDA, reduce overhead — by linking corporate strategy and goals with frontline execution.

“Focusing on losses allows you to get down to the activities and to the measures at a line level that are much more actionable for the associates to grasp and change once you provide them the tools, the methodology, and the system.”

At ConAgra Foods in Omaha, Nebraska, zero-based thinking is the focus of the company’s systematic improvement approach, says Bob Masching, vice president, program management. “The systematic approach starts with having a stronger capability to identify and quantify losses and prioritize those losses at the line level in order to point you to what to go work on or what to improve. It starts with zero-loss analysis and prioritization of losses, focusing you around what’s most important to go work on.”

Once you prioritize the losses, the selection of the methods and the tools to go reduce those losses are clear — with this clarity, we enter what we call site master planning, specifying where you’re going to work and in what order you’re going to work.

“Overall, we are building new skills and capabilities in our foundation, and refurbishing our platform so that it is able to sustain performance long term, as opposed to individual discrete projects or initiatives that come up,” says Masching.

Performance Solutions provides clients with extensive details of Milliken’s zero-loss calculation process, which helps executives at these firms to understand the concept, minimizing their resistance to stretch goals, says McIntyre. “It’s not just a theoretical model we talk about. We go through specifically how we calculate it, and what the numbers are.”

Masching says his company's deployment of a systematic improvement approach has reached "very good maturity," and is registering impressive returns:

-  \$150 million taken out of the total supply chain in a 3-year period
-  Greater than 50% reduction in quality defects
-  Significant reduction in safety incidents ("and many of our mature plants, accident free")
-  Greater than 50% reduction in equipment breakdowns
-  50% to 75% reduction in minor equipment stops
-  12-percentage-point improvement in overall equipment effectiveness/equipment reliability

Masching says that zero-based thinking also has changed the culture of the organization. "Previously, we may have been an organization —and many organizations are — focused on variance-to-standard cost, or variance or opportunity vs. budget. When you adopt a zero-loss mind-set, it certainly helps you think about losses through a different lens. I would say that would be one qualitative benefit."

In addition, through ConAgra's safety pillar, autonomous manufacturing pillar, and focused-improvement pillar, employees have begun to "own" their lines, equipment, natural work areas, and tangible business results in those areas. "That is another exciting outcome of where we're maturing to, which has been very positive."

PUT PERFORMANCE SOLUTIONS TO WORK FOR YOU

Performance Solutions by Milliken® works side by side with companies interested in strengthening and improving their operations. The strategic approach that made Milliken one of the safest, most efficient manufacturers in the world is the backbone of the consulting and educational services that Performance Solutions offers worldwide. Performance Solutions by Milliken practitioners are serving over 350 operations, in 23 countries, and covering a wide variety of industries.

Visit www.PerformanceSolutionsByMilliken.com to learn more about Performance Solutions' consulting and education services.