

GOING FOR THE LEAN

gold



# Olympic-like morale drives O.C. Tanner production and employee engagement

BY SUSAN FOTOVICH MCCABE

There's a certain irony in the work that's produced at Salt Lake City-based O.C. Tanner and the Olympic-like spirit of its employees. The company, which develops strategic employee recognition and reward solutions, was the creative and manufacturing force behind the athlete medals awarded at the 2002 Winter Olympics in Salt Lake City and the Olympic rings given to all U.S. athletes at every Summer and Winter Olympics.

Is its Olympic work culture a coincidence? Not really. Like an Olympic athlete in training, O.C. Tanner has been grooming its company for efficiency, quality and employee and customer satisfaction ever since it began its lean journey 25 years ago.

"Prior to the start of our lean journey, we had an old, 1950s management style, and we didn't hire people for their hearts and minds — just for their hands. That all changed when we embraced lean," said Gary Peterson, O.C. Tanner's

executive vice president, supply chain and production, and a 2015 AME Hall of Fame inductee.

As a \$460 million, privately held company, the vast majority of its products are designed for career achievement, such as its manufacturing line of emblematic pins and acrylic and aluminum awards. With plants in Canada, the United Kingdom and India, the fastest growing segment of the company's products is its performance awards. Half of its



fulfillment business is manufactured, engraved or etched. The other half is picked product, packaged and shipped.

“Our corporate growth strategy assumes that the entire operation will continuously improve to make us more competitive in the marketplace — better than competitors, and able to maintain profits despite market pressures,” Peterson said.

In February, O.C. Tanner shared secrets from its lean journey during an AME Southwestern Region Workshop and tour. It is the fifth time the company has opened its doors for an AME tour, which has become one of AME’s most popular workshops.

### Beginning the journey

At the start of its lean journey, outsourcing was on the rise in the U.S., and O.C. Tanner’s customers were shifting away from volume orders to individual employee work anniversaries and service recognition. Its customer order size declined as a result. The company was therefore challenged with cost effectively producing 13,000 different items per day — one at a time — with no customer forecast and 6 million possible product options. With 28 separate manufacturing departments at the time, its big-batch equipment was designed for volume production. Yet, with the decrease in volume orders, big-batch machinery no longer made sense. O.C. Tanner adjusted its processes to meet the needs of custom orders, leaving many industry professionals to wonder if lean would even work for the company.

“People told us lean and one-piece flow wasn’t going to work for us. But our driving force was to maintain production lines,” Peterson said. “We didn’t have a lean guru. We started with a small budget and found our way.”

According to Peterson, there are three main drivers of the company’s lean goals, including its “True North” statement, which helps teams self-identify their biggest gaps and continuously



Team boards are just one tool the company uses to promote open communication and collaboration.

improve upon them, its strategy deployment and daily review of the company’s quality, efficiency and delivery/time (QED) in each team.

The company’s lean journey was initially filled with twists and turns, starting with employee resistance — at all levels.

“Our early efforts were very difficult. Our employees didn’t want more power; their supervisors didn’t want to give up power,” Peterson said. “But if you can get a glimmer of light somewhere and you keep your focus on just that part, gathering as much momentum as you can manage, it will work. Conversely, if you step away for too long, it will fall apart. In our case, it was seven or eight years before we had a critical group of people who were making things happen.”

To date, its journey has produced some remarkable results. Since 1992, the company has tripled production efficiency. On-time delivery has improved from 82 percent in 1992 to 98 percent today. The company experienced a dramatic reduction in work-in-progress pieces, going from 475,000 when its lean jour-

ney began to 550 pieces last year. And throughput time went from an average 26 days to just 20 minutes today.

That’s not all. First-time quality is currently at a whopping 97 percent — up from 70 percent in 1992. Floor space was reduced by 70 percent and inventory turns improved 400 percent.

“Our 25-year lean journey gets better each year. We only see opportunity ahead of us,” Peterson said. “We see so much more that needs to be done.”

### One-piece flow

To improve quality, cost and on-time delivery, while cost-effectively producing one product at a time, O.C. Tanner made one-piece flow its primary target. According to Director of Engineering Rex Morgan, early obstacles to one-piece flow included departmental attitudes that fostered batching, processes involving the use of hazardous chemicals, like plating with cyanide, arsenic and lead, the use of big-batch equipment that was either too big or built into the plant and a general attitude that the problem was impossible to fix.





During the AME Southwestern Region Workshop, an O.C. Tanner employee showcases new products that her team is producing.

The company eliminated monument equipment and worked with engineers to design and build its own right-size machinery. In fact, on the day of the AME tour, its right-sizing and one-piece flow success was apparent in an emblematic production line, where six employees efficiently handled 40 different operations.

O.C. Tanner implemented lean's 7 Principles of Engagement to meet many of its right-sizing challenges, including fundamental engineering principles, leveraging internal engineering resources (not inventing what it could buy), experimenting quickly to get direction and start

production (because users will give you information that will improve the product) and forming a collaborative, rapid improvement team to solve the challenges.

Today, all of its processes are in one-piece flow cells — or minifactories — controlled by a lean information delivery system.

"In lean machine development, you will not get the correct design the first time. If it's complicated, expect to spend two or three times the development time to make it work correctly," Morgan said. "Even with collaboration, when you think you're finished, you're not even close. There are

issues you haven't even imagined. Risks and failures help us learn. Minimize risks with speed and low-cost experimentation to grow ideas and gain clarity."

The effort significantly improved the company's former plating process, for example. The old method took two hours and involved large travel time across the floor, exposed employees to health hazards and required annual medical exams as a result of working with toxic chemicals. The work would sit in a queue for an undetermined amount of time. Today, the one-piece flow process has reduced the process to two minutes; it eliminated the large travel distance; work never waits in a queue; quality has improved; the amount of floor space needed to plate was reduced; and more importantly, it eliminated the previous employee health exposure to toxic chemicals.

### Extending the lean toolbox

As its lean efforts grew more robust, O.C. Tanner found success with a number of other lean tools. In daily production huddles, for example, facilitators gather to review the day's workload and share team member resources as necessary across the different value streams. The goal is to ensure that every team can produce the scheduled orders and meet on-time delivery. Managers huddle again later to assess any further needs for balancing work and team members. Representatives from client services, marketing and purchasing attend the huddle, as well.

At the time of the AME workshop, participants attended a company production huddle, which began with staff appreciations, spotlighted a short lead-time success, summarized a zero-injury report and included a safety thought for the day about the importance of safety catches.

Further elaborating on safety, the company described its monthly safety whiteboard, which is designed to facilitate random, five-senses audits anywhere in the company. Whoever is tasked with the audit relies on all five senses to assess a task or department, looking for



An O.C. Tanner employee operates the mini load crane, delivering customer goods to a picker.



Day Shift Receiving and Shipping Group Leader Adam Weston conducts a plant tour with an attendee of AME's Southwestern Region workshop in February.

things like sharp edges, excessive noise, vibration and trip hazards. Not even the accounting department is immune from safety audits. In fact, the day the accounting department was audited, the

assessor determined that nearby building construction was creating excessive noise and distraction. The solution? Give every employee in the area a set of earplugs. Several employees were also relocated to a quieter workspace.

Similarly, its lean efforts have employed the use of a company-wide Kanban system. In the company's supply department, for example, it's been an effective tool for keeping teams supplied with materials and tools. The team uses a kanban supply card to indicate a need for supplies, which are then picked up by a "skeeter," (a team member who brings supplies and materials to teams). Inside the supply room, a large calendar charts everything from the anticipated arrival date of supplies on order to who requested the supply and vendor information.

According to Supplies Clerk Janean Murdock, a 40-year veteran of the company, lean improvement strategies have made a dramatic difference.

"We used to have \$100,000 to \$200,000 worth of supplies in the teams, and nobody knew what they had. There was no control over the inventory. Today, we use a two-card Kanban system to reorder," Murdock said.

As a result of the Kanban system, the company has zero out-of-stocks and has never had to shut down a team due to a lack of supplies. Seven years ago, its inventory turns were at six. Today, they are 13 and expected to rise to 16 by the end of 2016. In fact, the supply room is two to three deep in supplier relationships, more than covering the company's needs if another supplier can't meet the demand. Ultimately, the transition to lean has enabled the company to reduce its inventory investment by \$1 million.

Thanks to the dramatic growth of its acrylic numerals line, lean has been critical in shaping that growth. Expanding at a rate of 300 percent per quarter, the company has shipped more than 400,000 pieces in the two years since it was introduced, and recently added a third production shift to meet demand. Lean process improvement created an effective flow from mills to polishing, then on to printing and final assembly. Leveraging a lean PDCA for acrylic polish time, the process was reduced from 28 minutes per piece to just six minutes (beating their target by two minutes.)

Gemba assessments also factor into the company's lean success, says Paul Terry, vice president, supply chain.

"Anyone at a group leader level or above randomly receives an email notice to audit a particular function. It's designed to verify standardized work and gets leaders out mingling. The benefits are huge," Terry said.

It's that interaction that appealed to workshop attendee Jason Henrie of American Nutrition, a pet food manufacturer.

"I wanted to see the interaction between management and the teams on the floor. I wanted concepts and techniques I could bring back to my company to help begin our own lean journey," Henrie said. "The pet food industry is competitive. To be successful, we face the task of providing a healthy, quality product our customers' pets love, while also reducing costs. Lean and continuous improvement initiatives are tools that help engage and

encourage our people to find solutions to challenges that cost us time and money in the manufacturing process.”

### Empowering the people

A myriad of other lean tools and practices across all areas of the company, from warehousing to housekeeping, has positively impacted the company's bottom line. But it's the effect lean has had on its employees that makes O.C. Tanner stand out. Ranked no. 61 on the 2016 Fortune 100 Best Companies to Work For list (and on the list for the second year in a row), the company faced some attrition in its early days of implementing lean, going from 1,400 hourly employees at its Salt Lake City headquarters down to 300 today. And yet, all metrics point to improved production with fewer people.

The company now finds itself a popular and diverse employer. Today, employees at O.C. Tanner (which emphasizes “appreciation” in the “a” of its name on some of the company's graphics) represent 65 countries. Its leadership is the first to credit employees for the company's success.

“Our lean journey has empowered people to go out and own their processes and make it a much more fun place to work,” Terry said. “They feel the power to share good ideas versus the philosophy of, ‘Shut up and go to work. I’m the manager and you come to me for all ideas.’”

There's no question, says Terry, that given the opportunity and support of company leaders, an organization will

achieve a “top-to-bottom alignment and people will move in the right direction and you can get out of the way.”

Another important part of the company's lean operational and workplace success is its focus on employee cross-training. O.C. Tanner encourages employees to learn multiple skills, which allows them to move people to areas of need — even if it's for just a day — to keep production running smoothly. The approach saves the company more than \$1 million annually in overtime.

“When we told our employees that they were going to have to learn multiple skills, some didn't want to be empowered or flex,” Terry said. “Those who were not comfortable left. The people here now are those who get it and want this culture.”

Peterson echoed Terry's sentiments, and said employee turnover is at 5 percent annually, mostly due to retirements.

“We went from, ‘You'll have to pay me to learn second skills,’ to where employees can't learn these skills fast enough,” Peterson said.

Early on, the company based its compensation on cross-training skills. However, that policy became unnecessary as team members began to pull the cross-training their teams needed to be successful. Today, raises are based on an assessment of how much an employee has contributed to the success of his or her department,

Mark your calendar for next year's AME Southwestern Region workshop with O.C. Tanner, February 8-9, 2017.

including problem-solving, making things happen and influencing their team.

“When we started our lean journey, the hourly pay was near poverty level,” Peterson said. “Today, we believe in compensating our employees so that they and their families can be comfortable.”

The entire O.C. Tanner workshop left a good impression on attendees, who were inspired by the company's team meetings and huddles, gemba assessments, coaching, QED focus and more.

“I was inspired by how engaged its team members were in the process of improvement — also a reminder that the correct people have to be on the ship. The three tools I'd like to immediately implement at my company to encourage team member engagement are production huddles, team boards and gemba audits,” Henrie said. “These three initiatives promote communication and a daily opportunity to share ideas, and improve from the day before. I enjoyed the camaraderie and team spirit the huddles and team boards created.”

Ultimately, the company's lean journey has been a success, even fostering innovation. In fact, it has had 250 requests for new products in the last six months. Of that, 146 became prototypes and 74 of those were sold — a 30 percent conversion of designs to sales. Revenue from new products grew 30 percent in the last year, and the company launched three new processes into production in the last six months, with another seven emerging.

“You have to be patient. We don't focus on the outcome. We focus on the day-to-day experiments, trials and processes. You have to build patience and reflection into your process. The results will take care of themselves,” Peterson said. ●

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