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Customer profile

Oliver Wight helps business improvement stick at DSM NeoResins

At DSM NeoResins, being ‘best in class’ is not a matter of choice but of survival. The Dutch company which depends heavily on new product introduction for its market-leading position has achieved Class A performance following a 14 year relationship with Oliver Wight.

Inspiring
Business
Performance



Headquartered in Waalwijk in the Netherlands, DSM NeoResins operates across five sites, including the USA, China and Spain. The €multi-million turnover company employs nearly 650 people, producing waterborne technologies, such as acrylic emulsions and polyurethane dispersions, for application in paints and coatings, printing inks, varnishes and adhesives.

With origins in the US going back to the 1950s, the company first started work with Oliver Wight on a programme of continuous business improvement 14 years ago, when it was part of the ICI Group. Regular corporate changes over the years played havoc with the long-term vision of the business and this had previously hampered the Class A programme; two troublesome SAP implementations added further complications, but in 2005 NeoResins was acquired by Dutch chemicals giant DSM and with the new owner came a cultural and business synergy that provided a fresh impetus - just twelve months later, in July 2006, NeoResins was awarded the Oliver Wight Class A standard for business improvement. At the same time it was integrating with its new owners, NeoResins faced a surge in demand which was matched by a sudden shortfall in the availability of raw materials causing its usual 95%-plus on-time-in-full (OTIF) performance to drop significantly

in a matter of months; the company's proud reputation for delivering on its promises was under threat. The experience proved to be a clear demonstration of the importance of effective Sales and Operations Planning (S&OP) and incontrovertible evidence that Class A was truly embedded into the culture of the company: Senior business director, Sjaak Griffioen, says, "We have a corporate principle of meeting orders on-request, which is even more demanding than delivering 'on-promise'. It was a difficult time; our customers helped us but Class A saved us because the willingness to put things right was already in place." OTIF was restored to a sustainable 95%-plus inside a few months.

The company is globally-structured and very market-segment focused (decorative, industrial coatings, liquid inks and so on) with international market segment managers

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rather than managers for specific products. At the heart of the company's S&OP process is total dedication to data accuracy; critical for the globally-organised business it is. Via a (now) fully-integrated SAP ERP system, globally-consolidated management information with a 24-month horizon is available 24/7. Sjaak Griffioen: "It's a massive luxury to be able to trust the data; you don't have to spend any time on it and you can focus on the business and - most importantly - the customers, instead."

Class A is awarded only to companies that meet a minimum performance standard of between 95 and 98 percent and NeoResins is one of only a handful of companies worldwide to achieve Class A across all sectors of its business - performance is measured against the Oliver Wight Checklist (a recognised industry benchmarking tool) and NeoResins has achieved the required level in all five chapters of the Checklist's fifth edition: planning and control; innovation; continuous improvement; people; strategy. Progress in the final chapter, 'strategy', was accelerated as a result of the DSM takeover - along with cultural, market and product synergies, DSM also brought complementary, high quality corporate practices and procedures, particularly in the area of strategic planning, previously an area of difficulty for NeoResins because of regular changes in ownership.

Class A in 'strategy' was achieved in less than a year. It wasn't all plain-sailing though - as NeoResins and its new owner became one company, there was an understandable struggle for people on either side to get up to the same level of understanding and to embrace new ways of working; business unit director, Monika Riese-Martin, says this remains one of the ongoing challenges for the Class A programme. "As new people join the company you have to get them up to speed as soon as possible; so much of it is about communication but it's a never-ending process - you work and work at it to keep improving but it's never finished." Things were on a firm footing from the outset though and for DSM there was a pleasant surprise to come with its new acquisition; DSM conducts regular detailed audits of its company culture and when it conducted it was surprised and delighted to register record results for NeoResins. Monika says this was empirical evidence for the new owners that Class A worked. "The results were off the scale and there was something of a clamour to find out how we'd established such a fabulous culture and what the quick fixes were. It raised the profile and importance of Class A in the wider DSM organisation and now there is broad recognition that it is a philosophy and a journey rather than something you can just turn on."

Human Resources Manager, Stef Wilders agrees. "It's a culture, not a trick," he says. "We have created a 'positive culture of discontent,' which allows us to drive continuous improvement." The company appointed ambassadors for each of the (19) areas of continuous improvement (everything from procurement to employment continuity) and it was their job to take ownership of CI in that one specific area throughout the organisation. However Stef Wilders stresses that success is not down to individuals: "It's teams that deliver results and that's how people organisations are recognised and rewarded; plus working across functions allows them to learn about the business from different angles."

The company established six business improvement teams to drive the CI programme, looking at the areas of 'horizontal communications'; 'standing teamwork'; 'empowerment'; 'vertical communications'; 'culture'; and 'education and training'. Some proved easier than others to get underway – Stef Wilders again: "Horizontal communication quickly gathered a momentum of its own inspired by a series of informal lunch meetings but the empowerment team was challenged at first because a lot



of our people are very technical and some found it difficult to adapt; it was very important for the CI team to find the right language to use when dealing with technical people.” The biggest challenge was at middle management level where there was an understandable reluctance to release staff from day-to-day responsibilities. Stef Wilders: “You often get the response ‘he or she has enough on their plate at the moment; they haven’t got time to spend coming up with new ideas’; so you have to expend a lot of energy making sure middle management is involved and is responsible of delivering results.”

NeoResins’ mission is to be [in response to customer need] ‘the world’s recognised leader in waterborne specialty resins’ and its business is characterised by a strict customer focus and adherence to quality standards – as well as achieving Oliver Wight Class A, DSM NeoResins is ISO-9001 and ISO-14001 certified, and has superior health, safety and environmental policies. Sjaak Griffioen: “Those aren’t just marketing words; we have to achieve ‘best in class’ in all our services and operations to survive – we don’t have a choice.”

In the area of product innovation the company’s aim is to always ‘be first’. Sustained, upper quartile investment

in R&D, has delivered cutting-edge products and resulted in an average of 20% of annual revenues coming from products less than five years old. A stage-gate process allows it to limit resource spend and establish a well-defined project go/no-go point, getting new products into the market as quickly and cost-effectively as possible, whilst ensuring valuable resources are targeted against initiatives with the greatest value to the business. A strong integration of business principles with R&D flair provides the company with a five-year horizon and the ability to anticipate market trends; all of which is critical when it comes to price positioning. Sjaak Griffioen: “That’s a very strong area for us; you have to get the price positioning right when you launch a new product because once you’ve set the price, you have set the future ‘playing field’ in a specific market segment.”

Since achieving Class A, new product introduction success has increased by 40% and the company has reduced its average time to market from 40 months in 1996 to a sustainable 12 months. At the same time first-pass quality rate of NPIs has increased to 95% and new product turnover has stabilised at around 15%. Caroline Moon, finance and supply chain director, says the benefits of the Class A programme have been far-reaching: “We work to one set of numbers right across the globe with a 24-month



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rolling forecast by customer, product, segment and plant. We've eliminated three layers of process and saved five man-days a month on the paperwork for S&OP, and there are no more endless debates on the accuracy of the figures. The working-capital-to-sales ratio has reduced from more than 18% to less than 11%; we've seen a substantial increase in stock turns - confirming the optimal alignment of our processes - whilst increasing OTIF out to the customer.”

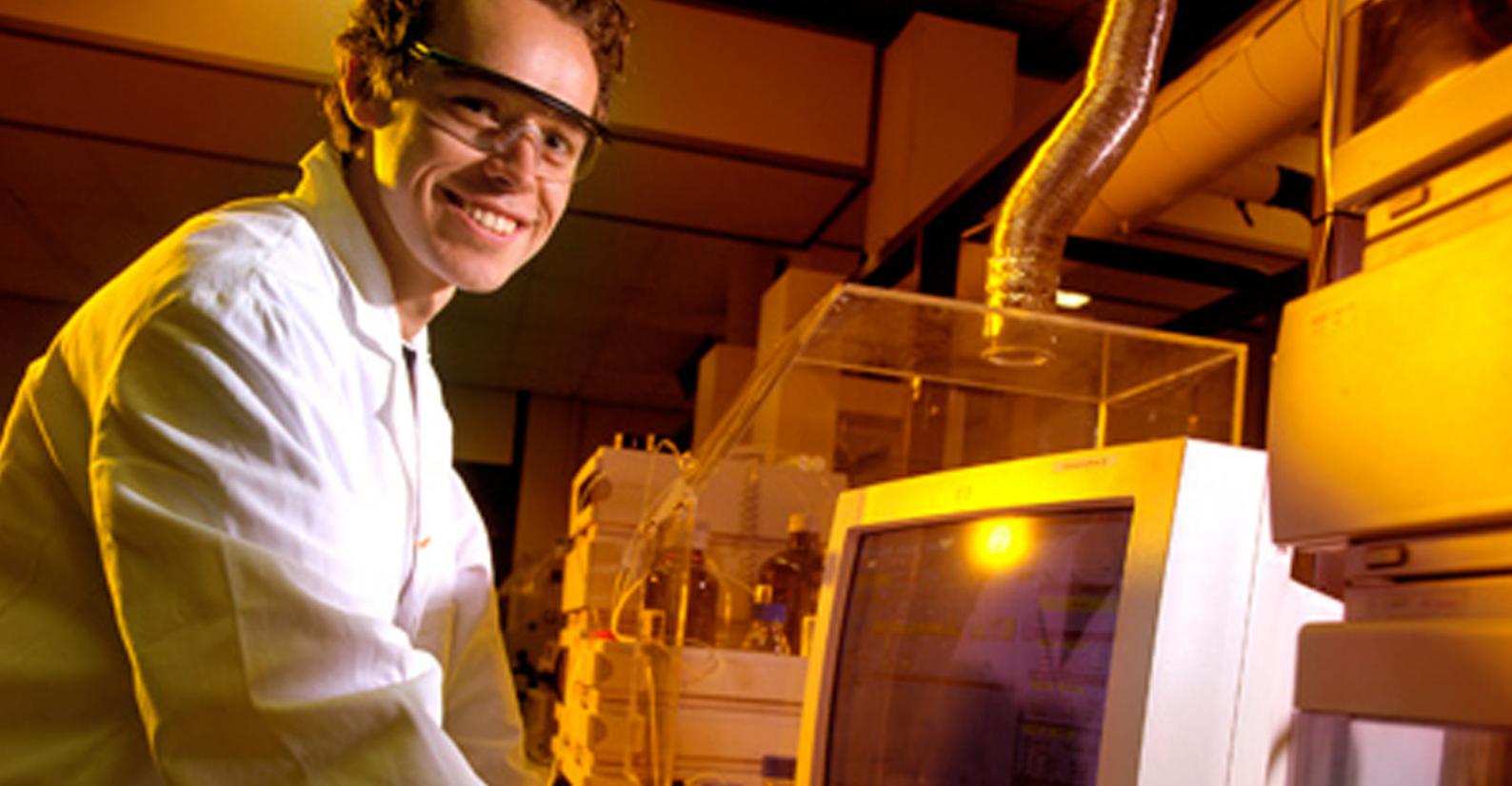
Monika Riese-Martin, appointed by DSM as the business unit director for NeoResins, quickly became an enthusiastic supporter of the Class A programme. She says the process of business improvement has delivered real control and clarity within the business as well as improved communication, while the Oliver Wight ‘journey’ itself has had huge learning benefits for the management team. But she is keen to emphasise that while there are many quick wins along the way, sustainable improvement requires patience because it depends on cultural change. “Senior managers in most organisations aren’t usually paid for their patience, but it’s absolutely essential if you are to embed Class A performance into the way the company operates.

The really nice thing here was the ambition to cover the entire Class A Checklist rather than picking out one or two

areas just to improve results in the short term and then sliding back again.”

NeoResins is now able to counteract the effects of inflation just through efficiencies resulting from the culture of continuous improvement that pervades the business and Monika Riese-Martin says the cross-functional teamwork fostered by the Oliver Wight programme has been fundamental to its success: “As well as doing their own jobs, people work in teams on improvement activities and those teams are taken very seriously. A lot of people at all levels in the company have worked very hard to achieve Class A and they thoroughly deserve the recognition that goes with it.”

Now, as the company plans its move to the Oliver Wight Sixth Edition Checklist, its organisational structure is being adopted as a role-model for the rest of the DSM organisation.



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