



# Glocalised lean



The Panalpina Group, a logistics and freight company, operates a network of 500 branches in more than 80 countries worldwide. *Mike Wilson*, Global Head of Logistics, and *Andrew Lahy*, Global Head of Continuous Improvement in Logistics, share with LMJ the challenges and rewards of implementing a consistent lean programme across the globe.

**P**analpina's history is one built around the expertise of freight forwarding; air freight being the spearhead closely followed by a growing presence in ocean freight. In recent years Panalpina has added to its product portfolio by incorporating logistics as a core product, giving its customers an end to end 3PL (Third Party Logistics) solution. A new team was recruited, investments in IT, tools and services were made and a whole new strategy was developed to broaden the logistics offering and turn it into value added services.

In 2011, we decided we intended to make lean thinking a part of Panalpina's DNA, with the aim to trigger a global culture change.

We knew that this would be a challenge for the organisation, both conceptually and operationally, and that it would require a great deal of perseverance, dedication and commitment from all levels, but we were still convinced that the benefits and rewards would justify the hard effort.

At the beginning of 2011, Panalpina had around 200 logistics operations, from small realities of less than 500 square metres to large and complex facilities of more than 30,000 square metres. These were located in over 50 different countries, providing services to customers in a variety of industries, from high end fashion through to technology, automotive and global oil and gas giants.

Right away, we knew that setting up a lean programme that would work for all of these operations and in all of these countries would be quite the challenge.

We were also aware of the fact that, while other logistics companies had continuous improvement initiatives and lean programmes in place, few had managed to fully integrate lean into their day-to-day business.

We also wanted to take this further and decided to go outside our industry to find inspiration and, therefore, we looked at where lean was first developed and applied, the manufacturing sector.

The deployment of lean processes and techniques and ways to involve people have been widely tried and tested in this sector. We made it our mission to bring this into the logistics environment.

From the very start we realised that the lean programme could not rely exclusively on the head office based team. We always strive to drive our lean programme from each country in which our business operates rather than from the head office.

Our Area Heads were involved from the start - Panalpina divides the world into 21 geographical areas - and all attended a kick-off workshop in Prague for the launch of the LogEx programme. During the workshop we laid out the strategic plans for the business for the next five years.

As a team, we then asked ourselves how a global lean programme could support the fulfilment of its strategy: using the framework below as a guide, we began to create a link between the overall strategic intent of Panalpina and the establishment of a lean programme that was relevant to each and every one of our employees and customers around the world.

Once the global vision and objectives of the programme were set, each Area Head was asked to develop their own vision and objectives for their geographical area, the only restriction being that the local vision had to be in

line with the global one and that the local objectives had to contribute to the Group objectives. This way, we would ensure alignment at different levels, without dictating to any teams what their vision or objectives should be.

The approach the team in the United States took to develop their vision was particularly interesting, and demonstrates the way in which we are engaging employees in supporting the progress of the overall programme. The US team asked each manager to write down the vision for their individual business units (B.U.).

Next, the B.U. managers were put into pairs and asked to combine their individual visions into one joint vision. The pair was then asked to meet with another pair to create a vision that represented all four individuals.

We continued to combine the groups until we only had one large group, working on a single joint vision for the United States. By doing so, we ensured that the general vision for Panalpina in the US was developed involving each of the business unit managers - exactly the type of engagement and employee-led effort we were seeking.

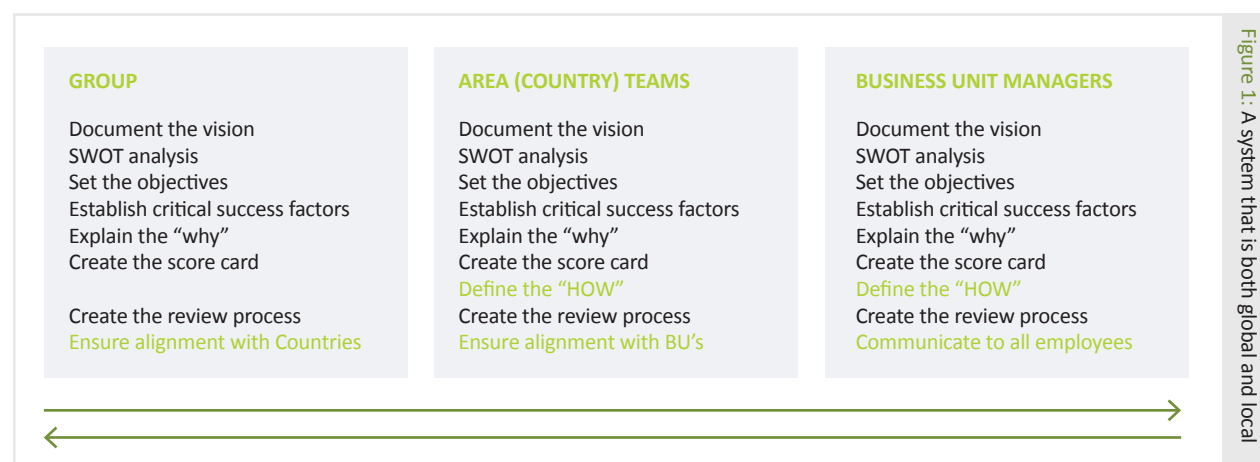


Figure 1: A system that is both global and local

### Panalpina at a glance

- Staff: 15,500+
- Specialised in logistics, supply chain services, air and ocean freight
- 500 branches
- 80 countries worldwide
- LogEx lean programme aims to speak to every employee around the world
- Business units set joint strategy that feeds into Area Teams' strategy, which in turn is in sync with global business strategy
- Head office sets direction of lean programme, but different Areas decide how to execute it

## STRATEGY, THEN ACTION

With the vision and objectives aligned, we could start to move to the action stage and decide how to implement some of the lean initiatives. Although the head office team defines the overall direction for the programme, it is the country teams that decide "how" they want to implement it. The benefit of this approach is that local teams have the freedom to innovate and develop their own methodologies. The potential down side is that you can lose some global consistency and each Area can needlessly spend time re-inventing the wheel. An important part of the programme is ensuring regular communication to maintain alignment and share best practice to make sure this does not happen.

A key learning for the LogEx team is that, if you give people the freedom to develop their own tools and methods and then the support to implement them (rather than dictate them from head office), local teams are much more likely to create better, more practical tools and techniques than anyone from our head office. Moreover, as the tools and techniques are developed by the country teams, they are already tried and tested in the business and can be more easily replicated in other countries.

In some cases, country teams come up with a great idea that we just adopt and use directly in other countries (such as the US team and their method for creating a vision). More often, however, one country team creates an idea, and we then share this with other country teams, who take the idea, adapt it and improve it for their own country.

A great example of how an idea moved across the business, got adapted and improved by each country is the LogEx KPI boards. Our central team created a simple KPI tool to get things started.

The team in the US developed the tool further and created an improved KPI tool and communications board that was rolled out in each facility in the United States. The Chinese team adapted the concept to its own specifications and the Dutch further developed the idea, eventually coming up with the KPI communications cube.

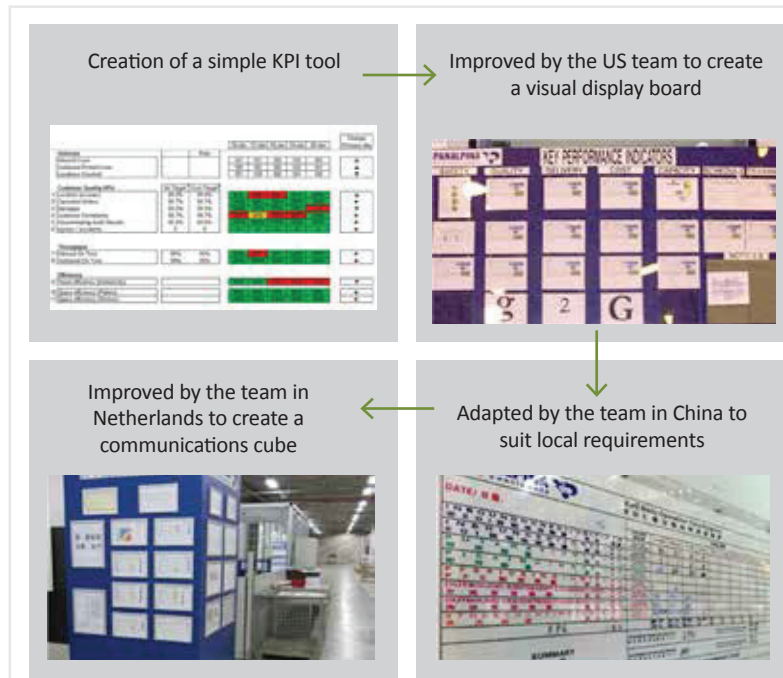
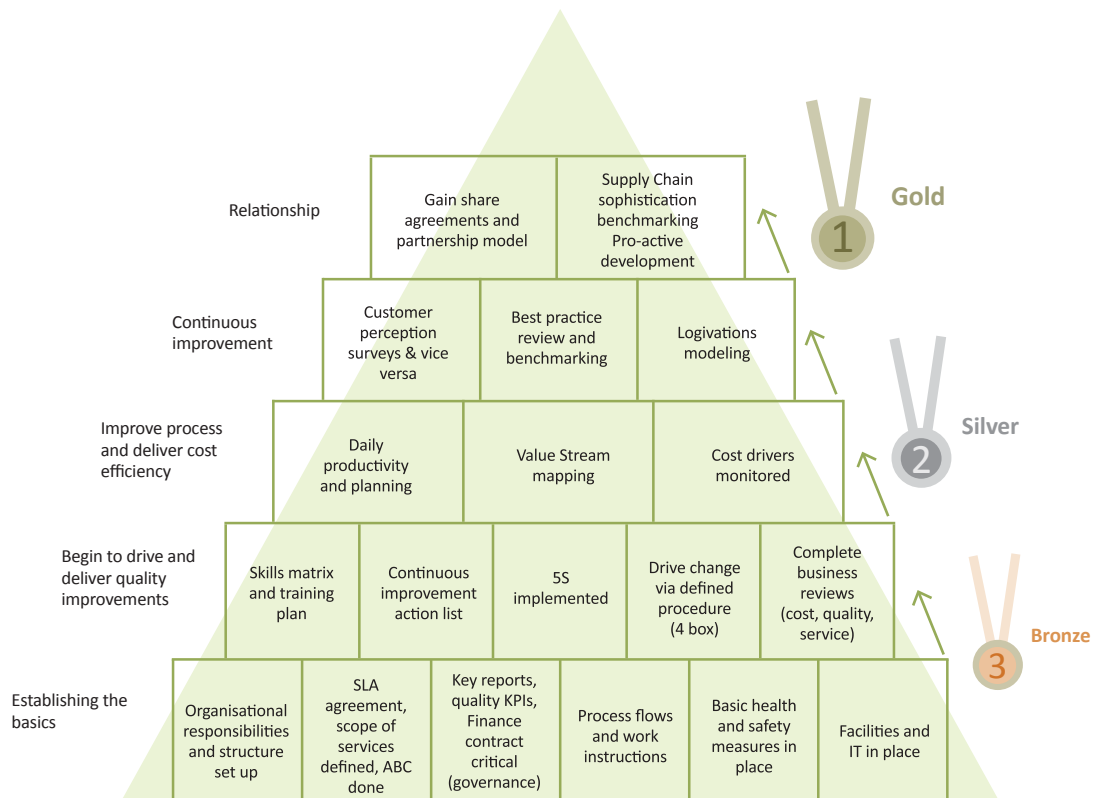


Figure 2: The transition from a KPI board to a KPI communications cube, from the US to Holland, through China

Figure 3: The LogEx self-assessment pyramid



This way, the global objective of increasing operational visibility and KPI reporting was achieved, but each country found their own way to accomplish the goal.

A further challenge of rolling out a lean programme across a large number of locations is that each operation is at a different level of lean maturity and therefore needs a different type of approach.

We knew the classic approach is to do a lean assessment and to score each site. However, experience told us that creating lean score cards can create perverse incentives - it is always easy to select a few key points on a check list and focus on them to boost your score rather than tackling what the business really needs. Furthermore, we didn't want "lean auditors" running around the facilities carrying out hundreds of audits and spending time ticking boxes. We saw this as waste.

We therefore developed, in conjunction with our teams around the world, the LogEx Self-Assessment Pyramid (see figure 3). This has proved to be a popular tool as it gives our operations team a clear "black and white" self-assessment sheet to help them to put the basics in place.

The LogEx pyramid creates a competitive edge within the business, as our facilities want to get accreditation within the pyramid structure.

Although it has its usefulness, the pyramid is somewhat of a contradiction to what we actually believe in. We always said that belts and medals are something we are not interested in, as we see the award as being a distraction from the real goal, which is continuous improvement.

We try and keep the pyramid as 'flexible' as possible as nothing is cast in stone. It is really used to kick-start the process, not as a prescriptive tool. So long as we have harnessed the creative energy, done the basics well and instilled a spirit of deliverable continuous improvement (the most important outcome we work towards), we have achieved our goal.

As well as becoming a useful tool for helping to put the basics in place, the LogEx pyramid has allowed our people to come up with some imaginative ways to reward the teams that have successfully achieved a level of excellence.

We are now at a stage where some of the groundwork for the LogEx programme has started to pay off, and it is interesting to see how each country team recognises and rewards the achievements of their teams, be it a cake or a trophy.



Different forms of reward: the Dutch opted for a LogEx cake, the Americans for a trophy.

#### Suggestions to develop and deliver a consistent lean programme globally

- Do not sit in the office and spend months devising the perfect programme. Get out to see the work, get something started and adapt the programme to suit the business requirements;
- Be willing to accept that not everything that is successful in one operation will work in every operation. Give teams the flexibility to select and adapt the tools and techniques that work for them;
- Involve as many people as you can, as early as you can. It will take longer to set the programme up, but if people are involved in designing it they are more likely to support it;
- Brand your programme, give it an identity. If you call the programme "lean" or "lean-6 sigma" then people come to the table with pre-conceptions. Creating your own name gives you the flexibility to include ideas from the classic lean programmes, but also to introduce your own;
- Let the people have their say. Involvement of hearts and minds is a pre-requisite for any programme;
- We also don't like the word programme as it implies it has a completion date, whereas lean is a never ending journey;
- It is also important to relate to the people on the shop floor, those who touch the product. A global strategy is great to take the business forward, but it is really about understanding the world in the front line. Asking the simple question of "What can we all do to make your life easier?" is a very powerful way to initiate change;
- Reward success and, more importantly, have fun!