



Second TOCICO India Regional Conference

## Second TOCICO India Regional Conference 2009

### TOC Implementation in Packaging

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HBD Packaging Pvt. Ltd.  
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## About Us

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- The foundation of our business was laid in 1930 with a printing and publishing unit at Lucknow (U.P), India
- HBD Packaging was formed in 1985, primarily for paper and paperboard packaging
- Today, HBD is a highly recognized brand in the packaging industry, converting approx. 6,000 MT of paperboard annually.

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## Team HBD

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## What we do

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- **Packaging**
  - Manufacturing folding box board cartons for pharma and FMCG companies like Dabur, SC Johnson (ALL OUT), Dr. Reddy's, Unichem etc.
- **Copier paper conversion**
  - Engaged in cutting and packing of copier paper. Provide turn-key solutions to paper mills in their premises (machinery to manpower) for conversion from reels to cut-size paper for companies like ITC, JK Paper, BILT, etc.

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## Embarking the TOC Journey

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- The company decided to go for substantial expansion in the year 2004-2005.
- This proved to be a major turning point.
- Since the post expansion expected business did not materialize, we were forced to utilize our working capital for repayment of bank installments which resulted in financial crisis.

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## Embarking the TOC Journey

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- We were drastically heading towards disaster; even after frantically consulting many well-wishers, nothing proved to be beneficial.
- A dialogue from the film JAB WE MET represents our true situation of that time- "Ki Boss! Apna to band baj gaya hai. Isse bura to kuch ho hi nahin sakta."
- By sheer co-incidence we read GOAL and found some similarities with us; however it was too good to be true in real life. We thought it was just a 'business fiction'.
- We were then introduced to Mr. Pradeep Kumar fondly called PK. It was he who showed us reality to what we thought was only a fiction.

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## Reality in 2007-08

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- **Production**
  - Measuring local efficiency of all machines and trying to improve them.
  - Fire-fighting was the order of the day.
  - Every process was working in isolation resulting in WIP increase
- **Marketing**
  - DDP (Due Date Performance) was at 45%.
  - Marketing was not able to give any forecasts leading to poor production planning and inventory management.
  - Absence of pro-active communication with the customer resulting in firefighting.
  - 'Cost Accounting' method of costing left us clueless about order's profitability.



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## Reality in 2007-08

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- **Top Management**
  - No role clarity; story of nobody, everybody, somebody and anybody where everybody thought that anybody can do the job and that somebody should do it but nobody did it.
  - Involved in daily firefighting.
  - Individual thinking was not aligned towards a common vision.
  - Conflicts at the top resulted in confusions down the line.
  - To improve results, we were trying to improve 'everything'.
- **HR**
  - Employees didn't see their growth with the company growth.
  - Disparity in wage and salary structure.
  - Erratic annual evaluation based on individuals recent performance.



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## Reality in 2007-08

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- **Inventory disharmony**
  - To optimize cost of inputs, we were maintaining too many specific SKU's resulting in either stock outs or non moving stocks.
  - For controlling cost of input, occasionally lower quality raw material was being used, resulting in loss of production and increased process wastages
- **Financials**
  - Company had started running into cash losses
  - Shareholders equity was not returning benefits to them
  - Bank installments were eating away our working capital.
  - Vendors were not paid in time; overdue by 4months



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## TOC based Coaching by PK

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- **Production**
  - Identification of a 'strategic constraint'.
  - Constraint utilization was improved from 20x6=120 hrs per week to 24x7=168 hrs per week; efforts on set-up time reduction and improving efficiency were made simultaneously.
  - All other processes were aligned to march in order to support the speed of the constraint.
- **Marketing**
  - Introduction of Dashboard (A simple 'MS excel' tool for Order balancing on the constraint).
  - Coached that their job is not only to get more orders but to ensure that order quantity matches the capacity.
  - 3 months order forecasting done.
  - Pro-active communication (internal and external)
  - Focus on 'Thruput' and 'Thruput per hour' costing.



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## TOC based Coaching by PK

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- **Top Management**
  - Role clarity defined
  - Alignment of individual thinking towards common vision.
  - Differentiate between clutter (ignore) and essentials (concentrate)
  - Introduction of DRM (Daily Review Meeting)
- **HR**
  - Contribution pay
  - Grid alignment (Pay-scale basis)
  - Smiley system (Performance review)



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## TOC based Coaching by PK

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- **Inventory harmonization**
  - Reduction in SKU's by introducing common buffers
  - We were trained that even if we had to incur extra cost, we should deliver the order in time.
  - Higher quality raw material at a marginal extra cost can substantially improve productivity and reduce process wastage.
  - Enhance quality of raw material by better and regular communication with the vendors.



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## Results in past 18 months

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- **Production**
  - Increase in production on ICC (60%).
  - Set-up time (Job change-over) reduction (20%)
  - WIP reduction (50%)
- **Marketing**
  - DDP improvement (45% to 85%); Happy customers giving more orders (same customer base)
  - Lead time reduced by 50%



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## Results in past 18 months

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- **Top Management**
  - Decrease in stress levels.
  - Better bonding and faster decision making.
  - More focus on future planning.
  - Substantial reduction in firefighting.
- **HR**
  - Take home to employees increased by 35%.
  - Overall improvement in employee morale.



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## Results in past 18 months

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- **Inventory**
  - Reduction in inventory (33%)
  - Rare stock-outs
- **Financials**
  - Sales have increased by 50%
  - Operating Profit has increased by 100 %
  - No major investments were made during this period
  - Shareholders confidence was regained



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## Future challenges

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- To continuously achieve DDP of 100%
- Reduction of set up time and down time by 50% on the constraint
- Imparting multi skill training to each employee



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## Why TOC is better than any other management tool

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- Simple to implement as each and every action is based on 'cause and effect'.
- Delivers results in days and weeks instead of months and years
- Focus on improving bottom line by identifying, exploiting and elevating constraint one by one
- Simple measurements to check overall health of the company
- Conflicts are resolved in a WIN-WIN way



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## Our top team with Dr. Goldratt

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12 Feb 2009 Delhi



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## About Neeraj Bhargava

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- Mr. Neeraj Bhargava (Director)

### HBD Packaging Pvt. Limited

- Commerce Graduate with over 20 years of industry experience.
- Passionate about sports and music and has a flair for systems.
- Aspires to become a 'Jonah' in future...



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## About Pradeep Kumar

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PK lives in Shanghai and serves as Partner at HBC Consultants and eRay Consultants in China. In India he serves as Director in Arete Business Consultants and manages its subsidiary in China.

He specializes in Theory of Constraints application to accelerate business performance improvement in a company.

His 37 years of solid professional experience has delivered success to him in all both professional and personal life. He is a CEO Coach and Consultants' GURU. He is passionate about bringing breakthrough improvement via focus and coordination. He has worked at top positions for large multinational companies like P&G and TCL.



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