

The Hot Seat

The cost reduction project implemented by ZF Passau in its Axle Systems for Construction Machinery business unit has had just as massive an impact as the axles themselves. The fact that the management team provided essential backing for ideas management proved that the future of Germany as a business location can also be sustained without resorting to job cuts.

By: Elmar Brümmer, Photos by: Jens Mönnich





Sporting ambition (from left): Langanke, Firchau and ZF employees



The hot seat—a competition lasting 300 seconds

What can you do in five minutes? Stir an instant soup, put the car through the carwash or do something to save the future of Germany as a business location. In order to do the latter, however, you have to think very carefully about what you want to say in the 300 seconds available. The timekeepers show no mercy. If you fail to provide an adequate solution to the problem before your time is up, or if your idea was shot down in flames, it is clearly a case of going back to the drawing board! And this is something that nobody wants to do, neither the person who is in charge of implementing the proposal for improvement nor the person who called for it. The seat in the conference room of the large driveline technology plant where anyone giving a presentation must sit has been given a somewhat flattering nickname: The hot seat.

The employees working on the cost reduction project at ZF Passau quickly warmed to this seat and the idea behind it. The initial fear of being exposed and of the lack of time in which to express ideas has since developed into a self-perpetuating motivational program. This meant that the program was an all-round success, both for those who contributed the ideas and for the project as a whole, and so it was time for the big shakeup to begin. Employees working in the Driveline Technology for Construction Machinery business unit at ZF Pas-

sau GmbH's home plant noticed three things: that their suggestions for optimizing processes were not only taken seriously, but that they were also implemented quickly; that the management team was one hundred percent behind the ideas of Porsche Consulting and the involvement of the company's consultants, and that it was not a question of rationalizing the jobs away, but about safeguarding jobs at the site.

ZF's Passau plant produces transmissions for agricultural and construction machinery and dump trucks, axle systems for commercial vehicles and axles, and axle components for agricultural and construction machinery. In Plant II, which overlooks Passau, the warehouse and production area for the axles and transmissions of huge behemoths covers more than 100,000 square meters. More than 1,000 of ZF's 3,600 employees work here in Passau. The production of axles is considered to be very labor-intensive. The Bavarian company's products are in demand all over the world, its employees are trained to an outstanding level, its sales figures are good, but its profits were simply unable to keep pace. The business unit quickly found itself in the classic, unfavorable position of being sandwiched between rising steel prices and the market prices for its own products: it was under pressure from all sides. Although job cuts



Always on the go: Production in Passau



or relocations were out of the question for the next year-and-a-half, due to an employment security agreement, the abolition of a production line that was no longer profitable was warning enough for the staff of what was to come.

Under the guidance of Porsche Consulting, they therefore began to shape a better future for themselves. “The initial trepidation quickly gave way to enjoyment,” says Daniel Härter. The business graduate is the head of project management for the Axle Systems business unit and was assigned by the ZF management team from September 2004 to December 2005 to work with the core team “cost reduction for excavators.” Working alongside six other colleagues from ZF and engineers Jürgen Lochner, Olaf Langanke and Dr. Norman L. Firchau from Porsche Consulting, Härter was in charge of examining and implementing the ideas put forward by members of staff in the hot seat. While this obviously took longer than five minutes, it didn’t take forever. “It was important that members of staff receive feedback on their suggestions or that they be able to see the results of their solutions as quickly as possible. We communicated a lot of information quickly, and it was clear to everyone that something was being done. In this way, the project developed a momentum all its own,” says Härter, and “true sporting am-

bition began to take hold at this point.” The notice board in the project office on which the latest “league table” was pinned every morning was moved immediately. It was relatively easy for the members of the team to read the results of the many processes that had been initiated, by the fact that the lines on the scale representing the ideas and the optimization processes put in place not only demonstrated an entirely upward trend, but also, above all, due to the fact that during the project phase, which lasted fifteen months, they came increasingly close to the target line until the envisaged eleven percent increase in efficiency was finally achieved. Not only were new processes and structures created in this manner, some modified and completely new components were also developed.

The complex nature of axle systems in construction machinery, with their many variants, made the use of a large number of optimization tools every bit as necessary as the strict time restrictions imposed. Any company wishing to make its production lean must not allow anything to get out of hand. All of the business units forming part of the value-adding chain were involved in this cross-business unit systematic approach: purchasing, development, casting and steel working, assembly, controlling and sales. Suppliers were also heavily involved. All in one room, all seated around one table, all fighting ▶



Go yellow: Axles lined up at the Passau site

for a single cause. “It was an extremely far-reaching project that went into enormous depth,” says Langanke, consultant at Porsche Consulting. “Its success is essentially based on the consistency of approach during implementation. We were able to gain acceptance on the staff mainly by ensuring that change was seen as being part of the day-to-day work of the company, rather than remaining abstract.” And a broader perspective was gained. There was a general consensus on the team that “individuals began to feel different about the whole thing. The level of mutual understanding also increased.”

The consistency of approach in the work is due, too, to the decisiveness with which ZF’s management supported the project (see interview). “The ability by everyone, including management, to get things done quickly, and the willingness to establish the best possible project team, demonstrated the client’s very professional atti-

tude” agree consultants Langanke and Firchau. Even approval of €80,000 for a project initiative got a green light in just a week. A new organization, a different pace, and a different level of quality characterize cost-reduction-related project management. “People needed to have this kind of dramatic experience. They quickly recognized that they were being helped, and that they were getting the necessary preconditions,” says Härter.

And double-digit savings open the way for further growth; their effects were felt in the group. Other business units and even suppliers have adopted the new approach. “You can see what can be achieved in an industrial context in Germany. This is not something just for the axle business. It can help any company with the right conditions and the willingness to change,” says Langanke. ZF Passau’s Axle Systems business unit has proved it has both. ◀

“Success according to the snowball principle”

Interview with Wilhelm Rehm, managing director of ZF Passau

Wilhelm Rehm



Why did you call in Porsche Consulting to assist you with your cost reduction project?

Wilhelm Rehm: “ZF Passau has been working in a process-oriented manner for some years now, but this time, an additional project team was required to implement ideas rapidly and consistently. The management of objectives and deadlines was important for success.”

Besides the cost savings that you have achieved, what has the project brought for your company?

Rehm: “It was good to see employees from different business units come together. This led to the processes being viewed as a whole. Ideas management was firmly embedded in all areas. Everyone in the company learned how to apply and use these optimization methods. This snowball principle is the project’s second success as far as I am concerned.”

Do you consider this to be a one-time success story?

Rehm: “We must continue to embed this way of thinking in the organization. This means challenging everything, if there are better ways of doing things.”

Would you assign employees in management positions for a relatively long period of time to do this again?

Rehm: “Good employees bring good results; this is also true of project work. The key element was that those working on the project were all on the same wavelength. This success is a success for the team. The

management team believed in this project right from the outset, and this is why we supported the team.”

At what point did you intervene?

Rehm: “I was kept informed throughout the entire duration of the project and maintained contact with the team. Despite this, the team remained independent. We provided assistance when specific decisions had to be made to ensure rapid implementation.”

Do you regard your project as a role model when it comes to maintaining production in Germany?

Rehm: “As a company, you have to act at the site level to develop solutions. You have to adjust production processes in line with reality and the market. Process optimization is nothing new; it has been standard practice at ZF for many years. We hoped that the Porsche Consulting project would help us to act as a beacon for others. We surpassed our expectations. The implementation and credibility of the project are sending positive signals via our sales division to our customers.”

Can its influence be spread further?

Rehm: “I am totally convinced that this approach will be established even further.” Using this project and team structure, we will be able to continue to tackle difficult issues. Our goal is to abide by this culture even in good times, when we are not under as much pressure.”