

Leveraging lean principles in HR

How McKee Foods used A3 problem solving to improve employee retention

BY CHERYL M. JEKIEL

While the current manufacturing labor shortage has companies scrambling to find and retain skilled workers, the human resources team at McKee Foods Corp.'s Gentry, Arkansas, facility has been addressing the problem using the A3 problem-solving approach. Though attracting and retaining qualified employees has, for many years, been a perennial challenge for manufacturers, few of them—even those that have adopted lean principles in other areas of their business—have leveraged lean to improve HR outcomes. Worse, the HR department too often is not involved, or is only tangentially involved, in their company's lean initiatives.

For these reasons, McKee Food's story stands out as an example of how having the HR department as a full partner and participant in lean initiatives can pay powerful dividends on two fronts. HR teams can adopt lean principles and practices to improve their own work, as well as to bolster their company's continuous improvement culture, leadership model and skillset. As organizations increasingly value a more highly engaged workforce and begin to view this journey as mostly a function of

people development, the need for HR to play a critical role in lean transformation becomes clearer.

Beginning the journey

When McKee Foods embarked on its first formal attempt to adopt lean principles in 2014, the role of the HR department was fairly typical, with one exception. From the very beginning, the HR professionals in the Gentry facility decided to get started building their continuous improvement skills. As with many, if not most companies, their formal role was limited to training staff in support of the operations-focused initiative. However, the HR staff challenged itself to seek out ways to apply lean to HR operations and to figure out its role in helping the company in its adoption of lean. More important, the HR team was intrigued and wanted to learn more about the lean philosophy. The

group began building its understanding by attending conferences, participating in virtual communities, networking with other like-minded HR professionals and taking part in a wide variety of training sessions. These included AME annual conferences and an AME Champions of HR Excellence event.

Like many first tries, McKee Foods' initial lean initiative was not driven by a top-down mandate. As a result, different areas of the company adopted different approaches to implementation. The company gained significant traction companywide in 2016 when it established a common set of principles and practices, which helped to engage the entire organization in the journey. Having the executive leadership more aligned around the practical application of the operating principles has provided a solid foundation for the entire organization to move forward. In addition, the company instituted the

ABOUT MCKEE FOODS

McKee Foods Corp. is a privately held and family-owned American snack food and granola manufacturer headquartered in Collegedale, Tennessee. Best known as the maker of Little Debbie® Snacks, McKee Foods also produces Sunbelt Bakery granola and cereal and Drake's Cakes. It has production facilities and bakeries in Tennessee, Arkansas and Virginia, as well as a warehouse and distribution center in Arizona. Learn more at mckeefoods.com.

The 7 Principles of the McKee Operating System (MOS)



Long-Term View

Making decisions about today's challenges and opportunities with a long-term view as opposed to a short-term view.

Our Customer Feels Valued

Anticipating and understanding both internal and external customer's needs and meet those needs so they feel valued.

Total Organizational Thinking

Embracing the total system to understand the interdependencies and ensure alignment.

Process Focused

Practicing continuous process improvement through persistent evaluation of established standards and by relentless, process-centered, problem solving.

Obsession for Quality

Maintaining a culture that stops to fix problems and we are committed to getting work done right the first time.

Learning Organization

Ensuring our future by being intentional about constantly learning, relentless reflection, and continuous improvement.

Our People Feel Valued

Providing a healthy system that allows all employees the ability to grow to their fullest potential.



more importantly they increased the team's ability to work together as well as to understand and use continuous improvement concepts such as standard work, "go and see," and focusing on the needs of the customer. The projects also helped the HR team become better aligned with its customers and, in turn, to gain credibility as their customer's strategic partner.



As an A3 retention project team member, Marnie Cripps, HR assistant, leads one of the focus-group sessions with new employees after their first two weeks on-the-job.

At a critical point in their continuous improvement journey, Smith recalls, the team members began asking themselves, "Are we fulfilling the needs of the business's core value stream or are we fulfilling the self-identified needs of our own department and ego?" This self-reflection led to an extensive voice-of-the-customer initiative. "We began having open conversations with the business units that we supported about their frustrations with our processes," Smith said. "As part of this effort, we held internal customer meetings to learn more about what was needed from us. We prioritized our work based on this feedback and our alignment with company strategy to ensure that we were working on what the business needed."

Through the initiative, Smith's team found that there was a significant concern about retention, especially related to new employees. David Manning, organizational development specialist, recalls: "Our operational leaders complained that the process of training new

McKee Foods' lean journey gained significant traction when it established its operating system principles and practices.

practice of sharing success stories, which helped build even more momentum.

The Gentry HR team's journey

During the early years of McKee Foods' continuous improvement journey, the HR group had completed several A3

projects to improve HR operations such as new employee retention, background checks, employee performance reviews, packaging operator float retention and staffing alignment, according to Melissa Smith, HR manager for the Gentry facility. These early A3 projects led to some improvements, but

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MELISSA SMITH, HR MANAGER FOR THE GENTRY FACILITY

HR DISCUSSION QUESTIONS FOR INTERNAL CUSTOMERS

During internal customer meetings to learn more about what its customers needed from HR, the HR team asked a specific set of questions, including the following

- What are we doing really well to help you be good today (running the business)?
- What are we doing really well to help you be good tomorrow (improving the business/removing waste)?
- What do you need us to start doing and/or doing better and/or doing more often?
- What do you need us to stop doing and/or doing less often?
- Where can we help you with your priorities?

employees, only to lose them shortly thereafter, was a complete waste of time. Operations also struggled to meet their shipping dates when they didn't have enough people to fill orders." So, at the request of the production department and top operational leaders, the HR department created an A3 team to focus on improving employee retention.

Using A3 problem solving

This was not the first time the HR team had attempted to address employee retention issues, Manning points out.

"We had attempted two different problem-solving projects on employee retention, but with little or no success," Manning said. Still, because those early projects helped the group to build its skills, the team was determined to make significant progress with this project.

Danny Hebert, HR business partner and Retention A3 team leader, describes the beginning of the process, "We began with an HR team that reviewed exit interviews, applications and interviews of employees who had left our company, with no key findings. We then utilized a decision tree to narrow the scope by looking at shift, duration of employment,

generation, gender, ethnicity, production line or work area and supervisor. Through this round of analysis, we determined that the majority of turnover was occurring on third shift and under one supervisor. To help us better understand the dynamics of the third-shift situation and identify potential improvements, we added the third-shift supervisor and another influential leader from operations to our A3 team."

The team's initial problem statement, according to Hebert, was as follows: "The production department on third shift lost 37 employees during the initial employment period (IEP) in FY2016. This added more than \$300,000 to our operating cost and hinders our ability to meet business commitments." The costs were calculated as the total number of terminated new employees with less than four months of service over a one-year period multiplied by 25 percent of their annual salary, including benefits. Other costs related to new-employee turnover include wasted training, repeated recruiting (interviewing time, background checks, processing new hires, onboarding, etc.) and the overtime needed to meet production goals.

To analyze the problem further, "We conducted focus groups with new

employees at two weeks and four weeks of employment. Initially we asked employees to rate the different components of their hiring and onboarding experiences on a 1 to 5 scale," Hebert said. "Surprisingly, employees rated everything a 4 or 5."

These results indicated to the team that a still deeper level of listening would be required to find out what needed to be improved. "We learned that we needed to engage them in conversations about their experiences," Manning said.

"We asked each participant to tell us why they rated each item as they did. Conversations emerged and we asked more questions," he explained. "As a team, hearing them directly talk to us about their bad experiences in being hired and onboarded, we were even more highly motivated to change it."

The team then compiled the feedback from the conversations into categories and counted the number of mentions. The top three frustrations of new employees were: 1) confusion over the difference between the job they applied for and the one they were offered, which also involved the unpredictable length of time between the interview and job offer; 2) arriving on third shift to start their new role, where they didn't know anyone; and 3) having multiple on-the-job trainers who train them differently.

The responsibility to improve each of these issues was then assigned to the appropriate process owners or subject matter experts. Ultimately, the team found that both HR and the production team shared responsibility for addressing shortcomings. HR needed to work on standardizing the hiring process and some aspects of onboarding, while the production team needed to standardize onboarding training.

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DAVID MANNING, ORGANIZATIONAL DEVELOPMENT SPECIALIST, MCKEE FOODS

THE BENEFITS OF 'LEAN HR'

When the HR department is a full participant and partner in a company's continuous improvement initiative, the results are transformative on many fronts. First, the HR department, as with any department, faces challenges—or problems—that are more effectively addressed using lean tools. By learning and applying these tools, they improve HR processes, as McKee did with its employee retention project.

Second, by participating in continuous improvement projects, HR gains a greater understanding of the tools and concepts, which helps it help its customers—the people and departments throughout the company—solve their problems and achieve their goals. At McKee, the HR team reports what they learned by completing the A3 on retention:

- We learned to drop preconceived ideas about the root cause of the problem and to wait on the data that will help you understand the problem.
- We began to understand the critical importance of gathering qualitative data, which included deeply listening to internal customers (employees).
- We realized that the practice of having the team do an A3 is truly an engagement tool.
- We discovered the value of collaboratively approaching a problem. Our individual efforts yielded nothing compared to the power of the team.
- We learned to stop assuming the problem is due to “who is to blame,” but more about missing standard processes and developing a real understanding of what your customer is experiencing and needs.
- We learned how to use the A3 method to make small changes, learn from the changes and adjust as we moved forward.
- We realized that you can't let perfect get in the way of better.
- We found that using A3 methods was easy when embraced and when we applied continuous improvement principles to our problem; it made our thinking visible.

Smith notes that this knowledge will improve the HR team's ability to assist with the continuous improvement efforts at McKee Foods, which will be increasingly beneficial to the company. For example, she says: “I have become very aware that my role is to support my team in solving problems, not solve them for them.”

Finally, having HR as a full partner and participant in continuous improvement helps increase the engagement of HR professionals. So often, as HR works to help engage employees, they overlook its own staff. McKee is overcoming this limitation, as HR assistant Marnie Cripps affirms: “After my involvement in this project, I truly feel that my ideas and opinions are valued and that those closest to the process are now included in the decision-making around improvements.”

A roadmap to achieving its retention goal

Once the group understood the problem primarily involved the third-shift new hires, it set a goal to achieve 85 percent retention of third-shift production employees during their IEP (the first four months of employment) over the next year. As the improvements were implemented, the team monitored the results, based on the following metric: retention as a percent of the target group for third-shift production during their IEP.

In order to achieve this goal, the team agreed to do three things: 1) monitor progress by conducting focus groups with third-shift employees in their second and fourth weeks; 2) monitor turnover data each period to validate whether changes are effective; and 3) focus on standardizing entry-level hiring standards, while validating both the process and standards along the way. Last, the team focused on providing stronger on-the-job training for 100 percent of the new hires in a more standardized and consistent manner.

Results of the Retention A3

The McKee team credits the A3 project with increasing new-hire retention on the third shift from 72 percent to 83 percent, saving approximately \$170,000 so far, and increasing new employee engagement.

In addition, Smith said, “The team was thrilled when our team's Retention A3 was one of the projects featured at our 2018 Annual Strategy Conference. Since our continuous improvement efforts have always been predominantly focused on our manufacturing operations, it

How the A3 Project Changed the Mindset of Team Members

Initial Mindset	Mindset after A3
Did not understand how continuous improvement principles could solve a “people” problem.	Realized HR is made up of processes, and our product is people. People are not the problem, our processes are.
The supervisor must be to blame for the problem. After all, people leave over “who they work for.”	HR processes were a big part of the problem. Humility and transparency are key to any transformation.
Focus in on the “fear of failure.”	Focus less on the outcome and more on the learning.
Retention is an HR issue.	Retention is a business issue.
“Fix it and forget it,” and never looked back.	Reflection is critical, including using our PTRS cycle with adjustments.
HR processes are too difficult to standardize.	Standardized processes drive success and sustainability.
Leadership generates the ideas and solves the problem by making improvements.	Employees generate ideas, and those closest to the process are responsible for problem solving and improvements.

provided a great lesson about how these same principles could impact the business through areas HR has ownership.”

Standardizing the process

The McKee HR team understood that documenting the hiring standards established by the Retention A3 would become the basis for improvement in the future. This involved creating standard work and designing a process flow for reviewing applications, interviewing (including standardized questions) and initial assessments. As well, it created a standard process for conducting a “failure analysis” of the application and interview documents of an employee who leaves during the IEP. Based on what they learn, they then make improvements to the process accordingly.

Moving forward

Smith credits the HR team’s early A3 work for providing the basis to take on more challenging projects. “The A3 on retention was instrumental in developing the continuous improvement skills of the HR team,” she said. “Team members learned the importance of standards

and how they are the springboard for improvements. We learned together and learned by doing.” Involving the HR team members working in the processes in the analysis and improvements helped the HR team to build its vocabulary around A3 thinking and continuous improvement principles, she added. This has helped HR to build a continuous improvement language in common with operations. Ultimately, the early A3 work allowed the team “to build our problem-solving muscle, so that we can be more agile and quicker solving problems in the future,” Smith said.

Currently, McKee’s continuous improvement journey is focused on developing small groups within the company to expand the application of the principles through the use of tools, such as A3 problem solving. The HR team is helping to train more facilitators to support the increasing demand for developing employee’s improvement skills. It also is working to develop workforce plans for shipping automation and for staffing realignment, as well as completing A3 projects for production and environmental services departments.

While retention is a primary metric for HR, it now also tracks employee engagement scores, staffing activity and job movement. Also, as they continue to build their improvement skills, the HR team is establishing more metrics around actual processes, not just results, such as manually tracking “time to fill” for key positions.

With an increasing awareness that success will be based on a lot more than using tools, HR leadership is working to engage all of its team members in the McKee Operating System, and with each additional improvement activity, the HR team is strengthening its ability to support the organization as it moves forward in its continuous improvement journey. ●

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