

Chapter 3

PROGRESS UNITS: SYNERGY AND CONTINUOUS IMPROVEMENT

True collegial and interactive management cannot simply be summed up as a combination of PMBO*, common procedures, and periodic meetings, valuable as these may be in creating impulse and momentum. In a group like Altrad, entrepreneurial culture predominates over management culture: good management is not enough, it is important to undertake, to innovate, to take risks. Commitment to objectives, compliance with procedures and budgets and transparency towards sister companies, though necessary and in place, are not the grand panacea for the evolution of a Group that is more and more open to a world that provides many opportunities but also many threats to face.

The wide international experience of the Altrad Group quickly identified certain essential differences between various markets, which therefore require a specific treatment. It was discovered, for example, that disparities in the costs of production of unsuspected proportions, give some low-wage countries such a competitive advantage as to call into question the economic interest of automation. Moreover, the enormous potential of some markets, compared with the seemingly paltry French or even European market, allows a player in these markets a high level of activity and considerable economies of scale, further accentuating the effect of low wages at our

expense. Facing such challenges, economies of scale must therefore be strengthened – or even compensated for, in areas where Altrad's manufacturing is not the strongest in the market – by apprenticeship (increased productivity thanks to expertise, process control, etc.), taking advantage of solid experience to stay ahead of present and future competitors, as suggested by the Boston Consulting Group.

The world has changed enormously and will change even more in the coming decades. This new situation requires a group like Altrad, over and above its good management through its acquired procedures, to take advantage of its leading position in many markets to consolidate its forces and contain the possible arrival of new entrants. For example, to increase its added value by inventing novel approaches, methods of optimizing skills and a range of techniques. Or by distinguishing itself by innovation, services and the quality of the offer in the face of the most basic, low-cost proposals of future competitors.

3.1 NETWORK MANAGEMENT

The starting point for this reflection was that the Altrad Group could not escape global price competition. If nothing was done, there could be no survival without relocation and without restructuring the Group – with disastrous social consequences. However, in this scenario, faced by many companies in labour-intensive sectors, it is possible to imagine an alternative, which consists of taking advantage of all the forces of the members of the Group through a network management strategy based on flexibility, responsiveness and the search for synergies.

It happened that the old configuration of the Altrad Group was already not very far from a dynamic network organization. This traditionally relies on exchange relationships between actors (Group companies) who each provide their distinctive

competences to mesh with those of the other actors under a coordinator – the General Management and transverse Group services.

Such an organization generally translates into a reduction in costs: networked companies have an advantage in external supplies; costs inherent in researching adequate prices, bargaining, the preparation of separate contracts for each transaction and their follow-up are lower between two members of the network than between a purchaser and an unlinked supplier.

But the organization of the Altrad Group into a dynamic intra-Group network also had some effects that were not expected by specialists familiar with networks outside groups. Where a subcontractor or supplier may, in the event of problems, refuse to bear the financial consequences, or may even take advantage of the situation to increase its rates, network management reduces the risk of seeing a company turn away a sister company because of the solid and responsible links between them. Unless, of course, despite all the transfers of know-how possible within the network, it is not, in fact, competitive; but even in this case, where it is necessary to turn to an outside supplier, the procurement experience of one entity within the Group will benefit all the others, because it will let them enjoy the good relations established with the new supplier – who the Group will possibly propose subsequently should join the dynamic network. Experience has identified three types of networks:

- the intra-Group network comprised of all the Group entities (subsidiaries, functional departments, production and marketing sites);
- the network outside the Group, including all external partners (suppliers of components, materials, etc., producers and assemblers, distributors, financial companies, logistics companies, etc.);
- the global network that includes the first two.

Above all, it turned out that the reduction in costs was not, in itself, the goal of network management, but rather, through giving value to the distinctive competence of the various actors, a way of ensuring its survival against strong price competition and of differentiating itself by investing in quality and innovation.

It was therefore necessary, through network management, to establish better coordination between the design offices that are incorporated into most of the Group's businesses, but also between commercial departments, and production facilities – all places where designers seek innovative products and processes or identify new opportunities.

Note here that centralization is as far from the spirit of networking as a monopoly is from healthy competition: coordination does not necessarily imply grouping activities into a new speciality unit. Even when intervening in the same domain, networking does not aim to eliminate teams, nor to put them in competition, but rather to harmonize their work in an atmosphere of dynamic emulation. While at some time it may be advisable to eliminate some duplication between companies for reasons of competitiveness, any redeployment of resources should be decided only after a thorough analysis of the distinctive competences of the businesses, because it is essential not to lose a strength, competence or expertise brought by one of the companies in the Group. Hence Altrad's choice of developing inter-company and intra-functional progress units.

3.2 A MANAGERIAL INNOVATION: PROGRESS UNITS

For several years, the Altrad Group has had an additional management tool: working groups called progress units. They are designed to work on themes intended to exploit the potential synergies between the companies of the Group.

A progress unit aims to compare experiences, skills, expertise and best practices, and to propose measures to increase the competitiveness of the Group, to reduce costs and to stimulate and accelerate the diffusion of innovation within the Altrad network.

The role of a progress unit is also to reflect on aspects of the Group's organic growth: growth of turnover, with increases in sales and prices (and/or increases in quality levels); and to reflect on the development of new markets and new products.

Progress units can be created to address temporary problems, such as when, for example, General Management observes recurring reductions in the turnover, margins or profitability of a subsidiary. The new progress unit, headed by a Group manager, focuses on the problems of the company in question. A team is then mobilized; its responsibility is firstly to observe (through an audit of the existing situation), to analyse and to identify the causes of problems, and then subsequently to develop and implement action plans that will solve them.

Progress units also include a forward-looking dimension in their approach, in particular with reflections on the future of the Group in the short, medium and long term. They must make proposals about, and anticipate, strategic issues relating to the Group (industrial and commercial restructuring, optimizing functions, external growth, etc.). Thus, decisions emanate not only from General Management, and management is truly participatory. Progress units propose changes aimed at continuous improvement.

Within the Altrad Group two categories of progress units coexist:

- those intended to consider a one-off project: these have a limited life and disappear once the project has been completed;
- those which are characterized by their continuity, their permanence and their transverse nature: these are animated by

Group managers who have a hierarchical power comparable to that of company heads.

Consequently, each progress unit is coordinated by a manager, a project leader or a Group manager according to whether it is temporary or permanent. His role is to organize periodic meetings, to establish a specific agenda for them, to communicate information to all members of the Group, to moderate meetings and to produce the minutes.

The Group manager or project leader must instil the urge to innovate and undertake in all members of his progress unit. The success or failure of the progress unit for which he has accepted responsibility depends on his capacity as chairperson. The work of the progress unit is assessed on the basis of progress, results, performance and gains in productivity and competitiveness. The success of a progress unit depends on the active participation of its members, their creativity and enthusiasm, but also on the capacity of its leader to animate it. It is therefore up to the Group manager (or project leader) to create the conditions required to optimize the Altrad Group value chain. The transverse nature of the progress units is ensured by the presence of members of the holding company.

Some progress units handle problems on a daily basis, while others consider specific problems that may be temporary or not, but all have a common goal which is continuous improvement, a core value of the Altrad Group.

In order to cover the various areas of activity of the Group and to respond to identified needs, it may be decided at any time to create a new progress unit. General Management, a head office functional department, a business leader and the Board of Directors of the Group may originate such a creation. However, an existing progress unit may, on its own initiative, take charge of any issue that it considers to be detrimental

to the interests of the Group. In either case, it must obtain the approval of General Management before starting work and integrating a new theme into its work plan.

3.3 EVOLUTION OF PROGRESS UNITS

Since the creation of progress units, the Altrad Group has obtained considerable experience in relation to their operation and their operational efficiency:

- They do not always work very well on general subjects.
- Because of the rapid evolution of the Group's perimeter, the number of subsidiaries makes the operation of some progress units quite cumbersome.

The level of maturity of the progress units highlights the need to come together only for an objective that has measurable, tangible and rapid results, in a logic of agile operation. Efficiency, dynamism and effectiveness are thus targeted.

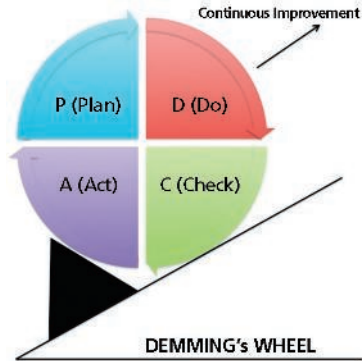
The Group has, therefore, sometimes substituted for progress units, structures that are lighter (in number, duration and choice of topic), self-organized and in "agile project" mode, that look for rapid (short cycles) and shareable results.

3.4 CONTINUOUS IMPROVEMENT AS A VALUE

In a changing and turbulent environment, a company must constantly adapt, innovate and transform itself. It must reinvent itself to ensure its continuity; in fact, the average lifespan of a business is only thirty years. The firms that exceed this duration, which survive and thrive, have been able to adopt an open mind and to mutate and evolve continuously. They have been able to increase their knowledge in all fields, including through

enhancement techniques like monitoring or benchmarking* (see below). These methods allow the company to reinvent itself continuously and be ahead of the competition – investing in all areas of knowledge engenders creativity and invention and, therefore, an advantageous competitive position.

The Altrad Group has put permanent change at the heart of its values; putting this into practice involves permanent self-analysis and applying techniques for continuous improvement according to the principle of Deming's wheel*.



Four steps follow one another, forming a virtuous circle; PDCA (*Plan, Do, Check and Act*):

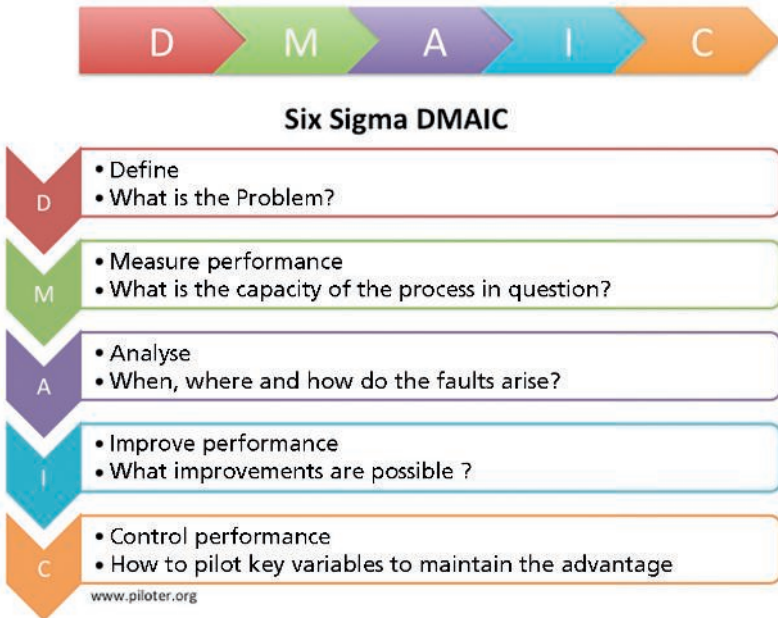
- *Plan*: prepare and plan what you are going to do, set goals and decide how to achieve them.
- *Do*: develop, carry out, implement, train and run.
- *Check*: monitor and verify that objectives are met; if not, analyse the problem.
- *Act*: Act, adjust and react to get a stable result and avoid returning to the previous situation.

At each turn of the wheel, the company climbs the slope of improvement in a sustainable way. In addition, the Group has integrated the Six Sigma methodology, developed in 1986 by Motorola. It is based on the notions of customer, process and measurement and relies in particular on:

- the measurable expectations of the customer (CTQ – *Critical To Quality*);
- reliable measurements of the performance of the company against these expectations;
- statistical tools to analyse the source of phenomena that affect performance;

- solutions attacking these sources;
- tools to check that the solutions have the desired impact on performance.

The method thus relies on five stages found in the acronym DMAIC: Define, Measure, Analyse, Improve and Control.



Each stage has different tools that are grouped in a coherent approach. Typically, the range of tools used in each of the phases is as follows¹:

- *Define*: listen to the client, SIPOC (*Supplier, Input, Process, Output, Customer* – process mapping)...;
- *Measure*: analyse measurement systems (gauge R&R*, linearity, etc.), capacity, Ishikawa diagram*...;

1. This list is not exhaustive.

- *Analyse*: detailed mapping of the process, tests of hypotheses, test results...;
- *Improve*: test results, FMECA* (Failure mode, effects and criticality analysis), *poka-yoke**...;
- *Control*: test results, MSP (Managing Successful Programs).

The objectives for the company are to develop measurable and effective actions, to satisfy its clients, involve teams and, often, to improve its image.

3.5 BENCHMARKING

Benchmarking is the study and analysis of management techniques and organizational methods to gain inspiration from them and to adopt the best. It consists of applying the subsidiarity principle dear to the Altrad Group.

The research process is continuous; comparative analysis allows best practices to be adapted and implemented to improve performance.

Benchmarking of several types can be carried out:

- internal: between services or companies in the Group;
- competitive: comparison with direct competitors;
- functional: comparison with external departments or services;
- horizontal: concerning the process or working practices, products or innovations;
- strategic, etc.

Benchmarking is one of the priorities of the Group. The methodology is simple:

- plan: identify the subjects to treat, select partners and determine the means of collecting the necessary information;
- analyse: determine the differences between the practices of the Group and those of others to project and imagine a desired performance level;

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- integrate: communicate the results achieved and establish actions and functional objectives;
 - act: develop an action plan, start specific actions and evaluate them in order to generalize the innovation.

It consists of implementing continuous improvement according to the principle of Deming's wheel (see above) – a principle of continuous change that is at the heart of the management of the Altrad Group.