

Case
Study



Ingersoll Rand

Achieving a Lean transformation



Overview

The need

Ingersoll Rand was looking for a way to improve its targets so that it could deliver a common improvement methodology and management system

The solution

Ingersoll Rand chose to launch the Simpler Business System (SBS) in 19 of its 80 sites to help employees work together toward solutions

The benefit

Identified \$300M in cost-savings, achieved a >25:1 return on client investment and realized significant performance improvement in every metric tracked

Simpler® Consulting was acquired by Truven Health Analytics®, part of the IBM Watson Health™ business in 2014. Truven Health Analytics was acquired by IBM in 2016 to help form a new business, Watson Health.

Ingersoll Rand (IR) is a global industrial manufacturing company with \$13.3 billion in revenue and produces some of the world's most well-known brands. They operate in five geographical regions and 10+ business sectors and employ 40,000 employees across 80+ sites.

Despite its longstanding success across the globe, industrial manufacturer Ingersoll Rand (IR) aimed for substantial year-over-year improvements. The company turned to Simpler® Consulting for help in rethinking its improvement targets—and aligning the entire organization to deliver the corporate strategy within a common improvement methodology and management system.

The challenge: Segregation and deflection

At the root of the problem was the fact that IR started as a holding company. This meant that the organizational power resided at the business unit level, resulting in different approaches to strategy, continuous improvement, new product development, operational procedures and more. Management was driven from the top down, with corporate leaders primarily focused on supporting individual business functions.

Decisions tended to be tactical and reactive, made more to avoid or hide problems rather than solve them. And while there had been some pursuit of Lean principles in separate areas, nothing had been attempted across the entire enterprise. It was clear that a more cohesive approach was needed.

The solution: Unification and communication

IR's journey toward transformation required two major overhauls: cultural and procedural.

First, the cultural: Under the leadership of a new CEO, the company's organizational structure transitioned from a holdings governance model to a single group with a unified operating system and a shared strategy. This enabled the collaborative, organization-wide culture change required for a successful transformation. And served as a step toward cross-selling and utilizing the entire group for individual and collective growth.

“I can't imagine anybody not having a continuous improvement culture or process inside his or her company. Lean's not the only way to do this; but I think it's the simplest. It's the simplest way to look directly at a line of sight to the customer and to rally people around that customer experience.”

— Michael W. Lamach, Chairman and CEO,
Ingersoll Rand, as mentioned in “The Lean CEO: Leading
the Way to World-Class Excellence” by Jacob Stoller

Solution components

Simpler Business System®

What is the Simpler Business System® (SBS)?

SBS is more than eliminating waste and a basket of tools and techniques—it's a complete organizational Management System that embraces Lean Thinking and delivers fast results along with the skills needed to create solutions that support long-term success. SBS has enabled Simpler to guide some of the world's largest corporations through successful enterprise-wide transformations, resulting in a total of \$2.4 billion in client-verified ROI*—including up to 10:1 ROI for clients, irrespective of industry sector, geography, or company size.

* Achieved by Simpler clients as a result of their transformation efforts from 2011 to Q1 2016.

The traditional management pyramid was flipped upside down, driving change from the bottom up. Every employee, no matter their position in the company, was encouraged and empowered to voice their opinions and identify problems.

Next, the procedural: Now that issues were out in the open, IR needed a system to help employees work together toward solutions. In order to ensure every part of the group was engaged the leadership chose 19 of its 80 sites to initially launch the Simpler Business System a proven approach to enterprise transformation designed to rapidly identify and implement improvement opportunities.

The creation of standard work for each business process helped reduce waste and improve efficiency, while the adoption of a visual system of managing for daily improvement (MDI) allowed for continuous transparency to measure progress.

The Results: Transformation

To determine whether SBS was able to deliver improvements faster at the initial transformation sites compared to the others, the team tracked critical metrics such as cycle time, margin expansion and cost of poor quality across the organization.

They also developed a peer benchmarking dashboard to measure the speed of improvement within IR's markets. This tool monitored publicly available data—including inventory turns, organic revenue growth and operating margin—among a group comprised of IR's competitors and companies well-known to be leaders in Lean management practices.

The result? Over a five-year period, IR reports that SBS helped IR generate more than \$300 million in savings, representing a >25:1 return on investment. With newly empowered employees, engagement jumped to greater than 75 percent. What's more, the company improved at least one quartile in every performance metric tracked.

Additional results reported by IR:

- Cycle times reduced to 50% of competitive lead times
- Operating income increased by 15%
- Working capital as a percent of revenue reduced to <3%



Watch the video to hear how IR's Leaders and members describe their transformation at simpler.com/video-library

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About Simpler Consulting, an IBM Company

Simpler® Consulting, an IBM Company, is a leading management consulting firm that helps organizations around the globe to improve performance through Lean transformations. Since 1996, Simpler has worked closely with clients to foster an organizational culture that continuously seeks out opportunities to make improvements, and help to stimulate business-impacting results. With its proprietary Simpler Business System®, Simpler has helped clients to implement Lean transformations across a wide range of industries.

Simpler Consulting was acquired by Truven Health Analytics® in 2014.

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