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MASTER THESIS

Master in Strategic & Information Systems Management.

The Role of Human Resource Department in the Lean Transformation.

Case: Nestlé Algeria.

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ABSTRACT

Nestlé is an agri-food multinational company, installed in Algeria few years ago. One of its short-term corporate objectives is implementing a lean business strategy: Nestlé Continuous Excellence (NCE), to support the acceleration of Nestlé performance and then achieve a competitive advantage. This thesis examines the role of human resource management in the lean implementation journey by identifying initiatives where HR can increase their support within the transformation.

Key words: *Lean Transformation – HRM – Cultural Change- Leadership - Team*

RESUMÉ

Nestlé es une multinationale installée en Algérie il y a quelque années, l'un de ses objectifs à court terme consiste à mettre en œuvre une stratégie Lean : Nestlé Continuous Excellence (NCE) afin de soutenir l'accélération de la performance de l'entreprise, et obtenir un avantage concurrentiel.

Cette étude examine le rôle de la gestion des ressources humaines RH dans le processus d'une transformation Lean en identifiant les initiatives que le département des ressources humaines pourrait engager afin de faciliter et mettre à succès cette transformation.

Mots clés : *la transformation Lean – la gestion des ressources humaines – leadership – l'équipe.*

| | | | |
|--------------------------------------|-------------------------------|---------------------------------------|-------------|
| نسله | الجنسيات | الغذائية، | يتمثل هدفها |
| القصير تجسيد استراتيجية نسليه للتميز | NCE | تسريع أدائها وتحقيق الميزة التنافسية. | تحديد |
| هذه | البشرية | ية | الانسيابية |
| يمكن | البشرية القيام بها لتسهيل هذا | وانجاحه. | |
| ية: — | الانسيابية — | البشرية — الريادة-الفريق. | |

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LIST OF ABBREVIATIONS

ENSM : École Nationale Supérieure de Management

HR : Human Resource

HRM : Human Resource Management

NCE : Nestlé Continuous Excellence

NBS : Nestlé Business Service

IT : Information Technology

DMAIC : Define Measure Analyse Improve Control

TQM : Total Quality Management

INTRODUCTION

In a complex and changing environment, businesses need to face both the fluctuating economic situation and fierce competition in order to respond to the customer requirements and market developments, businesses look for ways to increase the flexibility of their organization in order to create a benefit to the business by the means of initiating a customer focus culture. Launching a lean transformation framework is one of the most challenging projects, could any company do, for many reasons, it mainly requires several skills at all managing levels, then through lean management , an organization can improve its company culture and performance, which leads to long-term sustainable growth. Lean Management is a mindset that embraces certain principles and tools to create sustainable improvement within an organization.

Nestlé is one of these organizations who is willing to achieve a lean transformation in the different organizational levels by implementing a lean management framework. Changes within the traditional HR has led to the development of Human Resources Management (HRM), which specifically focuses on the integration of employees and the overarching strategic and operative vision of the organisation.

**CHAPTER I:
HOSTING COMPANY
PRESENTATION & PROBLEM
STATEMENT.**

1. Presentation of the Hosting Organization

1.1. Establishment:

Nestlé is one of the largest companies in the agri-food industry, it was established in Algeria in 2009 with 195 staff members. The main production unit is situated at Oued Smar (Algiers), the factory conditions two types of milk powder which are (Gloria and Nespray) belonging to the brand Nestle. In addition to two other products, Nesquik chocolate powder and sweet coffee soluble, the Nescafe 3in1. The production unit of "Oued Smar" has two production lines, one for the milk powder and another line for the preparation and packaging of chocolate in Nesquik powder and Nescafé 3 in 1 powder.

The production capacity of milk powder is 10,000 to 12,000 tones per year. And a production of 1000 to 1500 tones of powdered chocolate Nesquik and Nescafé 3 in 1. The aim of the Nestlé Group is to manufacture and market its products in a way that create sustainable value for shareholders, employees, consumers, partners and national economies. The company wants to increase and see double its turnover, make available the products like milk powder and chocolate powder to reach customers satisfaction who are quite demanding on the food quality and nutritional value.

1.2. Nestlé Continuous Excellence Framework (NCE):

NCE is a Nestlé business strategy formally introduced in 2008, at Nestlé international then, at Nestlé Algeria in 2018.

Here an overall overview about the:

) NCE is a driving effective ways of working to support the acceleration of Nestlé's business performance in a sustainable way.

) The NCE is a lean thinking framework, which describes how to deliver sustainable results, connected with key functional practices. It provides an accessible and intuitive way to "enable people", "align the organization" and "improve ways of working" to create value for consumers and customers.

) NCE ways of working are a combination of Lean Management practices and tools, they bring common and best-in-class solutions to build teams, foster ideal behaviour and continuously improve how we collaborate and create value.

) The NCE Framework consolidates all those ways of working into a single, business-driven set of practices to be used in a holistic and intuitive way, connected with functional and business practices.

) NCE ways of working bring a competitive advantage by fostering an environment where:

- People work with an “end-to-end” mind-set, focusing on value creation and waste elimination;
- Everybody is engaged, aligned and equipped with the competencies needed to succeed.
- Decisions are made fast, at relevant levels.
- Teams and organizations more efficient and agile.

Figure 1: NCE Framework Scheme



Source: Nestlé Internal Documentation.

2. Problem Statement :

2.1. Research Question and Structure :

One of the main barriers found with any corporate transformation is obtaining the support of the employees. This requires the need to provide a clear direction and motivation for the transformation.

HR has the potential to take on a more active role in a transformation due to their strategic role in the organisation. Peoples’ behavior is derived from the organizational culture.

Therefore, “*How can HR facilitate the challenges an organisation face with Lean transformation?*”

Sub Questions:

1. Which HR practices can contribute to the success of sustainable Lean transformations?
2. What is the HR Lean Roadmap in order to achieve a successful lean transformation?

2.2. Scope & Delimitation :

The study is based on an investigation limited to the HR department and two other departments at Nestlé, namely: Sales & Marketing and Supply chain, this research is oriented on the business operation level, not the manufacturing processes. Otherwise, the subject is about Lean thinking not Lean manufacturing. HR responsibilities outside the area of management, related to lean transformation, are excluded too.

CHAPTER II:
LITERATURE REVIEW &
CONCEPTUAL FRAMEWORK

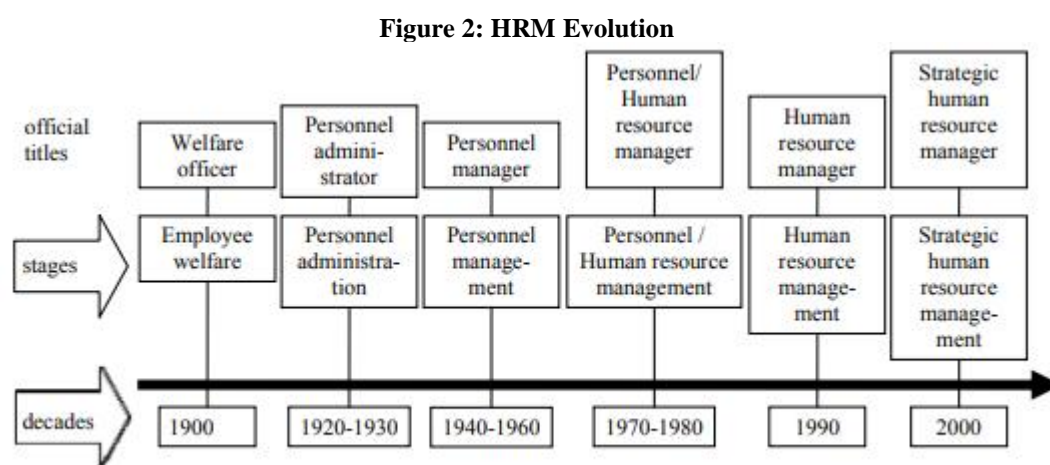
This chapter focuses on the Literature Review and the Conceptual Framework of the research design, it covers three main topics: Human Resource Management, lean Thinking and Lean transformation. The structure of this chapter consists of three parts as follows:

1. The Conceptual Framework:

1.1. Strategic Human Resources Management:

1.1.1. The Evolution of Human Resource Management:

According to Armstrong (2006), Human Resource Management (HRM) is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there whom individually and collectively contribute to the achievement of its objectives. (Byars & Rue 2006) argue that HRM is a system of activities and strategies that focus on successfully managing employees at all levels of an organisation to achieve organizational goals. With the changing context of industry in the competitive environment of open market, human resource management becomes a crucial variable for the sustainable growth of any organisation, in fact, this function has evolved considerably in the last century following the structural transformation experienced by organisations (Figure N° 2)

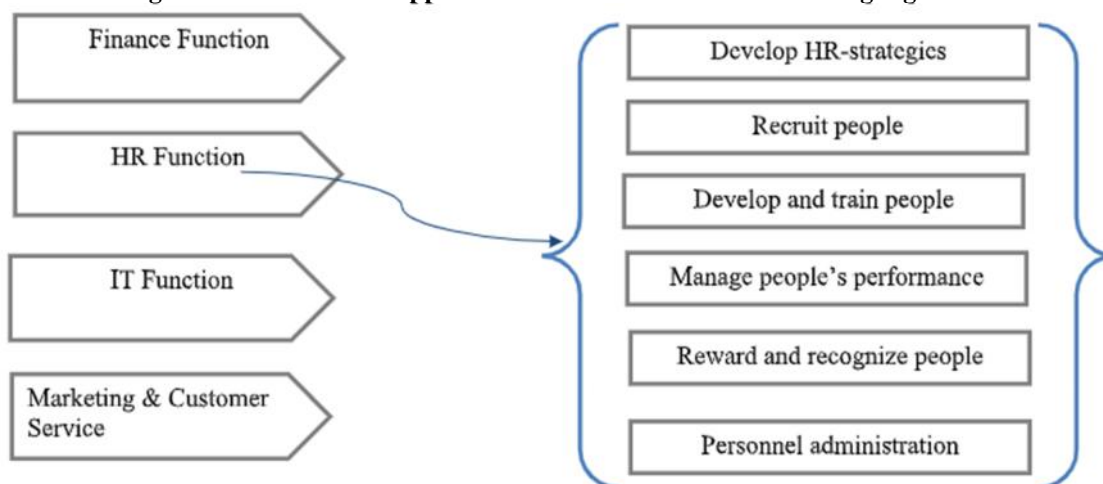


Source : Josephat (2001)

1.1.2. The traditional Role of HR Function:

HR Function is considered one of the support business functions, with Finance, IT, Marketing and Customer Service.

Figure 3 : Traditional Support Functions with a HR Function Highlight



Source : Sorqvist (2013)

Over the years, HRM has jumped from a personal administration status to a strategic partner, but although the function of the HR department is clearly changing, the roots of it live on; HR historically has been an administrative operation, a policing function, and the expert on union relations. These roles all have value, but they have been a poor substitute for the potential value of a department that should be more focused on people. The reason it is important to look at the historical roles of HR is that they are holding this function back today.

In Fact, according to Jekiel (2011) there are several root causes holding back HR from its new strategic role in many organisations even though there is a good will from a top management level:

) Root Cause Number 1: Too Much Focus on Administration

The roots of the HR function originate in “personnel management” as an administrative operation. “Personnel” is associated with keeping track of everyone within the organization. Organizing a range of information about employees, including their benefits and payroll information has been a cornerstone for what actually could be a potentially strategic function. HR as an administrative function has led to relatively low skill levels of some HR professionals, especially as this paperwork has been a core piece of work and often seen as unavoidable.

) Root Cause Number 2: HR Is Seen as a Policing Function :

Many HR departments have also traditionally been seen as a policing function. As a “policing department,” HR is in charge of making sure people follow rules, policies, and procedures. While some of these duties do have considerable value, they also can detract from creating the consulting relationships that would support having much greater merit. HR as a

policing function is in direct conflict with being a business partner, because it often has HR in the role of saying, “what can’t be done,” instead of what can or could be done.

) Root Cause Number 3: Many HR Professionals Lack Customer Orientation

The traditional HR department does not see employees as its customers, yet that is exactly what they are. The historical role of administration, policing and union relations generally means that “personnel” is a support function with a limited value, a type of necessary expense to doing business. Keeping track of employees or ensuring that rules are followed does not consider whether the employee gets any value from the Personnel Department. If there is little awareness of employees as internal customers, HR will fail to optimize services as seen in the role of HR as business partner.

1.1.3. The HRM Strategic Role:

In order to shape HRM and turn it to a strategic partner, HR professionals must focus on aligning HR strategies to the business strategy. Indeed according to (Ulrich 1997) translating business strategies to HR practices helps a business in three ways:

) First : the business can adapt to change because the time from the conception to the execution of the strategy is shortened ;

) Second : the business can better meet customer requirements because its customer service strategies have been translated into specific policies and practices;

) Third: the business can achieve financial performance through its more effective execution of strategy.

Table 1: Strategic Human resource management

| Role /cell | Deliverable/Outcome | Metaphor | Activity |
|---|--|-----------------------|--|
| Management of strategic human Resources | Executing strategy | Strategic Partner | Aligning HR & Business strategy :”Organisational Diagnosis” |
| Management of Firm infrastructure | Building an Efficient infrastructure | Administrative Expert | Reengineering Organisation Processes “shared service” |
| Management of Employee Contribution | Increasing Employee commitment and capability. | Employee Champion | Listening & Responding to employees :” providing resources to employees” |
| Management of transformation & Change | Creating a Renewed organisation | Change Agent | Managing Transformation and Change:” ensuring capacity for Change. |

Source: Ulrich (1997)

Applying the HRM with its strategic dimension requires adopting new attitudes; the new attitudes that will shape HR professionals also require the development of new skills, in order to be stronger business partners with other line managers in an organisation. Jekiel (2011) identified five skill areas HRM should undertake to achieve the strategic dimension of HRM:

1) Develop Business Strategy Skills :

HR professionals have backgrounds that are either administrative or rooted in policy applications, more so than other business managers. However, the HR function needs to attract and develop talent with broader business and abilities, so they may support key business goals and objectives. These skills involve having an understanding of the overall strategy being employed and what is involved in deploying the objectives. Some of the larger companies with leading-edge practices have used HR in powerful ways to bring forth their approach to quality and management.

2) Develop Consulting (Alignment) Skills:

In order to realize their full potential, HR must move away from historical roles .Also, HR professionals need to align with other core functions that are highly integrated with all functional groups. Success cannot be achieved within the HR department itself. Consulting requires a constant awareness of how historical roles may interfere with internal client relationships. Providing expertise in how to work with people in new ways may be in sharp

contrast to prior duties related to ensuring rules or laws are followed. Therefore, you need to be aware of how working from prior roles can affect the effectiveness of internal client relationships.

3) *Develop Customer Relationship Skills:*

At the heart of HR's relationship skills is the need to develop an appropriate sense of customer service. Customer skills for HR professionals need to encompass both an internal and external context, upgrading HR services requires all the employees should be viewed in organisation as customers. Becoming aware of employees as internal customers is critical to the success in becoming a true business partner in the organisation. Optimizing people requires motivating them in an environment that cherishes all people's value. Customer service skills, such as building rapport and handling and solving problems, further creates an organization that drives customer focus into all activities.

4) *Develop Team-Based Improvement Skills:*

Team skills include team leadership, facilitation, and membership-related skills. Continuous improvement or Lean implementations involve the need to facilitate teams. HR professionals can be trained to support cross-functional team activities, as well as management team activities.

HR can be a primary contributor in providing the instruction that it takes to deliver the training for team skills, including the ability to facilitate or teach others to facilitate team activities:

- J Team leadership skills include knowing how to create both temporary and longer-term teams along with forming, maintaining, and completing team activities.
- J Team membership skills are based on effective participation in team environments.
- J Facilitation skills involve being able to support team processes as a neutral support to team dialogues, problem solving, and other team processes.

The new vision for HR calls for you to seek out ways to learn and practice team-based improvement skills on a regular basis. HR professionals need to make sure they get involved in any improvement activities that exist within the organization. Aside from participating on teams as a team member, pay attention to the skill areas that HR needs to support in terms of team leadership, facilitation, and membership. HR can locate training materials from a range of sources that can be used in a facility. Although HR needs to contract with a group to provide these services, if HR offers to provide help in this area, they will likely succeed in becoming an integral part of the improvement efforts. In many organizations, operations takes on the training and skill development not because they generally want this job, but because HR is hanging in

the background and not aggressively seeking their role in the work and seeing how they can add value.

5) *Develop Skill in Using Lean Methodologies:*

A range of newly needed skills is related to lean implementations and is often referred to as the “tools” portion of Lean or continuous improvement skills. A few key topics would be the identification of waste and other opportunities for improvement, including value stream mapping with tact time observations, and other core Lean principles. The “tools” portion of Lean skills would considerably advance any professional’s ability to support business objectives for any function. HR professionals are often not included in this type of training in organizations, because it is not obvious as to how they would help reduce waste or improve processes. Yet HR needs to become the voice of job design and would be well suited to see how process changes impact jobs and other aspects of work. In addition, HR professionals with strong training abilities would be able to teach Lean principles to people at all levels of an organization.

1.2. Lean thinking Overview:

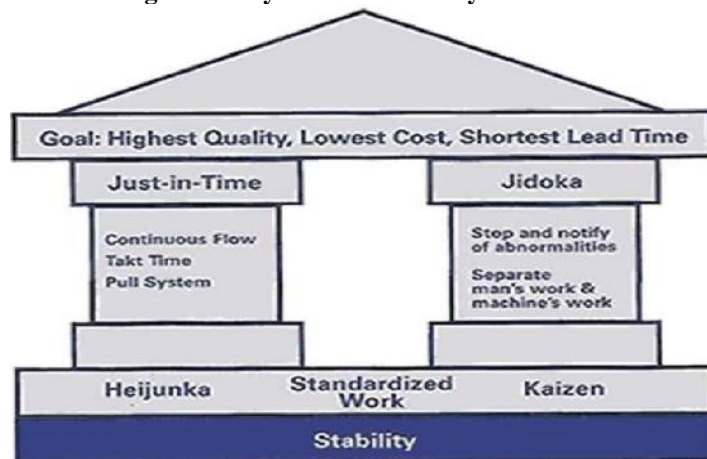
1.2.1. From Lean manufacturing to lean thinking:

Historically, the root of lean can be traced back to the beginning of 1900’s; lean was originated from the automobile industry with Henry Ford and Toyota Production System (TPS). The Toyota Production system is a production method that strives to improve processes, reduce waste in resources, which leads to better efficiency, quality, and profitability therefore we can place it under the lean production philosophy. TPS involves the firm as a whole and defines how things should be done, who has what kind of responsibility and how to react in certain situations. It requires commitment, responsibility, and initiative from every employee of the firm as does total quality management philosophy¹.

¹ Merih Arikök:

https://www.researchgate.net/publication/312213247_TOYOTA_PRODUCTION_SYSTEM_A_system_or_a_philosophy.

Figure 4: Toyota Production System House



Source: <https://www.lean.org>

(Womack 2007) defines lean thinking as a way to specify value, line up value creating actions in the best sequence, conduct these activities without interruption whenever someone requests them, and perform them more and more effectively.

According to (Wikipedia 2018) Lean thinking or lean management is a business methodology that aims to provide a new way to think about how to organize human activities to deliver more benefits to society and value to individuals while eliminating waste.

The aim of lean thinking is to create a lean enterprise, one that sustains growth by aligning customer satisfaction with employee satisfaction, and that offers innovative products or services profitably while minimizing unnecessary over-costs to customers, suppliers and the environment. The basic insight of lean thinking is that if you train every person to identify wasted time and effort in their own job and to better work together to improve processes by eliminating such waste, the resulting enterprise will deliver more value at less expense while developing every employee's confidence, competence and ability to work with others.

1.2.2. Lean thinking Principles:

Although there is no consensus on one particular definition of Lean Thinking, it seems that all existing definitions converge on the fact that of lean thinking three main purposes or principles. (Womack 2007) identified three main principles of lean thinking:

1* Purpose: The primary purpose of any organization and first step in any Lean thought process is to correctly specify the value that the customer seeks in order to cost-effectively solve the customer's problems so the organization can prosper,

2* Process: Once purpose is clarified, focus on the process (value stream) used to achieve this objective. This is generally the combined result of three processes: product and

process development, fulfillment from order to delivery, and support of the product and the customer through the product's useful life. These primary processes are made possible by many secondary support processes inside the organization and upstream.

3* People: After identifying the primary and support processes needed to create value for the customer, make someone responsible for each value stream. This value-stream manager must engage and align the efforts of everyone touching each value stream to move it steadily toward the customer while elevating performance from its current state to an ever-better future state. Aligning purpose, process and people is the central mission of lean management.

Figure 5: Lean Principles



Source: By the author adapted from Womack (2007)

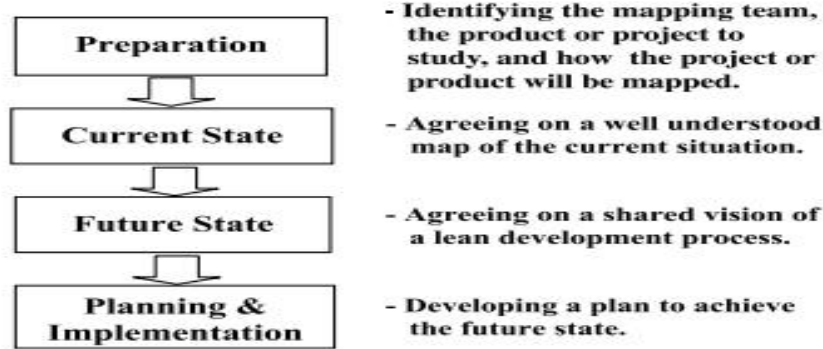
1.2.3. Lean Tools Overview :

Since the emergence of lean philosophy, a large range of lean tools and methodologies are designed to reach lean management purposes that focus on eliminating waste through continuous operational improvement to create the most value for the customer.

The undermentioned tools are a selection of the most recommended lean tools that are utilised by the companies in order to achieve their lean conversion:

) **Value Stream Mapping** : Womack (1996) defines a value stream as the set of all specific actions required to bring a specific product or service through the critical management tasks. For example, a product design that is difficult to build will negatively affect the “physical transformation” value stream. In addition, poor information management from the market will negatively impact the “problem solving” value stream.

Figure 6: The value stream mapping process



Source: Locher (2008)

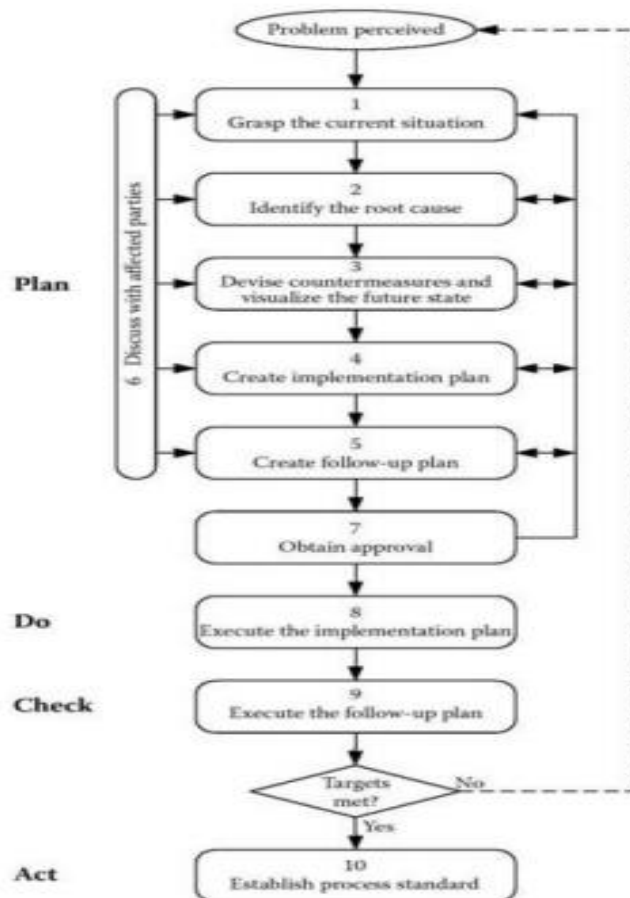
) **KAIZEN** : KAIZEN originally envisioned by Taiichi Ohno is a Japanese term that means continuous improvement, taken from words 'Kai', which means continuous and 'zen', which means improvement. Some translate 'Kai' to mean change and 'zen' to mean good, or for the better. According to McLoughlin (2018) the process of Kaizen, implementation and improvement can be summed up as follows:

- visiting the shop floor and observe.
- Finding wastes.
- Executing the Kaizen ideas managers believe will work.
- Reflecting upon results. (If manager's ideas did not work, they should go back to step three and begin looking for other solutions.)
- Finding the next Kaizen idea.

) **Plan-Do-Check-Act (PCDA) Cycle** : The PCDA cycle is a way of identifying and testing hypotheses, it aims to improve and optimize management by the continuous control of activities and production process. So that, it is possible to standardize information and reduce errors that directly influence decision-making².

² <https://www.myabcm.com/blog-post/pdca-cycle-benefits/>

Figure 7: Figure N°: Practical problem-solving process



Source: Sobek (2008)

) **5S method** : Another method used for the improvement of production processes is the 5S method. 5S is the basis for the implementation of Lean Manufacturing. The method name is derived from the first letters of the Japanese words: Seiri, Seiton, Seiso, Seiketsu, and Shitsuke. They are also the names of the five stages of organization of the work³:

Seiri: means sorting, selection the elimination of the workstation of all the items that are unnecessary to do the job. Step is carried primarily of decreased inventory, and better use of working space. In accordance with the principle of selection, all unnecessary items should be marked with a red label and placed in a designated area.

Seiton means systematics arrangement, designation and selecting a suitable place for all tools in the workstation at the selection stage. It can help in this instance. Board of shadows or color coding each tool. Step is performed to reduce unnecessary traffic employee performed

³ Justyna Trojanowska, Paulina Rewers, Przemysław Chabowski : Tools and methods of Lean Manufacturing - a literature review. Technological forum, June 2016.

when searching for tools and elimination of errors the quality of products resulting from mistakes by properly marking items..

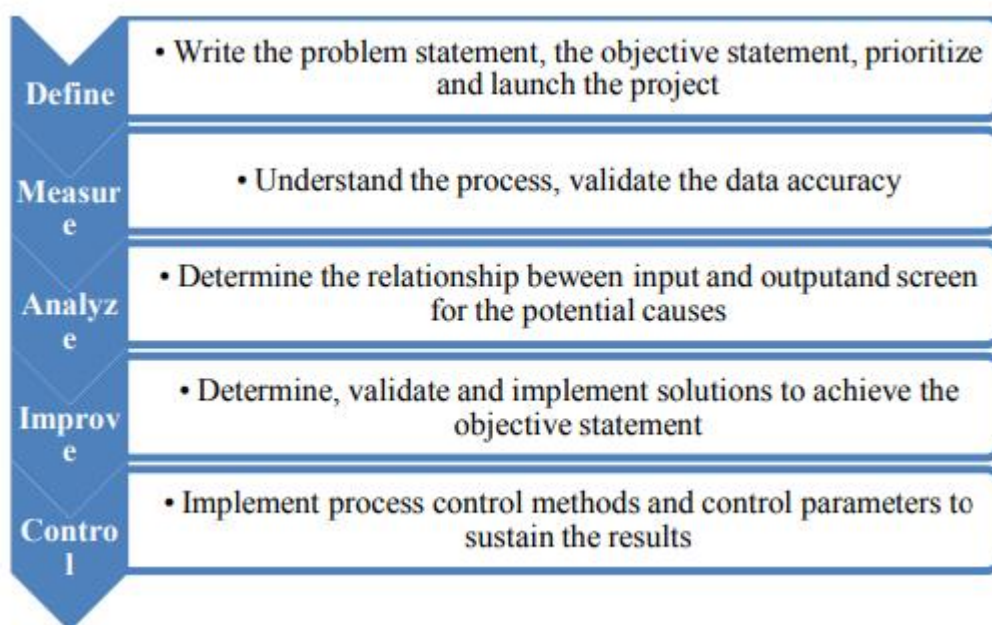
Seiso : means cleaning and maintenance of the workplace and sets out the standard of proper cleaning. Stage aims to: maintain positions in good condition identify and eliminate the causes of pollution and care of machines.

Seiketsu means standardize determine the rules for the first three stages of 5S. In this stage, mainly defines the responsibilities of employees and creates instructions, supporting the execution of the previous steps. Stage provides a systematic procedure and repeatability previously entered changes.

Shitsuke: means discipline ratcheting up at the habits of employees to comply with the previously introduced changes and act in accordance with the standards. It is a difficult and long stage, because it forces you to change the habits of both production workers and management.

) **DMAIC methodology**: DMAIC (Define, Measure, Analyse, Improve and Control) is a methodology for minimising mistakes and maximizing value. Every mistake an organisation or person makes ultimately has a cost, a lost customer, the need to do certain task over again, a part that has to be replaced, time or material wasted, efficiency lost or productivity squandered (Gygi 2005).

Figure 8: DMAIC Methodology



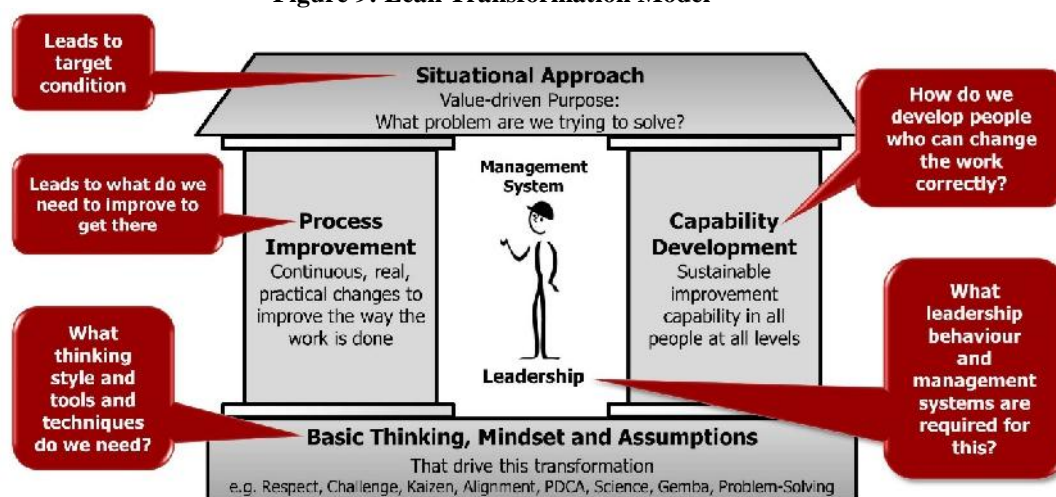
Source: the author

1.2.4. Lean Transformation Model:

Lean transformation is the process of introducing changes in an organization with the goal of maximizing the flow of value produced for the customer. (Shook 2009) the CEO of the the Lean Enterprise Institute argues that lean transformation requires learning a new way of thinking and acting, characterised by implementing a series of steps or solutions, and addressing key questions of purpose, process and people. He considers that before committing to transform an organisation into a lean machine, top managers need to understand what they are getting themselves, their team, and their whole company into five elements will be in focus during the transformation:

-) Situational Approach
-) Process Improvement
-) Capability Development
-) Responsible Leadership
-) Basic Thinking, Mindset, Assumptions.

Figure 9: Lean Transformation Model



Source: Shook (2009)

1.2.5. Teams & Leadership:

One of the first steps when it comes to adopting a lean paradigm by any organisation, is to build teams and leadership, they are considered as a crucial enablers during the lean transformation process, in the following paragraph, a general overview about the two concepts will be given, with the emphasis on the role of HR in creating these two skills.

) **Designing the Teams Around the Process** : A team-based organization is focused on the work processes because teams have been designed around the process. Each team owns a piece of the process and is responsible for continuously improving that process. Every team knows their customers, suppliers, and is measuring performance to customer requirements Miller (2005).

Figure 10: Teams role in a lean based-organisation.



Source: Miller(2005)

According to (Jeckiel 2011), teams in a lean-based organisation can be categorised into:

1. Team leadership skills: include knowing how to create both temporary and longer-term teams along with forming, maintaining, and completing team activities;
2. Team membership skills are based on effective participation in team environments;
3. Facilitation skills involve being able to support team processes as a neutral support to team dialogues, problem solving, and other team processes.

Given that problem solving is one of the lean thinking core employee commitment, HR plays a critical role in detailing the job content and developing the training materials and supporting the facilitation needs required to resolve problems in teams, in fact, HR department Should develop the actual training materials that will be used to teach fact-based problem solving and to conduct the training as well.

Another sort of teams could be created within the organisation: Networking teams, they are very different. Networking teams have neither the responsibility to solve a problem, nor the responsibility to manage performance. They exist for the purpose of learning, sharing and support, particularly among those with common professional skills (Miller 2005).

) **Lean Leadership:** Leadership is a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organization goal.

According to (Cutler 2014) the act of leading people involves influencing them to undertake a course of action that contributes to an objective defined by the leader: his or her visions.

Larsson (2010), states that success of an organisation is heavily reliant on the leadership behaviour. According to (Wilson 2014) Leadership implies the following tasks:

1. **Directing :** The leader is assertive and gives clear directions to the follower, the follower is low on experience but is high on motivation to learn, thus the leadership only

needs to provide relevant guiding for the follower to complete the task at hand. A typical employee requiring this type of leadership is a trainee or entry level.

2. **Coaching :** The coaching leader will still need to provide a clear direction; however, the follower is starting to take ownership of the task and requires less guidance, the type of follower in this quadrant is typically a team member.
3. **Supporting:** The leader will shift focus away from directing but continue to motivate the follower to act by himself or herself, the follower has the required knowledge to complete the task but needs the extra motivation to gain confidence in themselves. The type of follower is typically a supervisor or manager.
4. **Delegating:** The follower is now ready to both drive the project by themselves and does not need further motivation from the leader .The leader will act more as a side-support in certain instances. The type of follower requiring this leadership is at a department head level.

2. The Literature Review :

This section focuses on reviewing relevant studies on the role of Human Resources in the lean transformation journey. The review process sought empirical evidence through relevant studies that were focused on the role of HR in the lean transformation. However, screening the literature showed a lack of sufficient studies that focus on the research study. I found two related scientific articles treating the current topic; the first one is from Tracey and, Flinchbauch (2006), and the second one is from McKinsey & Company (2014).

Tracey & Flinchbauch (2006) conducted a survey on more than 220 managers and employees in the United States, four significant HR roles have been identified in the lean transformation journey:

) **The development of teams as a supporting structure of lean:** Teams are an important element of a lean organization. The research supports that the development of effective teams extends deep inside and outside of lean transformations. Within lean, teams are important because the whole process must work together to build value for the customer, and if teams cannot work together then the process cannot work for the customer. How teams work is more important than their mere existence. Teams in a lean environment need the following. First, they need a common language, common principles and common tools. Second, they need a common drive provided by vision, metrics and goals. Third, they need to design the work around them visually so that there is high agreement about what work must be done and how it should be done.

) **Communication Across Boundaries:** Organizations that are successful in lean also successfully improve their communications, particularly across boundaries such as departments and functions. In a lean environment, process focus takes priority over functional focus. Successful lean processes have material or information flowing across functional boundaries, so naturally organizations that are successful in lean will also improve communications across functional boundaries in the manner most efficient and effective for the customer.

) **Communication to Employees Regarding Their Role:** Part of management's communication for lean implementation includes clarity of each employee's roles and responsibilities. When many organizations begin their lean journeys, they train everyone in lean. The organization then gives everyone the same role: Go out and apply lean. However, as with any other aspect of an organization, success depends upon role clarity. Roles must change as an organization goes toward lean maturity, so the rate at which an organization reaches maturity partly depends on lean role clarity and integration throughout the journey.

) **Acknowledgement and Celebrations of Successes :** Most corporate initiatives have a distinct beginning and a clear, objective outcome, but lean is a never-ending journey. If objectives remain clear, employees feel a sense of accomplishment and, if appropriate, the accompanying reward. Managers should understand that what they choose to recognize as success, and how they choose to recognize it, could either reinforce human progress or retard it. The famous worldwide management-consulting firm **McKinsey & Company** conducted in turn the second research; Indeed, Frackleton (2014) considers organizations that successfully engage HR throughout their application of lean management see significant long-term advantages, McKinsey & Company established five areas where HR can add the most value:

) **Building the transformation team:** Before launching a lean-management transformation, the enterprise must establish a central team to plan and coordinate the transformation and provide oversight for working-level change teams, HR should craft a value proposition for candidates for its transformation team that emphasized the exclusivity of the designation, HR will also need to work with senior leadersto craft a career path for people who join the team. That will matter greatly to the best candidates, who will want to know that their contributions will help their advancement rather than impede it.

) **Designing a new organizational structure :** Given that lean management creates new roles and changes old ones significantly as the organization breaks down internal walls and redesigns its operating patterns. The redeployment of both managers and employees will require extensive HR collaboration for the transformation to take hold. HR's support in identifying and

staffing a stable management core at every level—with people committed to the new emphasis on coaching and feedback rather than just technical competence—will be crucial to reinforce the changes. At the same time, new tracks for managers, experts, and project leaders will help retain talent in positions to which they are most suited.

) **Communications and monitoring the people pulse:** Changes in leadership, team structure, and performance transparency can be deeply stressful for frontline employees and middle managers. That leads to HR's next major contribution, which is to help with communicating the transformation, monitoring employee reactions to it, and addressing concerns that arise. At the earliest stages of a transformation, one of the basic tasks for the leadership team is the development of a communications plan. HR can help build the communications capabilities of leaders and managers charged with persuading the organization to give its backing.

) **Integrating lean management into the talent system:** Maintaining the lean-management knowledge base and transmitting the mind-sets to current and future workers will depend to a great degree on HR's core talent systems for recruiting, training, people development, and compensation. Those will need their own adjustments and improvements as part of constructing the transformed organization.

HR could intervene in terms of:

1. **Recruiting:** The most forward-thinking organizations recognize that instilling lean-management values in employees begins even before the first interview, when defining the profiles of ideal job candidates. HR will therefore need to update job descriptions and related documents to incorporate lean characteristics and behaviours. Recognizing the importance of strong teamwork in its business, the global asset manager redrafted its recruiting materials to present; itself as a place where people could join and build great teams.
2. **Training:** Once a candidate joins the organisation, the on boarding and training programs must incorporate lean-management principles, systems, and tools as well, both for initial orientation and for later growth at every career stage. To build these resources, organizations should partner with the transformation team to spread their capability-building practices and materials throughout the company.
3. **People development:** The third core talent system, people development, will undergo a sea change as individual and team performance become far more transparent throughout the organization. Structures designed around high-stress, high-stakes annual

or semi-annual reviews must evolve to support ordinary, everyday conversations about how work is progressing and where it could improve.

4. **Compensation:** Finally, in most organizations, compensation and incentive design may need a radical overhaul, particularly as leaders begin to redefine what they mean by a “star performer.” Whereas in the past, star performers were likely to be considered great mainly at specialized skills—whether writing software code, answering customer calls, or selling financial products—the star performer in a lean-management organization will need to be great at developing others and solving problems, in addition to the technical requirements of their jobs. The most valuable team member may not be the one who produces the most but the one who can stretch to use many skills, without necessarily being the best at any of them.

) **Integrating lean management into the leadership mode** Coaching, feedback, capability building, together, these shape the new leadership as current and future leaders learn the new behaviours, and learn to exhibit them, they will need comprehensive support. HR’s resources will be called upon to incorporate lean-management concepts into the leadership competency model, to design and implement “lean leadership” programs to complement existing leadership-development resources.

**CHAPTER III:
RESEARCH METHODOLOGY.**

This chapter discusses the methods and techniques that are used to design and collect the research data. The research design was based on the research objectives and questions, and on evaluation of the research methodology used in relevant studies related to HRM and Lean Thinking. This chapter discusses various aspects of the research methodology, such as, the research philosophy, research approach and research design, in addition of the data collection.

1. Methodological Framework

1.1. Research philosophy: Constructivism Paradigm

(Saunders 2016) states that the term research philosophy refers to a system of beliefs and assumptions about the development of knowledge. Although this sounds rather profound, it is precisely what a researcher is doing when embarking on research: developing knowledge in a particular field. The knowledge development you are embarking upon may not be as dramatic as a new theory of human motivation, but even answering a specific problem in a particular organisation you are, nonetheless, developing new knowledge.

Krauss (2005) argues that the epistemological approach is related to ontology and methodology. Ontology involves the philosophy of reality; epistemology addresses how we come to know that reality, while methodology identifies the particular practices used to reach knowledge. There are 3 major epistemological paradigms: **Constructivism**, **Positivism** and **Pragmatism**:

Table 2: characteristics of the main three research philosophies

| Philosophy | Constructivism | Positivism | Pragmatism |
|-------------------------|---|---|--|
| Type of research | Qualitative | Quantitative | Mixed |
| Methods | *Open-ended questions, emerging approaches, text and/or image data. | *Closed ended questions, pre-determined approaches, numeric data. | *Both, open and closed-ended questions, both, emerging and Predetermined approaches, and both, qualitative and quantitative data analysis. |

| | | | |
|----------------------------------|---|--|---|
| <p>Research Practices</p> | <ul style="list-style-type: none"> *Positions researcher within the context; *Collects participant generate meanings; *Focuses on a single concept or phenomenon; *Brings personal values into the study; *Studies the context or setting of participants; *Validates the accuracy of findings; *Interprets the data *Creates an agenda for change or reform; *Involves researcher in collaborating with participants. | <ul style="list-style-type: none"> *Tests or verifies theories or explanations; *Identifies variables of interest; *Relates variables in questions or hypotheses; *Uses standards of reliability and validity; *Observes and then measures information Numerically; *Uses unbiased Approaches; *Employs statistical Procedures. | <ul style="list-style-type: none"> *Collects both, qualitative and quantitative data; *Develops a rationale for mixing methods; *Integrates the data at various stages of inquiry; *Presents visual pictures of the procedures in the study; *Employs practices of both qualitative and quantitative research. |
|----------------------------------|---|--|---|

Source: Andrew, Pedersen, & McEvoy, (2011)

Based on the nature and scope of this research, the **Constructivism paradigm** was applied for the following reason: (Honebein 1996) describes the constructivism philosophical paradigm as an approach that asserts that people construct their own understanding and knowledge of the world through experiencing things and reflecting on those experiences, otherwise, the paradigm seeks to understand a phenomenon under study from the experiences or angles of the participants using different data collecting methodologies especially the qualitative ones, which is the case of my research, since its main purpose is to determine the role of HR department in the lean transformation taking into the account the Nestlé corporate context in one hand the manager and employee behaviours in another hand.

1.2. Research approach: Deductive approach

When it comes to research approaches, there are two main approaches that we could use in business studies, namely: Inductive and Deductive approaches, the table below shows the major differences between these 2 approaches:

Table 3 : The characteristics of deductive and inductive approaches

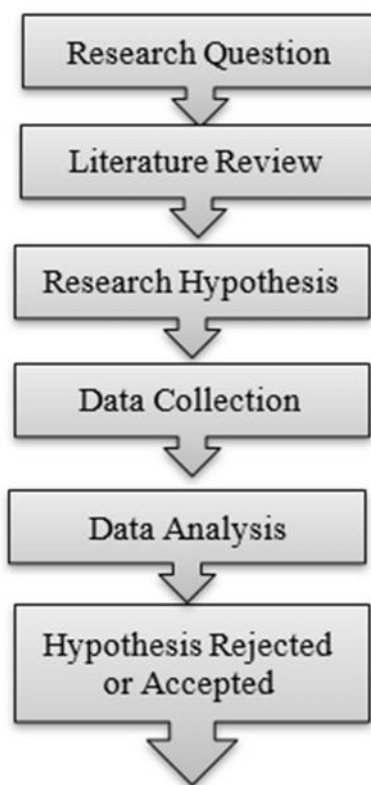
| | Deduction | Induction |
|-------------------------|--|---|
| Logic | In a deductive inference, when the premises are true, the conclusion must also be true. | In an inductive inference, known premises are used to generate untested conclusions. |
| Generalisability | Generalising from the general to the specific | Generalising from the specific to the general |
| Use of data | Data collection is used to evaluate propositions or hypotheses related to an existing theory | Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework |
| Theory | Theory falsification or verification | Theory generation and building |

Source: (Saunders, Lewis, Thornhill 2016)

In the deductive approach, researcher first develops a theory and finalises the hypothesis. To verify this hypothesis, research strategy will be developed. Deductive approach is a top-down approach where theory and hypothesis is developed using thorough literature review. Hypothesis is accepted or rejected using data analysis where data collected through research strategy. In the inductive approach researcher collects a data and create a theory as outcome of a data analysis. Inductive approach is bottom-up approach where research strategy is decided as either a group interview or survey or other methods of collecting data and theory is developed upon data analysis.

In this research, deductive approach is followed; because I have first identified the theoretical position when I drafted the research questions then I tested it. Otherwise, the literature review, was taken as a hypothesis for this study, the research has been conducted to get the data for verification of hypothesis.

Figure 11: Deductive Research approach



Source : (Saunders, Lewis, Thornhill 2016)

1.3. Research Design: Qualitative methodology

The research design plans the way of obtaining and analysing data to answer the research questions, two types of research methods exist: qualitative and quantitative. As specified by (Adams 2014), qualitative design employs methods of data collection and analysis that are non-quantitative, aims towards the exploration of social relations and describes reality as experienced by the respondents.

Qualitative research allows the researcher to be involved with the people being studied to understand their views, exploring various subjects from the participants' view in order to detect the dysfunctions, understand the current phenomenon in order to propose solutions or make recommendations which the purpose of this research.

Thereby, for this study, the action research is used as research strategy. (Saunders 2016) states that the action research iterative process of inquiry that is designed to develop solutions to real organisational problems through a participative and collaborative approach, which uses different forms of knowledge, and which will have implications for participants and the organisation beyond the research project.

2. Data Collection Methods :

Data collection methods depend on the type of the collected data during the research process, then, it can be categorized in two main categories: Primary and Secondary Data.

Table 4: Major Data collection Methods in Business Researches

| Primary Data Collection | Secondary Data Collection |
|-------------------------|---------------------------|
|) Observation |) Books |
|) Interviews |) Academic Papers |
|) Questionnaires |) Newspapers & Magazines |
|) Case Studies |) Websites & Blogs |
|) Experimentation |) Reports |
|) Focus Groups | |

Source : Saunders (2016), Adams (2014)

As previously stated, the qualitative methodology is used in this study, thus, for the data primary collection the most suitable methods for a qualitative perspective are **Interviews** and **Observation**.

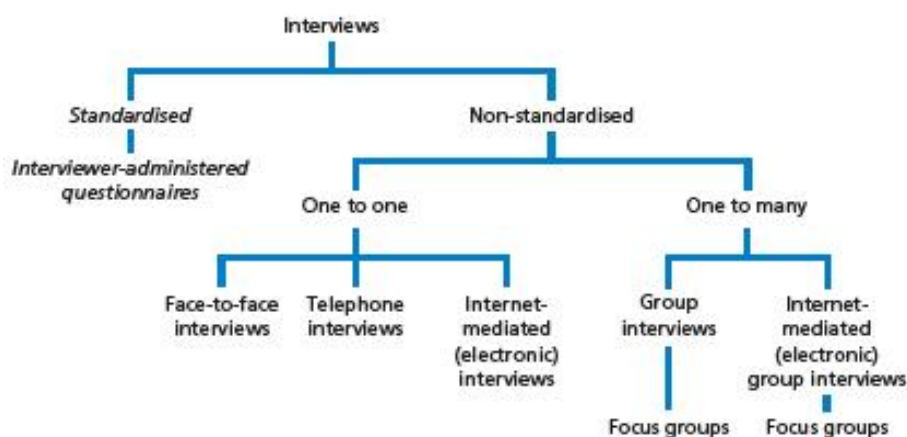
2.1. Primary Data:

2.1.1. Interviews :

(Saunders 2016) argues that research interviews is a purposeful conversation between two or more people, requiring the interviewer to establish rapport and ask concise and unambiguous questions, to which the interviewee is willing to respond, and to listen attentively. For this study, I focused on the interviews more than another data collection method in order to get an in-depth understanding of the Nestlé employees and managers' opinions, attitudes, values, experiences and beliefs about the implementation of the NCE framework in their respective departments and therefore assess their awareness and readiness about applying the NCE strategy, then, proposing a HR lean transformation roadmap to lead its success.

I started first with the standardised interviews –also referred as structured interviews- , with the Face-to-face option then, I ended up the interview option by moderating a focus group session.

Figure 12 Figure N : Forms of interview



Source : Saunders (2016)

2.1.2. Observation:

According to (Sreejesh 2014) observation methodology unlike interviews does not involve any verbal communication with the respondents. Observation methods involve recording the behavioural patterns of respondents without communicating with them.

2.2. Secondary Data:

The secondary data were used mainly to build the theoretical framework of this research and to support the findings of the primary data.

To develop my research I started to consult the references available in the library of the ENSM and on the Internet, whether books, articles, papers, reports and dissertations that have dealt with the issues of HR management, and Lean Thinking. Regarding the research methodology, I used the methodological guide provided by ENSM, the course support given by the teacher in research methodology and scientific papers found on the internet. These documents allowed both the construction of the idea surrounding the subject, and the mastery of some theoretical concepts.

During my internship at Nestlé Algeria, I also had access to the internal documents, which allowed me to describe and present the company, and have the necessary information of the organization chart, functions and responsibilities.

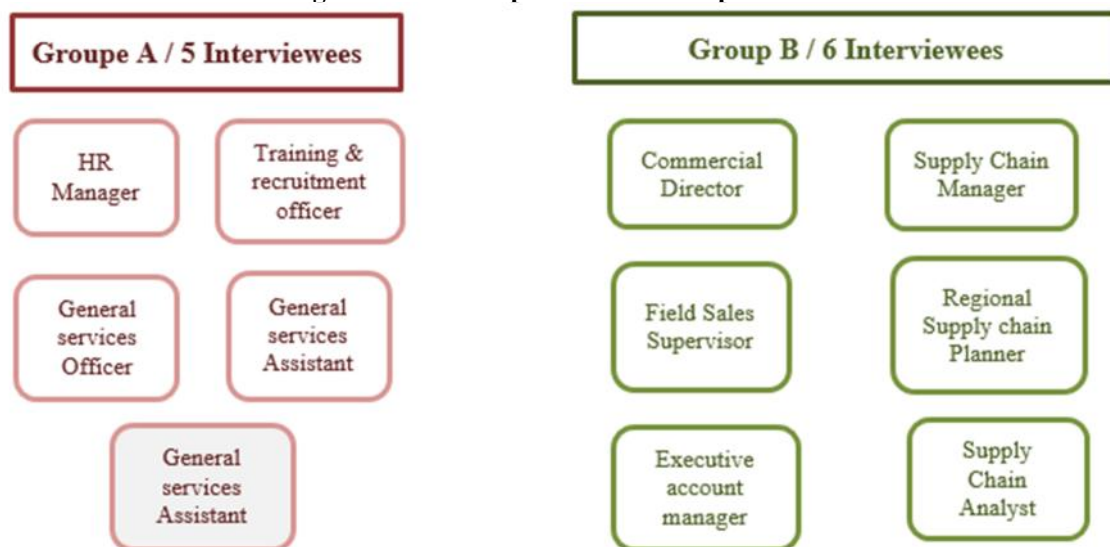
Samples selection:

(Saunders 2016) argues that the selected sample is related to the population that is highlighted in the research question and objectives.

At Nestlé, a total number of 11 employees was interviewed; five of the interviewees were from Group A, from the HR department, and six from Group B, from both the Marketing and Supply chain departments respectively. All representatives are part of the lean transformation but with

varying knowledge of the topic. This was essential to ensure that the sample was as representative as much as possible. Representatives from Group A and B are found at different hierarchical levels in the organisation. This provides more realistic picture of all challenges the company is facing.

Figure 13: The sample of interviewee positions



Source 1: the author

2.2. Data Analysis

Qualitative analysis is a method of examining and interpreting social research without presenting the results in a numerical format (Bobbie, 2010).

Saunders (2016) states that analysis of qualitative data can be grouped into three main types of processes: summarising the conversation and the meaning of the interview, categorising the data into groups according to their meaning and the researcher recognising the relationship between the themes, and structuring data using narrative form, which is defined as an account of the experience that is told in a sequential way, including a flow of related events

CHAPTER IV:
ANALYSIS & DISCUSSION.

1. Empirical Data:





The following chapter presents the empirical data gathered from interviews held with Nestlé employees, as well as internal information provided at the case organization.

1.1. Nestlé Case Organization:

Once the NCE strategy has been launched at the beginning of 2018, Nestlé Algeria has undertaken many initiatives in order to implement it:

-) Creating a company Operations Master Plan (OMP) with a measurable Key Performances Indicators (KPIs) and Drivers in application of the NCE foundations.

Figure 14: Figure N°: Operation Master Plan

| | | | | | |
|--|---|--|--|---|---|
| Drive competitive advantage through excellence in operations | 1) Constrains all costs to value creation 2) Ensure flawless execution of NCE transformation | a) Cogs value per ton b) TSC c) Other SC costs d) E2E Deployment Plan completion | a) 55% b) 11% c) 2,6% d) 100% compl. | a) 55,2% b) 11% c) 3,1% |  |
| Accelerate profitable growth above market | 1) Accelerate Coffee growth based on Cons. Dem. 2) Further built growth in Dairy 3) Further built growth of Nesquik cross categories 4) Regain leadership in Infant Nutrition 5) Further built DSD Distribution | a) M.share coffee b) M.share (powder) c) M.share (Nesquik) d) #Vans e) %SR f) #autom.routes g) OG% | a) 83% b) 21% c) 30% d) 124 e) 85 f) 85 g) 14,8% | a) 70% b) 20% c) 18% d) 135 e) 80% f) g) 8,7% |  |
| Lead people in an inclusive organization | 1) Attract Talents as a competitive advantage 2) Engage people on Nestle values 3) Build an agile and High Performing Organization | a) Recruit. Rate b) HR job events c) Turnover (HO) d) HPTO e) <u>Devpt plan key talents</u> | a) <5 open position b) >6 c) <10% d) <2% e) >90% | a) 3 b) 7 c) 13% d) e) |  |
| Create value for consumers and Society | 1) Reinforce CSV through ecosystem development 2) Improve the image of 'Enhancing quality of life and contributing to healthier future' | a) Local sourcing b) % Waste disposal reduction c) <u>N&I/P&V events</u> | a) 20%(mixing) b) 100% c) 4 | a) 16% b) 90% c) |  |

Source: Nestlé Algeria

One of the NCE objectives is achieving a goal alignment, the operational Master Plan is a management tool designed to achieve a strategy goal alignment. The OMP (Figure 14) describes the key priorities in order to implement the NCE, the 3rd priority is exclusively an HR mission, in order to create an alignment with the NCE, HR should lead people in an inclusive organisation which implies:

*OMP priority: Lead People in an inclusive organisation

Measures: Percentage of the current female's managers in the organization

Importance: % Female Managers is an important KPI indicating to what extent our manager workforce is diverse from a gender perspective. It also allows us to compare this result with gender diversity at other levels in the organization.

*OMP priority: Engage people and Attract & Retain Talents

Measures: Indicates to what extent we are actually nominating key talents as potential successors to next roles and with that we are proactively managing their next career steps.

Importance: Managing careers of key talents is a crucial aspect in managing their retention.

*OMP priority: Engage people and Attract & Retain Talents:

Measures: The percentage of High performer employees leaving Nestlé

Importance: It tells us how effectively Nestlé is retaining its high performing employees.

*OMP priority: Enhance Performance culture within the company

Measures: How much higher is the average annual salary increase for high performing employees than for all white collar employees

Importance: It tells how effectively Nestlé is differentiating annual salary increases based upon performance.

) Switching to a team-based organization Chart:

Among the deep structural changes that any corporate should fulfil in order to move to a lean oriented organisation, is to switch its organisational chart from a conventional hierarchical chart to a team-based one.

Indeed, Lean thinking does not match with the hierarchy model existing in almost organisations since the core element in lean management is building teams and working closely with other teams without having any cross-departments barrier.

Considering that HR department is the owner of the job description models, it participated in reordering and redesigning organisational configuration of the new team based chart

The two aforementioned charts show the difference when it comes to cross-departments relationships and cooperation.

Figures N° 14 : Former Nestlé Organizational Chart

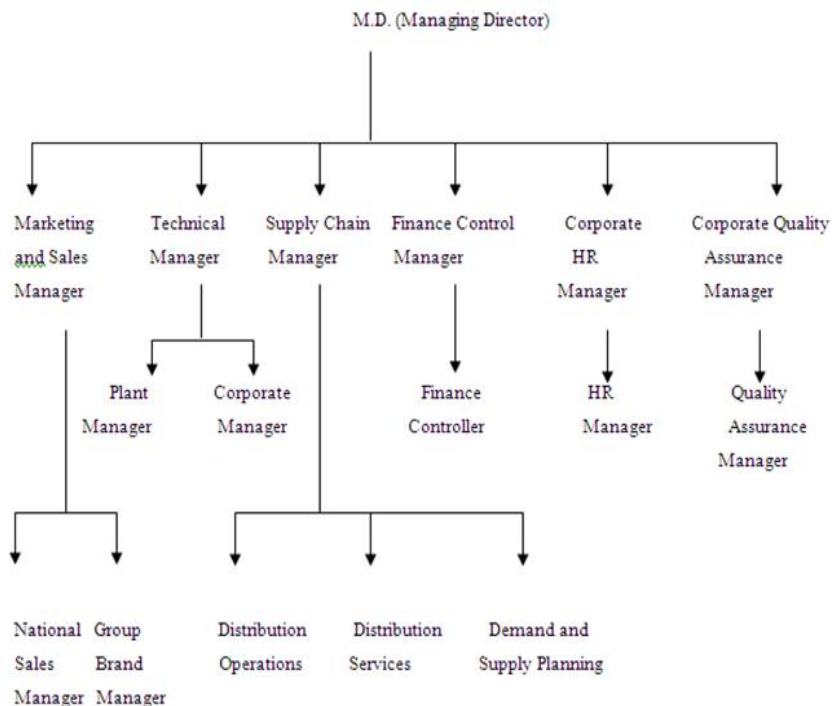
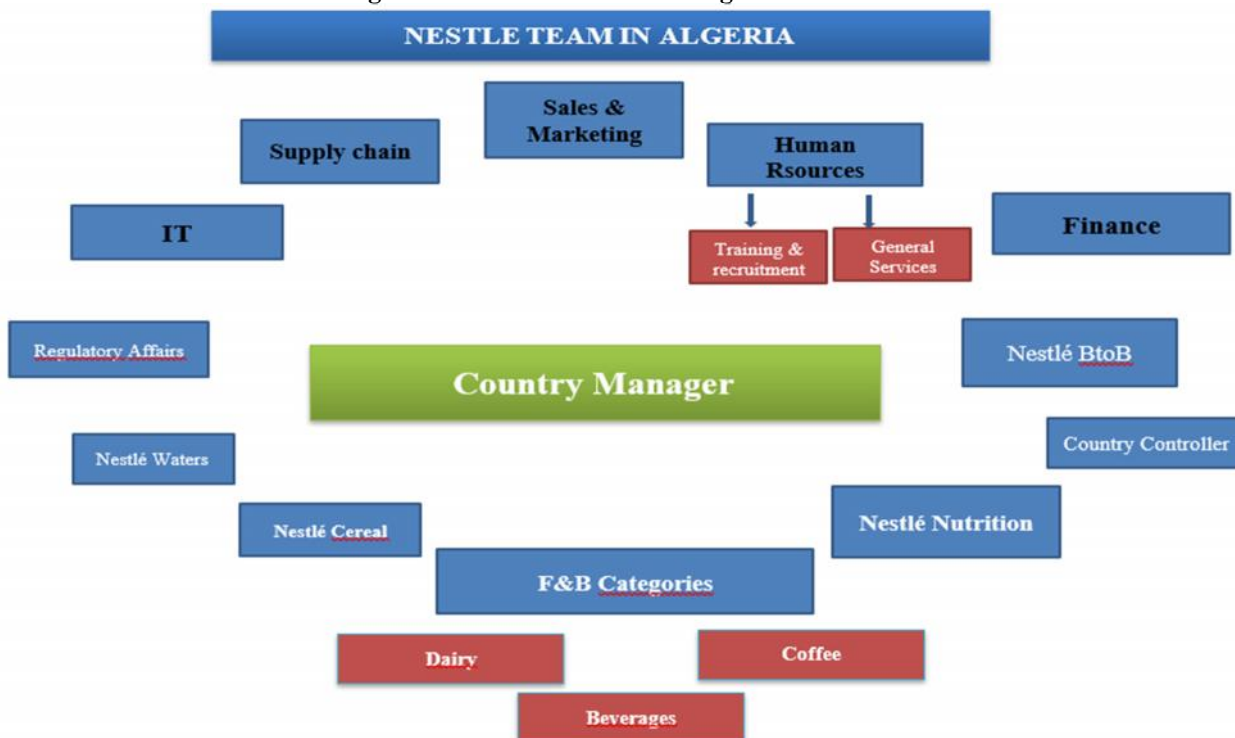


Figure 15:Nestlé Team-Based Organizational chart



Source: Nestlé Algeria

) **Launching problem solving initiatives:**

Continuous improvement is an important lean management method, weekly and monthly operations review are inserted at the Nestlé employees routine in order to enhance their daily activities and being aligned to NCE customer oriented values.

The table below is an illustration of the weekly Operations review routine, it generally took place at the last working day of the week. It is a team oriented review with the participation of both line managers and executives.

Table 5: Weekly Operations review

| N° | Issue | Action | Overview | Date |
|-----------|--------------|---------------|-----------------|-------------|
| | | | | |

Source: Nestlé Internal Documentations

2. Propositions and Recommendations:

➤ Interviews Analysis :

1/Human Resource Support with the Lean Transformation Process:

Many interviewees mentioned that HR have the knowledge of how to support the teams, whereas the teams themselves and managers knows how the organisation will work with the lean transformation journey. The interviewees believe that HR should be more involved in the human and motivational aspect of the transformation, to anchor the lean mind-set within the organisation. HR should also have the possibility of talking to employees about their experience of the lean transformational journey. They can explain that there is a current state of uncertainty, and that it is alright for people to feel insecure. A representative from Group A states that it is a part of their profession to support change management in an organisation.

Group B mentions that it is important for HR to notice what is happening on both an operational and managerial level, to be able to understand the change and be part of the everyday work. Group A representatives agree with this, and states that they need to work closely to where the

transformation is implemented. Moreover, they point out that HR could be an objective party that can support the line organisation from an external perspective. HR could potentially be a place where one can ask questions or talk about how one feels in the transformation without involving the manager.

2/ HR New Roles:

Group A interviewees claim that they can assist with the new roles regarding content, salary, and the structure. Group B interviewee's mentions that HR can be a major support to individuals currently feeling lost in the system, finding a place where they can contribute and feel satisfied. An interviewee from Group A does not believe that all current roles will match the NCE framework. An important aspect mentioned by HR is to make sure that the experience found within the organisation today is not lost due to confusing procedures.

3/Human Resources' Contribution to Enable Communication:

Group A representative's states that HR can have a great impact on the departments that have yet to start their transformation. They can support through communicating how the transformation is being implemented in other parts of the organisation, to create an understanding of what the future will look like for coming departments. Interviewed from Group B mentions that if HR was not a part of the transformation, there could be HR mechanisms that would go against what the line organisation is trying to communicate and implement. The interviewees also believe that strong HR personnel could put pressure on the line organisation and project managers to communicate the vision of the transformation and make sure that the correct information reaches all employees. HR staff can make sure that the transformation is discussed and talked about in the management teams. Some representatives from Group A agree that they can inform and communicate the transformation to employees, since much of the resistance is witnessed by that employees not having the correct information. Then, communication will be towards the employees. The interviewee also adds that they are unaware of the general HR-perspective on the transformation as this is nothing that is spoken about, since it is important that the HR department works closely to the organisation to be able to identify needs and deliver according to these.

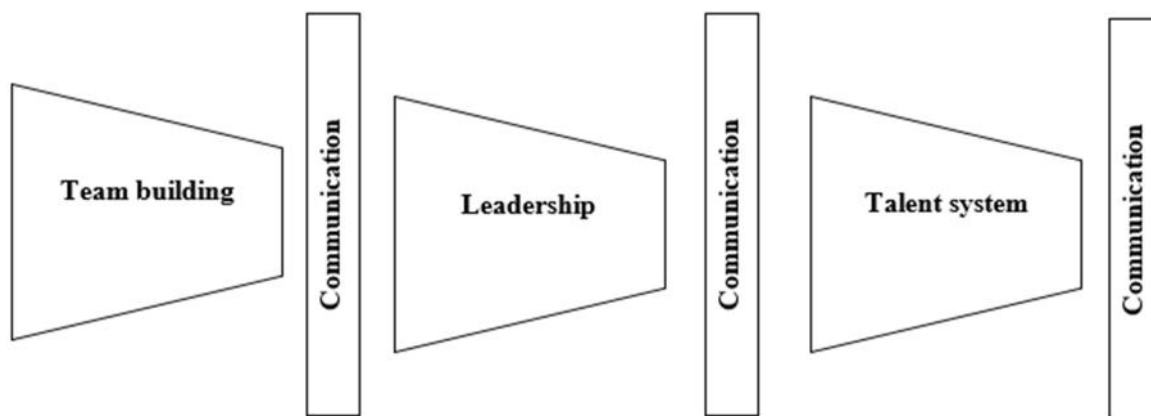
➤ **Recommendations :**

As stated before in the literature overview, McKenzie Company has proposed an HR role model in order to support the lean transformation process.

Even though Nestlé has undertaken some initiatives in order to implement the NCE framework these actions have been taken from a top management level without the expertise of the HR department, knowing that one of the component of the lean thinking philosophy is the engagement and awareness of the employees about the challenges they are facing in order fulfil the customer value designed in the NCE framework.

*During the interviews session with the staff of the Marketing and supply chain department - taken as specimen in this study- the perception of the lean thinking as an organizational culture by the concerned interviewees does not occur spontaneously despite of the daily the problem solving routines which is one the main practices in lean management, therefore knowledge management is considered as an enabler to enhance employees commitment except in the case where HR management has not enough expertise in order to accompany other structures during their lean learning process this is why Nestlé needs to consult an outside expert in order to accompany both HR department and other departments in the lean transformation journey.

Figure 1: HR Lean Transformation Roadmap



Source : The author

*Even though a team-based organizational chart has been designed under the proposition of the HR department at Nestlé, team approach seems to be just a formal concept due to the luck

of an organisational Culture with its different levels, then establishing listening teams as recommended by McKinsey to assess how the teams are really transformed and become completely capable to work efficiently.

*Leadership is one of the weak link that any organization could have when it comes to implementing a new business strategy especially in the lean one that requires many skills and knowledge to apply it. We can barely distinguish the difference between the core functions of the leadership styles especially the “delegating” because of lack of trust this is why Nestlé should implement a leadership strategy plan on the different level of the organisation and build the organisation on respect as Toyota Production system. Then revising leaders coaching and feedback mechanism is a mandatory continuous improvement step inside the leadership concept itself, this is why we could call “lean leadership approach”.

*Integrating a lean approach within the talent system at the HR department is one of the McKinsey recommendation, especially when it comes to “compensation” , the issue at Nestlé is that the compensation function has been decentralised to another service situated in Egypt called “ Nestlé Business Service” NBS which is in charge with support functions including HR function for cost reasons. Then using individual performance metrics will be an impossible mission.

CONCLUSION

This study explored the role of HR in the lean transformation journey at Nestlé Algeria. It proved that the HR department is not anymore a conventional function support, with only administrative missions, since lean transformation is dealing with employee's commitment to be an actor, the HR role should be a critical component of the Lean transformation journey. Accordingly, HR has an important role to play and initiatives to take in order to make the transformation successful and efficient.

Designing a HR lean Roadmap is the way to support a corporate lean transformation, to accompany the three lean human factor pillars, namely: Teams, Leadership and Talent System, In addition of incorporating Communication as a link between the roadmap components to speed up the transformation process .

In fact, it became apparent that all corporate functions must work together and closely align their objectives, functional strategies and actions. HR cannot drive the transformation on its own, but it can be a vital element in leading the cultural change by providing the necessary support for people to perform.

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APPENDIX

INTERVIEW QUESTIONS

-120 minutes-

Responsibility and duties:

1. -How does your current role look? What are your duties? Which divisions are you responsible for?
2. How is your role and responsibility affected by the Lean transformation?
3. How does communication between you and HR occur?
4. How often?
5. Do you feel that you have enough knowledge about daily activities to support decision-making?
6. Do you think the name HR is representative of the current and future role?
7. If not: what would you suggest as a new name, and why?

Awareness of change work:

8. What changes will the Lean way of working mean for the organization on ...
 - Individual level
 - Leader roles
 - Structurally
 - Cultures
9. Do you think your role needs to be changed to meet organizational change?
10. In what way will you be informed about what happens to the change work?
11. How can HR be there for the organization in the Lean transformation?
12. What do you need for help in supporting the transformation?
13. What challenges do you see in the transformation if HR does not support and support?
14. How are the employees responded to the changes? Are there some parts of the transformation that are less or more appreciated?

15. In what ways do you think employees need help in the Lean transformation?
16. How do you support the employees for whom you are responsible? (Either as HR or as a manager?)

Measurement

17. What KPI / measurement figures are currently available to measure performance among employees and managers?
18. How to use the results?
19. Will these measurements change? Will the KPIs be redefined?

Skills development:

20. Do you think the role descriptions will change in the Lean transformation? How?
21. Is HR involved in the descriptions of the new roles?
22. How does HR work to describe and introduce new career paths?
23. How does the wage structure look today and do you think it will change?
24. What will it be based on?
25. Is information on the business and the transformation easily accessible?