
Lean Manufacturing

Lean manufacturing waste is defined as any activity that the customer is not willing to pay for.

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*I*n this paper, I will summarize lean manufacturing principles and give some examples of our experiences with using the processes related to lean manufacturing. I certainly do not purport myself or our company to be experts in this area. Much of the information I am going to discuss can be found on the Internet and in a wide variety of books that are available. In addition, there are many organizations that are supporting education in the area of lean manufacturing. The main drivers of lean manufacturing in the United States today are related to the pressures of globalization, and we can see this trend emerging in the confectionery industry.

In the 1980s, Hershey joined the ranks of the many American companies that adopted aspects of total quality management (TQM) programs. These programs were based on practices adopted in Japan during the 1970s under the guidance of experts like Deming and Juran. They became popular as the U.S. automotive industry actively incorporated TQM principles into its manufacturing practices in order to successfully compete with Japanese manufacturers. TQM and other new ideas dominated the trade press. During this period, the confectionery industry did not

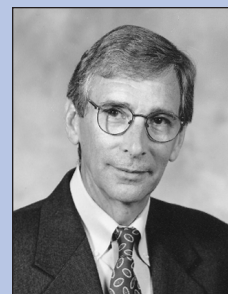
experience the same sort of competition, but it did undergo two significant changes.

First, from the late 1960s through the 1970s, the industry, seeking to keep pace with inflation, began to raise prices on its standard count goods lines at a much faster pace than any time before. Hershey officially discontinued its 5-cent bar in 1969, replacing it with a 10-cent bar. In 1974, the 10-cent bar was discontinued and replaced with the 15-cent bar. Many people working in confectionery came to believe that the industry was in danger of losing its position as the leading high-value, low-cost snack.

The second change took place in the 1980s as the customer base began to consolidate — customers became bigger and fewer. Consolidation led to increased competitive pressure, and it was clear that Hershey had to make adjustments to keep pace with the changes in the marketplace.

Since the late 1980s, Hershey has operated on a self-fashioned participative management program known within the company as “quality through excellence” (QTE). This program, which has evolved over the years, is based on encouraging behaviors and creating a workplace culture that empowers employees to create shareholder

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