

Herti: Innovation driven by sophisticated customers demand

What does this case study demonstrate?

Workplace innovation can be used as a powerful tool for building a competitive edge and meeting sophisticated customer's needs in the context of globalised markets. Herti has been effectively implementing WPI practices since its establishment in the 90s. The understanding, determination and leadership of the management have secured strong commitment by the employees of the company. Two of the three examples of WPI practices – IT system and regular technical working meetings - have been devised internally to address the company's need for constant efficiency improvement and innovation. WPI seems to have contributed significantly to the company's competitiveness, long-term sustainability and employee satisfaction.

Workplace innovation elements: Work organisation, Learning and reflection practices, Workplace partnership

Context

[Herti](#) is a Bulgarian manufacturing company specialising in the production of aluminium, plastic and composite closures which find application in various areas of the food, beverage and pharmaceutical industries. Founded in 1993, Herti has grown into a company with 350 employees and a diversified range of customisable products exported to bottling companies across Europe and the rest of the world. Herti develops and distributes new products in cooperation with its spin-off engineering company Tihert which specialises in machinery design and production and its subsidiary trading companies in UK, France, Germany and Romania.

At its current stage of development, the company strives to keep increasing the quality of its products and its production efficiency. The expansion to highly competitive Western European and US markets after 2000 and the acquisition of large international clients with sophisticated demands triggered a process of organisational change. To meet their clients' quality standards the company started investing purposefully in innovation, facilities, processes and human capital.

It is the management philosophy that workplace innovation reconciles the tension between the constant pressure for efficiency gains and employees job satisfaction. The most important reason behind their adoption is the need to respond efficiently to customer needs on the highly competitive international markets. The importance of extrinsic factors stems from the company's ambition to gain larger market shares abroad and the related imperative for continuous technological and organisational improvement. Initiated top-down, workplace innovation practices were designed and adopted in a participative and transparent manner, thus mitigating to a minimum organisational inertia and resistance to change. There is no formalised process for adopting workplace innovation practices in the company and top management commitment can be considered as critical for their success.

Description of WPI practices

Maintaining efficiency for high levels of customisation

Herti is a company with a strong managerial commitment to workplace innovations and an organisational culture of continuous improvement. One of the more recently adopted workplace innovations concerns the physical organisation of the company's production facilities. In 2009, the gradual introduction of the **5S method** (Sort, Streamline, Shine, Standardise, Sustain) was initiated by the production manager. The wide product portfolio and the large number of fully customisable closures require relatively frequent machine adjustments and equipment replacement. Carefully designed workplace order, labelling and procedures reduce machine and workers idle time, improves workplace safety and increases efficiency. 'To bring good results, the 5S system requires constant development and efforts in terms of employees' education and control.'

Making best use of proximity

The so called **Technical Council** – weekly working meetings among representatives of the technical staff of Herti and its engineering spin-off Tihert – illustrates the high value attributed by the company to the collaborative development of innovative solutions. The agenda of the meetings includes discussion of technical problems related to machines, equipment and production processes, proposals for technological upgrades and innovations, new products, and larger investment projects. Geographical proximity of the two companies located on the same production site and the institutionalisation of the communication process facilitates the transfer of knowledge and cross-fertilisation. 'The purpose of the Technical Council is to leverage the expertise and skills of experts with different backgrounds and at different levels within the company and to allow for justified and rational decisions which are important for the future of the company.'

Handling stress situations together

The **Signalling System** is perhaps the most appealing example of workplace innovation practices in Herti. It is internally developed software which allows employees to share in real time quality and production-relevant information through the company's internal computer network. Each production sector has a freely accessible computer and machine operators who have noticed production deviations from product technical specifications or delays can issue a signal with a brief description and possible explanations. Signals are visible to employees both in the production and the marketing departments and interested parties can follow the corrective measures undertaken by responsible technical staff members. The system is primarily used by production workers, quality control managers and the sales force. The benefits of the system include quick reaction to production problems, fewer production delays, higher quality, a data rich archive of production problems and a track record of undertaken measures. In addition, according to the interviewed production director 'the system is extremely useful for the efficient and transparent communication across departments.' After its introduction in 2003 the software has been continuously updated.

So who benefits?

There is a substantial consensus among employees and management that adopted workplace innovation practices have contributed to the improvement of a large spectrum of organisational outcomes such as employee engagement, higher performance, long-term sustainability of the organisation, profitability and

efficiency. With the complete introduction of the SAP system, which began in 2013, and the accompanying adoption of balanced scorecards with formal targets in terms of productivity, sales, customer satisfaction, etc., the company will have the tools to measure the effects of innovation on organisational outcomes, including those of workplace innovation. Improved working environment and higher performance emerged as the two most important impacts of adopted workplace innovation practices.

Prognosis

In view of the long-term strategic goal of the management to compete on the highly competitive international markets WPI practices will continue to be used as a powerful weapon in the company's arsenal. This is clearly reflected in the conviction that 'workplace innovation creates the environment and conditions which are necessary for employees to become high performers and contribute their best for the company's mission and goals'.