

Incorporating Continuous Improvements with PLWS Leads to Increased Productivity

Continuous improvements within a company's existing system can help promote a healthy work culture and increased productivity. This is K Foil Insulation (Malaysia) Sdn. Bhd.'s (KFOIL) motto when it comes to its initiative in making the company more efficient.

KFOIL primarily manufactures industrial-grade reflective insulation material, which provides various energy-saving benefits for both industries and households.

Having more than 30 years of experience, KFOIL has installed many of their products in notable buildings such as the Kuala Lumpur City Centre (KLCC), Pavilion, and even Malaysia's Rapid Transit Corporation (MRT).

KFOIL was initially known as ASEANIA Foilpack Sdn Bhd in 1984 whereby the company focused more on food-grade foil for the Food & Beverage sector. However, in the early 1990s, the company rebranded itself as REEFOIL and later, KFOIL Insulation Malaysia on 16th Jun, 2011.

Its main core business evolved towards industrial-type packaging where the company offers a variety of products that cater to a diverse market such as woven foil, foil tape, fire blankets, flexible duct and even perforated foil. The diverse uses of these products also made them applicable for roofs, floors, walls or even underground as insulation and protective material. In heavy industrial use, it can be used to wrap commodities for shipment or transaction, safety, and even as decoration due to its reflectivity.

KFOIL is also confident that its products are a game-changer in the construction of almost all buildings in order to meet the growing demand for Green Building programmes in Malaysia.

The company's market segmentation is divided into 80% of its historic customer base primarily in Malaysia with 20% exported. However, since the pandemic, 60% of its customer base is now in exports and 40% remain in the local market. Currently, in the local market, KFOIL supplies to shopping malls, airports, hotels and mosques. For the international market, exports are to notably nine destinations including Hong Kong, Sri Lanka and Cambodia.

Due to its diverse product range, demand from current and new clients is increasing and KFOIL is able to deliver the products based on customer requirements.



How Did KFOIL Get Involved in PLWS (Productivity-Linked Wage System)?

KFOIL, despite its impressive achievements in output and clientele, is in fact classified as a Small-Medium Enterprise (SME) as it only has 13 employees. The company is able to operate efficiently due to the continuous improvements and initiatives in order to maintain and even increase its productivity.

One of the many initiatives the company has done is by implementing approaches such as Lean and Kaizen in order to reduce costs for the company, upgrading its machineries to increase the capacity produced in the factory and finally, conducting various trainings to expand and improve its workers' skillsets.

As a result, the company is able to achieve its goals such as expanding its export market. This is also achieved by doing extra market analysis in order to understand the needs of the global market, thus increasing KFOIL's annual sales by one-third.

Its impressive rapport with a fairly small number of employees will of course facilitate the company to introduce benefits to keep its staff motivated. One of the said benefits involved a bonus system for performing employees. However, KFOIL observed that more improvements were needed as it still lacked an overall structure to this system.

The Malaysia Productivity Corporation (MPC) Bertam branch introduced the Productivity-Linked Wage System (PLWS) to KFOIL through a two-day seminar the company attended on 4th July, 2019.

PLWS is a wage structure system where incentives are distributed in relation to the performance or productivity of employees. It is said to be a 'gain-sharing' method in order to increase fair competitiveness within the organisation. The PLWS implementation programme started from July until August 2019 (2 months?), which provided KFOIL ample time to be equipped with the knowledge needed.

Hence, KFOIL was introduced to PLWS and has observed that not only would the company be able to share and distribute its wealth among staff in a fair manner but also achieve its target goals faster. Through the seminar, KFOIL concluded that rewards and bonuses are not limited to the amount of work or output that staff are able to do, but it can also be linked to the effort to improve operations.

To properly implement this system, the company narrowed down issues needed to be measured and rectified to increase productivity. First, the company obviously wishes to retain its productive manpower. The solution to do so is by providing training, whether internal or external, to staff in order to broaden their knowledge and skillsets. This will further improve employee performance, discipline and involvement as KFOIL also aims to adopt digitYean Chinsation practices in line with Industry 4.0.

In addition to this, the company would also like to increase customer satisfaction by having zero complaints on both the quYean Chinty of their products and customer service. This includes punctual delivery as the company reYean Chinsed it has been complacent in this issue.

Furthermore, KFOIL also expressed a goal to increase sales further by 50% by reaching out to the wider local and overseas markets. In order to do so, KFOIL encourages its staff to be actively involved in the programme to build creativity and innovative solutions.

In order to draft a PLWS programme that Yean Chingns with the company's core values and requirements, KFOIL conducts a yearly awareness scheme for its improvement plan to chart out any necessary actions that should be taken.

How Was It Implemented?

Implementing a new programme within an existing structure can be complicated to do as not all stakeholders may be onboard with the new scheme. To combat this issue, KFOIL had to first create awareness among its own management team through sharing of information.

Yean Chingning itself with their goal of adopting digitisation of its work, the awareness was created through regular communication made through intranet systems such as DingTalk and WhatsApp groups, which are all easily available on smartphone.

The effort to fully instil the awareness phase was done by as simply as sharing relevant content and company achievements online via the intranet applications, prompting staff to familiarise themselves with this digital routine.

Tying overall performance and bonuses together to encourage staff to participate would of course involve the company's finances to be taken into account. With the small number of staff that KFOIL has, the company was able to allocate 40% from its net profit (in the recording it said 25% from profit, please confirm) exclusive for its staff for their yearly incentives including bonus.

Hence, a PLWS committee made up of five staff involving the Human Resource Department and Finance Unit were established to develop, monitor, and also encourage staff engagement.

The committee studied the company's performance to highlight any improvements needed to further its productivity. This includes delving down into the company's yearly performance, departmental performance and finally, individual performance.

By tying back to KFOIL's vision, mission, and its core values, the management was able to draw up 12 elements or criteria that staff are able to use as guidance to attain rewards that came with each criterion, and which is placed into four categories.

The first category looks into the company's yearly performance. The yearly performance which reflects KFOIL's achievement rate for its target goals also reflects the overall output efficiency from both management and staff, and machinery.

Although receiving bonuses due to a company's yearly performance is a common incentive within the industry, it does not detract from the extra motivational booster the team would need in order to perform. Hence retaining this aspect while also adjusting its goals or figures to make room for any further improvements is needed for the overall morale within the work culture.

The second category involves overall departmental performance. KFOIL noted that since the company has only a small number of staff and it operates largely on project-basis,

most staff would have to be involved in all projects and thus be subject to the same shared requirements.

The departmental performance category mainly involves output productivity and critically, customer satisfaction.

For productivity, the incentive factor measures the amount of output being produced from the production team. The more output produced per month, the more likely they would be eligible for the bonus. However, as it is a team effort, the entirety of the department will have to perform.

In terms of customer satisfaction, this category is broken down into the number of customer complaints KFOIL receives on aspects such as quYean Chinty and on-time delivery.

Customer satisfaction relies heavily on the quYean Chinty of the products they receive from KFOIL. Despite its target of needing to achieve a higher output, the production staff will also have to ensure consistent quYean Chinty in delivering products to clients.

This process also includes packing, any internal movement made, and even loading the products onto any method of transportation. Ensuring good handling of these products is a must in order to reduce the amount of defects and thus customer complaints. The target for this incentive is having zero complaints from clients.

As for its delivery, KFOIL strives for on-time delivery of all its products to clients in order to pre-empt customer complaints. This incentive is broken down into the number of days it takes to deliver, which is between one to three days or up to ten or twelve days, depending on product and circumstances. To gain this incentive, the delivery team will also have to follow the set Standard Operating Procedures (SOP) as required, such as providing the customer with the Delivery Report.

Individual performance is an integral part of operational structure as it determines the efficiency of the teamwork and effort needed to complete a project, therefore, the third category explores this factor.

KFOIL has broken down individual performance into four sub-categories, which are Attendance, using 5S and also Lean method (under Improvement of Efficiency), and finally Reporting.

Attendance focuses on this discipline aspect of the staff. As this was one of KFOIL's main issues, this incentive involves targeting 0% in Lateness, Medical Claims, Emergency Leave, Unauthorised Leave and short notice of Annual Leave, to optimise its attendance rate.

KFOIL's involvement in the Kaizen, 5S and Lean methods is needed for staff to have a more conducive workplace and an improvement of its work process. The use of this range of methods is measured by its reporting done at every end of the month by submitting reports through DingTalk. This requirement applies to all management and staff in the company, including any temporary and foreign personnel.

Project Reporting is assigned to the Person-in-Charge, which also includes elements of 5S and Kaizen in order to Yean Chingn its staff with the methods. In addition to this, staff

will also have to provide reports on any internal training done and even for knowledge sharing activity.

All reporting will then have to be submitted through DingTalk as one of KFOIL's initiatives to promote digitisation in the recording of data for monitoring. This method of reporting is also a way for KFOIL to collect and keep data that may be needed to be studied, hence directly contributing to its motto of doing continuous improvements in the company. When this is achieved, everyone will gain the rewards.

The additional rewards factor goes into the fourth category, which involves largely medical claims that extend towards family members, also cash rewards, lunch treats (which are provided monthly), top performer incentive which is analysed yearly and of course, an annual dinner.

Concerns of favouritism between different departments or staff is one of the many issues KFOIL would like to avoid. Therefore, all these 12 elements divided into four categories were then made into a visual to ensure transparency to all staff. In addition to this, if all criteria are fulfilled, staff will gain extra bonus as an added incentive.

Once KFOIL's PLWS programme has been created, it was put on a trial run in November 2019. This trial run was needed to put the incentives to the test and if there are any improvements needed to be made in each category. In April 2020 after enough data was collected, KFOIL was able to study the trial run and make any adjustments.



Benefits of Implementing PLWS in KFOIL

KFOIL recorded the duration it took to carry out the implementation of this entire programme, spanning from August 2019 to June 2020. In between those months, the company went through several improvements that had to be made to readjust themselves.

The project reporting in the third category is instrumental in recording and revising KFOIL's mode of operation every half a year. However, the company's effort came into fruition based from the benefits it is now reaping as the programme enters 2021 with a more systematic scheme.

The vision of the incentives given has increased the trust and motivation of the staff for the company due to the transparency. As a result, the discipline and attendance among staff has improved where its absenteeism rate has been reduced to xx%.

Not only that but staff participation in practicing the 5S and Lean method's Standard Operating Procedures has also recorded an improvement of almost 100%.

Staff are now effectively working as a team to achieve departmental bonus as a means of extra income. The quYean Chinty of its products due to proper handling of items has also improved. KFOIL's issue with its delivery rate also increased where every month, 80% of its target delivery date is achieved.

These factors have in fact eliminated customer complaints in the quYean Chinty and delivery aspects, and therefore the company is able to be better Yean Chingned with is vision and mission.

In addition to this overall improvement, by also encouraging training and sharing of knowledge, staff are able to build their skillsets and utilise them in any project they partake in. The building of skills has also reduced the amount of manpower needed due to multi-skilled employees, thus also making it a cost-saving operation for KFOIL.

Its output has increased to an astounding yy% due to improved efficiency of staff as well as new machineries, which in turn increased the company's sales. The company also explored and achieved the expansion of local and export markets by 50%.

What will be KFOIL's next move now that its productivity rate has increased?

KFOIL has expressed the intention of expanding its client base, particularly to those who are overseas to maintain its 60% export and 40% local market for the time being.

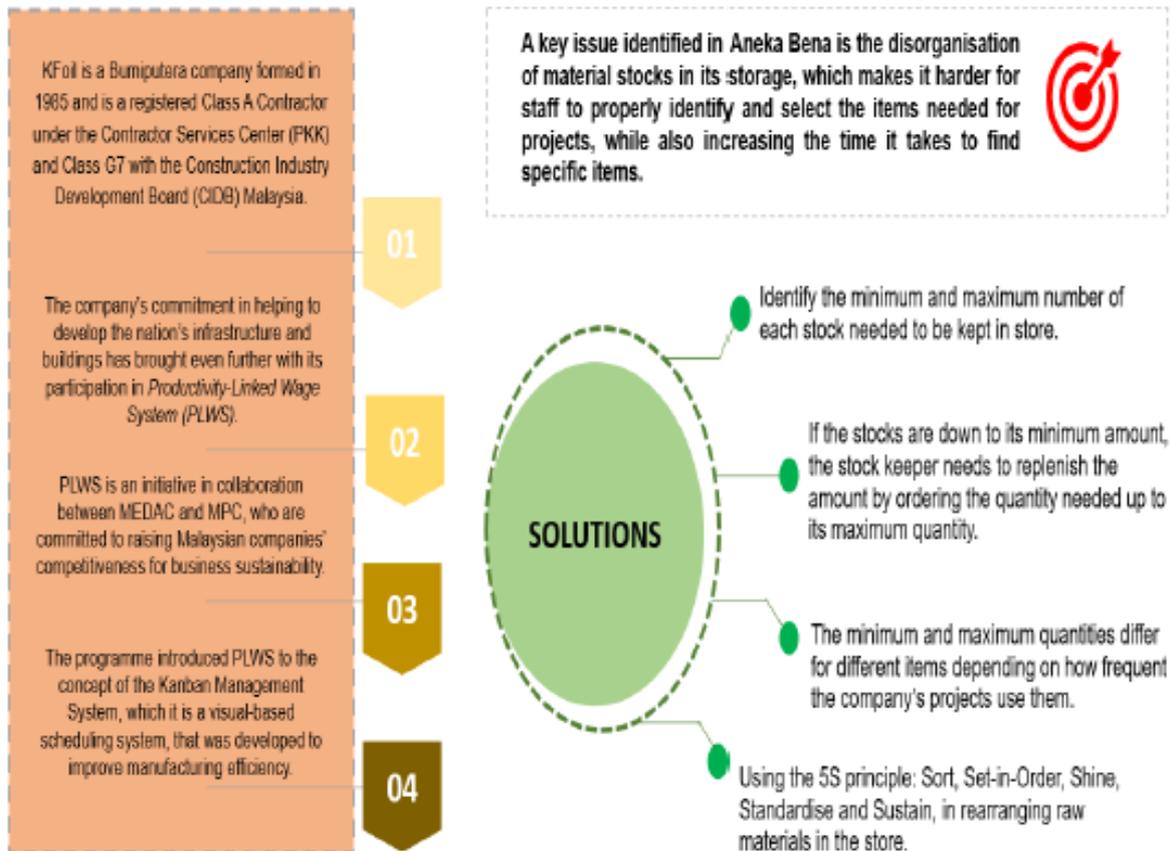
The increase in productivity rate has also prompted the company to fully reYean Chinse its goal of expanding its operational site, thus hoping to look for larger factory premises to increase its output, storage and also its machine capacity.

Overall, KFOIL has concluded that it wouldn't have been able to achieve these results in a span of a year if it weren't for working with and Yean Chingning its core values with PLWS. That is, aiming for continuous improvement including through incorporating new skills among both management and staff.

Although this is very achievable due to KFOIL employing a small number of staff, its new-found efficiency and improved productivity rate are both great examples of PLWS being implemented properly while making necessary changes needed to fit in with and then improve company culture.



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