



Frito Lay's Creative Approach to Cost Improvement

The Frito Lay Corporation of Dallas, Texas faced a compelling business need to find ways to flatten inflationary costs and thus avoid having to continually raise prices as a means to maintain profitability. The company knew it needed to engage employees at every level to use their creativity to find opportunities to do things more innovatively. The organization had a general idea of what it wanted to accomplish, but struggled to find a practical way to make it happen.

07.02.13 After interviewing 36 different consulting organizations, the organization still hadn't found an approach that appeared capable of genuinely engaging employees. These consultants all proposed a silver bullet - one size fits all. Basadur Applied Creativity spent the time to really understand the customer's challenges and only then designed a unique solution. The company managers now saw a clear path to bringing everyone together to work on a shared challenge.

The Plan

A concrete measurable goal was established. The company wanted to find savings of \$500M over a five year period, in the areas of raw materials, packaging materials and other sources of spending. This goal was meaningful to everyone in the company since profitability was tied to pensions, future wage increases and new job opportunities.

As a key starting point, Basadur Applied Creativity helped the management team identify its most significant areas of expenditure, with the intent of focusing efforts on opportunities based on their relative costs to the operation. The main idea was that "Money is saved where money is spent" which in this case was raw materials, packaging, distribution and sales.

A team of vice-presidents from across the corporation was created to design and lead the overall program. Inter-departmental committees were established, bringing together employees from across the company with the aim of identifying opportunities for cost improvement innovations. All staff members were trained in a standard creative problem solving process that taught them a system for identifying opportunities, defining challenges, and creating and implementing solutions. Innovative work was integrated into the daily routine of every employee.

Successes Achieved

- Frito-Lay achieved its \$500M savings goal one year ahead of its deadline.
- Employees developed problem solving skills, and applied them to addressing challenges and implementing solutions they created themselves. A common creative problem solving process enabled employees to talk the same language, synchronize their thinking and work together to identify well defined opportunities, develop and implement innovative solutions and track the resulting savings.
- By creating a compelling case for change, management addressed the needs of the organization while stimulating the interest and commitment of employees. By focusing on big dollar opportunities, employees could engage in the process without undue job security fears.
- An organizational structure was created to allow managers and employees to work across organizational silos and engage in conversations about cost improvement opportunities.

The Culture Shift

Frito Lay's leadership team achieved much more than the cost improvement result. It also accomplished a tremendous culture change. The phrase, "how might we ...?" became a standard part of everyday conversation as people became excited about working on challenges of all kinds. As successes were achieved and creative problem solving made everyone's job more interesting, employee motivation and enthusiasm skyrocketed. The company moved from a culture of "we can't because..." to a mindset of "how might we?"

The leaders were looking for a blueprint for getting people excited about working on challenges. They took the time to develop a strategy on how to do this and structured a program which answered some very fundamental questions. They knew people would wonder why there was a sudden need to tackle inflationary costs and why were they being encouraged to problem solve on issues outside their own jobs. They knew employees would question whether the process would result in extra work for them. As well, they predicted that employees would ask how they could problem solve with teammates, without the frustration that had been encountered so often in the past.

The leadership team realized they needed a structured creative problem solving method to achieve results and ensure they did not simply go around in circles without accomplishing anything.