

# Automation and man's role in industry

by

■ **Anne Leitzgen** ■

President, Schmidt Groupe

## Overview

The most advanced company in digitisation and automation is the Schmidt Groupe as demonstrated by the project it launched ten years ago to manufacture a top-quality kitchen in one day and deliver it ten days later. In this project, the seller creates a 'virtual' kitchen with the client; the order is then handled by exchanging computer data; and manufacturing is carried out by robots. Therefore, a standard order can be made without almost any human intervention. Despite the use of robots, the Schmidt Groupe makes sure that its employees are not overlooked: not only have they managed to keep their jobs (about which they could have been concerned), but they have also become operators of complex installations. This project required time and a great deal of training and trust, but it was made easier by the fact that the company is family-owned.

Report by Élisabeth Bourguinat • Translation by Rachel Marlin

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The company which I manage was founded in Türkismühle (in the Saar, Germany) in 1934. Its core activity was the construction of detached houses. In 1959, it moved to Lièpvre in Alsace, and started making kitchen sideboards. 1976 marked the start of the production of kitchen units as we know them today.

### The company takes off

Originally these products were sold without a landmark in mass retail outlets. Out of a desire to have closer contact with our customers and greater control of our profit margins, we created the Cuisines Schmidt brand in 1989, and a few months later we created a network of two hundred independent distributors. We launched a second brand, Cuisinella, in 1992 which was aimed at a younger clientele with a smaller budget. After 2004, we progressed from remodelling kitchens to remodelling entire living spaces, including bathrooms, cupboards, walk-in wardrobes, bookcases, television units, and so on. We specialise in the production of custom-made furniture for every room. At the present time, digitisation allows us to make considerable progress with this approach.

Between 2008 and 2015, we received various certifications. These include ISO 9001 (for quality); ISO 14001 (for the environment); OHSAS 18001 (for security); Label NF Environnement Ameublement (French environment label for furniture); Certification PEFC (Programme for the endorsement of forest certification schemes); and ISO 50001 (energy-management systems).

The Schmidt Groupe is currently the leading manufacturer of kitchens in France, and number six in Europe. It has a turnover of 470 million Euros. It has five production sites covering a total of 160,000m<sup>2</sup> (including one in Germany and four in Alsace), and employs 1,500 people. Our investment has grown from 20 million Euros in the past few years to 40 million Euros in 2016, and should reach 60 to 80 million Euros in the near future. These sums cover industrial investment and also the development of brands and our digital business, and investments for consumers and industrial sites.

Our sales network includes 700 retail outlets mostly in Europe, and employs 6,000 people half of whom are in sales and the other half in installation. Its turnover is 1.5 billion Euros.

In 2014, we made a joint venture with Suofeiya in China. Our Chinese subsidiary, SSK, now manages an industrial site and 500 shops. We are in the process of constructing a second factory.

### One mission, one philosophy, our values

With the passage of time, our mission has changed. Our profession includes not only the manufacture of furniture, but also a contribution to the sustainable well-being of customers in their homes. This changes the way we interact with the consumer.

In this age of the Internet and social networks, everything is visible, and if a company wants to continue to exist, it has to be recognised as the best in its sector. This is why our aim for 2025 is to become the group with the most preferred European brands in terms of custom-made home planning.

Client satisfaction is not our only concern. In keeping with the British expression ‘Good service is marketing’, we want our customers to be happy, even enthusiastic to a point that some of them will become ambassadors for our brands in their social networks. What we most want is what one might refer to as the ‘wow’ effect as in ‘Wow! It is even better than I expected. These guys at Schmidt are amazing.’

To try to reach this objective, since 1986 we have adopted the company philosophy ‘Being the best, respecting everyone, and being successful together.’ In our profession, a very large number of people have to work together

to guarantee customer satisfaction. They include not only the teams in the manufacturing workshops, but also the suppliers, sales staff, logistics co-ordinators, platform operators, delivery people, installers, and so on. The objective can only be reached if people respect each other and if we all share the same values and commitments.

These values are mutual respect and consideration; speaking plainly (both with regard to consumers as well as between colleagues or with suppliers); proximity to our customers; being readily available; accessibility; and simplicity. Simplicity is especially important in the context of digital transformation where complexity is invisible and one can always be tempted to add to it. Another value which we emphasise is rather unexpected in the workplace: pleasure. It we want to achieve our aims, it is crucial that each employee is happy in his job. We are committed to being convincing. We work with a network of independent distributors who are experts in a crucial part of the value chain, namely access to the consumer. If we want to convince our distributors, we have to work with them and convince them rather than try to impose our views on them.

Finally, and this is the most important factor, we should always keep in mind that at the end of the chain is a consumer who relies on us. We make it clear to our customers that they can trust us, and we have to show them that we are able to live up to our promises. Proof that these values are genuine is the fact that for the second year running we have been awarded the prize for providing the best client service in the 'habitat organisation' category.

## Changing the customer experience

We launched a programme a year-and-a-half ago called 'Consumer Connect' which aims to co-ordinate all the digital initiatives aimed at improving the customer experience. Originally this experience began when the consumer walked into one of our shops. Nowadays it begins much earlier, when a person says 'I'd like a new kitchen', and starts looking on the Internet. It is important that we attract this client to our brand and then convince him that if he walks into one of our shops he will have a much more interesting experience with us than with any of our competitors.

### *An 'H to H' experience*

The quality of this experience is based on the quality of the relationship we will have with him. People often make the distinction between 'B to B' (Business to Business) and 'B to C' (Business to Consumer). We prefer talking about 'H to H', Human to Human. When a customer buys a kitchen from us, he is helped by a pleasant and competent salesperson. In order for a salesperson to have these qualities, his boss must also be pleasant and competent. We too have to be pleasant and competent with his boss. Thus, the entire relationship is about quality. This is the most important factor for the relationship to be long-lasting because, having installed his kitchen, our hope is that we could also sell him a walk-in closet or a bookcase in the future.

### *A personalised relationship*

To create a quality relationship, we try to give the customer a very personalised experience both with regard to the products we sell him and the relationship which we establish with him.

In practical terms, when a customer visits our website, he is asked if he would like to create his own account in which he will be able to start putting down his ideas about his dream project. The new version of our website, which will be available at the beginning of 2017, will enable our sales staff to access all the work the customer has done on his online account with his consent. Consequently, the sales staff is immediately able to make suggestions adapted to the customer's budget and taste. For example, if he notices that the customer has been looking mainly at modern white kitchens, he will not suggest considering an old, country-style kitchen.

The customer will also be able to make an appointment online which will help the sales staff to prepare the meeting. He can use various ways of enhancing the customer's project, particularly by presenting him with a 3D version of his future kitchen. Previously we used 3D glasses, but our sales staff explained that paradoxically this did not

help 'close the deal' and even tended to lessen sales. This illustrates the fact that technology is of no interest in itself if it does not bring any value to the customer or the sales staff.

Once the quote has been made and the kitchen ordered, the customer can track the manufacture of his kitchen online and know when it will leave the factory and be delivered to his address.

### *A lasting relationship*

At the end of the process, we ask the customer if he wants to stay in touch with us, take part in sales operations based around our brand, talk about us to his own social network, be invited to meetings (for example, to cooking lessons organised in our shops), or even to introduce his friends to us.

As a result, the customer experience can begin even earlier – even before the consumer starts dreaming about his future kitchen – when he hears one of his friends talking about our brand in glowing terms, which then prompts him to choose Schmidt if he wants to change his kitchen. Of course, we also respect the choice of our customers who would rather not hear from us again once we have installed their kitchen.

## Changing professions

Digitalisation has greatly changed a large number of our professional activities.

### *Marketing and sales*

Firstly, digitalisation has transformed the activity of the sales staff. It also changed the way in which we communicate about our products and our budgetary decisions to increase the number of customers. We have moved from communication marketing (making the brand known in order to encourage consumers to walk into our shops) to digital marketing (determining the support to be used in order to sell products; the management of our customers' opinions; and our activity on social networks). We have also moved from one 'single-channel' sales relationship to a 'multi-channel' sales relationship which raises new questions such as 'to whom does the prospective client 'belong'? 'Does he 'belong' to us via our website, or the shop he visited?' 'What did he buy on the website?' 'What did he buy in the shop?'

### *Management of data*

The digitalisation process also transforms the way in which we manage data. Originally we had several decentralised databases. The emergence of the Internet forced us to create a centralised database both for products and for consumers. This change is also qualitative: we must progress from a very technical database essentially designed for salespeople, to a presentation of products aimed at consumers with relevant content and pictures.

The choice of made-to-order production and custom manufacturing involves a considerable volume of data. We never make the same kitchen twice, and we have no stock. All the components are produced specially for each customer, some in two hours and others in several days (such as lacquered fronts which require a great deal of time to dry). All the various components come from different factories and must arrive together on the loading dock at a specific time. With approximately 1,450 orders per day, this represents 4,000 pieces of furniture, 18,000 parcels and, in total, 5 million pieces of information to exchange daily in order to ensure that the information arrives at the right time and in the right place so that the entire operation runs smoothly. In fact, our profession is no longer the manufacture of furniture, but the management of logistics associated with information and components. This represents both a considerable problem as well as a wonderful opportunity. The digital side of the business enables us to give our customers a unique diversity in the market.

Nonetheless, data management is still a risk. It is said that if one throws a frog into boiling water, it will jump out of the saucepan; but if one throws it into the saucepan and heats the water gradually, the frog allows itself to be scalded. In this analogy, the saucepan is diversity. We have to make sure that there is a balance between diversity which earns money and diversity which costs money.

## *Automation of production*

Automating a large part of manufacturing enables us not only to control quality, but also to limit the burden of work, and to maintain ageing colleagues in their jobs by reducing their workload both physically and mentally.

Above all, automation allows us to avoid relocation. Knowing that the direct wage share only represents 7% of our turnover, it is not in our interest to delocalise production to countries with lower costs, especially since the jobs require more and more qualifications. In the past, we said to children ‘if you do not study hard at school, you will have to go and work in a factory!’ Today, it would be absurd to say this because industrial jobs require increasing degrees of skill. It is important for us to support our colleagues who have been in our company for a long time so that they can make progress and keep their jobs.

Nonetheless, it is true that automation generally destroys jobs. Fortunately, our company has grown, and so we can continue to create jobs even though Schmidt is increasingly resorting to the use of robots. In 2009, we opened a 23,000m<sup>2</sup> factory which employed 200 people; 70 in the workshops and 130 in support sectors. The factory which we are currently building will employ only 120 people for a comparable volume of production. In companies which are not fortunate enough to have the same growth as us, machines are tending to replace people.

## **The corporate culture: ‘Be Schmidt’**

On balance, we promote both the art of living for customers in their homes and also our own art of living within our company. A few years ago, with a group of willing colleagues, we laid out our ‘Be Schmidt’ company culture. This is represented by a five-pointed star with the idea of pleasure in the middle. The five points of the star represent five characteristics which contribute to the pleasure of working together. These are kindness, responsibility, co-operation, trust and flexibility. Of course, working at Schmidt does not mean that we do enjoyable things every day, but all of this is still relevant. About ten years ago, when I started talking about this concept of pleasure, people often replied ‘Industry isn’t a caring environment!’ Today, this concept is starting to gain ground, and many people agree that pleasure is what drives us, and that working in industry can be a source of pleasure.

We think that this point of view is even more important because most of us spend much of the day at work. Additionally, the digital transformation of the company can only be successful if all the employees ‘give their all’, in other words that they are able to take initiatives and decisions at all levels of the company and assume those responsibilities. On the other hand, this implies that we must trust them, and consequently managers must allow their teams to test new ideas knowing that mistakes may be made.

In order for this sense of trust to exist, people must get to know each other. We decided to implement a programme called ‘Vis mon job’ which allows each employee on the anniversary of his entry into the company to work in a different workplace for a day in order to have a better understanding of what that person does. Recently, I spent a day with a team manager, and in three weeks’ time, a person in charge of maintenance will spend the day with me. We also organised a ‘Be Schmidt Day’ with 250 volunteers who spent the day discussing the subject ‘What company would you like to work for even if you no longer had to work for a living?’ With digitalisation, companies are going to undergo major changes, and it is crucial that colleagues seize this opportunity and incorporate these changes. If they do not, they will miss out on important new developments because of their rigidity.

We have launched roughly the same approach for our sales network under the name ‘Pacte employeur’. The aim is to make sure that each salesperson is happy in his job every day. This is aimed not only at reducing staff turnover, but also because the first thing a customer detects when he walks into a shop is whether the sales assistant is happy to be there. If the company and the shop staff are not ‘on the same wavelength’ regarding values, the customer will sense this very quickly and realise that there is a discrepancy between the website and the shop.

# Discussion



## The price of kitchens

**Question:** *What is the price range of your kitchens?*

**Anne Leitzgen:** A Cuisinella kitchen costs between 5,000 and 8,000 Euros, delivered and installed, including electrical appliances. A Schmidt kitchen costs between 10,000 and 12,000 Euros. We certainly do not want to be in the top end of the market.

## Specific skill

**Q.:** *You have become very skilled technically and competent in logistics. Do you have an employee who is skilled at fine-tuning, or did the company acquire skills as it went along?*

**A. L.:** I am not a believer in revolution, but prefer permanent progress. We bought our first numerical-control machines in the 1980s. One day, our industrial director decided that he would no longer refuse orders which were slightly different. This was how made-to-measure kitchens started. In our company, new ideas come from everywhere, including colleagues, suppliers and even sales staff.

## The place of trade

**Q.:** *Of all the products that you sell, what percentage is manufactured in-house as opposed to those bought outside the company?*

**A. L.:** We do not manufacture electrical goods, bathroom fittings or granite work surfaces. We specialise in wooden panels which we cut, pierce and assemble, and we provide the finishing touches. The rest is trade, and represents about 30% of our turnover. Having said that, our main activity now is logistics management with regards to components and data.

**Q.:** *How much stock do you have?*

**A. L.:** We have practically no stock. If we bring added value to a component, this component then becomes part of a product which is sold to a customer.

## Relationships with distributors and installers

**Q.:** *What obligations do you impose on your distributors and installers?*

**A. L.:** We chose to work with independent distributors because we think that no-one goes that extra mile more than someone who is trying to expand his own business.

Our concession contracts impose relatively few obligations on shop owners. They have to keep to the catchment area they have been given. In terms of wooden furniture, they can only sell our products. On the other hand, they can suggest electrical goods, sinks or taps which are not in our catalogue. It is our job to convince them of the advantages of using our suppliers in order to benefit from our customer service.

Some installers are independent, others are employees of shops, and others are subcontractors. The majority of them only deal with our brands. We require them to be certified so that we can guarantee our customers that the finished product will live up to our standards.

## Sharing a common culture

**Q.:** *How do you manage to instil the same values and the same conviction which you share with your teams in your suppliers, distributors and installers?*

**A. L.:** We communicate a great deal with our entire network. Every two years, we organise a convention called the Euroforum. It is mainly the distributors who take part, in other words about three thousand people, and we welcome them in groups of one thousand. We present all our new products, but we also make a point of emphasising the managerial values which we want to develop throughout our network. It is an opportunity for shop managers to talk about their experience with their colleagues, and explain how they see the future of their profession and the customer experience.

Apart from these important events, shop managers from the same geographical area meet up every month for one day, and discuss how to improve their turnover, their profitability, and client satisfaction. These meetings of 'progress groups' are led by one of our employees and one of the managers chosen by the members of the group. These meetings are not free, and it is not compulsory for the managers to attend but approximately two-thirds of them take part.

Once a year, all the Schmidt and Cuisinella shop managers meet in Paris and together determine the 'good practices' they want to use throughout the network. We think that consistency is very important. We want all our shops to be on the same level in terms of customer relations. The conditions we negotiate with each distributor are affected by the level of customer satisfaction.

We have also structured the network so that it is represented in our in-house departments which are responsible for the commercial side of our business. If we decide not to involve our sales staff in the early stages of decision-making, we will find it very difficult to convince them to implement these decisions.

## Recruitment

**Q.:** *Do you have any problems recruiting people?*

**A. L.:** It was difficult to find people for the maintenance sector and industrial automation, but this is true all over France. Because we do not always find the skills we need, we spend a great deal of money on training and have a number of apprenticeship schemes and tutors and mentors who are among the best in these fields. When we create a new industrial site, we organise a sort of 'hybridisation' between the new recruits and the more experienced colleagues whom we help to develop and to perfect their skills over a period of twelve to eighteen months.

We also have some difficulty in recruiting in the marketing and sales sectors. We have worked hard on our image as an employer. We are trying to get across the idea that we are not just a large woodworking company in the depths of Alsace, but an industrial leader trying to enhance the pleasure and well-being of its employees which carries out great projects and is very ambitious about its work in Europe and the rest of the world.

Our Human Resources director previously worked for a luxury caterer on the Place de la Madeleine in Paris. The first time I met her, I thought it would be difficult for her to agree to work in Lièpvre, a village of fifteen hundred inhabitants forty-five minutes' drive from Strasbourg. I invited her to a meeting with the shop managers and she realised that kitchen experts were not necessarily men who wore open shirts and chunky gold necklaces. She realised that it was unlikely there were many companies where she could create projects like ours and that it was an opportunity for her to 'go to town' on them!

Generally speaking, when we manage to get people to come to Alsace for the first time and show them our factories, we are able to convince them to come and work for us.

## Trade unions

**Q.:** *Are trade unions represented in the company and, if so, what is your relationship with them?*

**A. L.:** All the various trade unions are represented in the company and we have rather good relationships with them, most likely because of the family-owned nature of the company. Even though our corporate legal status

is a simplified joint-stock company, we have the same limitations in terms of transparency as a public limited company. The employee representative bodies take part in board meetings, and have much more information than required by law. Our best ambassador in China is our trade union representative! He completely understood that we had no intention whatsoever of relocating to China, and he goes there four times a year to accompany and train our Chinese teams.

## Decision-making

*Q.: How are decision made in the company?*

**A. L.:** We try to make sure that decisions are made after consultation about the situation in the field, but this is only possible in departments and workshops where managers really trust their teams. When this is not the case, managers are inundated with the number of decisions they have to take, and this creates a vicious circle.

Decisions involving the workplace are generally taken in the field. For example, in the Sélestat factory, we created new premises for the apprentices and the director asked me what he should do with the old ones. I replied that I did not work there and that it was up to him and his teams to take the responsibility, and decide. We fixed a budget, and the director asked for volunteers. In the end, the work group decided to transform the old premises into a fitness room.

The same is true for the refurbishment of the workshops. For example, when it is necessary to free up 30 m<sup>2</sup> in order to install a new production line so as to satisfy a specific need, improve quality or even reduce the risks of musculoskeletal disorders, there are two possibilities: either the design office or the industrial organisation office is in charge of designing a new layout, or volunteers create a work group which is accompanied by teams in charge of quality from the company HQ in order to choose the right tools and come up with a new organisation.

On the other hand, an important decision – such as whether we should relocate to China – is not voted on by a group. In this case, three of us took the decision: the managing director, the industrial director, and myself. It was taken after we had met with all the members of the management committee and discussed the risks and opportunities associated with this project.

## The role of the family

*Q.: Do members of the family intervene in decisions?*

**A. L.:** We are the third generation but, in fact over time several branches of the family withdrew from the company, and now we are just three shareholders: my mother, my sister and myself. My sister works in the company, but my mother, who is 80 years old, stopped working for the business ten years ago.

We have implemented a few rules of governance in order to avoid the negative effects of nepotism. These include that the company is managed by a supervisory board to which we gave the same rights as a board of directors; the supervisory board includes one representative from the family and five independent administrators chosen according to predefined criteria because of their professional experience (one is a specialist in the digital sector, another is an expert in sales, and so on); my salary is fixed by an independent committee which includes members of the supervisory board; a member of the family cannot be the hierarchical superior of another family member or of an in-law; and the patrimony cannot be transmitted outside the family bloodline (in order to avoid problems associated with divorce and separation etc.).

There are two important advantages associated with a family-owned company. We are not constrained by short-term considerations, and we can surround ourselves with people who are much more competent than ourselves. On the other hand, a family-owned company may sometimes lack ambition or boldness, and therefore we have to be vigilant about this.

## A 'free' company?

*Q.: Would you say that Schmidt is a 'free' company?*



**A. L.:** This is a very fashionable expression, and I am a bit wary of it even though I feel more attracted by this sort of organisation than by a very hierarchical and rigid one. As far as I am concerned, 'freedom' does not mean 'anarchy' and the disappearance of a hierarchy. In any case, our colleagues do not want their managers to disappear. They want managers who can inspire them, who trust them, who are humble and can show them, if necessary, that they are capable of realising that if they do not know how to solve a problem then they will try to find the solutions with them.

In fact, the notion of freedom is very closely linked to that of responsibility, and this is why people are not necessarily enthusiastic when we give them more leeway or freedom. Having a manager who makes decisions for you can often be tiresome, but it is also a very comfortable situation because the manager takes the responsibility for his decisions. Therefore, time is necessary in order for people to agree to take initiatives.

This supposes that their manager trusts them, admits that they can make mistakes, and agrees to help them to find how their errors might be of use to the company, provided that these errors are not repeated too often, of course.

## Automation and jobs

**Q.:** *Some experts have predicted that automation will lead to the loss of three million jobs in France in the coming years. Your customers are among those who will lose their jobs. How do you think you will solve this problem?*

**A. L.:** This is a real issue. The company is fortunate enough to be expanding and able to continue to hire people despite automation, but it is obvious on a global scale that the digital sector will eliminate more jobs than it will create. Therefore, we must be careful about the social model we want to put in place in the company and in society. I am very preoccupied by this subject, and a few months ago I went to California to see the situation in Silicon Valley. However, for the time being, I have not found an answer. All I know is that if we want to maintain the jobs we have now in France, we have no choice but to follow the path of automation, simply because as consumers we will always want more for less.

## China

**Q.:** *How has it been like for you in China?*

**A. L.:** It is quite complicated because we do not really have the same culture or the same working methods as the Chinese. In France, we focus on anticipation, preventative measures, and forward-thinking projects and strategies. The Chinese culture is centered on opportunity. For example, in China if a paving stone is loose and may fall onto a machine, no-one thinks it is important to replace it despite the fact that production could be halted if the slab were to fall: the Chinese have a sort of 'wait and see' culture. Our understanding of figures is not the same either. When I ask the Chinese staff how many shops have been opened, I may get as many as ten different answers... Clearly, we have many communication problems because very few of our Chinese partners speak English and none of us speaks Chinese.

Despite it all, we agree on points which we consider important such as environmental protection, decent wages, and good employee work conditions.

On the other hand, the products manufactured here and in China are not the same, and the industrial processes are also different. This is because the industrial culture and the operators are different. Despite all these drawbacks, China is still a very interesting country for us. I do not know of any other market where one can open four hundred shops in two years.

■ Presentation of the speaker ■

**Anne Leitzgen:** president of the Schmidt Groupe. In 1995, she graduated with a Masters in management and a Bachelor of Business Administration with a specialisation in marketing (from the MBA Institute/groupe IPESUP). She initially worked in advertising agencies (Kenya and Publicis) as a group manager. She started working for the family-owned Schmidt Groupe in 2000. She was in charge of the Cuisinella concept, the development of the Schmidt network in Switzerland, and employment classification and the evolution of managerial practices, before joining the group's executive management.



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