

ORNUA WAY WHITE PAPER

Ornua
THE HOME OF IRISH DAIRY

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SITUATION

“Ornua – The Home of Irish Dairy” is an agri-food commercial co-operative that markets and sells dairy products globally on behalf of its members. Originally formed by the Irish government in 1961, the Irish Dairy Board changed its name to Ornua to better fit its drive for global expansion when EU milk quotas were lifted in 2015. The abolition of EU quotas meant that the Irish dairy industry could now realise its true potential to supply increased volume of high quality dairy produce to the global market. Ornua has marketing and sales functions across the world, selling into 110 countries and achieving sales of €2.5 billion in 2015. To support its global expansion, Ornua has set up & purchased processing facilities in Africa, Ireland, Germany, Saudi Arabia, Spain, the UK and the US.

Operating in a global dairy market, which is characterised by increasing volume and static demand, required Ornua to focus on competitiveness in order to provide value to its members. Ornua invested strongly in marketing and innovation and established a formal structure and framework to manage operational excellence at each of its processing facilities. The Lean transformation of supermarket chains such as Tesco in the 1990’s ultimately filtered back along the supply chain to the transportation companies, food processors, dairies and now to the farm. It has become the established norm for dairy processors to engage in continuous improvement and therefore it was no surprise that Ornua set up its own operational excellence function.

This paper presents how a large organisation which has global locations, established effective operational excellence in a relatively short period with a motivated, small, focused and flexible team. This paper will show how establishing an operational excellence programme, supported by simple governance and a clear vision resulted in large cash savings, improved capacity and improved capability. The programme brought about a real culture change that is driving the organisation to €3bn sales and beyond. Lean includes a set of techniques and a way of doing business which was originally developed by the automotive industry, but evolved over the last 30 years to meet the needs of almost all sectors. If you have people, processes or problems you can reap the benefits of Lean. In Ireland, dairy processing organisations have seen significant benefits from Lean transformation over the last 10 years and operational excellence is supporting these organisations to be competitive in a global commodity market.

Lean challenges organisations to carry out their day-to-day work easier, better, faster and safer. Lean seeks to identify and eliminate unnecessary activities so that work is completed with less effort, less capital and less time but with excellent quality. Lean frees up the time of employees to do more valuable good work and less unnecessary work.

In late 2015, Ornua Operational Excellence (OpEx) engaged Leading Edge Group to support the establishment of the Ornua Way OpEx programme, that was to be rolled out across its processing facilities. Ornua OpEx sought to have a programme that would guide each processing facility along the path to Operational Excellence, whilst ensuring that the governance and mechanisms were in place to make it happen.

To date all European Ornua processing sites are executing the Ornua Way, with some sites maturing to “managed reliance” level (majority of employees involved). Capability and capacity has increased at the sites, whilst cost savings in the region of €2 million were realised in 2016 (€4m annualised). The Ornua Way is now the management system of choice to meet the strategic objectives agreed by Ornua European sites with the Ornua senior leadership team.

COMPLICATION

The challenges facing the OpEx team at Ornua in late 2015 were not insignificant. Previously, the team had worked successfully on numerous Lean initiatives to save money, improve quality, capacity and delivery at various processing sites. Although the improvements were good, the approach taken was sporadic and was being overtaken by the pace of change and growth at Ornua. The end of EU quotas and the strategic decision to grow the internal network of processing facilities prompted the Ornua OpEx team to seek out and implement a Lean management system that would support growth in a sustainable way.

The OpEx team had to work with a relatively low level of Lean knowledge and capability throughout the organisation. This lack of knowledge was compounded by a lack of overarching OpEx vision, strategy and coordination between departments within individual processing sites. With the backing of senior management, the team at Ornua OpEx began to develop and roll out the Ornua Way process of Operational Excellence to seven processing sites based in the UK, Ireland, Germany, and Spain.

RESOLUTION

Initially, the Ornua OpEx team engaged and got the support of senior corporate management. The case for change was made and the required investment to create the Ornua Way was approved. In 2016, the Group CEO, Kevin Lane, launched “The Ornua Way” as the Group’s formal Operational Excellence programme. At this stage Leading Edge Group were brought on board to support the Ornua OpEx team.

The Ornua Way was developed with the overriding principle that each and every employee can see the flow of value to the customer, and fix that flow when it breaks down. The Ornua Way facilitated a standardised and flexible approach to: Seeing, Improving, Sustaining.

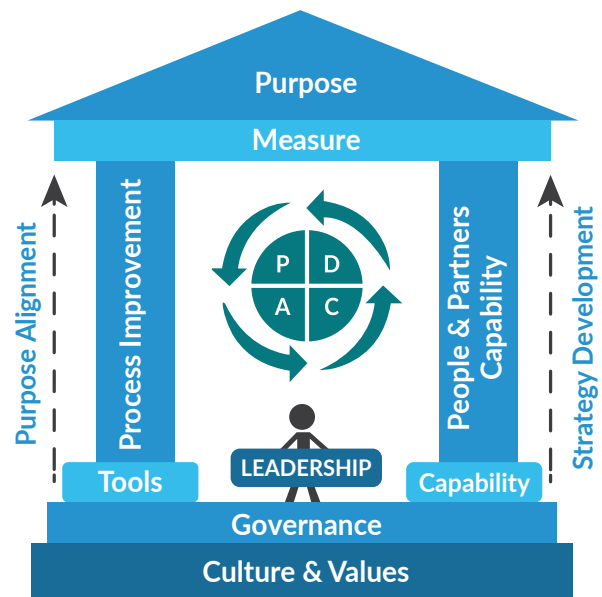


Fig. 1 - Operational Excellence Model

A framework was required to ensure that everybody in the organisation was working on the right thing and involved in making the business better. The creation of a functioning Operational Excellence organisation requires a step by step process that evolves over time. The Ornua Way framework presented in this paper was developed to support each processing facilities’ individual journey from daily firefighting all the way to work area self-reliance and organisational sustained growth.



Fig. 2 - Ornua Way Framework

GOVERNANCE

Good governance requires everyone to clearly understand what they need to do to align with OpEx and business strategy and ensures that the mechanisms are in place to communicate and manage the activity. The governance structure selected to communicate strategy and prioritise improvement initiatives involved a series of meetings where strategic objectives were “flowed” downstream and tactical how-to projects were communicated back up the chain:

🕒 **Yearly Operations Conference:**

- 👉 Present and celebrate best practice
- 👉 Update and communicate new policy
- 👉 Agree and communicate business strategy

🕒 **Quarterly Board updates:**

- 👉 Presented by OpEx team
- 👉 Review high level impact of OpEx on the overall business

🕒 **Global Operational Excellence Steering Council:**

- 👉 Monthly conference call with OpEx team and site representatives
- 👉 Review progress on Ornua Way deployment at each facility
- 👉 Review progress and selection of improvement initiatives

🕒 **Operational Excellence Implementation Council at Individual Facilities:**

- 👉 Monthly site management team meeting
- 👉 Review progress on Ornua Way deployment
- 👉 Review progress and selection of improvement initiatives

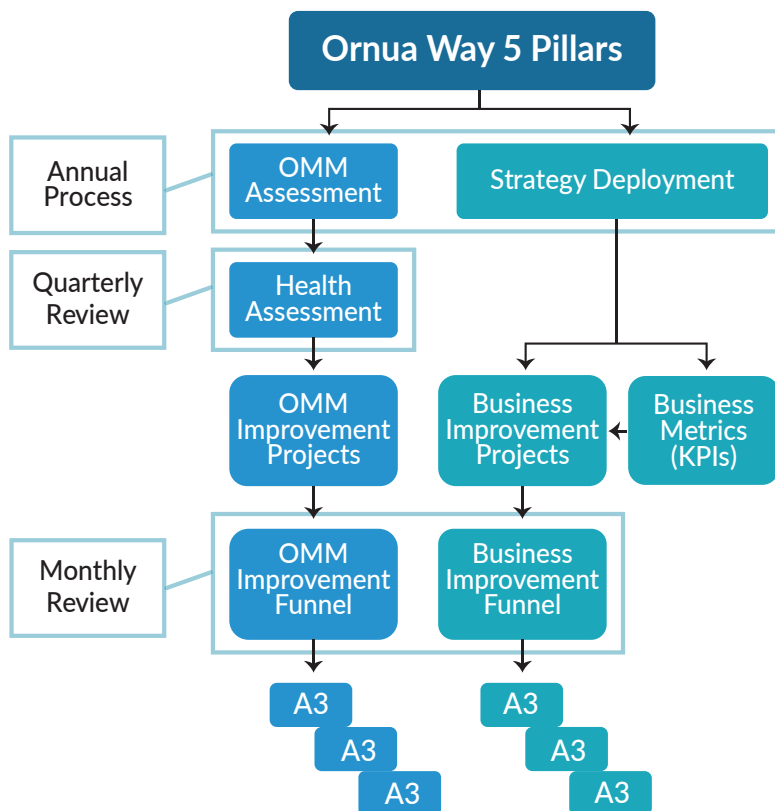


Fig. 3 - Ornua Way 5 Pillars

The governance support mechanisms are:

🕒 **Annual Strategy:**

- 👉 Leadership created site specific medium term strategic plans that aligned to overall group strategy
- 👉 Each initiative developed A3 plans
- 👉 Progress on A3 plans were tracked using a one page Bowling chart

🕒 **Basic leader standard work was setup to ensure these key meetings were adhered to**

🕒 **Each site leadership team created its own set of guiding principles that established the correct behaviours to encourage a consistent OpEx culture**

🕒 **Each site appointed a site representative to drive OpEx locally**

CAPABILITY

It was important that, when introducing the Ornua Way to the organisation that every employee would know what it was, how it impacted them, and what they should do next. OpEx training provided a common language, approach, and understanding to key OpEx principles. Introductory White Belt training was created and rolled out by site OpEx reps to every employee early in the life cycle of the programme. White Belt training is short in duration to facilitate quick, high impact training.

Ornua did not have sufficient internal OpEx capability to sustain the Ornua Way, so food industry specific White, Yellow, and Green Belt training packs and tools were created that would be owned and delivered by Ornua staff. Each site was required to create an employee cross training matrix that was used to target OpEx training in the right areas.

The Ornua OpEx team worked with site leadership and HR leaders to ensure that new hires were coming from OpEx backgrounds and that strategic roles such as supervisors and OpEx reps would have OpEx training. The impact of importing capability had an immediate benefit, but also an unforeseen negative. Employees with OpEx training performed very well in their roles and were promoted quickly therefore leaving a knowledge and capability gap.

MAKE IT HAPPEN

It was important that a process be put in place to ensure that Ornua Way best practice could be easily understood, engaged with, and deployed. The Ornua Way Maturity Model (OMM) was created to assess individual sites against best practice OpEx criteria. The OMM assessment outlines a recommended next-steps roadmap to take the site to the next reasonable level. The site OpEx reps use the roadmap to create an Ornua Way deployment plan that is tracked as part of the governance process. OMM assessments are carried out annually in Q4 by an independent auditor visiting each site. The aim is to move site operations management from a culture of daily fire-fighting to a culture of self-reliant continuous improvement. When self-reliance is reached, real sustainable growth will be attained across the organisation.

The OMM assessment promotes fourteen operational excellence “ways”. The extent to which each “way” is followed, contributes to the overall OpEx maturity rating given to that “way”. The scores are rolled up to provide an overall site operational excellence maturity score.

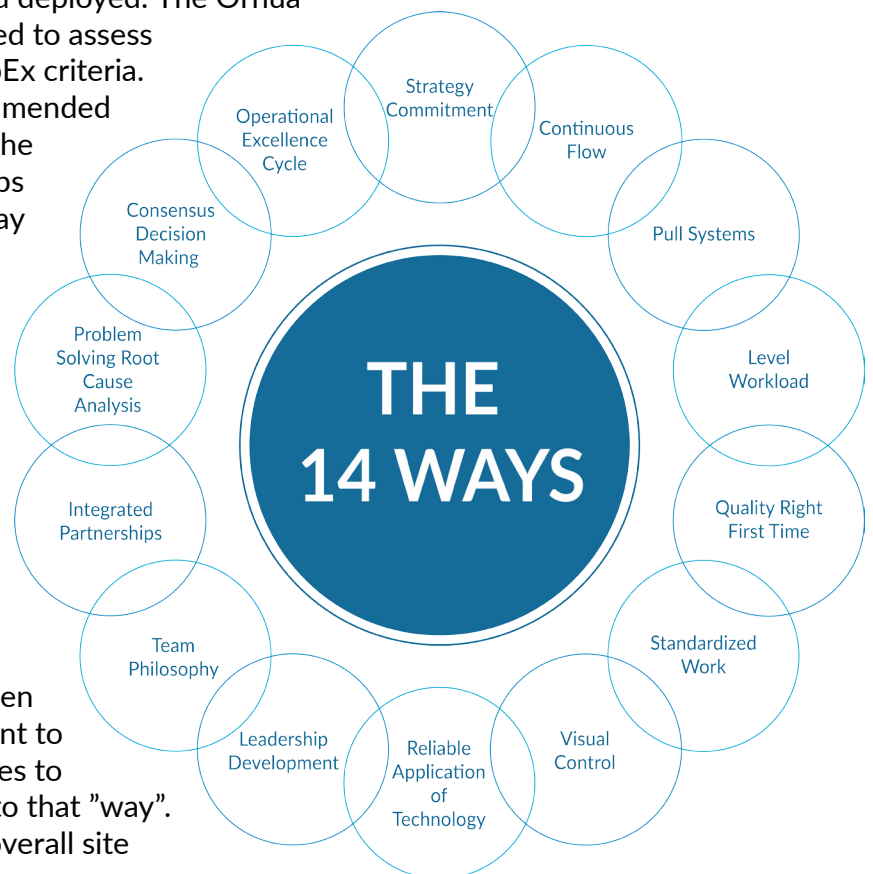


Fig. 4 - The 14 Ways

Initially, baseline audits were carried out at each site in Q2 2016 in order to determine where the sites were at and to set out some foundational requirements that would be implemented to start the sites on their OpEx journey. The foundational requirements included implementing a local deployment plan, putting a CI resource in place, governance setup locally, implement core metrics (OEE, Product Waste), set a training plan, pilot 5S, Visual Management and run a Kaizen event.



Fig 5. - OMM Life Cycle

To support Make-It-Happen sustainability, each OMM assessment report included a compliance score for the site which is used to accredit the site to the Ornua Way levels: Standard Pass, Plus or Platinum. At the yearly operations meeting in Q3 an individual plant is awarded the most-improved-plant.

USE TOOLS DAILY

In the spirit of continuous improvement, Ornua drove constantly for the selection and use of best practice tools. Leading Edge Group worked with Ornua to setup a database of best practice tools and resources that were made available centrally for local OpEx initiatives. Ornua setup a process whereby the use or learnings of different tools and approaches at local level are shared across the network. Initiatives such as project of the year, site visits, and the monthly OpEx steering council are used to share best practice.

MEASURE IMPROVEMENTS

“What gets measured, gets done” - It is important that initiatives are measured with appropriate KPIs to ensure real savings and cultural change. To secure alignment and commitment to site strategy, and to ensure everybody is working on the right thing, business critical KPI boards were mounted at central locations at each site.

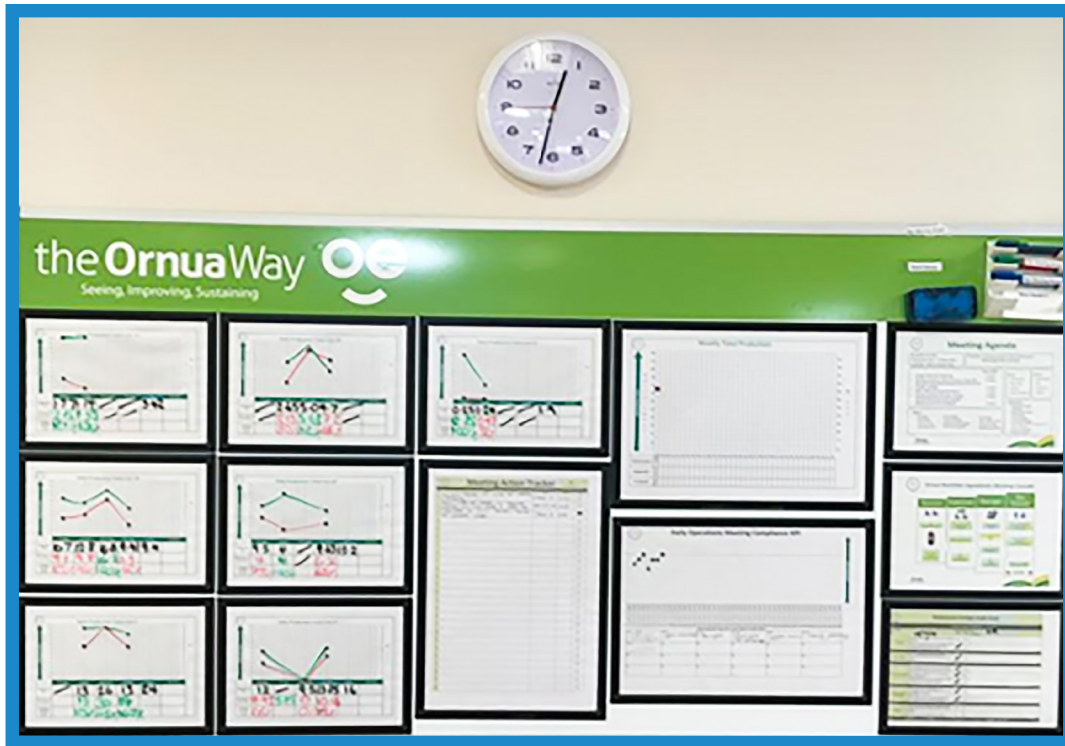


Fig 6. - KPI Board

IMPACT OF THE ORNUA WAY

The implementation of the Ornua Way resulted in active participation from the target sites in the 14 best practice Ways; with some sites already progressing to “managed reliance”. Completion of OMM assessments at the end of 2016 showed a marked improvement across all sites since the introduction of the Ornua Way, nine months earlier.

Leadership teams have established guiding principles, that they have printed and carry with them as they work. At more advanced Ornua Way sites, the leadership team hold each other to account and coach to the principles. All sites get employees involved in problem solving, daily stand up meetings and improvement teams. At one site, line operators were trained on basic maintenance of their machines resulting in a marked improvement in overall equipment effectiveness.

Month by month, sites are moving from Push to Flow production and have set up mechanisms to prevent overproduction. Supply Chain departments are working with suppliers and customers to establish a smooth flowing end to end value stream. Supply Chain and Quality departments are working together to ensure quality at source and Just In Time supply of packaging material that requires less space on site.

ACTIONS

This paper shows how in a short period of time, with the right structure and vision; and with senior management support, a small OpEx team can create change on a grand scale. The Ornua Way has had an immediate impact and is recognised in Ornua as the operations management system to support sales growth past €3bn.

The real work and real improvement will occur once teams can see the opportunity and have the autonomy to make changes, supported fully by the leadership team. In order to maintain momentum, opportunities will be assessed for their ability to streamline and automate the governance process; establish a wider base of capability; roll out a standard set of daily tools for use at all sites; and the use of standard KPIs that permit site side-by-side evaluation.

It is vital also that the Ornua Way integrates with other functions of Ornua and becomes an Enterprise Excellence initiative involving Supply Chain, IT, Technical, Finance, Sales, etc. The gains and opportunities to be had in supply chain and finance in an organisation like Ornua may well dwarf the gains in operations.

CLOSING COMMENTS

Leading Edge Group was engaged by Ornua OpEx team to setup the Ornua Way, which is based on best practice Operational Excellence. The combination of proven Operations Excellence best practice and a focused, driven Ornua team has resulted in significant gains in the first year of the programme i.e. €2m saving (€4m annualised).

Key to achieving this success was attaining senior leadership buy in and support up front, having a clear vision of what would be achieved and meeting objectives that align with business needs i.e. cost saving projects. A culture change programme like this takes time to bed in, so it is important that key headline projects are achieved early on to help establish momentum and bank roll sustainability as the inevitable fatigue sets in. Change on this scale requires a lot of trust that the programme will work, therefore it was very important to have similar industries to benchmark against or to have leaders in the organisation that have experienced OpEx success in previous roles. Finally, when undertaking large-scale change such as this, time should be taken at the start to establish the framework, communication, and support network to make it happen.

Any change large or small is dependent on key individuals and leaders until a point is reached where the new Way is the only Way; therefore, it is important that change agents be selected very carefully at the start.

