



Taking World Best Practice to the Front Line



September 2008, Volume 3

THE WORLD-CLASS MANUFACTURING JOURNEY IN CERVECERÍA HONDUREÑA

Cervecería Hondureña is the one of the most important industrial conglomerates in Honduras, Central America. The Company is a vertically integrated beverage business, offering beer, carbonated soft drinks and non carbonated beverages to its customers. It also owns a sugar mill (AZUNOSA), which generates the sugar for the soft drinks operation; and a crown and plastic crate manufacturing facility (PLIHSA) that supplies some of the Company's packaging needs.

The Company's origins date back to the early 1900's, when it was known as the Compañía Industrial Ceibeña, and in 1916 it was the first to brew and commercialize beer in Honduras, creating the Salva Vida brand. In 2002, the Company was acquired by SAB (now SABMiller) and is now part of the Latin American hub of SABMiller breweries. Today Cervecería Hondureña brews and packages four local brands, Salva Vida, Port Royal, Barena and Imperial,

distributes several international beer brands, owns a local brand of carbonated soft drinks (Tropical) and is the franchise bottler of Coca-Cola products for Honduras.

At the time of the SABMiller purchase, the Technical Area of Cervecería Hondureña was facing difficult times, operating with low efficiencies in both beer and soft drinks, and constantly having stockouts in the soft drinks category because of capacity constraints. Quality indicators had significant opportunities for improvement and costs were poorly managed. There was no functional integration, with each department within Manufacturing acting as a silo and therefore suffering the consequences of misaligned objectives. Perhaps the most concerning issue, however, was the clearly evident confrontation between the Union and Management, an "us versus them" attitude which did not allow the Company to move forward and improve its performance.

In early 2004, after improving communication within the business and establishing a Performance Management Program, the next step was to establish a World Class culture to change the mindset of the organization and take it to the next level of performance. After evaluating the different options available, Cervecería Hondureña decided to use the Mission-Directed Work Teams Program, developed by Competitive Dynamics International, which focused on shop floor communication, involvement and practices. And so, the journey began with the concepts of Goal Alignment, Visual Performance Management and 5S, which we believe are the cornerstones of success. The implementation of cross-functional mini-businesses changed the culture of Cervecería Hondureña and allowed the step change in performance.

To improve our quality, we implemented statistical process



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control and enhanced our internal quality measurements with ppk based indicators, which allowed for improved and consistent quality performance. We are now in the transition process to operator based quality through a program we call “Quality at Source”.

As we started the implementation of Asset Care practices, focusing on the Reliability Centered Maintenance philosophy and as we looked into Team Coaching it became evident that one of the obstacles in our way was the lack of adequate skills at operator and artisan levels to perform autonomous maintenance. It became necessary for us to find a strategic partner to develop a training program to address our needs. A Technical Training Academy was created within the organization and we later developed the Instituto Politecnico Centroamericano (IPC) into the partner we required. IPC helped us design and train a course that prepares our personnel with the basic skills set required in the business.

By implementing Team Leadership and through our Supervisor and Manager Development Programs, we are helping our middle management become better leaders and creating the proper conditions to guarantee the entrenchment and sustainability of our practices. We are preparing them to lead the culture of continuous improvement that has become the “Cervecería Hondureña way”.

The progress made is fantastic, and some of the most notable examples are:

- Brewery machine efficiencies have improved by more than 20% since 2004, The Plant average is now above 93%, among the best in SABMiller
- Carbonated Soft Drinks machine efficiencies have improved by more than 10% since 2004, while also doubling Plant productivity through improvements in set up times and changeover times
- Both Plants are certified to ISO 9000, ISO 14,000 and HACCP Standards, as well as to the Coca-Cola Quality System Phase IV
- All locally manufactured beer brands have won the highest awards in all competitions entered, including Monde Selection and the World Beer Cup
- The CSD Plant’s In Trade Quality Index, measured by Coca-Cola, has been the best in the region for two years in a row
- Our water usage has been reduced by almost 1.5 Liters of water per Liter of beverage in this four year period
- We have complied with every environmental standard, proudly bearing a clean sheet in terms of fines or environmental penalties

Perhaps the best summary of it all is the KPI Summary Report of

Plants within SABMiller, where key indicators from 72 operations world wide are compared and a Ranking is produced. We like to call the Top Ten in this ranking the “Premier League”. Back in 2004, Cervecería Hondureña was struggling in the last positions of this list; today, we proudly stand in the Premier League Top Ten, poised to capitalize on our improvement opportunities and determined to continue our assault on the top positions.

The outstanding results and performance of Cervecería Hondureña over the past four year have been possible thanks to the full support and commitment of all the employees. In the words of Martin Lehmacher, Cervecería Hondureña’s Technical Vice President: “All employees in the technical function have embraced the changes and the new culture has changed the face of the organization. The journey to World Class never ends as we seek to achieve perfection and will continue to implement new modules and fine tune our existing work practices to ensure our consumers can enjoy the best Quality product at the lowest possible Cost at the right Time and Place. To achieve this we will need to find ways to ensure continuous improvement of our performance and I know that I can rely on all our employees to continue with their positive attitude and help us take production to the next level of performance.”

MINI-BUSINESS UNITS: SEMI-AUTONOMOUS UNITS



Source: Mundo Nivea- Quarterly Internal Magazine – April 2008 – BDF Brazil

Since January this year, Mini Businesses Units at Brazil Beiersdorf (BDF) Nivea Plant have experienced greater autonomy because they are now reporting directly to the Manufacturing Manager and no longer to their manufacturing supervisor, thus streamlining communication levels in the organisation.

Manufacturing supervisors now have the responsibility to coach mini-business leaders and to ensure that operational procedures are standardised. They are also tasked with creating a problem solving

structure throughout the factory's value stream.

MDW was adopted in April 2006 to allow for this new organisational structure. At that time, Goal Alignment and Visual Workplace (5S) were introduced as the foundation for implementing continuous improvement culture.

This new structure has provided the conditions needed for the expansion of the programme throughout the supply chain and for achievement of the expected results. Supply Chain Director, Antonio Grandini mentioned that "we were the first company in the BDF group to adopt this practice and it will perhaps serve as an inspiration for an international model to be deployed."

During 2008, new Mini-Business Units will be created throughout the administrative departments of

the supply chain, although many teams already exist since the initial introduction of MDW. The general plan of implementation will be monitored systematically by the MDT 2 and 3 teams.

Results:

"This year we have already achieved important results in manufacturing, such as improved line efficiency (OEE), productivity and changeover times." Further short-term improvements in yield and cost reduction are expected", said Grandini.

Alfio Mazzini, Manufacturing Manager said that Production Line 1 (Mini Business Ferrari) produced more than 3.2 million roll-on deodorants in February this year, beating the previous monthly record by more than 12%. He considers this the result of the extensive integration of team-members in solving problems.

Jacques du Preez of The Faircape Group flying our colours at the South African Ironman Triathlon.

MDW International Conference

On the 31st of October 2008 the MDW International Conference will take place at the Cape Town Convention Centre. For more information and for registration, please see our website www.cdi.biz



13 April 2008 Ironman South Africa Triathlon NELSON MANDELA BAY

BOART LONGYEAR

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Boart Longyear, headquartered in Salt Lake City, Utah, USA is a major provider of diamond drill bits and related drilling products and services for the mining, construction, and environmental industries. Founded in 1890, Boart Longyear presently has over 9,000 employees located around the globe.

At their Salt Lake City, Utah manufacturing site, 80 bit manufacturing employees are members of newly-formed Mini-Business teams. In just the first three months, the Mission Directed Work Teams process has shown a strong impact on the Company's

local manufacturing operation. Plant Manager, Drew Butler, stated. "We have just begun the process, but I have already seen the results in action. People are taking charge, making positive changes, getting involved as never before and generating ideas aimed at recognizing and implementing business improvements, and increasing quality." Drew continued, "We are not just seeing good ideas, but also substantial cost savings for the Company, made possible when listening to our employees, who have been so willing to help us target the most effective areas for improvement."



Employee involvement has had an enthusiastic response. "Excitement about having their ideas heard is evident." Drew added, "We are committed to this process, and look forward to working alongside our world-class employees to drive business improvements that make the most sense and deliver the best results."

MDW AT VOLKSWAGEN SOUTH AFRICA

Generating frontline involvement in the New Paint Shop

WWSA aims to develop a high performance team culture by 2010 by introducing initiatives such as the Volkswagen Production System based on lean manufacturing and supporting initiatives such as MDW. Results are starting to show at their new state-of-the-art paint shop in Uitenhage where MDW was first introduced in November 2007. Specifically, notable progress has been made so far in terms their QSCSP performance indicators as measured the frontline teams.

The Prime Preparation Area (C Shift)

managed to achieve a 59% reduction their defect rate from February 08 to April 08 while over the same period the Sealer Line (B Shift) improved by 48% and the Underbody Sealer Area (A Shift) 73%. Fine Sealer (C Shift) and Spray Booth (B Shift) improved 89% and 31% respectively. Similar improvements are evident across all areas and all shifts. The total cost saving over the measurement period accumulates to 25% taking all 21 teams into consideration.

In true Master Coach form, Nico Serfontein, Division Head responsible for paint shop operations, personally accepted the task of giving feedback on innovations within two working

days ensuring that the multitude of new ideas streaming in from teams implemented promptly.

Here is their MDT3 team area, located on the shop floor.



All MDT 1 teams areas are less than 30 m away from their workplace.