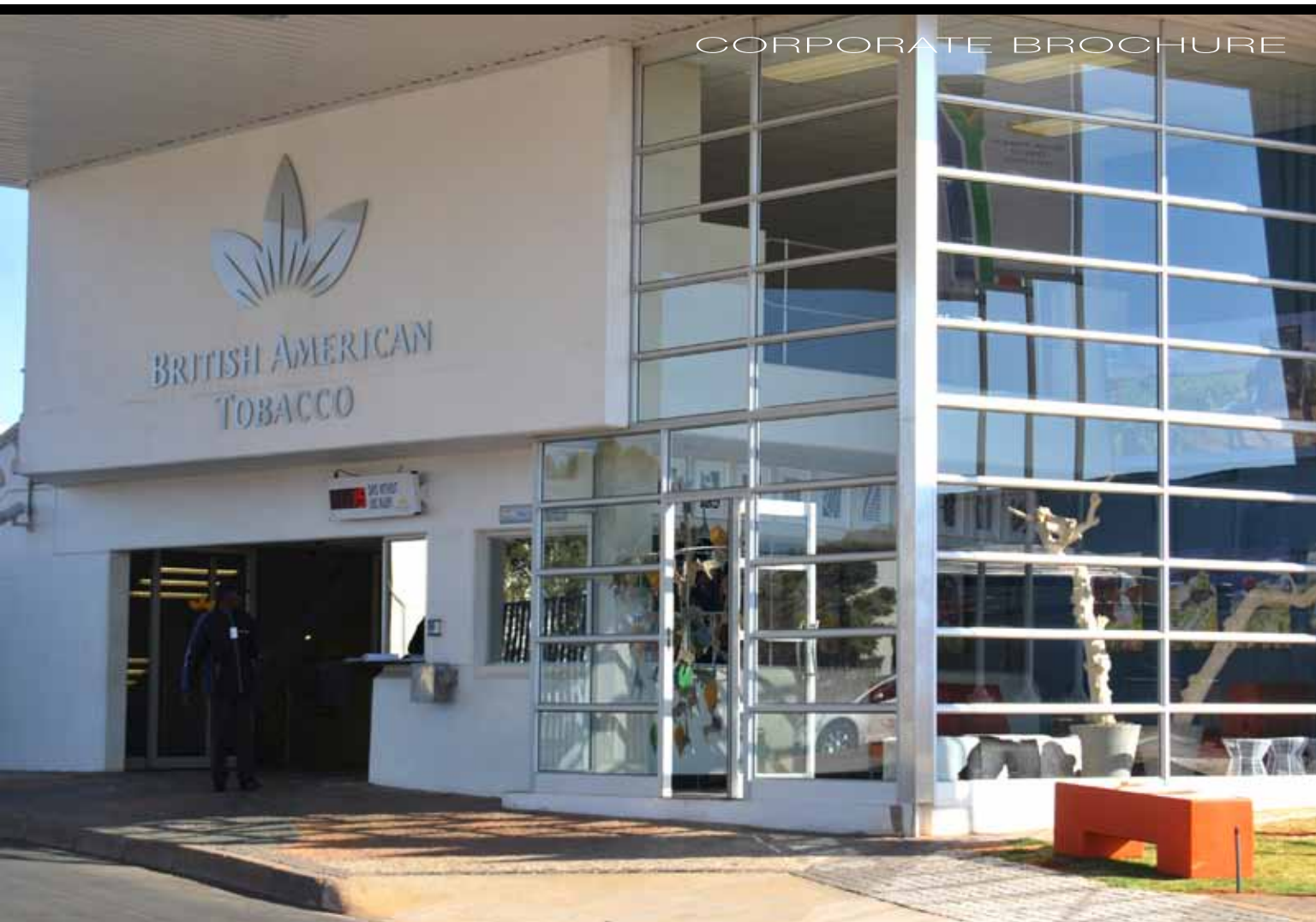


# BAT

## SOUTH AFRICA

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# *Striving for* excellence

As BAT South Africa's demand chain general manager Bernd Meyer prepares to hand over the reins to his successor, he talks to Gay Sutton about the transformation that has taken place over the past few years, both culturally and structurally, to improve customer and supply chain performance



# B

ritish American Tobacco (BAT) South Africa's state-of-the-art factory based in Heidelberg is not only the largest employer in the area but also one of four of the group's globally strategic factories in Africa with the ability to manufacture high quality products for local and export markets.

BAT South Africa holds a unique position within the global tobacco group. Not only is it one of the company's largest profit centres, with an enviable domestic market share of 86 per cent, it is also setting an example of successful cultural and structural change which is resulting in the emergence of a world class manufacturing operation.

Currently, the Heidelberg factory's annual production is around 26 billion sticks, 65 per cent of which is destined for the domestic market. The export market, into Africa and the Middle East, remains a key focus for strategic growth and development. Twenty brands are manufactured at the factory and R600 million has been invested over the past four years to upgrade the factory as well as to cater for an expanded export capability.

The manufacturing hub of BAT South Africa is based at the 35-hectare factory in Heidelberg, just south of Johannesburg. Originally part of Rothmans International, it was brought into the BAT fold when the two companies merged in 1999. However, it wasn't until the decision was made in 2006 to close the sister plant at Paarl that all South African manufacturing was consolidated into one single plant. With that decision, it became evident that it would require a rather special approach to

bring the Heidelberg factory's manufacturing and supply chain operations up to BAT standards.

The man appointed for this remarkable transformation was Bernd Meyer, who took up the position of demand chain general manager in March 2007, bringing with him an impressive track record of change management, migrating factories to the BAT culture as well as operational standards. "I had never set foot on the African continent until that moment and my expectations of the Heidelberg plant were based on its commercial success," he explains.

Although the factory was undergoing a phase of expansion there were still major investment needs in terms of state-of-the-art technology and automation. A great many of the processes were manual and performed by a workforce and management with low skills levels, which impacted on quality. Supply chain management processes were poor, which fostered under-performance by suppliers and added to the quality issues. Meyer also found that the workforce was de-motivated.

"It was clear the BAT culture and best practice had not been implemented and that there was a lack of an operational business strategy, which meant there were many issues that needed to be addressed," says Meyer. "However, while it was a huge challenge it was also good: it created such a burning platform that we had to do something revolutionary instead of selecting areas to work on to achieve gradual improvement over time. It was time to act."

It was clear that Meyer would have to work on

changing the company culture while implementing world-class processes, technologies and automation, up-skill the workforce, manage performance, initiate clear communications and create transparency across the plant. “Immediately I could see that if we didn’t fix the cultural issues, we would never achieve our objectives. And you can only fix cultural issues by tackling them with top management and then filtering it down.”

Meyer recruited staff from other BAT factories who understood operational excellence and the BAT culture. This set the scene for greater transparency and modern management across the business, and began the momentum for change.

The next step was to reach out to the workforce, who at that time numbered some 1,300 in the

factory alone. “For me, the most important aspect regarding cultural change is communication, communication, communication. And it’s important to reach everyone, not just by email or phone, but face-to-face.” Meyer set in motion the process of factory-wide briefings along with face-to-face interaction. Plasma screens were installed throughout the factory to provide the most up-to-date information and create greater transparency across the business.

Every employee took part in a series of workshops, facilitated by external consultants, where they were encouraged—in a supportive and non-confrontational environment—to identify areas for improvement at the factory. From the results of that initiative, Meyer and his team created an

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action plan for factory improvement that would be rolled out as part of the culture change.

The factory improvement began with upgrading the staff facilities such as the canteen, assembly hall and restroom facilities. “We transformed the factory aesthetically by bringing in colour: no more grey and brown but rather a bright, colourful, happy environment in which to work.” Meyer went on to personalise the factory and to build a sense of belonging by posting pictures of employees on the walls throughout the building.

Some upgrades demonstrated and reinforced the attitude change. Meyer required, for example, the creation of a single entrance for everyone. “We even brought in two interior designers to create an attractive and well furnished space. Now everybody parks in the same car park and comes through the same entrance!” Mutual respect, Meyer believes, is

the very foundation of a good management culture and he tackled this at every level, even down to changing and providing additional uniforms, each embroidered with the employee’s name, so that they could be addressed personally.

From the communication perspective, the number of layers between top management and the factory floor has been reduced while reporting lines have been clarified. “We deliberately introduced new role names and a team leader structure to replace the foremen. We have also encouraged communication across the board,” he continues. Line managers now routinely give feedback to their staff regarding performance, attitudes and so on. Communication channels have also been opened in the other direction through initiatives such as factory and breakfast briefings, where Meyer personally meets and talks with groups of employees from all levels of the company over breakfast, getting to know them, and enabling them to voice their opinions and make recommendations, as well as discuss their fears and worries

An extensive training programme was launched, not only to introduce operational best practice, but also for the softer management skills and basic maths and English. Managers were sent overseas to other BAT factories to see how better managed processes and alternative technologies can deliver a vastly improved performance. “I also sent operators and technicians abroad, particularly as we began to install new machines. Entire teams were sent to Singapore or Brazil for training. And when they returned they performed as we would never have believed beforehand, because they had seen—first hand—just what some of the machine capabilities were, such as producing nine million cigarettes a day instead of five.”

Having set in motion the cultural, structural and process change at the Heidelberg plant, Meyer then turned his attention to the outdated equipment at the factory. In 2008 he worked with all the departments to develop a 10-year master plan that set out a programme for investing in



the latest machinery and automation. “It has given the entire company a clear direction, and a confidence that we can make this one of the biggest factories in the world, complete with best-in-class processes, machinery and technology. Then we will be able to compete with the best in the world.”

Over the 10 years to 2018, some £150 million has been earmarked for upgrades and improvements to the factory. Today, three years on from the launch of the strategy, Meyer has adhered 100 per cent to this ambitious plan. Meanwhile, the plant has received and installed groundbreaking new technologies, such as the Fibex machine which converts tobacco dust into tobacco product, yielding significant savings. The machine has also attracted considerable attention from other factories in the BAT group and raised the profile and reputation of the Heidelberg plant.

Automation is another area of significant investment. FIFO cigarette buffers, case-packers and filter shooters, for example, now prime the cigarette producing machines while a completely new palletising system has been installed that incorporates nine palletising robots. Not only was it a great boost to morale, but it enables the



factory to run 36 SKUs (stock keeping units) at any point in time—a significant improvement on the 18 SKUs it could previously handle. Alongside this there has been a significant investment in IT systems including MES, warehouse management, production and scheduling and product tracking and traceability systems.

The strategy is certainly paying off. The OEE (overall equipment effectiveness), used throughout BAT to measure factory productivity, has risen from just 38 per cent in 2008 to 55 per cent in 2011. “Anything above 60 per cent is very good, so the message is we’re not there yet but in a very short period of time we have managed a remarkable improvement.”

The final area of focus has been to look beyond the factory and introduce formal management, control, safety and security processes throughout the supply chain. But the change here is ongoing. In 2009, in line with global company strategy, all supply chain processes were migrated to an ‘above factory’ level, and linked with those in the UK so that supply chain planning and procurement—apart from locally grown tobacco leaf—is centrally handled. Customer relations have been improved significantly by creating a dedicated customer service team with account managers and rigorous processes, and this has enabled the company to focus on strategically increasing its export market and also the factory credibility within the region.

“Today, we measure our customer service through a mood tracker which is controlled regionally and globally by BAT. But we also do local surveys with our customers,” Meyer says. “After all, if you can’t measure something, you can’t improve it.” And the improvements are significant. In 2006 Heidelberg had 66 complaints on semi-finished goods for export. By 2009 these had been reduced to just six and the improvement is continuing.

The structural and cultural changes at the factory

are now tangible—such as the recent celebrations held in July when the Heidelberg Factory achieved 365 Lost Workday Case (LWC) free days. The company has always prided itself on its safety record and has received recognition over the years for excellence in the fields of environmental, health and safety. But not since 1986 has a full year of production, without major accidents, been achieved until now.

“The reason for this impressive result is thanks to the shift in mindset and mutual respect,” says Meyer. “A major drive for safety was introduced last year with new initiatives put in place to help reinforce change in employee behaviour and move towards adopting a culture of safety.

“A major drive for safety was introduced last year”

This has paid off and we are extremely proud of achieving an accident-free year—a record only held by one other South African factory.”

Looking back on his tenure as demand chain general manager at BAT South Africa,

Meyer has achieved a great deal. But he is still cautious in his assessment of it. “We’re not the best factory in the world yet; there is still a long way to go. But the foundation has been laid and that’s the most important thing,” he says.

Due to the strategic path brought about by Meyer and the positive inroads achieved in making these changes, his departure has brought some trepidation to many factory floor workers: they don’t want things going back to how they were. Meyer is not concerned: “There is a very strong management team in place who understand the principles of good management, who have taken on my thinking—especially on the importance of communication—and are running with it independently. I believe the changes at the factory have been positive and are sustainable. My successor is another expatriate, who will continue to instil the BAT philosophies.”

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