

**Nestlé***Good Food, Good Life*

# Widening the gap to the competition: Transformation of Nestlé's UK&I Supply Chain

**The re-design of an already high performing  
Supply Chain Function - "You don't have to  
be ill to get better".**

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# Nestlé UK&I

Nestlé UK and Ireland (UK&I) is a subsidiary of Nestlé SA, the world's foremost nutrition, health and wellness company.

Nestlé UK&I has a £2.3bn turnover and employs almost 8,000 people across sites, including 15 factories, in the UK and Ireland. The company is structured into Nestlé UK Ltd (food and beverage, confectionery and Nestlé Nutrition), Nestlé Ireland, Nestlé Purina Petcare, Nestlé Waters, Cereal Partners UK (a joint venture with General Mills) and Lactalis–Nestlé Chilled Dairy Company Ltd, a joint venture with Lactalis. It is estimated that around 98% of households in the UK consume Nestlé products.

## Nestlé UK&I Supply Chain

Nestlé's UK&I Supply Chain Function manages and operates the end-to-end product supply process from raw materials to end product delivery to customers ('farm to fork'). The Function employs c. 300 people spread across 15 factories and 4 offices; the majority of distribution is outsourced and factory employees are out with the Supply Chain Function. The Function manages an inventory of 3,500 SKUs fulfilling 20,000 customer orders through 4,500 truck deliveries each week.

**"My team is responsible for everything from the 'farm to the fork'"**



## The Need/ Problem

Nestlé's UK&I Supply Chain Function was recognized throughout the industry for delivering leading edge levels of customer service at costs externally benchmarked as being best in class amongst its competitors. The Function had become a victim of its own success in that a 99.5% service level was expected as the norm and it was assumed by the Nestlé's UK&I leadership that the Supply Chain would flex to meet the variable commercial requirements of the business. However, because of this high level of performance, there was no 'burning platform'.

**"We were seen as best in class"**

Despite the high performance of the Supply Chain team, the Supply Chain Director recognized that standing still was not an option because;

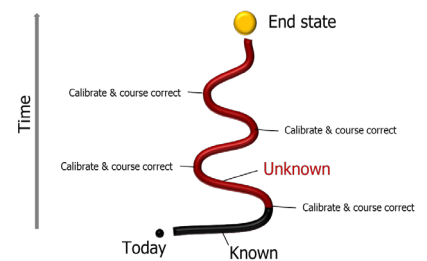
- 7 Industry consolidation had provided the competition with a platform and the scale to drive efficiencies which would mean that they had the potential to leapfrog Nestlé's performance.
- 7 The downward pressure on consumer spending and the upward trend in commodity costs required a relentless focus on driving Supply Chain efficiencies on a continual basis.
- 7 The Supply Chain Director was under pressure from the UK&I market CEO who recognised change was needed internally because there was very little staff turnover in the supply chain Leadership Team. The people in place wouldn't leave, they would just change roles. Nestlé is a large university and college graduate recruiter and because of their design, talent was inhibited by the traditional ways of rewarding and promoting.
- 7 The market CEO recognised that Supply Chain was delivering their objectives to 90% but was convinced that if the design changed then they would be able to over deliver their targets.

The Supply Chain Director believed that the solution lay within his team but they didn't yet know it. He didn't want a consultancy coming in and developing a solution for them. He wanted a proven methodology with expert guidance which would help them develop their own solution, collaboratively.

**TRANSFORMATIONAL CHANGE** - A fundamental change from one state of being to another, so

profound shift to sustain it. (E.g., shift in what customers get and how they are treated, what work gets done and how work gets done, structures, management activities, ways of working/behaviors, expectations and culture, etc.)

Source: Three Types of Change Ackerman & Anderson. The Change Leader's Roadmap. Jossey-Bass, 2001. Further adapted by OTM.

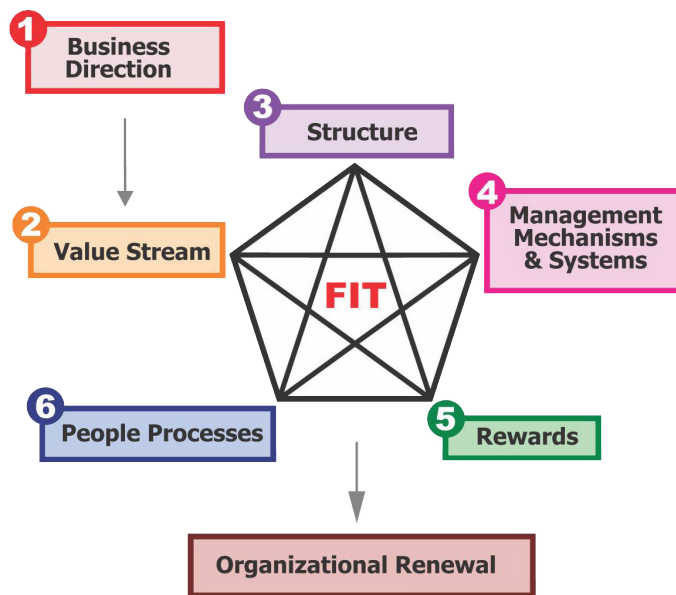


**"If change isn't happening then something is wrong"**

# The Current State

A comprehensive and critical review of the current Supply Chain organisation design against the elements of the OTM Applied Star Model (© OTM) helped the Leadership Team fully appreciate the strengths and opportunities for improvement.

For example, the end-to-end value stream for the flow of value creating work was well defined but was not fully understood by those working within the Supply Chain or their role within it, causing significant rework across the organisation.



Source: OTM Applied Star Model ©. Original Star Model by Jay Galbraith

Additional key areas self-identified as needing to be addressed included:

- 7 Current work structure, organised primarily in a Functional structure, had too many sub-boundaries and inconsistencies - leading staff to work in specialist silos resulting in a duplication of work, functions and roles.
- 7 The large number of sub-boundaries and sub-sub boundaries resulted in the need for large numbers of effort-draining coordinating management mechanisms to glue the Function together. Many of these mechanisms were meetings which were both ineffective and time consuming.
- 7 Those outside of Supply Chain had a difficult time understanding who to refer to in different situations.
- 7 Information flow was well defined but there was no clear ownership of the end-to-end master data. This resulting in errors being made upstream that were not being discovered until further downstream, again causing unnecessary rework and delays.
- 7 Despite the shortfalls in its organisation design, the people were aligned for good execution, focused, innovative, loyal, proud and team players.

# The Envisioned Future

Based on the leadership team's collective and holistic critical review of the current state of the Supply Chain decided to proceed with the development and implementation of a new organisation design for the Nestlé's UK&I Supply Chain Function. The new design would:

**"...drive a value chain which is trusted, faster, more cost effective and reliable than our competition -- enabling Supply Chain to collaborate innovatively with our customers to deliver share, sales and profit growth for all of our businesses."**

Fundamentally the Leadership Team decided that the new organisation design would be based on a principle of operational effectiveness which would result in decreased use of Functional structures, employing a less-expensive and faster, flat horizontal end-to-end structure.

Based on this, the team developed eight Design Criteria for the new organisation, namely, the new Nestlé's UK&I Supply Chain Function design must:

- 7 Deliver World Class service.
- 7 Demonstrate an appropriate cost base.
- 7 Simplify our business processes to release time.
- 7 Accelerate speed to market.
- 7 Make the most of the size and scale of the Nestlé businesses.
- 7 Be built on the basis of an end-to-end process.
- 7 Empower people.
- 7 Grow & develop talent internally, creating development opportunities.

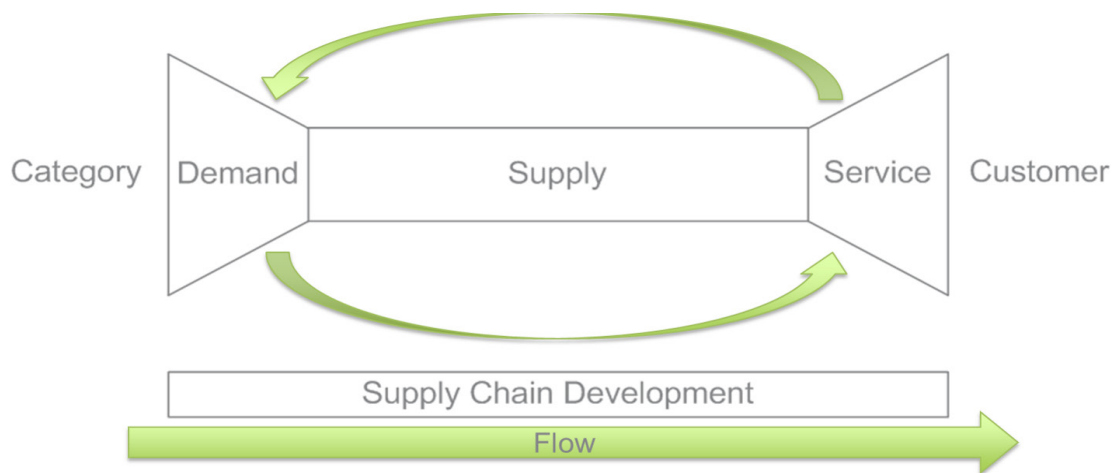
These principles and criteria provide the foundation for the Leadership Team to use to engage a larger Design Team around to develop the design solution.

During the Concept Design Phase, the design team employed rapid prototyping to iterate design options. These design options were developed to achieve the previously defined business direction, principles, criteria and parameters. Each design prototype was then critically reviewed and managed through a series of disciplined iterations until a final Concept Design was agreed upon.

# The Solution

The agreed-upon Concept Design would be organised based on the flow across the value chain whilst, at the same time, creating true Category (Product) front-end and Customer focus back-end. Key features built into the Concept Design were:

- 7 Multi-skilled teams who followed work from start to finish through the value chain.
- 7 Clear work boundaries and single points of contact making it easy to know who to go to.
- 7 One sub-boundary handling all inbound Demand work from the Categories, one sub-boundary handling all Supply work, and one sub-boundary handling all outbound Service to customers, all underpinned by a sub-boundary handling all of the work to continuously improve and develop the Supply Chain value chain.
- 7 Enable an end-to-end view of the whole value chain.



As the Design Team worked up their detailed design for the new organisation, they kept the principles and criteria top of mind. For example, the Demand work sub-boundary created teams that handled all of the demand work end-to-end for a defined group of Categories. These teams were vertically integrated with the Category teams as they had clear pass-off arrangements with the Supply sub-boundary.

In the Supply sub-boundary, multi-skilled teams were created to handle all the end-to-end supply for a defined group of factories. A Supply team would integrate key activities/work into a horizontal flow organised by production assets; for example Kit-Kat in York. Within the Service sub-boundary, teams were created to handle all of the Service work for a defined customer (e.g. Tesco, or a group of customers – these teams were vertically integrated with the customers they served). Again, Service was organised in a horizontal, flat structure grouping key activities together in multifunctional teams managing an end-to-end flow rather than operating in Functional silos as they had before.

A key feature of this design was the introduction of Subject Matter Experts (SME's) within the work sub-boundaries to work across teams to drive best practice and consistency of key activities, methods, tools and procedures.

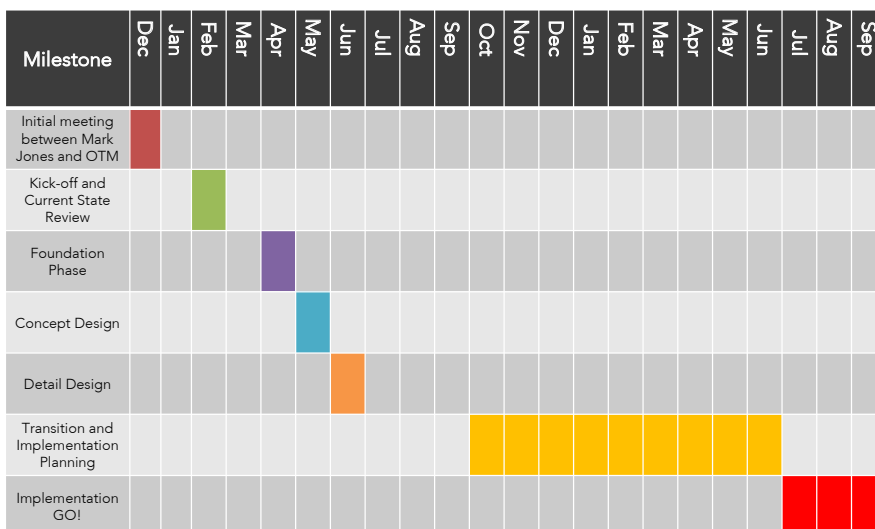
# Implementing the Solution

Upon completion and approval of the detailed design from all key stakeholders, including its own Supply Chain Leadership Team, attention turned to implementation. Because of the holistic design and critical dependencies of each part of the new design onto the whole, the decision to implement was to go for a "shot-gun" or "big-bang" approach. This meant that the option for an "evolutionary" approach to implementing – making minor, controlled changes over a longer period of time - was not an option.

The implication of the implementation decision required a need for a detailed yet holistic plan; the plan had to address the planning, preparation, development and integration of both the technical and the social elements of the change into a single implementation plan. The implementation of the new design would result in impacting almost every Supply Chain leader and employee, plus impact what work was done, where it was done, and by who. Flow of information and decision making authorities would also change dramatically since driving decision making closer to the customer was a key design consideration. All of these had to be taken into account in addition to the resultant consultation, selection, support and training processes dictated by regulation and company values.

**"Implementation, under no illusion, is very hard... one of the things I remember asking an old boss of mine was 'what do you want from supply chain?' and he said 'I want to hear nothing'"**



The Leadership Team applied the OTM wisdom of 'Go Slow to Go Fast' to the transition Phase before "go-live" to ensure that change did not disrupt day-to-day operations and that post "go-live" issues and risks were mitigated. The implementation team focused on creating "pull" with Supply Chain staff. As many line-leaders and employees as was practical possible were involved in the transition phase to ensure that they didn't experience "being done to." The implementation team deliberately took the affected function through stages of change to build awareness, understanding of the change and its impact on both the business and themselves, so that eventually they had a positive view of the change and were pulling for it to happen prior to "go-live."





The Transition and Implementation Planning Phase ran for 9 months prior to going live. One of the reasons for this 'go slow to go fast' approach was because a slow step change could have caused disruption in the performance of supply chain; the Function made the decision to carry out extensive planning and training before going live.

## The Results

As a result of the holistic socio-technical approach that was taken to both the design and implementation planning, the new organisation went live on schedule without disruption to service and 95% of people in the organisation were placed in their first choice position. To further demonstrate the smoothness of the transition and implementation period, right at the peak of the change, the Nestlé UK&I Supply Chain won Nestlé's award for the best performing supply chain in Europe in the summer of the implementation. The new organisation was more efficient, faster and more flexible than its predecessor, and was able to quickly adapt to changes in the broader Nestlé UK&I business...

 **"It was able, some months after go-live to take on the Supply Chain work of an additional business both easily and seamlessly."** 

The deliberately planned involvement of the employees in the transition planning process resulted in the employees actively pulling for the new ways of working – rather than resisting the change. During post go-live, the new supply chain quickly stabilised into its new ways of working, driven forward by employees who continued to optimise the design to create a 'lighthouse' for Nestlé worldwide and the FMCG industry. OTM lives by the wisdom 'people support what they help create' when it comes to getting real change in ways of working and culture.

 **"Because our leadership team had built the design and were 100% behind it, when we got to implementation and were having difficult discussions, no one was saying I didn't build or agree to this because they knew they were the ones who had shaped** 



**“Doing nothing was not an option for us but I wasn’t entirely sure what to do. I didn’t want a big team of consultants coming in and telling us the answer because I was absolutely convinced that the answer was within my leadership team. With ON THE MARK, I got a good strong process with the right level of facilitation that got us to a better answer.**

**Trust the process as it clearly works”**

The Global Head of Nestlé’s Supply Chain visited the UK and told the Supply Chain Director:

**“Particularly well done for the quality of people and training that has clearly gone from strength to strength, I was amazed by the breadth of knowledge of many, the process redesign and organisational review has clearly played a very major part in this.”**

## Contact Us

To discover more about how OTM can help you to achieve your envisioned future and tap into the collective brilliance that lives within your business, contact us at:

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