
Dandairy Ltd

By Jens Kragh

History

The Dandairy company was established as early as 1898. Later on it merged with another Danish company in the same sector. In recent years it has lived through a series of crises. These are due to changing conditions in agriculture, and partly due to frequent changes of strategy and management.

Just half a year ago Dandairy was taken over by a multinational American company producing machinery for the food industry.

Present and future products

Dandairy produces machinery for the dairy industry, such as small cream separators, equipment for sterilizing milk, tanks, heat exchangers, cheese tanks, and the like. Dandairy has a firmly established market position for these standard machines. Till now Dandairy has concentrated on producing and delivering this assortment of thoroughly tested machines. Typically they are sold directly to the dairies, or Dandairy acts as a sub supplier to contractors being in charge of delivering turnkey dairies.

For product development and product modification there are fixed procedures that regulate the interaction between sale, development, construction, and production.

Production is controlled and planned by means of a computer production managing system that was originally purchased as standard software. Over time, this system has been adapted and developed so that it corresponds precisely to Dandairy's present demand.

There are job descriptions.

The budget procedure is described in a 125 page budget instruction manual.

Management

Top management consists of the CEO (once the technical director of the company), a technical director, a sales director and a financial director.

Once a week there is a management meeting in which strategic problems as well as everyday problems are discussed. Apart from the financial function, management has a secretariat with 6 employees to gather information and prepare proposals that the individual directors will submit to the whole management group for approval.

Exceptional situations are presented by the individual directors to be decided upon by the management group.

The financial system is a so-called standard cost-accounting system. Once a month, comparisons between the budgeted costs and the actual costs are made. Deviations are commented upon in writing by the responsible middle managers and afterwards, discussed at an extended management meeting held once a month.

Environment

Standard machines are sold globally partly by representatives sent out by the company itself, partly by agents and distributors. The market is changeable and sensitive to economic fluctuations, as it is connected with the agricultural sector. But to a large extent it is possible to make reliable forecasts about the development of sales. This is due to the fact that Dandairy, together with one competitor, dominates the market for the equipment in question. On top of that fluctuations in the individual markets are evened out by the law of large numbers, because sales are on a global level. Technology is well-proven, and no large scale technological breakthroughs are expected (with the possible exception of Dandairy's own new cheese production system).

There is a growing demand for turnkey projects, a market Dandairy is entering. But there is a clear tendency for potential investors to lump together globally. ("Either everybody will construct cheese dairies, or none will" the sales director said).

While the competitive situation is relatively clear for standard machinery (Dandairy is market leader together with the other big competitor), the competitive situation for turnkey projects is much more unclear. There is no definite market leader. All the major agricultural countries have their own national suppliers, both manufacturers of machinery like Dandairy, contractors, and big dairy companies projecting and constructing their own factories.

Another important fact is that in turnkey projects, many partners must cooperate (the customer, the constructor, consulting engineers, various subcontractors, financial companies, etc).

Dandairy's new American owners want a more expansive development of the company. That is the reason why Dandairy has decided to enter the market for turnkey dairy projects itself.

In these projects Dandairy will supervise the total project of a new dairy, the construction of buildings, purchase of machinery, including home produced machinery, installing and the starting of operations. Total projects of this kind are expected to be more interesting, economically, than the supply of standard machinery, but require much more innovation and adaptability to customers' demands. Furthermore, such projects are more risky. In this new field Dandairy can exploit its long experience in the handling of milk to make solutions adapted to the individual customer. That applies especially to the production of cheese, a field where Dandairy has developed a couple of techniques that indicate, on an experimental level, a potential to revolutionize the production of cheese. This technique, installed full scale, will take a long step to automatize the production of cheese.

Dandairy intends to take up this new business parallel to its present production and sale of standard machinery.

Size

There are about 450 employees in Dandairy. 250 of those are employed in production. These employees are partly unskilled or with supplementary training, partly skilled. The remaining 200 employees are employed in administration and design. Among the latter there are many engineers and other highly educated persons.

4 years ago Dandairy employed almost 800 employees, but during an economic crisis staff was reduced to the present number.

Production

Present production can be characterized as a traditional machine factory. Product descriptions are specified in detail. They are made in small batches. Many of them are kept in stock. Furthermore it is possible to stock goods in process. By the final specification of a machine ordered by a customer it is assembled on the basis of ready made components and relatively few parts produced specifically for the order in question. Of course, this does not apply in the case of a standard machine kept in stock.

The intended future production of turnkey dairies will partly (about 40 %) be on the basis of company produced equipment. The rest will be machinery and components bought from others. Dandairy will especially concentrate on the production of cheese dairies, as a consequence of its unique experience in this field, as mentioned above. In order to do this it is required to develop a whole new assortment of automatic cheese tanks, cheese pressing equipment, etc. At the moment only one experimental plant has been produced. It is estimated that the costs implied in the final development of the machinery in question will be about 55 million DKR. Dandairy can borrow this amount of money from the parent company.

Rules, standard operating procedures, job descriptions

In the course of time Dandairy has accumulated a very thorough documentation of its products, currently maintained by inventories and specifications of materials. There are detailed job descriptions. They are supported by extensive time studies.

Questions for Consideration

1. Describe the strategic factors and the organizational structure
2. Are there misfits?
3. Which changes do you propose?
4. Are there short/long-term side effects of the suggested changes?