Interview: Ray O’Neill, Managing Director, ESS Ltd

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Mr. O’Neill, you have been managing director of this company for 17 years. How have you evolved the business over that period?

ESS was founded in 1991, and I joined the business in 1996. The company’s initial vision was to provide flexibility to the maintenance market in Ireland and its first client was Dell.

When Dell came to Ireland, it brought with it a model of complete flexibility—they wanted to go directly from the production floor to the marketplace and wanted to implement a model wherein if sales were high, they would produce, and if sales were low, they would not. Dell approached ESS to supply a flexible maintenance service to support this strategy.

We began by providing Dell with technical resources on contract. We helped them to build their production lines, and subsequently we helped them to maintain, improve and upgrade those lines.

Doing business in Ireland, (not unlike elsewhere in the world,) is very much based on relationships and your track record. We worked with Dell for over a decade and from that platform, we began to grow ESS.

This development story fits well with a theme of our report—that FDI into Ireland has helped to create an ecosystem of strong indigenous companies.

You can certainly put us in that bracket. We used our work with Dell as a footprint to sell our services to other organizations.

In the early days, we provided technical resources. But soon, companies began to approach us and say, “We really like your service, the attitude and flexibility of your people, the way you manage the issues and we’d like you to help us improve further.”

From there, we started to provide maintenance improvement—(something we hesitate to call ‘consultancy’, because of the perception the word carries.) Nonetheless, we do have a ‘consultancy’ division, and our employees there are tasked with advising clients on matters of improvement: for instance, if you are a pharmaceutical company, we help you decide how you can ensure compliance in your maintenance, how many people you need to employ in this respect, what those employees need to do, and how you can ensure that they are doing the right job by looking at the right metrics. This is all part of maintenance strategy and it is about those two words which are the bane of all our lives – efficiency and effectiveness.

We developed further by marrying these two divisions into managed services. We find that this is what the pharma sector is increasingly looking for—a complete, managed service package. Pharma companies are saying to us, “Bring us the people, bring us the knowhow, and deliver a package that assures us of compliance.” This has been the main hallmark of our evolution and development over the last couple of decades.

How large is the business today, and how much of your business is generated by your work with the pharmaceutical sector?

We employ 102 people, and our turnover approaches 7Mn EUR per year. About 40% of that revenue is driven by pharma and we are pleased to do ongoing business with a great number of the pharma companies in Ireland. We currently offer all five of our services to the sector.

Some pharma companies will use us for technical contract resources. For instance, one in Ireland recently had a particular requirement for a mechanical integrity program. We provided them with specialists in the area of welding inspection and non destructive testing to help set up their program.

Other companies use us for a series of maintenance improvement opportunities—one example is our work for a pharma company in Cork, for whom we are carrying out failure, mode and effect analysis, which is a tool we use to help ascertain the best maintenance to perform.

Still other companies use us for training on an ongoing basis. Others—and this is a smaller part of our business—use us for systems applications: online measurement of OEE, for example. In some

cases, we have deployed full teams to work on-site with the customer.

Finally, we have one other service, known as Continuous Maintenance Improvement (CMI), wherein we download the information in clients' computerized maintenance management systems and analyze it. Often, the pharma industry uses this data for compliance purposes – we use it to bring other benefits. It is about turning this information into knowledge as our analysis of the data highlights failures and our specialists can identify root causes and begin to make life easier for the customer.

Would you say that that is what ESS provides at the end of the day for the client—making life easier?

Yes, I would.

We think of ourselves as a company that works with people to improve maintenance, and we are very proud of the fact that within ESS Ltd., the turnover in our people is very low. When we employ people to work in our customers' facilities, we put a lot of effort into building relationships with both employees and the customer. We have relationship managers whose job is to work with both sides regularly, talk to them, listen to them, and resolve any difficulties. We find that works very well for us—it is a cost, but it works very well. This is one element that I believe really sets us apart.

From our conversations with managers in the industry, we have found that in today's environment, pharma companies look for partners that really become embedded within their businesses, and take on clients' challenges as if they were their own. Have you noticed this trend?

Absolutely—and we significantly welcome that approach. Our model is to take responsibility. In the early days, service providers would offer resources, but it was someone else's job to monitor performance. We prefer a managed service approach, which is built around the idea that the client requires a certain service, and it is up to us to decide how many people we need to do the job, how we will perform the work, how we will measure performance and show value. One of the attractions for us is precisely, as you put it, to become embedded. Provided that we deliver, we will remain embedded.

Because we offer five different services, we compete with different companies in different streams. But we believe one of our competitive advantages is to offer pharma companies a managed package with total assurance. A service provider should do more than provide what they are asked for. As ESS, we provide what we are asked for, and what's more, we offer total assurance in

compliance. We differentiate ourselves in that sense. If there is a change in legislation, we stay on top of it, to make sure that we never end up in a situation wherein we are delivering a service that is not compliant.

What about the industry's current focus on cost? Have you found that this has impacted your approach in maintenance services?

We have certainly seen cost—and value—becoming a much bigger concern for pharma clients than in the past. Again, this is a trend we welcome. We know that our offering really adds value and hence we are glad to see customers focus on that. As the industry is challenged by trends like the patent cliff, we can help companies to optimize their maintenance and stay competitive.

Like with any industry, what worked 10 or 15 years ago is not going to work today. In the past, maintenance was largely driven by quality and compliance requirements. This is of course a necessary approach—but maintenance should have a reliability focus as well. This was not always there before. Today, the trick is to discern how to ensure quality while enjoying the same or more reliability without affecting compliance. We have some well-proven tools that we can use in this area—tools that we can show to people in charge of quality, and explain the logic behind our approach, the difference between their current model and our model, the savings they will accrue, and the fact that their compliance won't be affected and will in fact be strengthened.

You see the challenges for the industries as opportunities for ESS. What, then, are the principal challenges for your own business today?

It's always a challenge to build relationships. Because of the high requirements for compliance, pharma companies are conservative. Particularly when we try to win the business of a new client, it is always a challenge to ensure that we speak to the right people and are able to demonstrate our past accomplishments—and regardless of how much you've done in the past, it is still tough to win over a pharma company.

Another challenge is that not all organizations are open to the idea of relinquishing responsibility. In some cases, they may feel that that would mean they have less control. But we would argue that, in fact, they would have more control: we believe that their core competency is manufacturing drugs and our core competency is maintenance. In that space, we are an award-winning company. If you were ill, you would go to a doctor. If you need reliable, compliant maintenance, you go to a maintenance specialist.

From your perspective as a service company, has investment from the pharma industry into Ireland waned in this recession?

In some cases, investment has continued. However, we should keep in mind that facilities in Ireland increasingly have to compete with sister sites around the world, so Irish plants must keep upping their game to ensure that they get the new products coming through the pipeline.

What is your vision for the future? If we returned to interview you in five years' time, where would you like to be?

We like to think that we practice what we preach, so we strive to continuously improve. We provide services outside of Ireland as well, with help from Enterprise Ireland. We provide a range of services in the UK, and provide training and consulting in India, South Africa, Australia, and the Middle East. We will look to build these aspects of the business. We have no plans to take over the world next year, but we are building!

In order to facilitate our growth and challenge our strategy, we are embarking on a program with Enterprise Ireland wherein we will be working with the International Management Institute in Switzerland to have a look at the business and figure out how we can improve. We always look at ourselves critically, and we always welcome good non-executive directors to come in and offer outside advice. Sometimes when you're at the coalface, you can't see what needs to change.

In five years time, our vision will remain the same: we want to be the must-have company in our field. When the crunch is on and our customers are making tough decisions, we want them to say that they must have ESS, because ESS delivers value, reliability, and performance, and continuously challenges itself to improve.

As far as revenue growth, I recently heard someone say, "Turnover is vanity; profit is sanity." I think that is very true. We are not focused on size, per se, and we have no target of how much we want to grow our staff. Instead, we have targets for margins on the business that we get, and we are focused on growing those margins. In five years time, if we have increased our customer base, built on existing relationships and improved our margins, I would be a very happy man.

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