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ELDORADO DISCLOSURE



ELDORADO BRASIL INTRODUCES AN INTERACTIVE PLATFORM FOR ITS INNOVATION PROGRAM

Eldorado Brasil introduced this month its new Inovar platform, an innovation program that encourages employees in the industrial area to propose innovative solutions that help improve production processes and work routines. Created in 2015, Inovar has received more than 500 ideas — many of them already implemented in the productive areas, resulting in more stable and efficient processes.

With the tool recently introduced, users can now make contributions from any device with Internet access. “The program has a format that’s similar to a social network. In addition to being simple and easy to access, it also encourages interaction among employees,” says Leonardo Pimenta, the company’s Technical Control manager, about the new feature. The tool’s improvement targets a series of benefits for both employees and the company. The first is to promote work in groups. “More than 65% of ideas are collective,” says Pimenta, who provides more details in the interview below.

Pimenta: “ In the first year of program Inovar, the 10 best ideas led to an average return of R\$30 million for the company”

O Papel — What is program Inovar and how did this initiative come about at Eldorado?

Leonardo Pimenta, Technical Control manager of Eldorado Brasil — Inovar is an innovation program that encourages employees in the industrial area to propose new quantitative solutions with a direct impact on company results, and new qualitative solutions that help improve the work environment and routine. The initiative was created in 2015, when we had a plan to internally foster the practice of innovation. Since every innovation at Eldorado is incremental and targets improvements in processes, productivity and product quality, we saw that it was necessary to consolidate the concept of innovation in our operational routine. To reach all work stations in the industrial area, we decided to introduce program Inovar. Aside from this demand, we also identified that we needed to create a formal manner to apply meritocracy. Since the plant's start up in 2012, we've seen great ideas yielding excellent results for the company, but we needed a criterion to select the suggestions to be implemented and award them or provide some other type of incentive. Our conduct needed to be fair towards the team. Based on this context, we thought about creating an innovation program initially centered on a program of ideas to encourage creativity and touch everyone in the industrial department.

O Papel — How was it put into practice and how has it evolved over the years?

Pimenta — We created a well-structured program: the system contains a step-by-step process for registering ideas and users were organized as they are in our plant system. We introduced the program in July 2015 and, by September 2016, we had already received 210 contributions. We stipulated that cycles would go from September to September, which precedes the closing of our annual budget, since a large part of the ideas ended up entering next year's company budget. With this, we would also have sufficient time to award winners at the end of each year. It's important to point out that, even though the entire cycle takes one year to arrive at the final award stage, ideas can be provided during our operational routine. Since Eldorado has a

very simple organizational chart, we set up the program in order for innovation to become part of the day-to-day management of leaders from all areas. In other words, the program is not just linked to the Technology area for example, or any other. The person responsible for managing a given area, whether productive or support area, is also responsible for managing the ideas of employees from his/her respective area. By doing so, we achieve the objective of decentralizing the innovation process. In practice, the program format significantly facilitated communication between leaders and subordinates. This ease also created greater innovation spirit, not only in areas that theoretically have greater potential to be more innovative, but in all other areas too. Mutual collaboration quickly leveraged the program. The second cycle of program Inovar, which registered ideas from 2016 to 2017, totaled more than 300 participations.

O Papel — What is the utilization rate of ideas and what has been the average financial return for the company?

Pimenta — When an idea is presented, it is first filtered by the direct leader of the employee who contributed to the program. This leader selects those projects with practical feasibility. Of the total projects selected, we've been able to implement 70% of them. All our productivity gains and cost reductions over the last years have stemmed from small projects — and a large part of them came from the ideas program, with a well-adjusted budget. Today, Eldorado stands out for having the lowest production costs and the highest single line production worldwide, without having made any major investment earmarked to boost production. They were small gains that led to all the positive results achieved these past years. In the first year of program Inovar, the 10 best ideas led to an average return of R\$30 million for the company.

O Papel — Does any area in particular stand out for the number of contributions presented?

Pimenta — In the program's first year, most ideas came from the production area. Last year, however, the maintenance area stood out for its number of contributions. Employees themselves, through an

effort by area leaders, took the initiative to challenge each other and created internal campaigns to encourage contributions to the program. In spite of being an area that's a bit shier to propose changes, the results were remarkable: the number of ideas registered skyrocketed and today it's the most collaborative area. This clearly reinforces that we're on the right track by expanding opportunities for everyone to participate.

O Papel — Why did the company decide to change the program, implementing a new interactive platform?

Pimenta — Some employees pointed out possibilities for improving the program. Additionally, regardless of how much we promoted an internal event, with awards for the best ideas and smaller prizes for others, we believed it still wasn't the best form to reciprocate and continue encouraging everyone to participate, in view that of the 300 ideas provided last year, only 20 suggestions were selected for implementation (the 10 best qualitative and the 10 best quantitative). Based on our new demands, AEVO, our partner who worked on developing the software for Eldorado, presented a totally innovative platform, based on the same foundation as the main social networks available today. The new platform allows the program to be accessed from any mobile device, even outside the plant, and in addition to registering ideas, it also allows users to view them. Employees have the possibility of giving 'likes' to ideas, comment about them and so forth, increasing the program's interaction.

O Papel — What benefits does the company aspire with this different form of interaction and other features promoted by the new platform?

Pimenta — With the interaction between the creator of an idea and other employees, discussions took on a deeper dimension. If one person from the Production area presents an idea, an employee from the Procurement area can complement it, creating a totally integrated knowledge-management mechanism in the plant. We can also create employee ranking classes. For example, by classifying employees according to the number of ideas they present, we can award them for their effort, for all their motivation in coming up with new contributions, even if they don't stand out in terms of their financial return for the company. We can also classify employees according to the most entrepreneurial or those who contribute complementary ideas, adding interesting knowledge to an idea proposed by a colleague. The program allows for totally collaborative actions and sees that all company knowledge is integrated through the exchanging of messages and

participations, truly engaging in knowledge management and achieving all levels of the operation. Another interesting aspect of the new platform is that each employee has an exclusive page and accumulates points. By presenting an idea, an employee receives points and when it receives likes it earns more points, as well as when somebody complements one's idea. The objective is to create a sort of mileage program that results in a package of benefits according to the number of points achieved. The prizes range from simple gifts to higher value prizes, keeping in mind that scores are cumulative and can be extended into the next year. Furthermore, in parallel with the ideas program, we wish to work several campaigns through the new platform. For example, we are planning specific calls for energy conservation practices. The platform will therefore facilitate the development of more specific works earmarked at specific objectives.

O Papel — What is the importance of this type of tool in today's pulp industry, which is inserted in a context of transformation with the advancements of Industry 4.0 concepts?

Pimenta — The tool boosts interaction throughout the entire production chain, creating a continuous cycle of knowledge exchange, which tends to strengthen even more. There are three major factors incentivizing the program, which we follow as a maxim and are in alignment with our current and future reality. The first is the intention to create a culture of innovation and people recognition in the company. We allow greater risk-taking in the day-to-day precisely to encourage our employees to do their best at a lower cost. The second factor refers to knowledge management, a complex aspect in traditional industries such as pulp. For many years, people who detained certain knowledge practiced it until retiring and were perceived as owners of such knowledge. It was difficult to extract experience from older employees. Nowadays, the landscape is different: employees who five years ago were students are now team leaders — which shows that Eldorado is being able to distribute its knowledge internally. Programs like Inovar further promote the dissemination of knowledge. Once registered in the system, an idea will always be part of Eldorado. The last factor is associated to strengthening meritocracy. When we think about promoting employees or giving them some form of recognition, we consider a series of metrics. With this new tool, we will be able to measure whether employees are innovative. That is, the platform will also help out as a people management tool. Our idea is to extend the program to other departments, including Forestry, expanding this practice outside the plant environment in the near future. ■