



Operational Excellence Offer

Supporting the Transformation of Irish Business

Cáipéis Tagartha – Reference Document

20/11/2019

1. Introduction

1.1 Background

Building a Competitiveness Agenda for EI Clients is a central element of the delivery of Enterprise Ireland's 2017-2020 Strategy. Competitiveness is a strategic imperative for the Enterprise Ireland client base given the small and open nature of the Irish economy. In addition, the business environment our clients are operating in continues in a state of uncertainty which increases the urgency of EI's drive to build client competitiveness. Companies must continually:

1. **innovate** to keep pace with macroeconomic and technological changes;
2. **diversify** into new markets in order to grow more sales; and
3. **compete** through increased capability, productivity, and innovative approaches to business

Co-funded by the European Regional Development Fund, Enterprise Ireland's Operational Excellence Offer addresses this third strand in increasing client's competitiveness.

Document Revision History

Date	Author	Details
November 2019	Ruairí Ó hAilín	. Added more detail on the Business Innovation project
October 2019 Training policy updates	Ruairí Ó hAilín	. The Trainer to Trainee cost ratio restriction is removed from the Letter of Offer. However, the ratio will be reported to the approving committee and major deviations from training norms to be explained and justified. . Training Advisory Services has been added as an eligible cost . The maximum number of days training can be altered by the approving committee. . Additional detail on eligible training activities . Also added update for capital regarding ERP/MES installation costs
May 2018	Tracy Pryce	. Initial Version

1.2 Aims of the Operational Excellence Offer

The offer is designed to incentivise established Irish based export oriented companies (SME and Large) to address their operational challenges and opportunities through a transformation project that would include investment in capital equipment where applicable, capability building through training and in the implementation of innovative production, delivery or organisational methods in the business.

The intention is to address a company's needs across key aspects of their value chain and business operations; from supply chain management, internal business and production operations, and through to logistics and distribution networks.

Projects approved under this offer will:

- address critical cost factors in the company's value chain whether in response to new opportunities or in the face of a challenging marketplace/competitor environment
- demonstrate the potential to increase output by way of productivity or value add while maintaining or increasing employment in the company in the longer term; and
- clearly show how the company plans to undertake the project, particularly in relation to the resources required to develop the project.

Note that funding support is provided only in the context of an agreed growth plan between a company and the funding agency (Enterprise Ireland or Údarás na Gaeltachta).

1.3 Eligible Companies

The Operational Excellence Offer is open to companies who:

- are existing and potential clients of Enterprise Ireland & Údarás na Gaeltachta subject to the prevailing policies of those agencies. The Operational Excellence offer is not available to clients of Local Enterprise Offices.
- employ 10 or more full time people (or full time equivalent) in the State at the time of application.
- have been incorporated and trading for at least 5 years at the date of application
- have sustainable annual revenues of at least €500K and are EBITDA positive in previous accounting period or; for at least the previous nine months prior to application and can demonstrate sustainable future EBITDA.

EBIDTA negative companies may apply for funding on applications up to €150k spend but applicants must display sufficient level of financial resources to undertake and implement the project and realise the commercial benefits. Note that Enterprise Ireland's policy on providing grant support to companies is that where a company has not reached a revenue generation stage in its development phase, or where its revenue is not covering its costs and the risk of the company remains high, then Enterprise Ireland's support by means of equity is more appropriate than a grant.

1.4 Eligible Activities

The Operational Excellence Offer will support activities which enable a transformative step change in the operations of the company. This must be built around an identifiable project plan which can include support for one or more of the following activities:

- Business Innovation, which involves the implementation of new production, delivery or organisational methods in the company
- Capability Building/Training to support the transformation plan
- Capital Expenditure for Production/Operations, where applicable

Where the bundled offer outlined above is not appropriate for a company, individual supports continue to be available under existing offers.

1.5 Funding: Expenditure/Grant Limits

Funding support is by way of a grant.

In line with the goal of having a transformative effect on the company, the minimum expenditure level expected is set at €100k per application, although it could typically be much higher.

Maximum expenditure supported will depend on prevailing policy limits of the funding agencies (Enterprise Ireland or Údarás na Gaeltachta) and will include criteria such as the value for money for the state as well as EU State Aid limits.

1.6 Legal Basis

The Operational Excellence Offer is administered in accordance with the following Irish legislation:

1. Capital Equipment: Industrial Development Act, 1986, Section 21 & Industrial Development Act, 1998, Section 7
2. Business Model and Process Innovation Implementation: Industrial Development Act 1986, Sections 21 and the Industrial Development Act 1998, Section 7.
3. Training: Industrial Development Act, 1986, Section 28

1.7 State Aid Basis

The EU State Aid basis for the fund is:

1. Capital Equipment: General Block Exemption Regulation 2014-2020, published in the Official journal No.57, 26th June 2014, Commission Regulation (EU) No. 651/2014
2. Business Model and Process Innovation Implementation:
 - a. SME: General Block Exemption Regulation for 2014–2020, published in Official Journal No 57, 26th June 2014, Commission Regulation (EU) No 651/2014
 - b. Large Co's: de minimis aid guidelines subject to a cumulative max per company of €200k in de minimis aid over a 3-year period. Published in the Official Journal L 352/1, ii 18th Dec 2013, Commission Regulation (EU) No 1407/2013.
3. Training: General Block Exemption Regulation 2014-2020, Article 31.

2. Application, Assessment and Approval process

2.1 Application Process

Applications may be submitted at any time to Enterprise Ireland (i.e. there is no set call close date). However, applications **must** be discussed with the assigned Development Advisor prior to submission. Enterprise Ireland clients should use [this link](#) to find their Development Advisor in order to discuss their proposed project. With the agreement of the assigned Development Advisor, applications can be made to the Grant Applications Department of Enterprise Ireland via email to GA@enterprise-ireland.com.

The required documentation for a full and formal application include:

1. Part 1: Business Plan (Word doc)
2. Part 2: Project Plan (Word doc)
3. Part 3: Project Costs (Excel)
4. Financial Data Sheet (Excel) *for applications where grant sought is >= €150k.*

Additional information required for the Assessment process includes:

Projected Monthly Cash Flows	Monthly cash flows covering the next twelve months. It can be provided in the relevant section of the FDS or separately.
Company Financial Projections	The company's own full financial projections (on which the FDS projections are based).
Audited Accounts	The latest signed Audited accounts including notes (The key figures should correspond to the submitted FDS). Consolidated accounts for the Group if part of a group.
Latest Management Accounts (P&L and Balance Sheet)	To facilitate the assessment of current year projections.
Organisation Chart	
Group Structure	

Application forms, guidelines and supporting documents are available on the Enterprise Ireland website.

2.2 Assessment of Applications

Application evaluation will consist of a commercial assessment and a technical assessment which together with the application documents will form the proposal that will be circulated to Enterprise Ireland's Investment Committee for approval. The Investment Committee will be presented with an assessment of the application, which incorporates comments on the following criteria:

- Value for money for the State taking into account the performance against targets set in previous investments,
- The overall amount of State funding received by the company in the last seven years,
- How the plan is an integral part of the strategic development plan of the company,
- The financial track record of the company,
- The development needs of the company,
- Previous track record in implementing any previously State funded projects,
- That the costs to be approved are reasonable and required for the project(s).

3. Grant Categories & Rates

The **maximum** applicable grant rate per expenditure category is outlined in the table below;

Company size (Small, Medium, Large)	Capital			Business Innovation €150k max grant			Training Aid		
	S	M	L	S	M	L	S	M	L
Unassisted regions	20%	10%	0%	50%	50%	50% [§]	70%	60%	50%
Assisted regions	30%	20%	10%*	50%	50%	50% [§]	70%	60%	50%

Where;

- Company size is as defined by the EU commission¹
- Unassisted regions are: Cork, Dublin, Kildare (excl Athy), Meath (excl Kells), Wicklow (excl Arklow).
- Assisted regions are all other counties within the Republic of Ireland (as well as Athy, Kells & Arklow).
- * Capital support for large companies, even in assisted regions, is only applicable where the site will be operating under a new NACE code or the company is moving to an alternative location in an assisted area.
- § Business Innovation for large companies is supported at 50% under De Minimis Aid.

If any expenditure is incurred before the date of application the entire project will be ineligible for support. This includes the payment of deposits or where contracts are entered into by the applicant company.

ERDF requirements apply to SME Capital grants if they are carried out in the following counties: Cavan, Donegal, Galway, Laois, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath.

Note that Enterprise Ireland or Údarás na Gaeltachta reserve the right to offer less than the maximum grant rate in support for a project, based on prevailing policies for supporting companies.

¹http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

4. Cost Eligibility

4.1 Capital Expenditure

Eligible costs are for the purchase of assets that include:

- New or second-hand equipment including reasonable installation costs. Second-hand equipment must be less than 7 years old and more than €10,000 in value. Refurbished equipment will be evaluated on a case by case basis by Enterprise Ireland Assessors.
- Computers and perpetual software licenses used in the production process and in the Services Industry where the service is internationally traded. For an ERP, MES or equivalent system, that could include costs for license purchase and costs for software customisation or modifications required to get the system operational as part of the initial installation, but excludes ongoing support & maintenance costs.

Ineligible costs include:

- Expenditure on buildings, building modifications, mobile assets, transport and office equipment e.g. desks, chairs, filing cabinets, computers for administration, forklifts, cleanrooms, insulated panels and doors, refrigeration and building services. (This list is not exhaustive but reflects some of the key items that are not eligible).
- Software costs directly relevant to *routine* business activities e.g. payroll systems, standalone accountancy packages.
- External Consultancy costs
- Training or Salary costs for company personnel.

NOTE: The grant claim is based on the costs of equipment excluding VAT.

Purchase of Eligible Assets:

- Where the grant-aided assets are purchased by the Company, the grant may be claimed when verified eligible expenditure has been incurred and paid by the grantee. In this instance, the equipment claimed must be installed in the company premises and the company must hold valid title to the assets. It is not permitted to subsequently lease assets on which a capital grant has been paid to a grantee.

Leasing & Hire Purchase

- If the company wishes to lease the capital assets from a lending institution or enter into a hire purchase agreement, the costs (principal only, excluding interest and any other costs) will be regarded as eligible expenditure.
- If the title to the asset does not transfer to the company at the end of the lease period any grant payment made must be repaid to Enterprise Ireland.
- The grant payment of the lease and hire purchase to be paid in arrears (that is, after repayment costs have been made by the company) and the company can make a maximum of one grant claim per year.
- The terms of allowable leasing and hire purchase are set out below:

Financial Leasing

Where the Company leases capital equipment from a lending institution, the Company shall purchase the capital equipment upon or before the expiry of the term of the lease, and shall furnish evidence satisfactory to Enterprise Ireland that it has done so. The Company shall furnish a copy of the leasing contract to Enterprise Ireland prior to grant payments commencing.

The eligible expenditure shall be the lesser of (a) the amount (if any) specified for such expenditure in the Table at the start of this Schedule or (b) a sum equivalent to the cost of the capital equipment to the lending institution. The Company shall provide evidence satisfactory to Enterprise Ireland of this cost.

Hire Purchase

Where the Company purchases capital equipment under a Hire Purchase contract, the Company shall make all payments due under the said contract and shall furnish evidence satisfactory to Enterprise Ireland that it has done so. The Company shall furnish a copy of the hire purchase contract to Enterprise Ireland prior to grant payments commencing.

The eligible expenditure shall be the lesser of (a) the amount (if any) specified for such expenditure in the Table at the start of this Schedule or (b) a sum equivalent to what it would have cost the Company to purchase the equipment not using hire purchase at the time it entered the hire purchase contract. The Company shall provide evidence satisfactory to Enterprise Ireland of what this cost would have been.

4.2 Business Model and Process Innovation Implementation

The Business Innovation component is based on two elements of the EU State Aid framework;

- *process innovation*: the implementation of a new or significantly improved production or delivery method, and;
- *organisational innovation*: the implementation of a new organisational method, including business model changes.

An eligible Business Innovation project will involve;

- implementing a new way of working for the company, and,
- a visible step up in terms of new production or delivery capability or business practices.

The project must involve some level of innovation and risk and should not be focused on routine operational changes or responding to changes in regulation.

Examples of the Implementation of a new production or delivery method could include;

- design, installation and/or configuration of a new production or delivery process or system
- development (or non-routine customisation) of software systems for a new production or delivery method
- significant automation of previously manual production or delivery systems in order to scale

Examples of the Implementation of a new organisational method could include;

- Implementation of innovation or continuous improvement systems across an organisation
- Implementation of new product or service development methods where there is Customer / Supplier / Partner co-design and co-creation
- Implementation of significantly new business models or value propositions

A Business Innovation project could include a combination of activities spanning any of the above examples.

Eligible costs include:

- Salaries – personnel costs for company staff working directly on the project.
The first €80,000 of actual base salaries is supported (exclusive of employer's PRSI contributions). Note that pension contributions and bonuses are not eligible as salary costs.
- Additional overheads incurred directly as a result of the project. This is calculated as a fixed percentage of salaries and is limited to 30% (including employers PRSI),
- Consultancy – costs to the company of availing of consultancy support directly related to the project,
- Materials and other operating expenses directly related to the project (including prototype/design costs, travel and subsistence, certification testing).

Ineligible costs include:

- Routine business activities as defined in definitions contained in the document "Framework for state aid for research and development and innovation", 21.5.2014²

² '**organisational innovation**' means the implementation of a new organisational method in an undertaking's business practices, workplace organisation or external relations, excluding changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or

4.3 Training

A training programme in the Operational Excellence Offer mirrors that of the Enterprise Ireland Lean Transform Offer to a large extent. The key difference is to allow for the inclusion of additional training directly related to any Capital or Business Innovation parts of the project.

The objective is to support an Organisational Innovation programme focussed on;

- Improving the on-going flow of value to customers,
- Implementation of team based problem solving and continuous improvement & innovation activities,
- Continuous and shared learning,
- The identification and removal of wasteful activities in the business and supply chain,
- Leadership and management development to enable the alignment of operations to company strategy.

The vision is to deliver a company-wide transformation in culture and productivity performance. In order to build sustainable businesses that can grow into the future, an Operational Excellence project is about investing in people and should lead to higher quality jobs as well as a productivity improvements. It is helpful for companies to build on known good frameworks and methodologies such as Lean, Kanban, Agile-Lean, Shingo Model, EFQM, etc.

Projects should also consider the environmental sustainability of the business and include training where appropriate to increase the agility and resilience of the company to environmental climate change impacts.

Projects may vary in size and scope but will typically be 12-24 months in duration.

Eligible Costs

Eligible Cost Elements	Eligible Costs	Eligible Grant
trainers' personnel costs, for the hours during which the trainers participate in the training;	Eligible external training costs are capped at €900 per day including expenses. Actual costs to the company are based on market rates and may be higher.	Maximum grant rate depends on company size;
trainers' and trainees' operating costs directly relating to the training project such as travel expenses, materials and supplies directly related to the project, to the extent that they are used exclusively for the training project.	Internal staff time (trainer or trainee) is based on actual pay rates subject to a cap of €350 per day. Travel and subsistence rates as per standard EI policy	Small – 70% Medium – 60% Large – 50%
costs of advisory services linked to the training project for advice and guidance on training programme implementation and appraisal as well	Costs of advisory services are capped at €900 per day including expenses. Actual costs to the company are based on market rates and may be higher. It is EI policy to limit the support for advisory services to a maximum of 10% of the total eligible training project spend up to a project maximum of €200,000.	Note that the actual grant rate approved is at the discretion of the Enterprise Ireland approving committee.

extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

'**process innovation**' means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment or software), excluding minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

<p>as benchmarking/diagnostics where appropriate.</p> <p>trainees' personnel costs for the hours during which the trainees participate in the training.</p>	<p>Other costs (such as course fees, materials and supplies) will be assessed on a case by case basis.</p>	
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Eligible External trainers

The client will be responsible for selecting and hiring the training service provider.

Eligible External Training providers in Lean or related disciplines are only those who are registered on the Lean Business Ireland Service Provider Directory (see <http://leanbusinessireland.ie>).

Regarding any other training providers (for management development or specialised technical training for instance), companies are advised to choose from the Lean Business Ireland Education or Specialist Provider directories wherever possible.

Eligible Activities

The training supported;

- Must develop the capability and capacity of people to have measurable impacts on the business.
- Must bring new capabilities and knowledge into a company. This is done through the use of some external service providers or using elearning/virtual learning.
- Must be part of and support the project being applied for. The project must have clear objectives and defined activities to be carried out to achieve those objectives.

Exclusions;

The training supported;

- Must not include training required solely to comply with national mandatory standards (e.g. health & safety, first aid, manual handling). See European Commission State Aid rules³.
- Must not be training that would be carried out anyway in the normal business or operations of the company (e.g. company induction, market/industry overview, information/briefing sessions, basic internal company systems training, etc.). This is required to satisfy the need for an incentive effect for State Aid support. So, any State Aid support must be *additional* to what would happen anyway in the company.
- Must not include production work. Training Aid may not be used to subsidise the normal operations of the business as that would have the effect of distorting the market.
- Must not be already supported with State funding (Skillnet training for instance⁴).

Training Delivery;

- Training courses or activities must be structured, with predefined learning objectives as part of a training specification. A training specification should include Title, Duration, Objectives, Delivery methodology, Outline of programme content.

³ http://ec.europa.eu/competition/state_aid/legislation/block.html

⁴ The state aid basis for Skillnet training is also Training aid. Therefore if training is already subsidised through Skillnet, and subsequently supported through LeanTransform, then the maximum aid intensity would be breached. Therefore, Skillnet courses can *only* be supported as part of a LeanTransform programme at an un-subsidised rate.

- Training will generally take the form of classroom-based instruction, workshops, demonstrations or simulations. This can also include practical hands-on activities, project-based training challenges and coaching if specified as part of a structured training programme.
- Training may also be delivered online or remotely using e-Learning, Conferencing, or Virtual / Augmented reality technologies for instance.

Training programme examples;

Supported training may include;

- training on Lean, Lean-Kanban, Six Sigma, Agile-Lean, DevOps or other similar process methodologies as well as training on the application of such methodologies to the business to increase effectiveness and efficiency⁵. Note that for a project to qualify under LeanTransform or Operational Excellence, there MUST be a significant element of process training including themes like Quality, Continuous Improvement, Innovation and Cultural behaviours. This is based on the premise that project focussed solely on Management or Technology skills acquisition without promoting an understanding of how they can be applied is not likely to have a transformative effect on the company.
- training on Management and Leadership to support the project goals,
- training on specialised technical skills to support the project goals,
- training on equipment or software (such as ERP, MES, Robotics) that are being introduced as part of the project, other than that excluded above as the normal business of the company,
- training on Environmental management systems or other relevant training around climate change resilience for the company
- Specialised 3rd level courses that support the project goals such as diploma/masters in Lean, Operations or Innovation related topics. This does not extend to more generic courses such as MBA programmes.

Limits and Parameters;

The amount of training supported is limited to 20 days per trainee for a supported project. There may be valid reasons to support more than that, subject to approval in advance by the Enterprise Ireland Investment Committee. These could include for instance;

- a longer training programme may be justified for some individuals (i.e. Lean Green/Black belt)
- a core team of people within the company may require a wider training engagement for the project to be successful. In that case, the guideline is to allow up to 5 people to be supported for up to 40 days training. If there is more required, then that may be allowed subject to approval in advance by the Enterprise Ireland Investment Committee.

Note that Training records must be kept for all internal trainer or trainee time that is claimed for.

⁵ By using techniques such as Value Stream mapping, Standardisation and Visualisation.