

PIP S P E A K

THE NEWSLETTER OF
Partners in Performance

‘Most volume, revenue, yield and costs result are driven from decisions and behaviours made by the front line and their supervisors. Channeling those decisions and behaviours will transform a business’s results. What is your approach to capturing that benefit?’

Front Line Coaching – getting the engine room productive

Proactive, on shift coaching of supervisors:

- what to focus on
- where to spend their time
- how to hold to account
- root cause analysis

The global boom in demand for commodities means that it is not uncommon today to see industrial sites experiencing greater than 20% annual staff turnover. In response, immense amounts of internal resources and profits are being used to advertise, recruit and induct new workers. But getting the most out of your people in a “boom” environment requires more than just rapid recruiting.

The surge of expansions currently underway in heavy industry mean that more and more organizations are fighting for a finite number of skilled and experience front line leaders. Flowing from this, there are large numbers of employees being hired without the traditional industry background and many who are being promoted more rapidly than historically was the case. No longer can businesses rely on historic methods of training their people – a few courses and leave people in their role long enough that they learn from experienced people around them and above them. People are moving too fast between roles and companies to be able to provide that type of mentoring and the business needs its new promotes and new hires to get up to speed much faster than historically.

This need is not driven solely by the commodities boom. In South Africa, for example, the Black Economic Empowerment (BEE) legislation requiring a rapid transition of a high portion of management positions to previously disadvantaged groups is causing

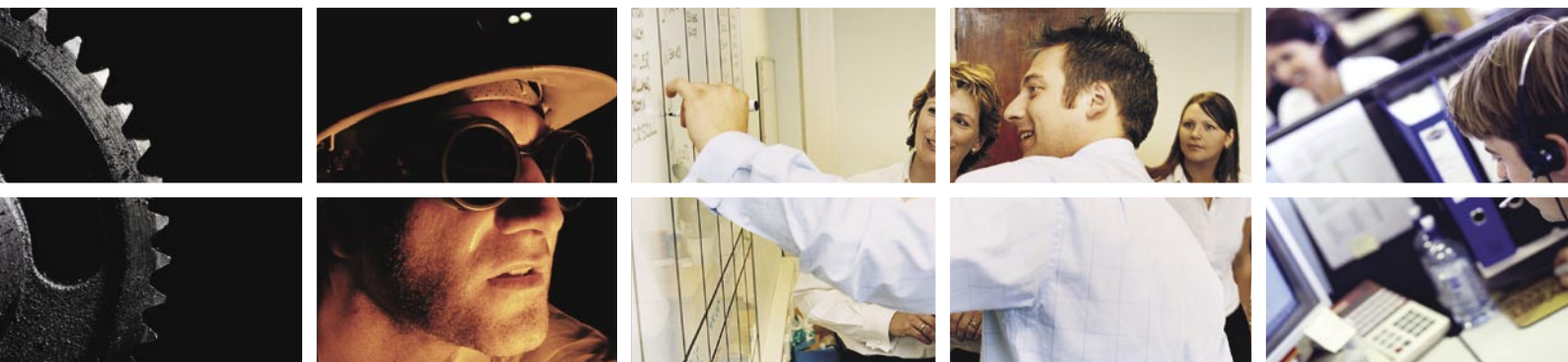
a more compounding rate of change in the demographics of the management ranks.

By definition a very high portion of this group has not had access to the skills and training and experience required for these roles. If performance is to be maintained, a very proactive training and coaching programme needs to be put in place to ensure these people are successful and productivity improvements continue to buffer profits from the sky-rocketing material and services costs we are experiencing.

“Business as usual” induction and training is no longer adequate to combat the demographic and experience shifts in our workforce. Taking such an approach is not only a safety risk, it also represents a significant risk to productivity.

Companies need to develop an approach to provide proactive support and coaching for these new frontline managers on ‘how to manage’ if they are to prevent safety and productivity of their operations from quietly, slowly unraveling.

Of course, senior management has for some time understood that effective Frontline Management is critical to improved performance. But it has been unsure where to begin and many have been disappointed →



with the lack of sustained impact from time-consuming and costly off-site training courses.

A key reason for this lack of impact is that frontline managers return from training to the same environment and the same management and support systems that were in place when they left. An effective solution must address skills, systems and support around these managers in a systematic, comprehensive manner. In essence the key is to turn theory into practice by practising it with a coach on hand 'at the coal face' – and continuing to practise front line management skills and habits until they are ingrained into the daily habits and the DNA of your supervisors.

Making 'Real' Improvements in Front Line Management

PIP has developed a Front Line Coaching solution to ensure that this new generation of supervisors succeeds, drives and sustains the improvements in performance that are possible.

Significant added value can be achieved by improving the performance of front line managers (supervisors and superintendents). A 10-15% increase in throughput and 7-10% reduction in costs are frequently seen from improving operating disciplines and focusing on effective Frontline Management. This can be worth tens of millions of dollars to companies on a single site alone, and the potential value across a portfolio of assets can be staggering.

So How Do You Make Front Line Coaching Work For You

Front Line Coaching is an evolutionary process that begins with training a supervisor on what their KPIs are and why, what is important to manage, how to manage it and how to deal with variance in order to achieve targeted results. Parallel to this, Front Line Coaching ensures that the necessary support is in place to ensure the KPIs are achieved.

A typical starting point is to conduct a 'Day in the Life Of' (DILO) study. By observing and categorizing where front line managers are spending their time and by creating a dialogue about this to deliver the key KPIs, this group gains valuable information about where our losses are occurring, why and what might be done to resolve it.

DILO studies rapidly highlight barriers to supervisors achieving their targets and start a process to resolve them. Gaps in perceptions around what KPIs are the most important and where their time should be focused can be rapidly addressed. DILO studies also providing tangible data around cultural and coordination issues between different levels of the organisation that are otherwise hard to identify or quantify.

Having Front Line Coaches work directly with the supervisors to facilitate the development of skills, tools and procedures is the key to ensuring the identified improvements are

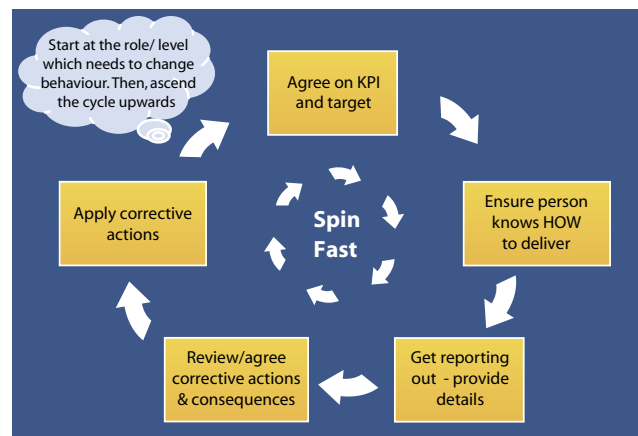
imbedded and full realization of benefits is achieved. It is about changing what Supervisors do by spending time in the Supervisor's area, getting their ownership and understanding and working collaboratively to make the changes required.

For example, Supervisors are coached on the key KPIs in their area, the relative value of improvement on each one, what their people can do to deliver on these KPIs and then improve them and what they as supervisors should be doing to ensure their people are successful in delivering these KPIs. A supervisor might be coached on how to run effective shift handovers and daily review meetings with their team.

Another common component of a Front Line Coaching initiative would be implementing effective SPIN (or Short Interval Control) to increase focus and delivery on important operating elements. SPIN is essentially a feedback loop comprising the following steps:

- 1) Establish Key Performance Indicators (KPIs) for critical operating elements;
- 2) Agreeing believable targets;
- 3) Coaching people on what they need to do to deliver against those targets
- 4) Measuring actual KPI performance;
- 4) Reviewing variance to target;
- 5) Determining root causes of variance
- 6) Taking immediate action to address root causes and get performance back on track.
- 7) Locking improvements in - put in place longer term fixes to ensure problems do not arise again

■ The Spin Cycle is a five step process with one basic premise – drive behavioural change fast then faster



Working with their Front Line Coaches, the supervisor begins to see results, and moves past mechanical compliance to achieve a rich understanding and, ultimately, ownership and continuous improvement.

But it's only high value if...

The difference between good and great Front Line Coaching is the extent to which it targets the KPIs and people that will have the biggest profit impact. Here tools like Value Driver Trees need to be used to identify 'where the money is' and allow coaching to focus on the 'precious few' levers rather than the 'multitude of trivial'.

To create sustained results, Front Line Coaching must also be driven by and directly linked to top management. This can be achieved by a linked cascade of reviews from the GM down to the supervisors - which ensure alignment on priorities and focus on consistent KPIs right down through the organisation.

Case Study: FLC Delivers Rapid Results at underground mine

Significant Opportunity to Increase Production

PIP was recently engaged at an underground mine to assist in increasing production by approximately 40% and add \$52M in annualized EBIT to the bottom line.

At the time of PIP's arrival on site, the loading of trucks was not carefully managed and controlled and load factor was left to the judgment of individual operators. Each truck was reported at being filled to target at 55 tonnes, yet was really being filled at an average of 44 tonnes and sometimes as low as 33 tonnes. At the end of the month, production figures would be reconciled to surveyed surface production and reported results were then adjusted downwards. Operators had no focus on load factor because their supervisors were not focused on it ... and on up the chain.

It was critical to engage the workforce at the shop floor level in problem solving, driving improvements and ensuring accountabilities were clear and targets were challenging yet realistic.

Early in the Front Line Coaching process, the front line supervisors and operators identified three major areas on which to focus:

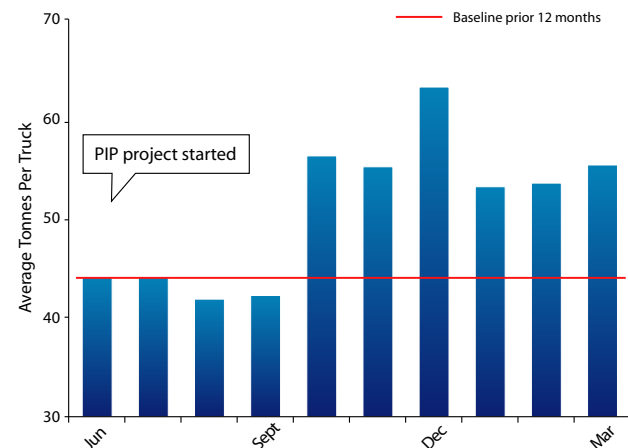
- improving load factor in haul trucks
- increasing productive operating time and
- installing an underground tyre change bay

These three areas represented almost 85% of the required EBIT improvements.

Short Interval Controls were implemented in an iterative manner and included target setting, measuring KPIs, reviewing results as a team, and managing variances. Other opportunities were identified and implemented using Front Line Coaching for an initial total EBIT improvement of \$25 million per annum, and putting the client on track for \$50 million annual EBIT improvement.

PIP worked with the Front Line to develop correct loading procedures to ensure a truck was filled to 55 tonnes. Short Interval Controls were established to control the tonnes per load throughout the shift and daily reporting and review of load factor by loader operator and truck operator was implemented. Audit reports enabled Supervisors to identify and coach poorer performing operators to achieve performance expectations.

Load Factor Impact



Significant Rapid Improvements Achieved in Ore to the Surface

Improving load factor, as well as capturing other identified opportunities, rapidly increased the ore hoisted to the surface. Five months after PIP was engaged, the average daily tonnes to surface in the month was 37% above budget and 8% above the baseline. The following month began with tonnes of ore to surface on the first day exceeding the baseline by an astonishing 93%.

The challenge will be to sustain the existing improvements and capture the remainder of the opportunities identified. Moreover, the enhancements to the management system brought on by Front Line Coaching must become a way of life on the site in order to sustain the results.

The PIP team and company management are confident that improvements will be sustained because the front line has driven the majority of the improvements and has a real sense of accomplishment and ownership. Morale is soaring along with production. At this operation, Front Line Coaching has really been about unlocking the true potential of the people on the site to achieve great things.

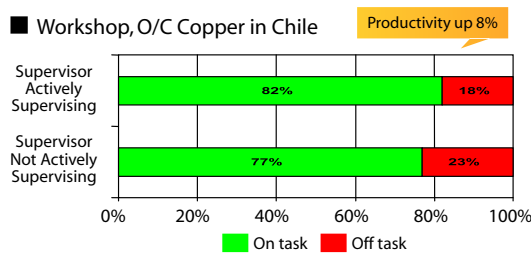
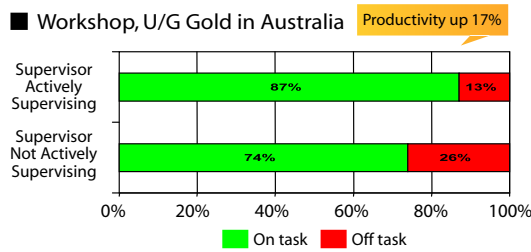
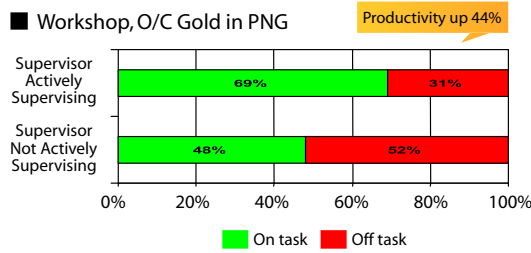
Case Study: Increasing Maintenance Productivity

Many sites experience throughput constraints from poor reliability and availability of fixed and mobile equipment. Many of our clients express dismay - knowing that their low maintenance productivity is holding their throughput back, but having tried and failed more than once to rectify the →

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problem. Invariably, the real problem is occurring every hour of the day in the maintenance in the way the maintainers are organized and managed.

The following slide shows how the use of Front Line Coaching was able to break down the mystique of the most indecipherable part of the business, the workshop, to get dramatic results.



In all cases the active supervision led to greater productivity in the workshop, greater equipment availability and increased throughput.

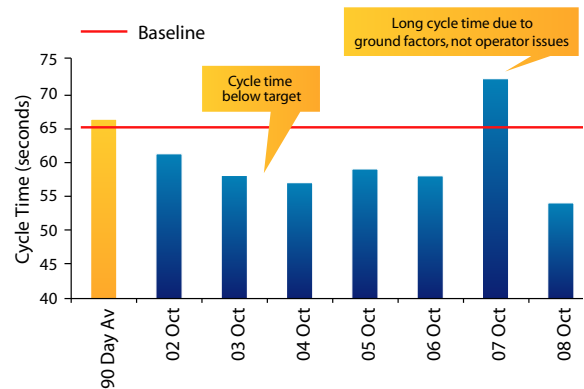
Case Study: Coal Mine Drag Line Performance

At this site the client was experiencing a worrying reduction in drag line performance. Two of the key drivers of dragline performance are cycle time and bucket fill.

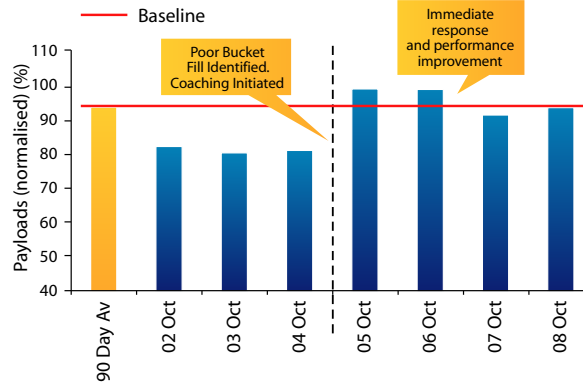
On investigation PIP and the client team discovered that the operators' cycle times were consistently well under target, but that they were underperforming on bucket fill ratios.

PIP coached the Front Line Supervisors who in turn coached the drag line operators, and the results were literally immediate, as the charts below illustrate.

■ Payload fill coaching initiated and improvement immediate.



■ Dragline cycle time coaching not required because results below target



These examples clearly illustrate the value of Front Line Coaching when it is targeted at exactly the right value creation levers.

Conclusion

Front Line Coaching is a powerful tool for increasing productivity and reducing losses. It focuses on the people that make the product and spend the money.

In our current situation of high human resource churn and rapid promotion from operator to supervisor ranks, Front Line Coaching becomes an integral component of any strategy to maintain and increase profitability.

Front Line Coaching is more than just a means of skilling up your new supervisors to manage the large numbers of industry rookies. Properly targetted against the highest value KPIs and 'hard wired' into management reviews, Front Line Coaching can drive rapid and ongoing improvement in your business.

Partners in Performance

Partners in Performance is a firm that builds better businesses. We deliver rapid performance improvements in industrial, resource, manufacturing and service companies, using specialist teams and a hands-on approach to lower costs and increase revenues.

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