



## BELOW THE RADAR

Factors that Steal Tons, Increase Costs and Prevent Change

### Departmental Relationships – Looking Inward for Opportunity

The mining industry often looks to equipment to solve its performance problems, which is understandable given the investment required to purchase shovels, loaders, trucks, longwalls, CMs, etc. Millions of dollars in profit hinge on maximizing the run time of major productive units, but a strong focus on run time tends to **underemphasize the importance of organizational effectiveness** on the bottom line. Sometimes significant losses in tons and costs go undetected due to **poor working relationships** between departments (operations and maintenance, purchasing and maintenance, permitting and engineering, marketing and accounting, etc.) As a result,

- Repeated production shortfalls imply a shortage of capacity and trigger requests for unneeded expansion capital.
- Costs often escalate due to lack of coordination, planning or communication between departments.
- Losses associated with breakdowns in these relationships can be worth millions of dollars but are seldom calculated or reported.

Organizational effectiveness can be defined as “how people work with equipment and with each other to maximize results”. Effective interaction in an organization means that run time AND downtime are managed effectively, and that work flows from department to department with minimal delays or rework. Departments know what their customers need and work hard to consistently meet those needs. Measurements and systems facilitate and support problem solving and great working relationships. Some processes (like permitting) require coordination between many departments to prevent delays and rework; all departments have a common goal and recognize that only a high focus on coordination will deliver the desired result.

When departments try to work independently from other departments, they become “silos” that do not share information, do not understand what their customers need, and may meet their targets at the expense of other departments. “Virtual walls” form between departments, causing breakdowns in communications or data flow that make it difficult to get work done. If we let silos and other organizational barriers interfere with equipment performance and workforce effectiveness, **we unintentionally forfeit the opportunity to maximize production.**

A lack of focus on departmental relationships is a huge missed improvement opportunity in most companies. When departments 1) do not work towards the same goals, 2) fail to communicate with each other, or 3) lack processes that help them manage co-owned workflow,

- Easy tasks become hard.
- Results are unpredictable and surprises often occur.
- Equipment performance may not reach projected ROI targets after ramp-up to full production.
- Management teams lose credibility when expectations are not met or when budgets/forecasts are consistently missed.
- Substandard performance may become accepted as “normal for the culture”.
- Morale drops and frustrations increase.
- People work long hours but feel unproductive.
- Some employees may leave because they are unable to deliver excellent results on a consistent basis.

During this economic downturn and time of uncertainty, it is important to remember and focus on what companies have control over. Every company has control over its management processes, key elements tied directly to the interaction of all departments. Management processes dictate operating plans and equipment use, drive costs that stem from those plans, and establish processes that create internal customer-supplier relationships. Management teams (not regulatory agencies, customers or suppliers) control “how” management processes are executed. Management’s words and actions have a huge impact on organizational effectiveness, and **organizational effectiveness ultimately delivers consistent tons at a minimal cost.**

The good news is that management **can remove organizational barriers** at little or no cost by **changing the way they interact (words and actions) with their departments and with each other.** This work involves changes in work processes and communication style, but has lasting benefits for the bottom line and the culture. Removing barriers between departments changes expectations about cooperation and **gives employees permission to fix process inefficiencies that they have been working around for years.** The challenge for managers is mustering the courage to begin the change process and stay committed to words and actions that deliver the desired result.

Here’s the thought for May:

Silos and other barriers hide opportunities to increase production, reduce cost, and improve organizational effectiveness. Courage is required to begin taking the barriers down.

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