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BELOW THE RADAR

Factors that Steal Tons, Increase Costs and Prevent Change

The Real Cost of “Judgment Calls”

As part of the continuing saga of Shortfall Coal Company, a subsidiary of Fictional Coal Inc., the following scenario illustrates what can happen when new processes are only followed when it is convenient for management..

Recent process improvements at Shortfall Coal led to additional data being shared with employees during shift change. The mine manager told employees that, starting last month, they would be updated each shift on KPIs that would help them measure their own performance, reduce costs and increase productivity. As part of that effort, haul truck tire statistics were shared with haul truck drivers, loader operators and grader operators so that they could help maximize tire life and minimize tire costs.

“Chuck” (a fictional character) was part of Shortfalls’ mine management staff. He had just completed a management training class on change and commitment and was back at work, getting ready for the shift change meeting. That day Chuck had been negotiating for a loader for the drill and blast team and was running behind. He made a **judgment call** to skip the tire communication. Employees noticed that nothing was shared about tires. They were proud of the reduction in failures they had achieved so far, and looked forward to hearing how they did in this area. No tire failures occurred that shift. During the next few days, trouble with equipment moves and staff shortages took up Chuck’s time and he chose to skip the communication about tires several more times, with the intent of sharing tire data again the following week when things calmed down. Employees commented on their radios that nothing was mentioned about tires. They assumed that priorities had changed...again. During this period, grader operators were less diligent with road maintenance. As a result, two tires were cut and two trucks were down for several hours for tire changes. The value of lost tire hours totaled \$45,000, excluding the value of lost productivity. What is wrong with this scenario?

- Two tire failures could have been avoided with the proper focus and consistent management emphasis.
- Top management set expectations for employees that did not materialize, hurting management credibility at all levels.
- “No communication when one was expected” **IS** communication. **Possible messages received** by employees include:
 - Management is not committed to our new processes because they don’t stick with them long enough to get results.
 - Management says they care about cost but do not behave as if they care about it.
 - Managers say they want us to measure our performance, but do not give us the data that we need to do this.
 - Managers put themselves above us when data that we were promised and expect is shared at their whim.
 - Managers do not have to be consistent with us, but we are held to the highest standards of consistency with them.

SO...what was the “real cost” of Chuck’s judgment call? Besides the dollars lost, the most significant loss was management credibility because it is so difficult to regain and because its loss directly impacts the success of improvement programs. When managers set priorities and behave according to those priorities, everything works better. When everyone is on the “same page” with priorities, losses are reduced and improvement programs are the most effective. If management credibility is low, the only thing that will increase it is VERY CONSISTENT BEHAVIOR THAT MATCHES LANGUAGE over a long period of time, the ultimate test for a management team. When managers only follow procedures and issue communications when they are having a good day, **they are communicating to your department or to the workforce that employees cannot believe what managers say**. This belief helps create a culture that works against a company’s ability to optimize performance. Management teams cannot talk themselves out of this one – they can only behave their way out of it. So consider the real cost of judgment calls before you make them. Undoing the consequences may be more difficult than you can imagine.

Here’s the thought for October/November:

The cost of “judgment calls” may mean **trading a moment of convenience for a significant loss of credibility**. Weigh the consequences (i.e., what will happen next?) before you “opt out”.

Kay Sever implements improvement programs for mining and downstream processing facilities. Her approach balances commonly used tools and methods with a focus on value creation and the “people side of improvement”. Kay works with every organizational level and department to find the highest dollar opportunities and remove barriers that prevent sustainable change. She helps management teams lead improvement and better execute the budget, capital approvals, incentive plans, communications, etc. See MiningOpportunity.com for details on her services and contact information. Look for the mining edition of her first book “Building An Opportunity Culture – Addressing

the Barriers That Steal Profits and Prevent Sustainable Change”, available on her website under Products/Books. Kay has designed a **NEW Management Training Series** called “**Opportunity Fundamentals – Equipment, Cost and Culture**”. It will be available to management teams everywhere beginning in August 2009.