



BELOW THE RADAR

Factors that Steal Tons, Increase Costs and Prevent Change

The Death of Projects: Could Your Management System Be A Factor?

In another episode of the improvement journey of Shortfall Coal Company, a subsidiary of Fictional Coal Inc., Shortfalls' management team strives for excellence but misses an opportunity to tackle problems only they can solve...

Background information on Shortfall's management system:

- Shortfall's incentive program rewarded department performance. Managers and employees earned bonuses by meeting or exceeding goals specific to each department based on measurable activities within a department's control.
- Periodic staff meetings provided updates on the company's performance. Attendees primarily came to listen, but were free to ask questions. Budget and incentive information were shared when appropriate.

Shortfall's management team had asked employees to identify opportunities for improvement; as a result, many valuable projects were added to Shortfall's Improvement Project Report. Several of these projects directly or indirectly affected production:

- Drills waiting for water (\$400,000 value)
- Shift-to-Shift communications (\$600,000 value)
- Warehouse process for maintenance (\$200,000 value)
- Permitting delays (\$300,000 value)
- PM process – haul trucks (\$250,000 value)

Improvement teams were formed and regular team meetings commenced. Data was collected and analyzed to confirm each problem. So far...so good! But...when action plans were proposed to fix problems that had been identified, **cooperation between departments began to fall apart** and commitments were made that were not kept. Completion dates for several projects were moved forward by several months; eventually, the status for these projects was changed to "inactive" and all work on them stopped. Some Shortfall managers had experienced this phenomenon earlier in their careers, so delayed/stalled projects were accepted as "part of the improvement process". New projects were added to the Project Report, but many would have the same fate. In the meantime, the Board of Directors was losing patience as Shortfall's management team reported slower than expected progress quarter after quarter. What was wrong with this scenario?

- Many of Shortfall projects **required the cooperation of other departments or crews** to improve efficiency and bring the dollars to the bottom line. Shortfall's incentive plan **did not promote cooperation between departments**; instead, it **unintentionally created "silos" that became barriers to improvement**.
- Staff meetings passed information downward, but were not used to solve problems between departments. Shortfall's management team (like many management teams) was not aware of the value of changing their meeting format.

Mines and plants live and die by numbers – productivity, costs, dollars for capital, etc. The focus on these numbers is so strong that we may overlook the fact that "Numbers Drive Behavior"! I consult, write, and speak about the importance of organizational behavior because **it directly contributes to project failure and costs companies millions of dollars**. I define organizational behavior as "interaction between employees and equipment, between managers and employees, between departments, and between members of the management team". Influencing organizational behavior is a key success factor of managing change. Understanding how to influence organizational behavior is a powerful skill for management's toolbox; without it, improvement opportunities linked directly to more tons, lower costs and millions of dollars in profit will slip through your fingers year after year.

The impact of silos is usually WAY UNDERESTIMATED. Silos at Shortfall caused losses in two areas: 1) millions in profit forfeited over several years without anyone really understanding why this occurred and 2) management credibility declined as improvement expectations were set but not met. The "good news" is that management processes exist for removing silos. This may be new work for management teams, but it quickly becomes a high priority once losses caused by poor department interaction are understood.

Here's the thought for December:

Silos halt improvement projects, but can be removed if management teams have a process for doing it.
How many millions of dollars have been lost because your team lacked such a process?

Kay Sever is offering a **NEW Management Training Series** called “**Opportunity Fundamentals – Equipment, Cost and Culture**” to help management teams solve the kinds of problems discussed above and “**manage change like they manage operations**”. She also implements improvement programs for mining and downstream processing facilities using 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.