



Big Cost Savings in Difficult Situation: Lesson Learnt from Coal Mining Industry

A world class coal mining company in Indonesia recently commenced their journey for continuous business improvement using a simple 9-steps methodology. Their 6 pilot improvement project teams have gained success in achieving their targets. So far, in less than 6 months, they have achieved more than US\$15 million in savings!

Business improvement is not a strange word in the company. A number of years earlier the company undertook an intensive business improvement program based on Six Sigma principles. They established many improvement teams with as many as 50 people shifted from their normal position to be allocated to improvement projects on a full-time basis. Whilst the project was successful in delivering some early results, there were some questions about the sustainability of the projects and eventually many of the initial benefits were lost as people slowly returned to the old ways of doing things. At that time business was good and the company could afford the extra resource to perform business improvement project intensively.

In early 2009 the company was undergoing a massive expansion phase and the management team were keen that the company not lose sight of the need to achieve growth but also maintain profit margins.

However in today's environment, the circumstances are different. Like many companies they now find themselves staring at declining prices and reduced profit margins, the company must reduce the cost of production to stay in business. Extra resources are a luxury the company can no longer afford. Tight manpower availability, limited budget, cutting non-operational expenses and reducing non-operational facilities is currently the normal way of life. Pulling out personnel and allocate them for a full-time improvement project for 3 – 6 months is now impossible.

Faced with the changing business environment, it became even more important to drive efficiencies to ensure the long term survival of the company. In response the top management decided to establish a small new division charged with the responsibility to identify a new approach or methodology that would enforce a sustainable improvement culture among employees and manage improvement projects in new business circumstances the company now faces.

In this search for a suitable improvement methodology, the company approached Relogica and asked for assistance in performing their business improvement project in these challenging circumstances.

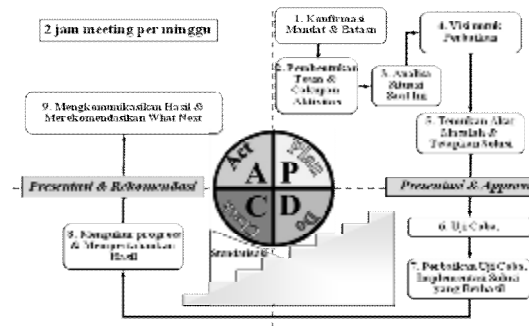
Selecting the suitable methodology

The company agreed to apply the 9-steps improvement methodology offered by Relogica. The reasons behind the selection were:

- It is a simple method, easy to apply even by the lowest level employees.
- It is a part time activity which requires team member to have only 2 hours meeting in a week and another 2 hours for doing their homework. Improvement team members still in their normal position and responsibility during improvement activity.
- It requires only small teams which consisted of 4 – 8 people each team from different department and expertise as required.
- It is based on PDCA principle which systematically forces the team to take a step by step move and prevents team from jumping to solution without proper analyses.
- It limits the improvement activity in 12 weeks cycle. It would maintain teams in their best momentum and avoid frustration caused by a never ending project. Teams should manage their improvement scope properly so they could realistically achieve their goals in 12 weeks cycle.
- It includes 2 presentation sessions to the top management: mid-term presentation and final presentation. It will effectively put top management engagement with the teams and also effectively show the top management support the improvement team.
- It ensures the sustainability of the improvement results by ensuring process owner involvement and proper project closing.
- It clearly defines the roles and relationship between each function in the improvement program like improvement facilitator, improvement coordinator, sponsor, team leader, and team member.

Langkah Improvement

Kick-off plus 12 meeting dengan model P-D-C-A



*) Dikutip dari The Centre for TPM, CTPM Australasia

Performing the improvement

The top management approved 6 improvement projects to be commenced for the 1st cycle and appointed team members involved. These projects included 4 operational improvements, one safety and one HR related improvement.

These six projects involved a total of 41 team members from 8 different divisions and 3 contractors which represent different expertise.

Teams started the improvement activities after Kicked-off meeting by the top management and then attending 2 days Business Improvement Training provided in-house by Relogica to learn on the 9-steps methodology and building their confidence for the real activities.

Teams enthusiastically performed the improvement activities under Relogica facilitation support. What people learned during the training was then applied in reality. Working effectively in teams with all the different background presented many big challenges for the teams including, conflict management, dealing with different behavior and time discipline in an extra tight schedule.

The Facilitator played an important role in assisting the teams to get through the storming phase and finding their best shape for working as a team. The Facilitator also guided the teams through each step systematically, assisting the teams of what they should do next, what the tools should be used, managing their milestone, and ensuring

the team avoid the many pitfalls usually encountered in implementing improvement projects.

Seven weeks after Kick-offs, teams presented their progress during the mid-point presentation to the top management team as their sponsors. The presentations included their analyses of the problem, the root cause of the problem, the proposed solutions, the cost and benefit of each solution, and any special support required from the sponsor.

Implementation of the proposed solution is a less bumpy road since teams already in good shape and half of the implementation success come from good planning which was performed in the earlier steps. The teams monitored the implementation results and made slight changes if required. After the teams confirmed their results, they then focused on activities to ensure the sustainability of the improvement before closing the projects and disbanding the teams. The key activities for ensuring the sustainability included:

- Ensure new process or procedure or standard have been documented and institutionalised through relevant training.
- Ensure proper hand over of the new process, including the performance measures, to the process owner.
- Ensure hand over of the incomplete tasks.

Finally teams presented their achievement to the top management in the week 14th during the final presentation session. They presented the result, savings and benefits, actual cost spent for the improvement, activities that have been performed to ensure the sustainability of the result, any recommendation for the next improvement, and importantly is the positive learning

gathered by teams from the improvement projects.

Surprisingly for the 1st cycle of business improvement projects so far, in less than 6 months, the company gained more than US\$ 15 million in savings from the improvement projects. The saving number will continue rolling greater and greater as the achievement keeps on going and will be multiplied as it is rolled out site wide. There are also huge intangible benefits gained from an improved safety audit, highly motivated employees, and upgraded skill and experience.

Lesson Learnt

After fully performing one cycle of business improvement project, all the teams have completed their projects and achieved remarkable results.

Team members gathered many positive learning during the process, with the improved team work and sharing of knowledge and experience being a major positive factor for all teams. In addition the teams recognized the support from top management as being very positive for them in performing their duties as part of the improvement project team. Finally the teams also expressed positive opinions about the approach in terms of maintaining a fixed timeframe and prioritizing actions so as to deliver within this time boundary, this allows them to focus on the major issues and not get side tracked on some of the smaller / lower impact items that can be addressed at a later date.

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