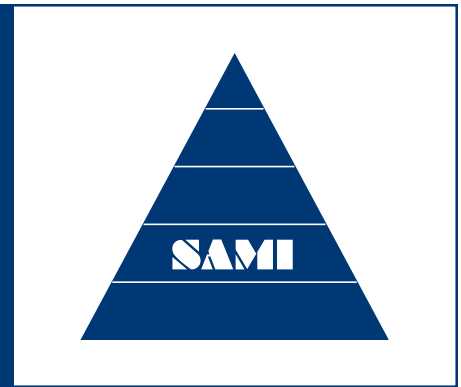


WE DELIVER CHANGE!

THE SAMI TIMES

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THE PRESIDENT'S CORNER

The Importance of Strategy: Benefits of Consistently Executing a Viable Strategy Part III (Cont.)

By Brad Peterson



Third in a series of three topics:

- The Importance of Strategy
- Developing and Executing a Viable Strategy
- Benefits of Consistently Executing a Viable Strategy (Case Studies)

In the last issue I discussed a speech given by Rocky Bleier, running back for the four-time Super Bowl Champion Pittsburgh Steelers. He told us about how winning is all about the right strategy, plan, and implementation.

Bleier gave four reasons for the Pittsburgh Steelers successful program:

1. A dominant head coach
2. Talented people
3. A vision of what they intended to achieve
4. A belief system

Check Knoll, the new head coach had the leadership and the will to win that was necessary to get the job done. He had a plan, and year after year he executed that plan. That plan was getting the right people, having a great vision, and executing every day for success.

In our last issue we looked at some examples of companies that followed this route to great success. In this issue, we will end Part III with two more success stories that followed this same route.

Imperial Oil

Description of the Site: The Dartmouth Refinery, part of the Exxon/Mobil group, situated on Halifax Harbor, Nova Scotia, Canada processes 85,000 bbl/day of crude oil.

Nature of the Opportunity: Dartmouth had a need to improve the refinery reliability and increase production while lowering the cost of maintenance.

What We Did: Our initial work included assessing the operation and maintenance practices and procedures

utilized in the refinery to support equipment operation, maintenance and reliability.

After the assessment a design team was formed from Imperial Oil and SAMI personnel to design a new work management system for Dartmouth. The new work management system addressed the existing gaps and was designed to utilize their in house CMMS system in improving production, maintenance effectiveness and efficiency, and overall equipment reliability. Implementation of the new work management system at Dartmouth was performed with SAMI personnel support.

Results: Initial benefits gained during the work management design process were to increase the production rate 6.25% from a rate of 80,000 bbls/day to a rate of 85,000 bbls/day. Significant benefits in the production and maintenance areas were obtained after implementation of Stage One of the SAMI Asset Healthcare Triangle and the new work management process. In 2002 this site was ranked by Solomon Associates as a Fourth Quartile Performer. In 2004 this site had a Solomon ranking of First Quartile.

Constellation Power

Description of the Sites: Three large fossil fuel power generation plants, plus a number of combustion turbine generation units consisting of over 3,700 MW of generation capacity.

Nature of the Opportunity: Starting in 1997, in response to deregulation cost drivers, this organization underwent significant reductions-in-force without corresponding revisions or upgrades in their operating and maintenance systems. In addition, the plants began experiencing reduced reliability, along with increases in the amount of high priority (schedule breaker) work and overtime. After recent manpower reductions in 2002, senior management realized that they

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Work Management: Transition at Warp Speed Part I 2
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We are a consulting group for industrial organizations working to improve profitability, efficiency and equipment reliability. Our Mission is to improve our clients' production equipment health, by tapping the desire, creativity and dedication of all plant staff, and our vision is to be the firm consistently chosen by companies serious about making change; because our values of integrity, content knowledge, advanced practices and compassion for the workforce match the values of our clients.

WORK MANAGEMENT: TRANSITION AT WARP SPEED

PART I

BY DAVE ARMY, CMRP



When in the early stages of a Stage 1 Asset Healthcare engagement, we often are asked, “why so long?” or “how will we know it’s happened?” or any other of the myriad questions related to the journey of change from reactive to proactive Asset Healthcare.

This is a journey that can take from 12 to 15 months for a medium sized organization. Having a clear vision of what the future will look like is difficult for most clients to grasp. However, we have found a tool that helps establish that elusive vision of the future. It’s called The Manufacturing Game™, or for our purposes TMG. First let me provide you with a little background.

In the late 1980’s, DuPont carried out benchmarking studies for determining the best of the best in Maintenance Excellence around the world. The empirical data from those studies were used to develop Systems Dynamics models which showed how Maintenance, when done properly, creates value in a business. The models were very complex and initial attempts to use them to teach business people were not very effective.

Professors from MIT’s Sloan Business School helped with the development of the models. They also provided inspiration to develop a game to teach the learnings from the models, since they had developed the MIT Beer Game for a similar purpose. Using a game allows the participants to virtually experience being in the models. A team of DuPont and MIT personnel developed the initial game and copyrighted it as “The Manufacturing Game”. This initial version and a second revised version were used exclusively within DuPont for about five years, in learning lab environments. All levels from Vice-Presidents to shop floor personnel experienced the game, but it was used primarily to launch multi-functional reliability improvement teams. There were many success stories within DuPont.

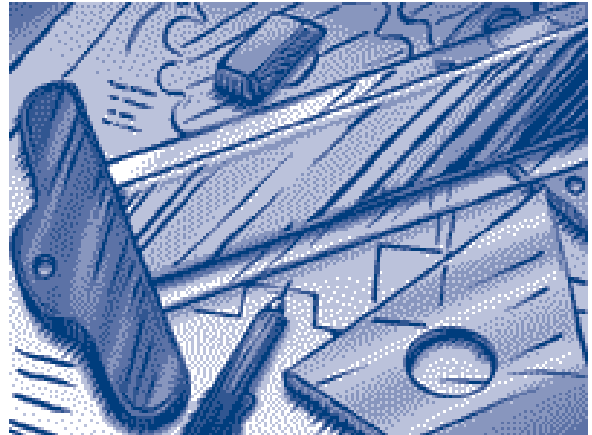
In 1995, the major DuPont architect of the game, Winston Ledet, retired early and was given the exclusive rights to the game outside of DuPont. He has parlayed that into a very successful family business, known as Ledet Enterprises in Humble, Texas. Gaining more experience, they have further refined the game, and in 1999 released the current version, known as TMG3 (The Manufacturing Game, Version 3). The Ledets maintain firm control over the use of TMG3. One cannot buy the game. You can only lease one after attending their school and becoming a certified facilitator. To maintain the annual certification, a certain number of TMG3 sessions must be facilitated each year.

We have found TMG3 to be an excellent simulation of the journey from Reactive to Proactive Domains of Asset Healthcare. As an added benefit, it is also excellent as a change Management tool, as it allows the participants to both vision the future and experience the journey over the course of 1-1/2 days. Let me briefly describe TMG3.

TMG3 is a board game with a complex, but user-friendly game board. Other “tools” used includes various colored poker chips, dice, play money and score cards. SAMI has one leased TMG3 game case that contains the materials for two teams at two game boards. One certified facilitator can handle two tables with one person helping. Each additional certified facilitator gets another game case. A minimum of three and

a maximum of six participants play as a team at each board. The maximum group with two boards then is 12.

The games are set up on 4X6-foot tables usually the night before each session. It takes about an hour for two people to set-up two games. The game play plus debrief takes approximately 12 hours over two days.



There are three positions in the game – Managers of Operations, Maintenance and Business Services. They handle the normal functions as in the real life positions. Operations Manager runs the process and produces product. Maintenance Manager maintains the assets doing reactive and proactive work. Business Services Manager handles Spare Parts, Purchasing, Shipping and Accounting functions. The game is played in 21 sequential steps for each simulated “week”. The steps are repeated each “week” for a total of 30 weeks. After every five weeks of play, there is a pause to pay inventory taxes, review metrics, share learnings and strategize for the next five weeks.

There is a lecture and an exercise prior to starting the game that emphasizes the defect elimination paradigm. Other short lectures are done at the end of the first three five-week periods which emphasize SHE (Safety, Health, Environment) activities, introduce a self-assessment method and discuss a learning organization. After the game play is finished, players participate in a debrief where key learnings are shared.

In Part II of this article, we will discuss the benefits of using TMG3 and what the players gain from their participation. As always, if you have any questions or comments feel free to contact me.

Dave Army is the Vice President of Results Delivery for SAMI. His expertise includes analysis, design and implementation of maintenance and operations solutions for numerous industries. He currently oversees all SAMI implementation activities. darmy@samicorp.com



There are many aspects to project governance that will determine the ultimate success of implementing sustainable change. However, the most critical element of effective project governance is a functional Steering Committee. All of our most successful improvement projects have been led by a team of senior leaders which have vested interests in the outcomes of the project. So, let's examine some critical roles of the Steering Committee.

The leaders of change on the Steering Committee must exhibit a visible commitment to the project and the desired outcomes. The Steering Committee members can accomplish this role in several ways. A first step in demonstrating the requisite commitment is to invest time in understanding the process of implementing behavioral change in the organization. A developed understanding of these mechanics will facilitate the committee's ability to guide the project through the inevitable implementation challenges.

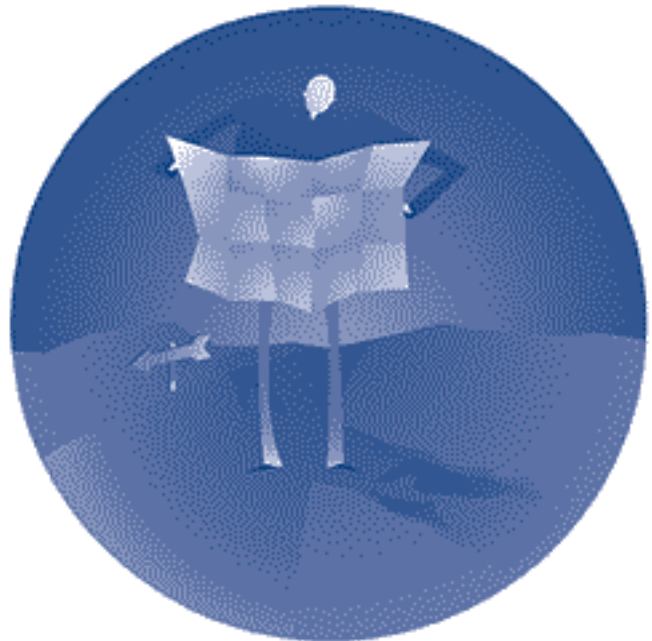
The primary vehicle to demonstrate commitment is to schedule a frequent and substantive meeting regarding the project status, results, issues and actions. But it is not enough to schedule a Steering Committee meeting to make it effective, the leaders must dedicate their time to this meeting, attend, and engage without exception.

Another tactic to visibly demonstrate commitment is to attend the project team working sessions on an ad hoc basis. Engaging the project team on their own terms and seeking understanding will send a clear message of the project's importance. The fact that the business unit leaders "make" time for the project demonstrates to the organization that the effort is important and they are willing to personally commit. We all know that most employees focus on what they perceive is important to their leadership.

Another key role of the Steering Committee is to identify and remove barriers restricting efficient project execution. The committee must have the authority to address and eliminate roadblocks which are inhibiting the project team's progress. These barriers are typically systemic and affect multiple functions across the business and require alignment of the most senior leaders for mitigation. Taking timely and effective actions to eliminate barriers will enhance project execution and reinforce the commitment the leaders have to achieving the desired changes.

A role for the Steering Committee which is critically important to the economic success of the project is to act as stewards of the investment. This role has two components which must be executed equally well for optimal success. The first component, and typically the one with the most focus, is to guide the application of project resources which represent cost to the organization. Most members of a typical Steering Committee are normally adept at managing

cost and will not find much challenge in accomplishing this component. However, it is the second component which usually requires behavioral change of the leaders. The second component of stewardship is to capture the returns or the benefits of the project. To capture the available benefits the Steering Committee must take action! Changes must be made to achieve economic benefits which are sustainable and these changes can be difficult for even the most senior leaders to agree and execute. Routine evaluation of both the cost and benefit components of the project coupled with bias towards effective action will optimize the returns on the project investment for the organization.



The Steering Committee must create a healthy environment for successful change by fulfilling these roles and exhibiting supportive behaviors such as; patience, accountability, empowering the team, confronting resistance and discipline. Establishing and sustaining a functional Steering Committee is a critical success factor and a foundational element of project governance required for implementing sustainable change!

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could not just reduce labor, without making substantial changes in how they operated and maintained their generation facilities

What We Did: Our client needed experienced help and SAMI was selected because of our cross industry best practices and methods. We began work with site wide assessments of their existing maintenance practices. Reactive maintenance was found to be the norm at all three major facilities, with little planning and/or scheduling performed, backlog management was poor, equipment history records were incomplete, and large portions of the preventive maintenance program had been turned off to compensate for the manpower reductions.

Results: Our work with this major utility client has resulted in more work being planned and executed as scheduled, as well as more labor hours being applied to scheduled work.

- This year emergent work has decreased by over 20% as compared to the prior 3 year average.
- The number of hours spent on actual wrench time has increased.

- Achieved a reduction in the average cost of all work orders (a 42% cost reduction for emergent work orders) in 2003 as compared to 2002.
- The benefits captured in 2003 exceeded three times the business case projections and reached approximately \$1.8 million primarily through a reduction in cost per work order, and over time. On the whole, this client has a proactive system in place to manage maintenance performance and costs.

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