

SWITCHING ON

International Power Hazelwood powers up productivity



PROJECT AT A GLANCE

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In a highly competitive electricity generation market, the cost effectiveness of coal mining and power station operations plays an important role in the overall competitiveness of power generators. International Power Hazelwood was facing both internal and external pressures to improve cost management and business performance.



The asset was not delivering the expected return on investment – indeed internal benchmarking had identified that there was significant opportunity for improvement. This fact was not lost on Graeme York, CEO International Power Hazelwood, who knew that something urgently had to be done to turn the business around, “Even our maintenance contractors were telling us that they were not as productive as they could be because of the way work was allocated.”

ENTER ALEXANDER PROUDFOOT

Alexander Proudfoot and International Power Hazelwood embarked on a journey to improve a number of areas including procurement and inventory, delivery of more effective maintenance, and “workplace effectiveness” which supported

improved teamwork, communications, management and supervision.

Gaining the support and confidence of key stakeholder groups; employees, the Unions, owners and the plant’s management presented a major challenge; Creating sustainable change would have been near impossible without a high level of buy-in from each of these groups. Each stakeholder had to be able to see that there was either a benefit, or at least no threat from the improvement. For owners and management this meant being able to demonstrate a return on investment, while for employees and unions this meant involving them from the outset and ensuring that their conditions of employment were not affected.

Alexander Proudfoot’s methodology complemented internal initiatives and provided a holistic approach that engaged the workforce. “Our employees were likely to be more committed to ‘the new way of doing things’ if they were involved,” said Graeme.

EMPLOYEES AND UNIONS

The Union and employees needed to understand that the project was not about eroding employment conditions or reducing headcount. Instead it was an opportunity to create a better work environment. Proudfoot’s engagement approach provided the right level of reassurance by assigning a project taskforce as a key feature

of the project. The taskforce model ensures that changes to the business are designed and implemented by the people closest to the issues. Members of the taskforce team are taken out of their day-to-day jobs and assigned a specific role working alongside Proudfoot experts. “The taskforce model exposed hidden talent within our organisation. We were able to see the enthusiasm of our employees and their commitment to improving the business and making it a better place to work,” said Graeme.

A hands-on training program also contributed to increased staff confidence and support of the ‘new way of doing things’. Training in negotiation skills in the procurement department allowed the team to engage with their suppliers on a more equal footing. Armed with critical information the team secured better terms for the company on a range of crucial contracts. Graeme confirms, “We could have delivered a training program, however it was one of those things that we would never have got around to doing. Proudfoot has a very hands-on, practical approach to training and coaching that was well received by the team. Staff were involved which went a long way in terms of them feeling like they were the owners of the change. A high level of acceptance brings sustainability to the benefits of the program.”

Introducing meaningful performance indicators was also important.

“ There’s still room for improvement but the fact that we can see this is in itself is step forward. We think now in terms of ‘continuous improvement’. ”



Indicators that monitored the overall business performance were in place, however there were no relevant indicators to front-line staff. This made it difficult to appropriately manage staff and their behavior in meeting targets. With the introduction of new performance indicators including available and paid man-hours, schedule attainment and productivity, front-line staff were able to relate to their work and their managers able to more actively manage.

Installation of a new Management Operating System encouraged stakeholder engagement by introducing a more systematic approach to work while driving and supporting appropriate behavior. In the area of minor shutdowns, there was better planning for scheduled minor shutdowns of the station and more rigorous real-time scheduling and management of all minor shutdowns as they occurred. Regular review of progress to plan, that aligned all stakeholders, allowed management to prioritize work and re-direct effort and for unit controllers to be better placed to return units to service in a more effective manner. Likewise in mine maintenance better planning and cross-functional review of plans involved all stakeholders. Using facts

and data, the teams could better plan and prioritize, leading to more effective execution of maintenance.

OWNERS' APPROVAL

Equally important to the success of the project was the support and 'buy-in' from International Power's senior executive management in Australia and the UK. One of the key drivers for the project was that the business was not delivering adequate returns.

Graeme points out, "It was a bold step to commit to spending more money when the business was already underperforming. We had to provide executive management a clear understanding of the project costs and benefits, set expectations and then deliver to those expectations. This meant weekly updates and communication throughout the project. It is easy to fall in the trap of thinking 'I am too busy this week to provide an update; I will do it next week once we've reached a particular milestone'." However the timeliness of communication is imperative. Graeme continues, "We also couldn't soften our agreed objectives during the project. At times it would have been easier to change the goal posts however our commitment to both ourselves and executive management helped drive

us to pursue further improvements and value for the business."

LEADERSHIP AND MANAGEMENT STYLE

Leading up to the project, there had been a number of changes to the composition of the management team. The management team had not previously worked with each other. During the project the team had to be coherent and make decisions together. As a result, the management team was also on a steep learning curve.

The local management team found the project just as challenging as front-line staff. The project was as much about changing management style and behavior as it was about changing front-line staff and supervisors' behavior.

Graeme continued, "We had to take a good hard look at ourselves. As a management team we didn't always perform to our own expectations, or manage all aspects of the business as well as we should have. Management also had to understand and accept that they don't always have the best ideas, often it is the staff that do!

The project also made us more accountable. We needed to be able to articulate why we were





implementing this project, what we expected to achieve from it, and how we were progressing.

The project provided some skills to help us improve the way we work together as a team. There's still room for improvement but the fact that we can see this in itself is step forward. We think now in terms of 'continuous improvement'."

OUTCOMES OF STAKEHOLDER MANAGEMENT

"While we managed to satisfy our stakeholders, it was by no means plain sailing. Employees and unions were willing to give the project a go, despite it being a sensitive issue for them. They generally remained supportive rather than obstructive throughout the project. Management and owners always wanted to be able to see the savings," said Graeme.

The Unions in particular are less suspicious of productivity programs as a result of the project. They are now in a position to see that productivity

improvements benefit employees and working conditions. It is not about working against employees but instead about working with them to achieve a better business performance.

"We've made a small change in the plant's culture, but there's a long way to go. Management are more consistent in their approach to leading and managing the business. Our employees can see that there has been a genuine effort to improve the businesses performance and include them in the process."

THE FUTURE

"The project was a journey with challenges every step of the way. It was a challenge to agree to do something in the first place, it was a challenge to bring in Proudfoot, to manage stakeholder expectations and to take taskforce members out of day-to-day operations and then to stand on our own two feet. Keeping the changes and momentum alive is a lot of work but it is important to do it," concludes Graeme.

ABOUT INTERNATIONAL POWER HAZELWOOD

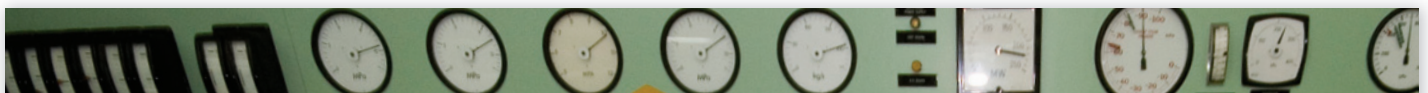
Established in 1964 by the State Electricity Commission of Victoria, Hazelwood is an integrated brown coal mine and power station complex located in Victoria, Australia.

Privatized in 1996, it is now owned by a consortium that comprises International Power (92%) – a major global energy company - and the Commonwealth Bank of Australia (8%). International Power operates 37 power stations in 19 countries with a market capitalization of £3.2 billion and close to 3,000 staff.

International Power also has majority ownership in other generating assets in Australia including Loy Yang B, Pelican Point, Canunda, Synergen and Kwinana.

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GRAEME'S KEY PRODUCTIVITY LEARNINGS

- Productivity improvement is about unlocking additional potential within the organisation rather than reducing headcount.
- Frequent reporting is important. At times it feels like next week will be better to report however the timeliness of communication is critical. Although there are bound to be moving targets, you need to report where it is now.
- It is important to remove the threat of conducting a productivity improvement program so that people can work in the knowledge that the changes they are implementing will not adversely affect them.
- It doesn't come easily. It requires hard work and involvement of the workforce. If it doesn't involve the workforce it is unlikely to succeed.