

Small-log sawmill improves performance by \$34/MBF

>> Highlights

- Experienced sawmilling group increased volume by 12% and value by 10%
- Improved execution was the driving force
- No major capital upgrades were required
- Management and workforce confident results will be sustained



In the autumn of 2004 this forest products manufacturer had a significant choice to make with one of its sawmills – make it more profitable or shut it down. Fiber supply issues, high currency exchange and energy costs, and the still unresolved softwood lumber dispute had an experienced sawmilling team uncertain about the site’s future. The union, representing an experienced workforce, was in the same position - uncertain about the future and uncertain about what to do. >>

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Closing the Execution Gap

A Sawmill Case Study

The company's Vice President Manufacturing had heard about Perforex and decided to at least understand the execution gap (ExGAP) given the mill's existing capital, strategy, and people. The mill manager had previous experience with the Perforex approach and said he'd also be interested in having a two-week Assessment of the ExGAP completed. However, he wanted union buy-in before any work was undertaken, so Perforex presented to a combined group of managers and union leaders known as the Profitability Committee. The Committee decided that an understanding of what opportunities existed and could be captured without adding new capital would be worthwhile. Their rationale was that if significant opportunities could be captured, then the site should be able to attract future capital dollars.

By the end of the two-week ExGAP Assessment, just over \$3 million or \$35/MBF in opportunity had been identified in the areas of production, quality – value – recovery (QVR), and maintenance. This huge opportunity existed largely as a result of weak, incomplete and/or under utilized management systems. Once the Profitability Committee realized the size of the opportunity and the reasons for it, they were open to improving systems and operating discipline. Managers and union members anticipated a successful ExGAP Project leading to a more productive and profitable sawmill that could ultimately lead to keeping the site open as some other mills faced closure.

"I knew Perforex, and my managers needed the improved systems and discipline they could help us develop. We had significant



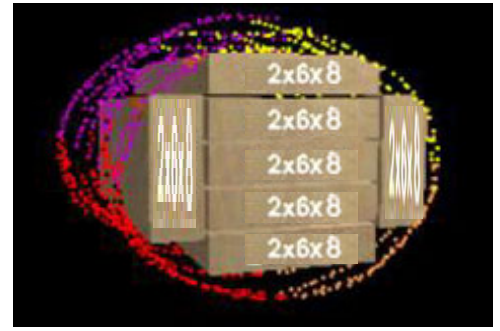
UNIT COSTS | Bottleneck management and maintenance effectiveness were two key elements contributing to the \$6/MBF unit cost reduction.

delays before reacting to performance results with action. There was no real cohesion and firefighting was the order of the day," says the site's General Manager.

Based on a strong short-term financial return and with the long-term best interest of the business in mind, the decision was made to proceed with an ExGAP Project. A member of the union executive said, "Yes there were some fears that the number of jobs may be affected, because with consultants you take some risks. However, we became convinced that the Perforex method relied on working with existing employees and existing equipment."

Kevin Orbinski, Perforex Partner, summarizes the process, "We know sawmills very well, and we develop management systems and staff competencies to do one thing: address variances from target on an hourly, daily, and weekly basis. These variances are addressed by action plans focused on getting at root causes of problems. Managers *and* hourly paid staff continue to do this long after we leave; this is the key to capturing results and keeping them over time."

The Project to capture the opportunities identified during the Assessment began in November 2004. The sawmill's trimmer was the bottleneck and the initial focus in the green end. A 12% increase in production volume with the same headcount was realized. Once comfortable with success on this line, the team turned its efforts to sawmill predictability (getting the sawmill to actually deliver what the optimizers at the primary breakdown prescribed). Significant gains were realized here in a matter of months. With these two successes, repetitive planer stoppages were addressed, resulting in an efficiency improvement of 25% between January and April. Due to significant mix improvements, strapped product value out-turn increased 10% as market prices decreased. A significant amount of time and effort went into establishing and following preventative maintenance routines, which resulted in improved machine reliability and efficiency. All of these gains began to add up. By September 2005, a \$2.7 million "Execution Gap" had been captured by the mill team. Improved productivity and recovery added \$6/MBF to the bottom line,



VALUE | Sawmill "predictability" was a major contributor to improving value by \$28/MBF.

while improved value mix added another \$28/MBF, for a total of \$34/MBF.

An experienced superintendent described the Project process, "Perforex developed some very good tools and taught us how to use them. Our big challenge now is to continue the culture change without Perforex on-site and to ensure ownership of the systems is in place with each individual."

The union executive also saw the benefits, "We now know about all of our problems and attack them faster after a poor result. This leads to improved performance. Additionally, we now have better communication between union and staff."

The site's General Manager summarized using a theatrical reference, "Before the project, we were watching the show. Now our managers and union members are the actors that create the show and are responsible for the results. Perforex helped us develop a systematic approach and more consistency to managing the operation. Our managers now respond to clearer expectations with a more sophisticated set of skills."

Working with an experienced group of managers and union members with a keen interest in the future of their site, Perforex was able to help re-vitalize the location at a time when many other sites faced a bleak future.

PERFOREX partners with forest products companies to significantly increase their profits by implementing operating practices, systems and disciplines that drive results and create sustainable performance improvement. To date, Perforex has closed the execution gap at over 100 operations including 50 sawmills.