

ARE YOU ENGAGED?

How Proudfoot helped PT Inco improve its bottom line by getting people to engage



Research shows companies with an engaged workforce are not just more profitable, they're also more attractive places to work. In this article, we look at Canada-based mining company PT Inco's drive to improve employee engagement in its Indonesian operations.

Last year we reported the major efficiency improvements achieved by Alexander Proudfoot client PT Inco on the site of the world's largest open-cast nickel mine in Indonesia. Since then, a small, multi-nationality team from People Solutions, the Proudfoot division specializing in management's so-called 'softer' skills, have been working on a follow-on culture change and employee engagement project.



Mining communities are often characterized as being close-knit. In many cases, the mine is the town. This observation, says Proudfoot's Tony King, has proved to be crucial in winning over hearts and minds among the 3,500 strong, predominantly Muslim workforce at PT Inco's Sulawesi island mine.

"Other management consultants working in this industry have tended to limit their efforts to 'within the fence' of the mine, but that would have been a big mistake over here. On this project we recognized early on that the keys to success lay in the

wider community; by including this larger constituency in our efforts, and by understanding and being sensitive to the significant cultural differences to Western communities, we've achieved much more in a shorter time frame," he explains.

But 'within the fence', things certainly had to change. PT Inco's core operating departments of exploration, mining, utilities, process plant, supply chain management and surface engineering services were operating in 'silo' mode, despite their clear inter-dependence. Service level agreements between them were non-existent. Critical teams never got together to discuss performance barriers and problem solving. So, starting in June 2006, all six departments were tackled at once by a 17 strong Proudfoot team, split 60:40 between Westerners and locals, supported by a PT Inco task force of 50.

The starting point was to translate PT Inco's written 'manifesto' on corporate culture and values into something meaningful to all workers. The strategic objective was to create an environment where people didn't just turn up, do their jobs in isolation and go home again, explains King.

"We wanted to create a culture where people were willing to work constructively together, to see beyond their immediate horizons and go 'the extra mile' for PT Inco to exploit opportunities presented by operating improvements made in the preceding project."

For employees, confusion and ambiguity often surrounds what companies present as their 'vision and values'. In this case, Proudfoot decided to keep things very simple, condensing PT Inco's existing statements into one, short sentence: 'I can do'. King says this allowed the major messages surrounding desired behavior to be delivered unambiguously to the company's 450 supervisors, a key target group for the programme.

"We used the 'I can do' line to develop a subset of positively-phrased statements such as 'I can speak up', 'I can be ethical', 'I can be committed', and so on. They turned out to be very empowering."

It was recognized early on that one of the critical success factors was to carefully contextualize the desired behavior changes, and use everyday analogies where possible. Work scenarios were set against similar family scenarios at home. So, for example, the importance of communicating requirements from a parent to a babysitter was compared to the model behavior expected from one supervisor to another at the end of the shift. In the latest example, PT Inco workers will be shown how team performance is crucial to success in Formula One motor sport, says Tony King.

"Indonesians are just crazy about motor sports such as Formula One, so we will be comparing and contrasting the 15 turns of Malaysia's Sepang International Circuit to the business environment at PT Inco on Sulawesi. This will allow us to explore, in an engaging and thought-provoking way, what achieving excellence really means. We aim to demonstrate the critical role played by pit stop teams to a driver's overall race results, and the place that personal pride plays in the team's performance."

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Such scenarios formed part of six months of classroom training sessions covering themes such as 'how to coach for better performance' and 'how best to talk to and deal with people'. These sessions were followed by six months of practical, on the job coaching to ensure theory became embedded as routine practice.

Almost twelve months on and approaching the project's close, King says the results are starting to show.

"Wherever you look in the operation today, you find people significantly more enthusiastic and committed. A recent employee survey shows the vast majority now have a clear understanding, not just of their individual contribution to achieving business goals, but also those of their wider team and department."

"From a base of practically zero, we're now seeing an average 90% compliance level by supervisors to undertake two formal coaching sessions per month. By any standards, these are pretty good indicators of an engaged work force."

Harder measures of success can be found in PT Inco's productivity figures. A year ago, the variability band in volume nickel production stood at -15% to +15% versus the

plan. Over the last twelve months that band has narrowed to -7% to +11%.

A key factor for any production process is consistency. Over the last 36 week period, variability versus plan is approximately +4% compared to -2.7% previously. And positive variances, when the actual is above plan, now happens 65% of the time as opposed to 42% before.

The last quarter of 2006 was the best production period on record (30 years), and that trend continues in 2007, with previous records for weekly production having been surpassed. In terms of financial return on investment, PT Inco's engagement paid for itself within the 40 week life of the project.

SOME OF THE TECHNIQUES USED AT PT INCO

Comic strips: these are a common medium in Asia as people respond well to them. They were seen as a novel yet culturally comfortable way to introduce and communicate important company topics such as employee values.

Comic strip publications were used to depict real working life situations without 'finger-pointing'. The fictional characters portrayed came across as the 'voice' of the people without being

specific to any group or individual.

Guest visits: inspirational speakers from outside the mining industry were invited to address workers. Well-known authors, TV presenters and chief executives from different industries all told their own stories of successful change. Some 300 PT Inco workers attended the last event, all of which were held outside working hours.

Community involvement: the project team wanted to PT Inco workers to think about energy and environmental conservation. So a poster design competition was organized among the community's 2000 children with prizes awarded for the best. This had the desired effect of encouraging children to talk about these issues with their parents off site, reinforcing messages workers were hearing on site.

Training as theatre: piggy-backing on the universal popularity of the 'American Idol' televised talent search, a well-known singer was flown in from Indonesia's capital city Jakarta. The visit was sponsored as part of a programme named 'Reaching Our Potential', which allowed workers and, more importantly, other members of the community to experience in a highly memorable way how to rise to a challenge.





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WHAT IS ENGAGEMENT?

An engaged worker is defined as one who is motivated to 'give it their all'; to apply their very best endeavours in the interests of the organization employing them. Their counterparts fall into two groups: the 'unengaged', characterized as someone who just turns up for work and does their job, often to the minimum acceptable standard; and the 'actively disengaged', those who align themselves against the organization's goals and subvert the best endeavours of their colleagues.



WHY ENGAGEMENT MATTERS

“The creation and maintenance of high employee engagement, as one of the few determinants of profitability largely within a company's control, is one of the most crucial imperatives of any successful organization.”

James K. Harter, Ph.D., chief scientist, international workplace management practice, The Gallup Organization.

GALLUP'S FINDINGS ON EMPLOYEE ENGAGEMENT

- Among the publicly traded companies in the database, the more engaged organizations outperformed the earnings-per-share of their competitors by 18%, and over time, progressed at a faster rate than their industry peers.
- In the companies that are better places to work, millions of small actions - statistically insignificant in isolation - created higher customer scores, reduced absenteeism, led to fewer accidents, boosted productivity, and increased creativity, accumulating to make a more profitable enterprise.
- Engaged employees average 27% less absenteeism than those who are actively disengaged. In a typical 10,000 person company, absenteeism from disengagement costs the business about 5,000 lost days, or about \$600,000, annually.
- Business units with many actively disengaged workers experience 31% to 51% more turnover than those with many engaged employees.
- Disengagement-driven turnover costs businesses millions of dollars every year. Replacing an entry-level or frontline employee costs 25% to 80% of that person's annual wage. Replacing an engineer, a nurse, a salesperson, or other specialist costs between 75% to 400% of annual salary (this is especially

important at PT Inco as it takes a long time to recruit employees owing to the mine's location).

- Workgroups with an inordinately high number of disengaged workers lose 51% more inventory to theft from the inside than do those with a higher number of engaged workers.
- To the outsider, the most obvious connection between employee engagement and the way a business operates is its customer service. Although much of a customer's experience is outside associates' control, being in the higher range of team engagement (feeling a close connection with your workgroup or team) equates to 12% higher customer service scores than those in the bottom tier of team engagement.
- The various effects of engagement on absenteeism, turnover, accidents, theft and customer service combine to create an appreciable competitive advantage for a charged-up team. Highly engaged teams average 18% higher productivity and 12% higher profitability than disengaged teams.

Note: these findings were first published in November 2006 in the Gallup book titled '12: The Elements of Great Managing'.

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