

# How Top Performers Benefit Your Business

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## Introduction

The paper I will present this morning, "How Top Performers Benefit Your Organization" is one that brings many opinions and thoughts. Is it about dollars? Is it about sustainability? Is it about innovation? Is it about safety? Is it about leadership? The list could go on forever. Today I'm going to give a philosophical view of what Top Performers need to understand and how this can benefit your business. Firstly I'm going to briefly background Hawkes Bay Forests Limited as some of the examples I will use come from our business and we are a relatively new organization. I will then give a perspective of what top performers should be focusing on and then describe the basics that you as a service provider to the forest industry should be providing.

## Hawkes Bay Forests Limited

Hawkes Bay Forests Limited was established in 1991 following the acquisition of the cutting rights to the four main state forest areas in Hawkes Bay. From then until early 1997 Carter Holt Harvey Forests managed our estate. In May 1997 we established our own management team (mainly ex Carter

Holt Harvey staff) and started managing our own operations.

Hawkes Bay Forests Limited is a Japanese owned company. Oji Paper is the majority shareholder, 87% and Nippon Paper holds the remaining 13%. As Pan Pacific Forest Industries Limited (Pan Pac) has exactly the same shareholding we could be described as sister companies. As well as managing our own resource of 28,000 ha (net stocked) we also manage Pan Pac's Tangoio Forest bringing our total net stocked area to 31,000 ha in Hawkes Bay.

Our annual production including woodlot purchases, is 700,000 tonnes (23,000 truckloads), this contributes \$38 million dollars in annual sales. Of this volume 80% is supplied to Pan Pac, 10% to export and the remaining 10% to other domestic customers.

We employ 29 staff. Including our Managing Director and General Manager 4 are resident Japanese. We engage up to 20 contractors with a total workforce of over 200.

## Statement of Purpose

The Principle Objectives of Hawkes Bay Forests Limited are:

- To maximize value from the available resources on a long-term sustainable basis.
- To secure the required wood supplies for our shareholders interests in New Zealand and Japan
- *Our goal is to challenge the normal to gain continuous improvement.*

## The Philosophy

Enough about us. On to my topic for today "How Top Performers Benefit Your Business".

The world we live in and know today is changing at an ever-increasing pace. Two years ago I expressed to our staff and contractors that they could expect more change in the next five years than they had experienced in the past fifty. In principle I was probably right, except that it has occurred in 2 years not 5. Over the last two years we've experienced an MMP election, a coalition Government, our first Woman Prime Minister, a minority lead Government, Asian crisis and global recession, home interest rates dropping below 6% and Key Supplier regimes that have swept the corporates. On a personal note I've been moved from Hawkes Bay to Nelson and back

again. All of this is quite unsettling if we allow ourselves time to stop and think about.

The reality is that if we want to survive in today's competitive business world then we have to change. Not only do we have to change but also we have to change at a faster pace. It is not good enough just to keep up, you have to be out in front, a leader, an innovator and once there *you have to keep changing to stay in front*. You must be continually improving your existing products, services and processes and also developing new ones.

Nobody has ever said that this is easy and its probably just as well it isn't, otherwise your products and services might not be needed or worth as much as they are. On the one hand you are expected to be focusing on safety and health, training, the environment, value recovery, quality and customers. On the other you are expected to increase productivity, lower costs, develop systems, innovate, expand, increase profits and on and on the list goes. Top Performers know how to logically unravel this confusion to provide clear strategy and clear direction to ensure long-term growth and sustainability. Top performers are able to create their own future.

Top Performers know the mystery of solving this puzzle does not have to be complicated. They will tell you that you need to concentrate on four principle areas of your business.

- your customers
- your business processes

- your people
- change and growth

**Customers**

Top performing businesses understand that their customers and their customers' customers are their business. The more they can satisfy them the more successful they and their customers will be. As a contractor, key supplier or is it service provider you need to ensure that

you align your objectives with your customers.

You maybe sitting there thinking who are these customers? To better answer this question you need to understand supplier customer relationship. Looking at the value chain of our industry there are numerous examples:

<i>Supplier</i>	<i>Customer</i>
<i>Nurseryman</i>	<i>Forest Owner</i>
<i>Planting Contractor</i>	<i>Forest Owner</i>
<i>Pruning Contractor</i>	<i>Forest Owner</i>
<i>Harvesting Contractor</i>	<i>Forest Owner</i>
<i>Tree Faller</i>	<i>Skidder Operator</i>
<i>Harvesting Operations</i>	<i>Forestry Operations</i>
<i>Forest Owner</i>	<i>Sawmill</i>
<i>Forest Owner</i>	<i>Log Buyer</i>

For the purpose of this paper I am going to introduce and use the forest owner as the customer. For some, hopefully not to many of you this is not an entirely new concept. The Forest Owner of today needs total solutions to the challenges they face every day. They are happy to pay (even a profit) for your products and services as long as you create and add value to their business. They do not want difficulties, apologies and excuses. They want solutions. They become especially concerned when you perform badly because they know they are paying for it.

**Business Processes.**

Top performers know that it is equally important to understand the flow (or process) of their business as it is to focus on what or how much is produced.

Because our business is influenced by constantly changing variables you have to ensure your production process has the flexibility to accommodate the highs and the lows. You can have all the best men and equipment but if you don't understand your production process you are never going to make it. There's no point having an extraction operation that can pull 500 tonne per day if the rest of your process is only capable of producing 300 tonnes per day. I believe you can go onto a work site that is in balance and feel that things are working right. On Monday Dennis Glenn described his operation. It is an excellent example of someone who understands that the total output depends on the balance of all the components of his production process. Without this he would never be able to achieve the goals

he has set in other parts of his business. He knows that volume is the output of an efficient process.

## **People**

People, your most valuable resource? Fortunately or unfortunately (depending on your view) nothing happens without people. Individuals have to be selected, trained, nurtured, and motivated but most of all given the opportunity to try new ideas and assume responsibility.

A core value I am committed to is the "intrinsic worth of people". By this I mean that within all people there is good. I have not yet had to work with anyone who deliberately comes to work to injury himself or his colleagues, send reject logs to the mill or fill rivers with sediment. If you have then you probably haven't done your selection very well or discovered the root cause to the problem. I believe top performers understand this and when goals and targets are not met they will investigate them objectively focusing on finding the root cause to the problem (which almost always lies in the process) and they will try to improve it. If you want a man to fell 200 hundred trees per day and you give him an axe and pair of sand shoes he is never going to make it.

You must develop your people into teams that are based around your processes, you must clearly define their tasks, responsibilities and your expectations. You should build your teams around your processes. In Dennis Glenn operation he has done this well by having two extraction teams and one processing team.

## **Focus on Change and Growth**

Top performing businesses know that if they are still doing today what they were doing 12 months ago then they are losing their advantage. This is the part about staying out in front. Every day top performers go to work they are looking for opportunity to change and improve their three "P's", (once referred to as Piss Poor Planning) but now better known as "Products, Processes and People." A day must never go by when you do not make that incremental improvement in your business. It will be this improvement that will have you in the right position when an opportunity is presented to make a paradigm shift in your business. You must be continually achieving your goals and resetting them at a higher level.

## **The Basics of Our Business**

Enough about the philosophy now lets talk about the basics of our business. Recognising that the forest owner is one of your customers, do you really know what his needs are? As a service provider the first thing you have to understand is what your customer needs are and then you have to align your objectives with their objectives. Now this is a two way street. Both parties have to work closely together to define and agree on exactly what the expectations are and how they will be met and measured.

Within our organisation we have laid down six areas of performance that we expect our contractors to perform in. They are:

- Safety, health and training
- Environmental excellence
- Value creation
- Quality
- Cost competitiveness
- Professionalism and innovation

You could debate the order in which these are listed. They have been put in this order for a reason. We will put Safety, health, training and environmental excellence first in our business. In our "Statement of Purpose" we say that we will manage our company's resources on a long-term sustainable basis. We believe that if we do not perform in these areas then we will not be here in the long-term so we will not have to worry about our other objectives.

Four years ago the LTIF of our harvesting operations was 80 incidents per million man-hours. In September this year it was 15. In the same period we have lifted the skill level of our workforce from an average of less than 3 modules per logger to more than 6.4 modules per logger. A significant factor in achieving the reduction in incidents.

In October 1997 we received the Hawkes Bay Regional councils environmental award for the Environmental Focus we placed on Harvesting in our Gwavas Forest.

Earlier I said no one minds paying for your products and services if they believe you have added value to their business. In our organisation we talk about value creation and we like our staff and contractors to understand this and what our financial targets are. Simply put we have been charged with

the responsibility of taking a raw material (trees), turning them into products (logs) and supplying them to customers. Everybody has a part to play in this and if we all do our job, as a minimum this (all things being equal) should equate to \$38 million dollars. People have to understand that this is not something that will just happen it has to be made to happen and they have to understand how important this is to their success and ours.

When discussing quality, we like to take a boarder view than one of just quality assurance. But for the purpose of this paper I will limit myself to this topic. Today more than ever it is important to have systems that measure your performance in all areas of your business. By quantitatively measuring your performance you will be able to make objective decisions about how to improve your business. An example of this is how we (and many others) measure contractor log quality. Every month we measure and record rejects and defects of a sample of each contractor's logs. This information is feed back to our contractors and becomes valuable data for them to target areas where they can improve their performance. This brings me to another poorly understood word, "Audit". For us "Auditing" is about measuring performance and identifying opportunities for improvement, not, for penalising and criticising people with

because they have done something wrong.

It's a big wide world out there that is full of businesses and people competing for your contract or job so you have to be cost competitive. Especially now with the retraction of the industry. You can not afford to carry luxuries. All waste and inefficiencies have to be removed from our business. You have to be smart. The forest industry is competing in an international market place so we have no option but to be internationally competitive.

You carry the responsibility of making your business perform and perform it must. Your customers expect you to be professional at all times and always looking for opportunities to improve yours and their business. You have to go that little bit extra. That little bit could be what helps you keep your competitive advantage.

## Summary

While our domestic and international economies maybe reeling in turmoil and the pessimists have become resident doom and gloom agents and even hardened blue blooders are feeling a little red you must be resolute in your desire to succeed. In our organisation we refer to problems as challenges, difficulties as opportunities. These current economic difficulties are a real opportunity for all of us to be thinking smarter, getting stronger.

Top Performers Benefit Your Business by:

- Understanding your business, objectives and expectations and aligning their objectives with your own
- Having efficient processes that maximise productivity and add value to your business
- Developing their people in teams and clearly defining their tasks and responsibilities and what your expectations are
- Continually identifying opportunities to improve their products, processes and people that will maintain their competitive advantage.

By understanding and providing these qualities to your business you should be able to grow your business into a long-term sustainable organisation that can survive the lows and revel in the highs and I the forest owner can concentrate on ensuring my customers and their customers needs are being met.

Thankyou.