

# *Spring Thaw* 2018

## CALCIMA

**California Construction and  
Industrial Materials Association**

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# Operational Excellence

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# Broad Definition

Operational Excellence is a measurable integrated management system to lower risk, lower cost and increase revenue.

# *Defined* Definition

Operational Excellence is a measurable integrated management system to lower risk - **SAFETY**, lower cost - **QAULITY** and increase revenue - **PRODUCTION**

# *Operational Shift*

Integrated Safety into the Business Model

# *Cultural Shift*

Operational Leaders are the *Safety Champions!*

Safety Professional supports operations to...

*Get the Job Done!*

# Where it all Started



**Paul O'Neal**

# ALCOA



- One of the Worlds Largest Producers of Aluminum
- 175 Plants in 31 Countries with 60,000 employees
- Mining, crushing, smelting, coiling and casting
- Aircraft, Automotive, Defense and Packaging
- Around \$23 Billion in Revenue
- Losing Profits
- Poor Product Quality
- Poor Worker Moral
- Poor Safety Record



# Alcoa Investors Meet The New CEO in Posh Manhattan Hotel



# Paul O'Neal's Opening Statement to Investors...

**“I want to talk to you about worker safety... I intend to make Alcoa the safest company in America. I intend to go for Zero injuries”**

**“Now, before I go any further... I want to point out the safety exits in the room”**

# Investors Immediately Have Questions...

**“What Inventories do you anticipate for the aerospace division?”**

**“How are you aligning the company to achieve a synergistic market advantage?”**

**“What about the company’s capital ratios?”**

## O'Neal Responds to Investors



**“I’m not certain you heard me... If you want to understand how Alcoa is doing, you need to look at our workplace safety figures. If we bring our injury rates down, it won’t be because of *cheerleading* or the *nonsense* you sometimes hear from other CEOs. It will be because the individuals at this company have agreed to become part of something important: They’ve devoted themselves to creating a *habit* of excellence. Safety will be an indicator that we’re making progress in changing our *habits* across the entire institution. That’s how we should be judged.”**

# Affecting *REAL* Change

Were O'Neal's remarks, *Different?*...

Were they, *Unpopular?*

Do you think it made him feel, *Uncomfortable?*

Do you think it made the audience, *Uncomfortable?*

Do you think he was, *Passionate?*

# O'Neal Mandate

**When an employee injury occurred the Unit President had to report it to Paul O'Neal within 24-hours and present a plan to ensure the injury never happen again.**

# Impact on Operations

**Improved Communication**

**Improved Manufacturing Process**

**Improved Equipment Design and Layout**

**Improved PM Scheduling**

**Improved Production Efficiencies**

**Improved Product Quality**

**Lowered Production Costs**

**Improved Employee Moral**

# Impact on Shareholder Value

**Within in a year of O'Neal's "Safety Speech" to investors –  
Alcoa hit *Record Profits***

**Under his leadership Alcoa stock prices rose over 200%**

**When O'Neal retire – the company's annual net income was  
five times larger than before he arrived and its market  
capitalization had risen by \$27 billion**



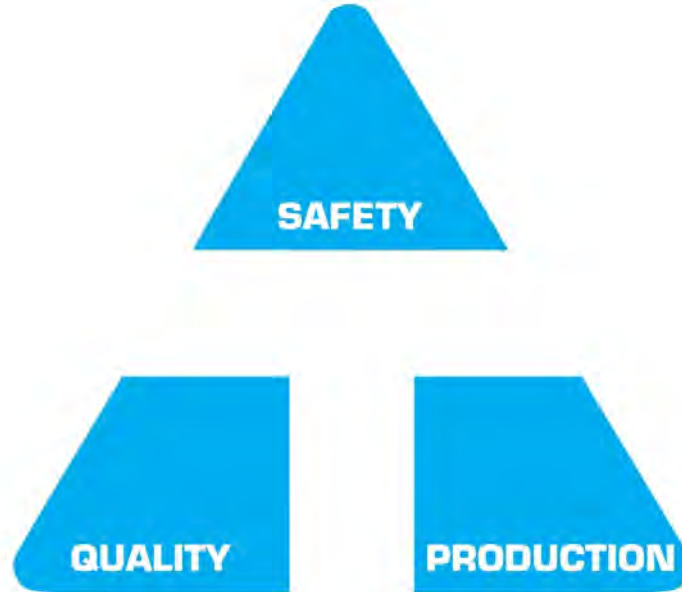
# Operational Excellence Business Model

- Integrate Safety Early and Often
  - Engineering & Process Development
  - Pre-Planning
  - Training
- Quality
  - Engineering & Process
  - Of work performed – JHA
  - Product
- Production
  - Engineering & Process Flow
  - Tools & Equipment
  - No Shutdowns

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# Operational Excellence



**ONE TEICHERT**

*Building Trust Since 1887*