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Operating Cost Reduction Are you ready to innovate?

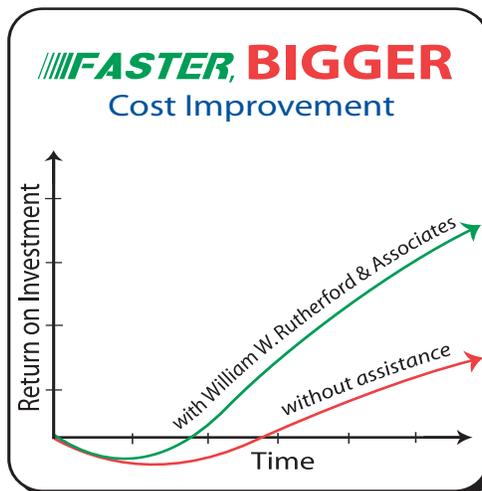
Leaders, we need to get ready. Our business cost structure has been steadily rising for several years now, and is today at historic levels. From rising operating cost to project cost overruns, from the increasing cost of our acquired materials and services to the rapidly growing cost of our shared services: the time has come to address the underlying issues that contribute to these elements that so significantly reduce our shareholder value.

Controlling cost is a leadership struggle. Pushing directly back on these costs is often a losing battle. We consistently find that many employees have rationalized away their willingness and ability to pro-actively nullify supplier price increases. Additionally, our vendors and service companies have other choices regarding where to send their products and services -- and they have been quick to teach us a lesson by sending these offerings elsewhere.

Cost innovation is our friend. To be successful today, our cost reduction approach needs to look at our business differently than in the past. It may seem counter-intuitive but a systemic analysis of business needs often identifies a significant number of "less is more" opportunities. Here are some of the operating cost opportunities we typically find most meaningful:

Operational reliability and predictability. These are the fundamen-

tal business elements that usually contain the greatest benefit. Why? Because: 1. This is where the largest amount of hidden cost is; 2. Their systemic nature makes their improvement opportunity less obvious; 3. Most reliability based cost opportunities are in processes and linkages that cross organizational lines (making them more difficult to address); and 4. A detailed root-cause analysis is required to identify these, something which is often missing.



The good news is that cost solutions in these areas are typically *win:win* across multiple areas; i.e. the same discipline that improves reliability and predictability also reduces cost and improves revenue, quality and customer service. These same actions further enhance morale, safety and environmental performance.

Client experiences with plant and field cost improvements most clearly highlight the benefit opportunities

found more broadly across operations:

A client's maintenance organization takes its **"Tool-in-Hand" time from 20% - 30% to 60%**, not by working harder but by analyzing the work and eliminating the unexpected outcomes the operations organization was experiencing. Result: Improved operating reliability and output while reducing contractor cost by \$12 Million/year.

Cost innovation at another client facility resulted in **\$25 Million in savings while improving product quality by 25%**. Additional results included improved output, new-hire requirements reduced, employee retention up, injury rates down.

A further client analysis found its **management and supervisory skills** more limited than thought, resulting in inefficiencies not previously realized. Result once addressed: work productivity up; lost time, rework and recycle down, coaching capability up, morale up, employee empowerment up.

Operating cost inefficiencies often touch every part of the business. Improvements in one area typically radiate benefits to other areas not directly considered.

Winners succeed by doing those things that losers don't like to do.

It takes leadership to address these large cost opportunities. Your emphasis on cost reduction strengthens your company's competitiveness while growing your bottom line.

Our Operating Services

Working with our clients to improve operational performance

We help business executives improve the performance of their organizations:

- Implement operational capabilities that lead to breakthroughs in business improvement
- Promote organizational learning and innovation that instill the confidence to achieve a competitive advantage

We recognize that people drive improvement in any organization. We coach and train our clients' leaders, managers and other employees to create value and achieve results as individuals and teams. Our consultants have a wide range of competencies that enables us to provide our clients with **integrated solutions to complex issues and opportunities:**

- Thruput Improvement
- O&M Optimization
- Planning & Scheduling
- Turnaround Time and Cost
- Materials & Inventory
- PM Compliance
- Manager and Supervisory Effectiveness
- Culture Change
- Workorder Management
- Support Services Optimization
- Reliability
- Capital Project Management
- Organization Effectiveness
- Process Improvement
- Time-on-Tools Improvement
- Contractor Management
- Operations Excellence
- Productivity
- Supply Chain Management
- Maintenance Excellence

We collaborate with you to identify your opportunities and guide the implementation of improved business models that ensure sustainable results. We are committed to working closely with you during a three-step "team" process:

1. Issue Identification

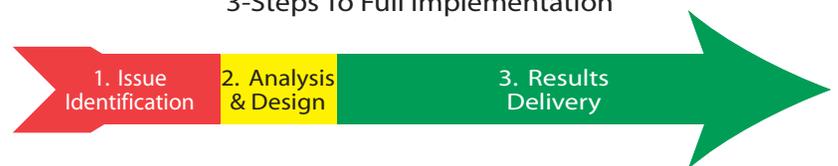
We jointly establish clear goals, priorities and performance expectations.

2. Analysis & Design

We determine the state of the business and tailor goals and expectations to meet your needs. We analyze financial condition, identify potential barriers, assess organizational alignment and confirm willingness to change. We identify, rationalize and prioritize the steps to reach goals and performance levels, and develop the implementation plan critical to achieving the results.

Accelerating Your Results

3-Steps To Full Implementation



3. Results Delivery

We work together to ensure that your organization is an enthusiastic participant in the process by clearly communicating the improvement program's rationale, urgency and benefits. We enable everyone to participate in on-schedule plan implementation by providing mobilization support, change management resources, experienced project management and an external perspective. We are stewards of the process – aligning responsibilities so that goals are reached and benefits are achieved and sustained.