



Proudfoot

**BUILDING &
CONSTRUCTION
MATERIALS:
LEADING GLOBAL
CEMENT FIRM**

What if you could...

create a next generation
Target Operating Model
for 300-plus cement
plants, securing a €4
improvement in cash-
cost, per tonne?

with Proudfoot, you can.

“This has changed the way we manage the business on a daily and weekly basis. The shift in mindset across all the pilot plants has led to sustainable results. And the wider roll-out will multiply the operational and financial benefits far beyond what was originally expected”

CLIENT'S GROUP HEAD OF BUSINESS EXCELLENCE

When two world-leading building materials producers merged, management used the opportunity to introduce a new Target Operating Model for 300 cement plants in 60 countries. We co-created and introduced the new model, adapting our approach to reflect national cultural norms and empowering local employees to make the change stick. Planned over a 2 year roll-out to all plants, initial results from the first year of implementation exceeded expectations, with pilot plants averaging a >€4 improvement in cash-cost per tonne.

Replacing legacy practices for a new, uniform Target Operating Model (TOM) was a high priority for this client's leadership team. The team knew this would unlock latent efficiency gains and sought a way to accelerate the design and roll-out worldwide. But they also knew that benefits would only be realised if the operational changes could be sustained. That's where Proudfoot came in. With a proven record in lasting, people-driven operational performance improvement



with both companies, Proudfoot was the natural choice of trusted partner.

Humanise, Optimise, Digitise

As Proudfoot executive vice-president Angus Maclean explains, this company's leadership team recognised a significant strategic opportunity.

“The management team saw the merger as a unique chance to really leverage the scale of the new organisation, transforming it in preparation for an increasingly automated, data-driven future. They have a big aspiration to become the sector's most admired company in terms of cost control, efficiency, safety, shareholder return and customer service. Our role was to help them build the operational foundations for that, supporting our client through a combination of process and capability improvement, behaviour and culture change.”

Designing a uniform Target Operating Model (TOM!)

To make all of this happen needed a sustainable, locally-adaptable TOM. Maclean and colleagues designed a multi-sprint operations transformation programme, comprising: framework design; plant benchmarking; pilot testing and proof of concept; and finally, regional roll-out.

The framework design was enterprise-wide – what Proudfoot refers to as ‘quarry-to-lorry’ in scope (see figure 1). Key elements within this

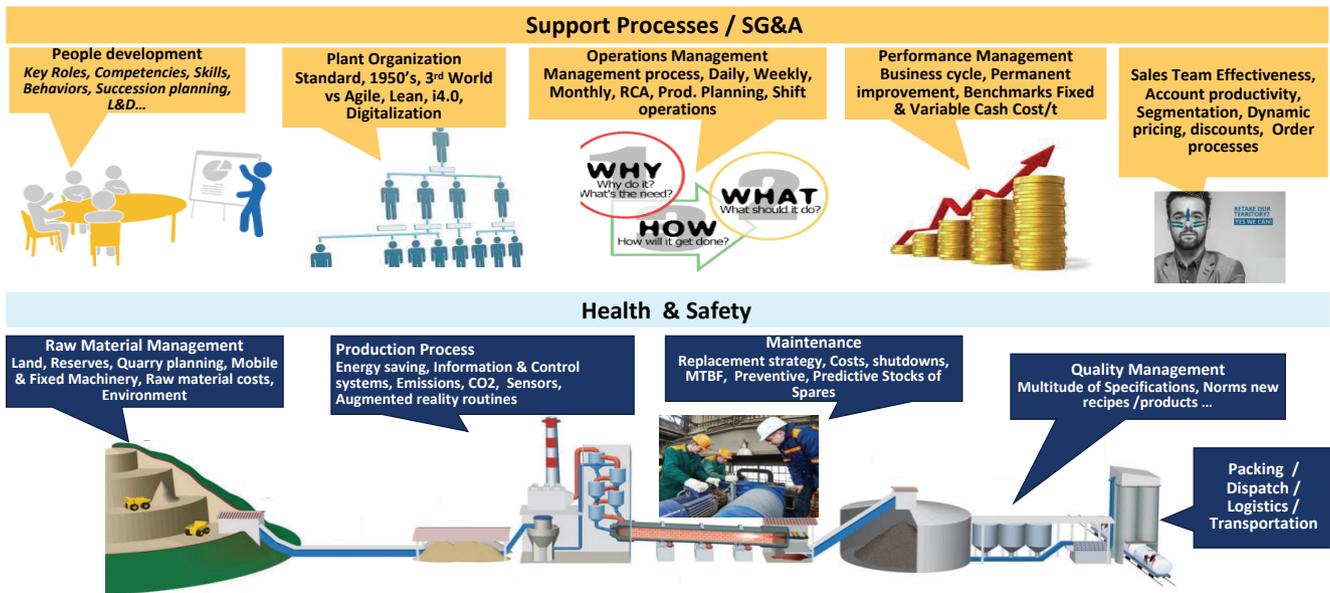


Figure 1: Our 'quarry to lorry' framework

covered operational best practices, performance excellence, safe operations, people competencies and skills. Underpinning this framework design were more than 900 items of best practices, standards, procedures and tools identified from both legacy companies. These were enhanced and shaped into 29 specific topics reflecting the full cement value chain. This body of work became the standard reference depository, describing how to best operate a cement plant.

Next, we created a maturity assessment tool to enable a common platform for global benchmarking

across all 300-plus plants. This helped establish each plant's maturity level in four categories: emerging, basic, advanced, or excellent. Understanding this was vital to make the intervention plan plant-specific. In parallel, we prepared internal teams to use the assessment tool, providing skills development and education to eight teams (one central, seven regional) so that each could assess all plants in their regions. See Figure 2 for example outputs from this tool.

The next step was about building in-house transformation capability for our client, by providing Proudfoot



HOW WE LOOK AT A CEMENT PLANT

- Initial Interviews with the plant management team using the TOM maturity assessment tool
- Analysis of a plant's processes, performance, management systems and employee behaviours at the point of execution.
- Observing the perceived versus real, 'as-is' situation, with comparison against the target operating model.
- Understanding the degree of alignment in the workforce to their objectives and targets
- Analysis of the root causes for non-compliance, non-value adding activity and waste
- Deployment of Diagnostic surveys to understanding attitudes towards goals, levels of engagement and readiness to change.

knowledge refined over hundreds of similar projects. We began with pilot "lighthouse" plants, in 7 regions to demonstrate how to fully implement the TOM, securing our desired operational and financial objectives. With demonstrated proof of concept, and this first pilot successfully completed, management now had the evidence, confidence, and experience to expand into the final step: a two-year, regional roll-out, controlled by a carefully-calibrated governance system. In support of this, we provided personalised levels of guidance, coaching and oversight to our client's internal transformation teams.

Exceeding expectations

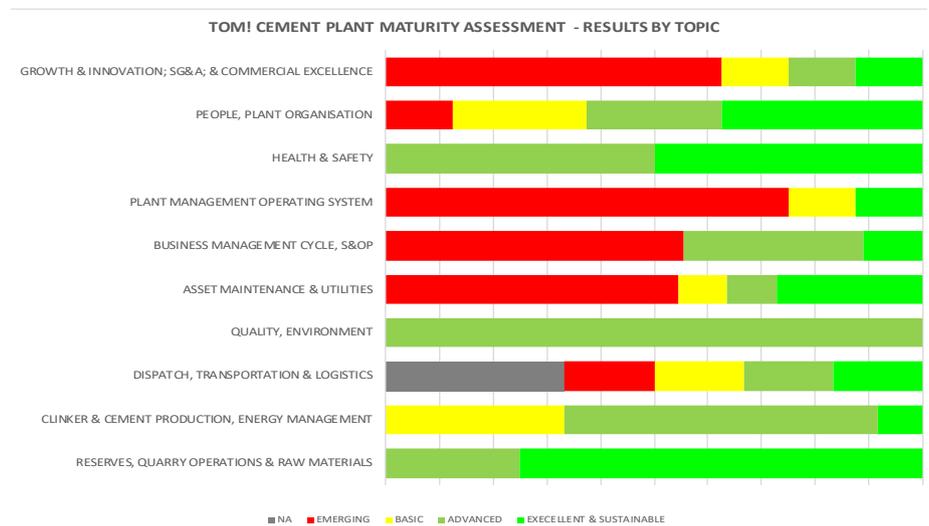
This implementation across seven regions rapidly achieved the forecast sustainable results of optimized fixed

and variable costs. What's more, our client sponsor and group head of business excellence now has clear visibility of a much bigger prize:

"This programme changed the way we manage the business on a daily and weekly basis. The shift in mindset across all the pilot plants has led to sustainable results. And the wider roll-out will multiply the operational and financial benefits far beyond what was originally expected."

Performance improvements like those outlined here are always built from within. Proudfoot believes they only become possible by building the talent, knowledge and ideas of client employees. When this, in turn, is done with great skill and attention, remarkable results can become habitual.

Figure 2: Understanding a cement plant's maturity level



Heavy industry - digital ready

Target operating models (TOM!s) enable cement producers to optimise their operations globally from quarry to lorry. Global consulting firm Proudfoot's next generation TOM! 4.0 goes beyond optimising each cement plant at a local level and instead defines how each plant should be optimised uniformly across a group.

by Angus Maclean, Proudfoot, UK

Target Operating Models (TOM!s) are systems put in place within the context of a business to define best-practice processes and management tools, and to develop and maintain behaviours that aid the continual improvement of the business. For example, in a cement producer's business, the TOM! would ensure all steps on the path from quarry to lorry are operating at the optimum level.

Global consulting firm Proudfoot's deep experience within the building materials sector has enabled it to develop comprehensive TOM!s for the full value chain, which work simultaneously on:

- operational, technical, logistics and commercial processes excellence
- performance management excellence, both operational and financial
- people solutions excellence, enabling a solid foundation on the 'talent war' faced by the sector. These elements deliver rapid and outstanding sustainable results.

TOM!s go beyond simply optimising each plant site at a local level. Instead they define how each site should be optimised uniformly, across a group. The result is an improved return on net assets and higher EBITDA,

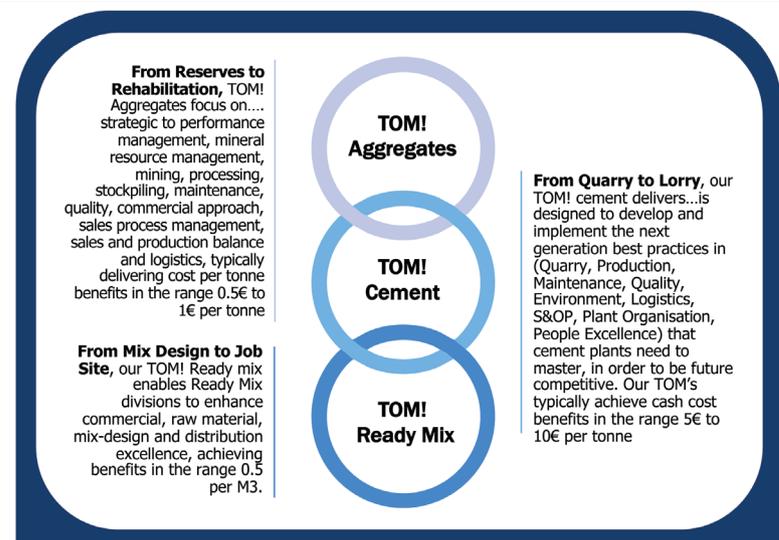
derived from improvements across the industrial and commercial value stream at the right cost, and within the right timeframe.

A TOM! can also make a plant manager's life easier by simplifying day-to-day operations and standardising processes in every location. TOM! becomes the foundation for financial benefits,

and by utilising Proudfoot know-how, behavioural transformation can lead to real financial results tracked on a weekly basis.

The company has developed TOM!s mainly for global and regional cement, aggregate and asphalt, ready-mixed concrete producers and regional groups. Smaller firms who wish to gain

Proudfoot has designed, developed, piloted and successfully implemented TOM!s having worked closely with teams from the world's leading cement, aggregates, and ready-mixed concrete firms



Proudfoot's TOM! 4.0 is the next generation target operating model for global building material group C-suite teams. It uses the latest Industry 4.0 and digitisation techniques to improve the management team's decisions to increase Return on Net Assets and shareholder value.

the competitive advantage of the larger producers in the industry can also benefit by putting a TOM! in place as they grow.

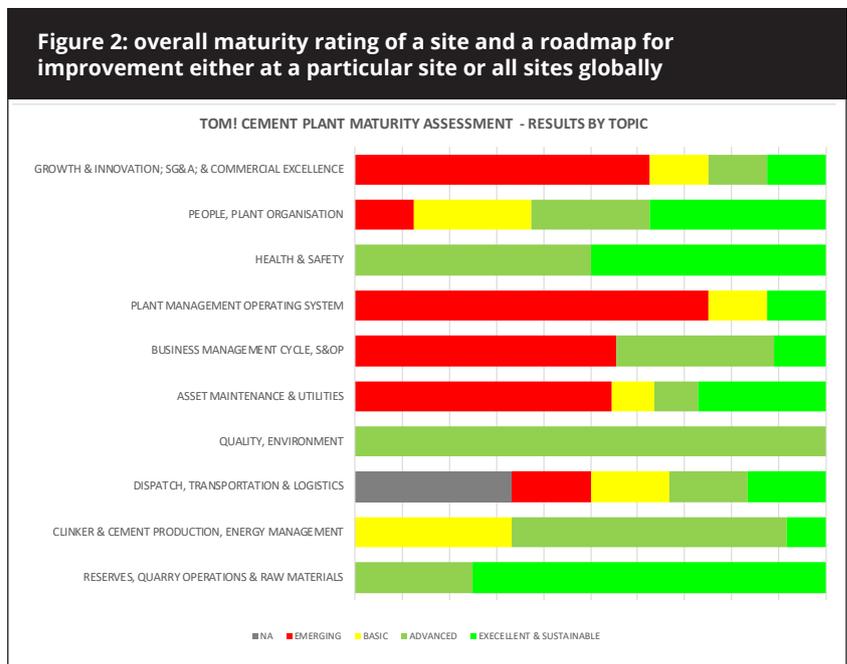
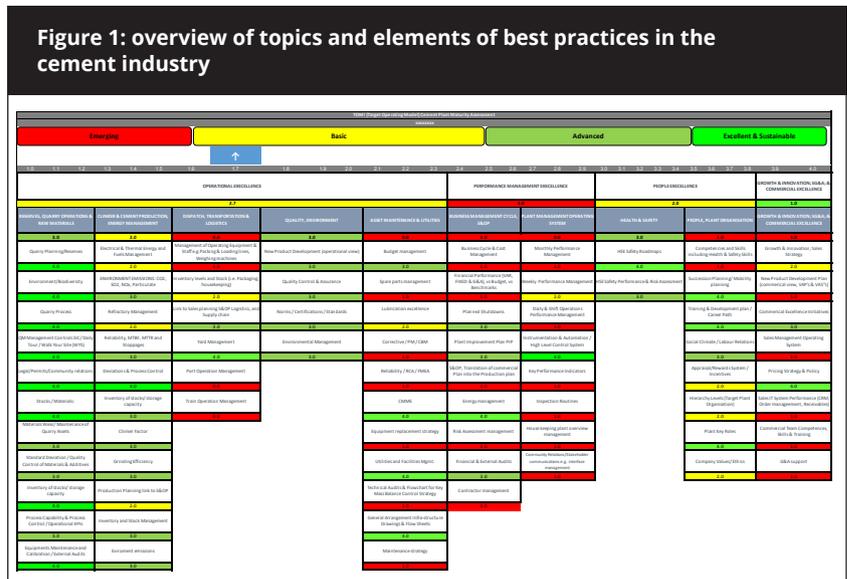
Why have TOM!s been developed now?

TOM!s were developed to help major building materials companies keep up with large-scale sector challenges such as consolidations, digitalisation, energy and environmental regulations. Many large multinational organisations grew through mergers and acquisitions, and as a result, their older plants have strong personnel and working practices within developed markets, while their newer plants in developing regions might not have such effective people and processes.

On top of this, there is increasing pressure from shareholders to 'squeeze' assets. Big players are finding it difficult to optimise operations on a global scale. A TOM! can develop an optimal way of working for each producer, that can be applied around the world.

Figures 1 and 2 demonstrate a flavour of what a TOM! can cover for global cement and aggregates firms. Figure 1 shows:

- an overview of the 10 topics and 80 elements that were deemed by client, industry and Proudfoot experts as key best practices for the organisation.
- a combination of fact-based information and experience-based evaluation of the findings discovered in the initial company assessment, leading to the assignment of a score in each pillar/topic/element.
- maturity rating scores (1 - Emerging, 2 - Basic, 3 - Advanced and 4 - Excellent and Sustainable). A score of 1 means a site fails to meet

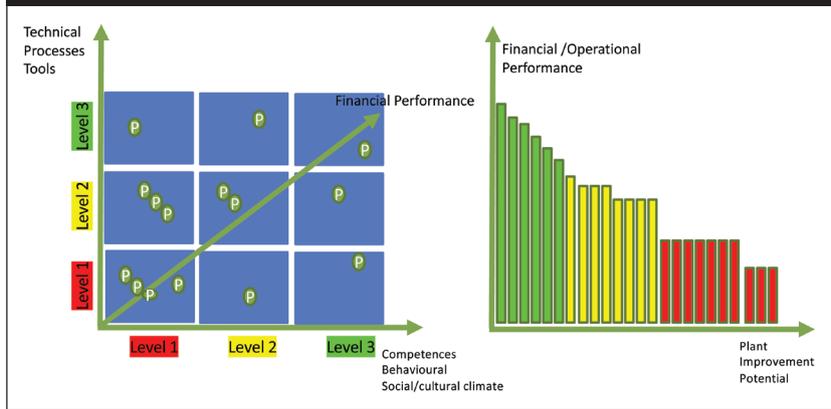


the element criteria, or the tools are ineffectively used and the site would be rated 'Emerging'. A rating of 4 is where the element criteria are outstandingly met, and the tools are sustainably and very effectively used and here the site would be rated as 'Excellent & Sustainable'.

Figure 2 shows the overall maturity rating of a site and a roadmap to improve either a particular site, or all sites globally.

How the TOM! design and development process works
To design the TOM!, Proudfoot works with the client's operational and technical experts to define

Figure 4: global ranking and benchmarking between plants



content and criteria for several different areas, or 'pillars':

- Operational, Technical, Commercial and Logistical Excellence
- Performance and Finance management
- People Management.

The Operational Excellence pillar covers the running of a plant in every aspect, from best-practice to how to selectively digitise and fully optimise every area of operations, wall-to-wall. Quarry, crushers, mills, kilns, coolers – nothing is out of reach of a TOM!.

The Performance pillar, often predominantly dealing with financial aspects, addresses the streamlining of non-technical working practices and answers questions like: "what are the real performance drivers of the business?" and "what is the most efficient way for our individual plants to report to the rest of the group?"

The Commercial Excellence pillar addresses the way you deal with your clients. Client contact, segmentation, pricing, sales effectiveness and margin management are all examined to see what can be digitalised, what the most efficient process would be and how margins can

be maximised to increase profit despite upfront costs.

Finally, the People Management pillar. People are the key to a business and making sure they are on board with changes is the only way to ensure a project's success. It's also important to look at how the people within your business and within your industry are engaging with each other, with the work, and with the sector. In the developed world, the Baby Boomer generation is beginning to retire, and subsequent generations don't necessarily see industry as an attractive career prospect. Succession planning is becoming more and more critical and it's becoming increasingly important to implement a TOM! to mitigate risk.

Performance across these areas varies by company and by country. Proudfoot has found that some groups and countries have poor financial metrics but great technical performance and people planning systems. Others have fantastic financials but terrible technical results.

How is a TOM! designed?

Proudfoot works with a client's team of people to identify these critical areas above. Each area generally produces about ten different topics, and within these topics the team will

then identify 50-70 elements that are considered the 'best practice' for achieving the aims of each topic. Each element relates to a specific area, such as drill, blast, load, haul in the quarry, preventative and predictive maintenance, automation, salesforce management systems or dynamic pricing.

Implementation

Partnering with clients, Proudfoot performs a 2-3 week plant analytical assessment which not only identifies the potential benefits, but also designs and develops an agile sprint transformation implementation project.

Each plant is then evaluated on a scale, using a Maturity Assessment checklist, for each of the determined elements. The plant's performance ratings can be plotted on a scatter graph for a visual representation of best performances, those who require more work and where the overall standard currently lies.

Crucially, the checklist also lays out a roadmap for the people at each plant to reach the next level of change transformation. Teams at every plant then work out a performance improvement plan based on the checklist requirements. Once all plants are functioning at the same target level, and the entire company is using TOM! standards, the targets are reevaluated and a reassessment plan is put into place, often yearly.

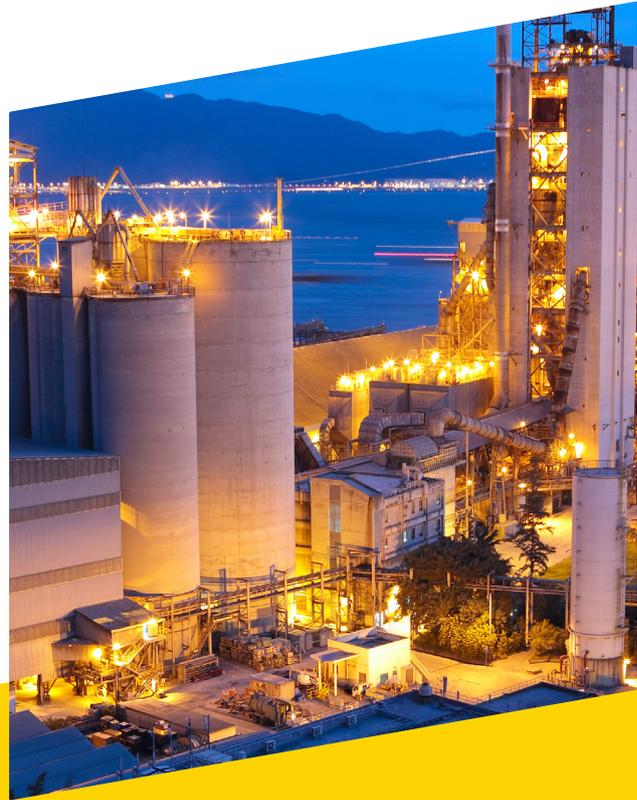
Results to date

Working closely with teams of people from the world's leading cement, aggregates, and ready-mixed concrete firms, Proudfoot has designed, developed, piloted and successfully implemented TOM!s that have generated an average 4x-10x Return on Investment, with 115 per cent of promised financial targets attained.

“Management saw the new TOM! as a unique chance to really leverage the scale of the new organisation, transforming it in preparation for an increasingly automated, data-driven future.”



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About Proudfoot

To our very core, we understand the people element of transformation. We introduce new capabilities, and we employ the power of your people to create performance multipliers and an engaged culture. Recognized for our speed and the magnitude of benefits we generate for our clients, we have been doing it — not just planning it — for more than 70 years.

Proudfoot

**Tomorrow's results.
Today.**

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