

Western Power Process and Innovation Performance



Project Overview

Western Power connects people with energy. The government trading enterprise, with an independent board of directors, delivers power throughout southwest Australia.

Headquartered in Perth, Western Power has nearly 90,000 kilometers of power lines stretching from Kalbarri in the north, Kalgoorlie in the east and Albany in the south. Supplying upwards of 1.5 million households and businesses with power, the company operates one of the largest isolated electricity networks in the world.

Business Case

In recent years Western Australia's economy has grown due to strong activity in the mining, oil and gas sectors. Despite expansion, however, the recent worldwide financial crisis constricted revenue to government entities such as Western Power. Facing rising demand, Western Power needed to find ways to deliver more with less, in terms of greater productivity, improved asset reliability and greater return on investment.

In the past, improvement programs at the company were managed separately and arose typically in response to regulatory changes. After the global financial crisis hit, Western Power leaders saw the need for a strategic operational excellence program that could help transform a regulatory-driven electric utility to an energy solutions business focused on high performance.

Role of Process Improvement Methodology

Western Power sought a highly productive culture in which every employee could see the flow of value to customers, anticipate potential barriers and work together to avert problems. Western Power decided to launch an operational excellence program. A team of 15 were formed and the program included industry and functional experience, with a comprehensive range of capabilities involving Lean Six Sigma, operations strategy, supply chain and change management. Western Power leaders set their sights high—\$60 million in cost savings over several years, with \$10 million

realized by the end of the first 12 months—establishing firm objectives in pursuit of high performance (bottom line hard savings).

Western Power designed a deployment structure that involved multiyear programs in multiple phases, or horizons, to help achieve Western Power's goal of establishing platforms of operational excellence across the business. The start-up phase began in 2009 and the company is currently in horizon two, "Strategic Intervention."

The initial phase built a firm foundation for strategic interventions that could deliver major financial gains. The project team mapped the Western Power operational value chain, revealing a range of opportunities to help reduce waste, cut unnecessary cost and improve customer service.

Western Power moved with deliberate pace from issue to outcome. For example, decision makers from across the organization participated in *kaizen* sessions, which served as fast-acting catalysts, diagnosing root causes and correcting persistent problems in a matter of weeks, if not days. After this core group delivered rapid-improvement projects with quantifiable results, Western Power leadership saw the value emerging and approved transfer of nearly 20 more people, more than doubling the size of the Operational Excellence organization.

Assets, such as Lean Six Sigma methodologies, have been instrumental in clarifying business objectives and driving results with sustained pace and certainty.

Key Actions

With this solid foundation in place, Western Power refined its strategic direction in the second horizon. Operational Excellence was given broader responsibilities to "Transform the Core" of Western Power. The scope of the multiyear program expanded well beyond operations to include regulatory excellence, future positioning and external connections.

As part of this broad initiative, Operational Excellence took on responsibility for driving results in six "Big Rocks2." These enterprise wide programs shared a pragmatic purpose: to consistently deliver quality services and products on time and within budget across the business.

The Big Rocks covered network investment strategy, supply chain, engineering standards, works management, delivering value for money and end-to-end

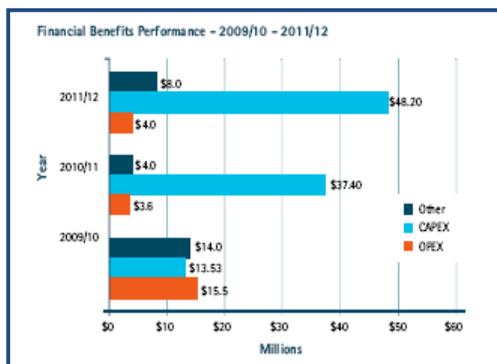
management of the company's power-pole infrastructure. Each Big Rock program involves related but distinct projects, defined in specific charters and including formal reviews and management of results.

Results

Western Power exceeded its initial target of \$10 million in savings by the end of the program's first year. The Three Horizon structure obtained leadership support early on, established a cultural foundation for change, and identified projects that delivered \$43 million in cost savings the first year—more than four times the initial goal.

By the end of 2010, Western Power had reduced year-over-year budget expenditures by 5 percent for capital expenses and 3 percent in operational expenses, making for a total of an 8 percent reduction. In addition, Western Power has estimated gains in service productivity, on average, of 20 percent—a clear demonstration of delivering more with less during challenging financial times.

Tens of millions of dollars in benefits are expected from Big Rock projects in the "Transform the Core" program. By the end of 2012, improvements in investment strategy are expected to yield an estimated \$54.5 million, based on improved front-end planning, network investment strategy and decision-making processes. Additional benefits forecasts (also by year-end 2012) are expected around \$36 million for supply chain projects, including a "green" reverse logistics program that recycles and reuses materials, \$30 million in the engineering standards area, \$5 million for optimization of works management and \$20 million in successfully driving greater value across the business.



Western Power's transformation program has already won accolades, including:

- The International Quality & Productivity Center (IQPC) honored Western Power with its

2010 award for Best Operational Excellence Start-up Program.

- The IQPC also awarded Western Power a Best Green Project award and named Robert Toms its Process Improvement Manager of the Year.
- Western Power's 2010 annual report recognized the achievement of exceeding the cost savings targets and "delivering \$43 million in savings and efficiencies across the business."

In addition, an independent audit of the Operational Excellence program determined, "The injection of Lean Six Sigma expertise to business problems has been recognized by the executive leadership team and budget holders as providing the necessary discipline and focus... with good transfer of skills to the business units." Cumulative saving of \$148M have already been realized by Western Power through the Centers of Excellence and continuous improvement programs that have been implemented.

Building widespread participation from virtually all parts of Western Power was critically important for a program with a comprehensive scope. Business improvement is now considered an integral part of the Western Power culture, with more than 10 percent (355) of employees actively participating in Operational Excellence projects. More than 40 percent of employees have engaged in Lean Six Sigma awareness sessions and simulations. Accenture's tested approach and assets sped delivery and controlled program risks. Western Power's trained black belts continue to drive improvements on a daily basis across the business.

Tools and Processes Used

- Business Assessment
- Stakeholder Analysis
- Kaizen Events
- Value Stream Mapping
- Kaizen Events