

Accelerating and Improving Decision Making for a Major Capital Expenditure



Consumer Products

CLIENT

CSR Limited (CSR) is one of Australia's leading manufacturing companies with operations in Australia, New Zealand, and Asia. CSR's revenues are over \$3 billion AUD a year. CSR Building Products manufactures and supplies plasterboard, fiber cement, boards, glasswool insulation, rockwool insulation, bricks and pavers, concrete and terracotta roof tiles, aerated concrete products, and other products.

CSR relies on Kepner-Tregoe (KT) processes to provide a common language for issue resolution which everyone can accept and understand regardless of culture and language. KT processes are used daily, have been incorporated into strategy planning and business outlook assessment, and are used for important decisions and problems. CSR's three Program Leaders teach and support use of KT processes, and over 100 employees have been trained in KT Problem Solving & Decision Making.

CHALLENGE

When CSR management used the KT Situation Appraisal process to set priority on China issues, they identified the relocation of the Dongguan Rockwool plant as a top priority. Faced with a development project implemented by the local government, CSR needed to select land for the plant. This decision was complicated by stakeholders with differing objectives, which included:

- Consider compensation by the local government for the forced relocation
- Accommodate construction of a new panel plant
- Make this decision independent of any Rockwool issues
- Locate the new Rockwool production close to the panel plant.

RESPONSE

Now CSR management from Australia and Asia turned to KT Decision Analysis (DA) to address the land selection issue. The process helped them clearly outline the objectives associated with three "Rs" — Results, Resources, and Regulations—



Scorecard

- Using KT Decision Analysis, CSR successfully:
- Weighed the varying objectives of key stakeholders
- Improved and accelerated decision making
- Quickly gained corporate support for a major capital expenditure
- Provided a framework for negotiations with local government
- Built confidence in the decision makers' own decision-making abilities

(continued)

thus enabling management to spend time and effort debating which objectives were Musts or Wants and then weighing the importance of the Wants. Once this was done, decision makers from Sales, Operations and Financial Services easily narrowed the selection. Area managers who had tended to avoid important decisions in the past were more confident and willing to be involved. DA has helped them articulate their thinking in a more logical and structured manner and to understand the risks associated with a decision.

RESULTS

The decision to acquire land will impact the future operating costs associated with the location of the new site, and immediate dollar results are not easy to quantify. But the potential impact of a delay was huge. KT Situation Appraisal focused management on the need to make a decision.

Using KT DA, the response time for making a major decision on a \$60 million AUD investment was greatly improved. A few short months after the initial Situation Appraisal, the land acquisition was approved. A peer review of the decision and required corporate approval also were accelerated because decision was well documented and easily reviewed. Many questions normally asked during due diligence were made transparent by the process.

Management was able to conduct their own research without a consultant, which could have cost \$34,000 AUD. While the savings from this consulting fee are immaterial, the benefit lies in the potential problems avoided by having a clear framework for the decision which constantly reminded stakeholders of the objectives. In addition, documentation of the DA guided the compensation negotiations with the local government.