NELSON MANAGEMENT LTD

Partnership Planning

Some further detail

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This is the briefing paper that was provided to the Nelson Forests Business in 2013. Since then the business has refined partnerhip planning and built software tools to support the processes described.

This document provides more content as to how a partnership planning approach is to work in practice. The roles and responsibilities of the partners are defined, and some indicators of success are given. Please consider this to be a discussion document, make some notes on it and do give feedback as we progress its adoption into our organization.

Contents

1. The planning partnership approach

I have recently described to you our deliberate intention to take a more joint approach to the planning process. I understand that this approach is occurring to some level across the business, but it is now time that we make it a deliberate part of our day to day for all those involved in harvest operations. At our recent meeting I described several different horizons to the development of a solid and reliable harvest plan. To recap what they look like I detail below the aspirations for each horizon:

1.1 Maintain a 6 month ahead constructed position

The rationale here is to ensure that we have a stock of roads and skids that are in place and will carry us through the wetter periods of the year.

Such a forward position gives certainty to each logging crew as to where they are going to be, and the crew has been involved in the planning of their work so as they can have direct ownership of the success of their operations at the area made ready.

A six month ahead position is intended also to minimise the unproductive interaction between engineering and harvesting so as both businesses are not being materially affected in their ability to perform efficiently.

It is accepted that this constructed ahead position may involve some areas that will be constructed 'on the go' due to it being logical, or technically necessary for the harvest crew to take the trees of the roadline as part of the harvest operation. However, this decision must be made consciously by the collective team so as all parties own the success of the decision.

1.2 Achieve a 6 – 12 month field verified plan

At the 6 – 12 month horizon the Harvest unit has been walked by all plan stakeholders (Company, Engineering, Harvesting) to the extent that setting boundaries, and road /skid locations have been verified as feasible and of suitable size, shape gradeability.

Road and skid locations are confirmed

Setting boundaries *within* the harvest unit are effectively pencil lines ie they can be modified as the area is progressively harvested.

Setting boundaries on the *perimeter* of the harvest unit are locked in so as the entire harvest unit can be completed using the roads and skids that are in place. This enables harvest unit completion and archive processes to work smoothly

Setting boundaries are defined by the crop and terrain that will be harvested to a common skidsite. It will be possible to have two settings for one skidsite if for example there is a pruned and an unpruned stand planned to come to the same skid. This will assist woodflow planning.

1.3 Achieve a minimum of 12 – 24 month paper planned set of harvest units

Harvest units are drawn off from the combination of candidate stands and terrain classes as provided by the resource plan.
These harvest units are typically of 20 to 50ha in size and are defined by their usage of a common set of roading infrastructure and estimated natural topographic boundaries.

Road and skid locations are planned using the combination of an on-paper approach, the use of local knowledge held by the planner responsible, and an understanding of the equipment configuration and crew competencies for the business to which the harvest area has been earmarked.

Paper plans are passed to Engineering and Harvesting contractors for a review and then the group collectively meet to progressively confirm the plan.

1.4 Maintain a 5 year view of terrain classified by topographic type.

All terrain within the two to five year harvest plan is to be classified by its topographic type:

Terrain Class	Slope category	Deflection	Slope Length
1	Flat rolling	n/a	Unlimited
2	Short /Steep	No deflection	250m
3	Short /Steep	Deflection	250m
4	Long Steep	No deflection	>250m
5	Long Steep	Deflection	>250m

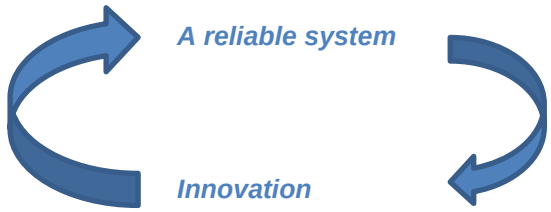
This is a broad brush approach and the classifications are based on 80% of the area falling into the class. This can lead to other classes creeping in, and the opportunities and challenges this will pose must be traded off against the cost of shifting equipment.

Terrain classes form the basis of large scale harvest units which the resources forester can use for harvest planning and in doing so provide the operations team with a smoothed flow of volume by terrain type. This will aid a strategic approach to ensuring the right kind of equipment is available as the forest topology changes through time.

Terrain classification will typically be undertaken by the company planners. Harvesting contractors will be interested and have a role in vetting the classifications so as to confirm that the areas are suitable for their equipment.

2. Where does innovation fit in?

Every business must make the process of innovation an integral part of its business.



It is the vision of this process that the closer to harvest a harvest unit progresses, the more locked down the harvest solution is to be. Consequently, innovation and problem solving shall then be happening at the earlier stages of planning process when the challenges and their solutions are being discovered and discussed collectively.

Operations that are planned well and running smoothly will mean that there is time to be looking ahead, innovating and fine-tuning the capabilities of people and equipment.

A team based approach will ensure that ideas have an opportunity to be collectively floated, discussed and the best solution achieved.

3. What is a harvest unit?

In its simplest sense a harvest unit is an area of similar terrain type using the same infrastructure as a management unit for harvesting a section of the estate.

The further out from harvest the harvest unit is, the larger and less quantified it can be but this changes as harvest approaches. So what does this look like in terms of the planning horizons previously mentioned?

0 to 6 months; Harvest units are locked into logging system, contractor, setting boundaries. Roads and Skids are almost completely constructed

6 to 12 months the harvest plan is agreed, the crew is confirmed, road and skid locations are confirmed and may be partially in place, external boundaries to the Harvest unit are confirmed.

12 months to 24 months; Harvest units of 20 to 50 ha in size have been created, External boundaries are in draft form. Notional locations of roads and skids are defined.

24 months to 60 months; Harvest units of large scale and related to terrain type and crop. Logging contractors are earmarked for specific areas and hold these within their work portfolio subject to confirmation of general feasibility for their equipment and people.

4. Responsibilities of roles within the planning partnership

This is a general outline of the role and responsibilities within the process previously outlined. Although perhaps a little repetitive, it's important that they be specified so as each party can consider where they are currently at; and what has to change for them to fully function within the partnership approach.

Putting this to the entire team means that each party has a correct expectation of the other members of the group. Here it is starting with the furthest time horizon.

Horizon	Company planner	Engineering	Harvesting
Terrain Classing 2 to 5 years	Terrain class future harvest Schedule is maintained by resources forester Provides summary area data to Engineering and Harvesting	Understand changing soil type mix and first /second rotation transition Consider future equipment need Maintains area in their portfolio of work	Confirm that the forest earmarked for their type operations is correct Consider future equipment need Has area included in their portfolio of work
Paper Plans 1 – 2 years Joint meetings are occurring to confirm sensibility of the developing plan. Construction and roadline schedules are based on ensuring best utilisation of equipment both day to day and seasonally	Create harvest units of appropriate size Estimate harvest unit external boundaries Estimated road and skid locations Provide paper plans to E and H for review. Identified access issues Identified enviro and safety challenges Maintains a seasonal roadline + construction planning schedule, published to E and H	Identify seasonal construction limitations Confirm road and skid locations are practical Offer alternatives to improve the plan Maintains a record of notes on the agreed logistics of construction and roadline	Identify best equipment configuration Identify logical sequence of harvest Walk the areas with those in the crew who can assist with solutions Offer solutions to improve the plan. Maintains a record of notes on how the harvest will develop
Confirmed plans 6 to 12 months Alternatives have been weighed up and final solution identified. Meetings now focussing on day to logistics of roadline and construction	Plans are in their final documentation stages and prescriptions are prepared Oversight of roadline program	Roads and skids planned to be built in the 0 to 6 month horizon are agreed Construction is undertaken according to the plan	Roads and skids planned to be built in the 0 to 6 month horizon are agreed Production expectations are understood and built into the harvest schedule
0 to 6 months	Issuing and maintenance of work prescriptions. Oversight of harvest operations	Construction continues in liaison with H as required. Maintenance requests are	Continued communication with NF around the harvest schedule and supply chain logistics Maintenance notification processes are maintained

	Completion processes in place	recorded vetted and actioned	

5. Next steps toward partnership

Firstly this document needs discussion and refinement. We must also recognise that we do not yet have each of the planning horizons fully up and running, and in place.

Each partner needs to have a portfolio of maps for their work area that are filed according to the progressive stages of planning. Here is a list of initial steps needed for each party to progress toward the partnership approach.

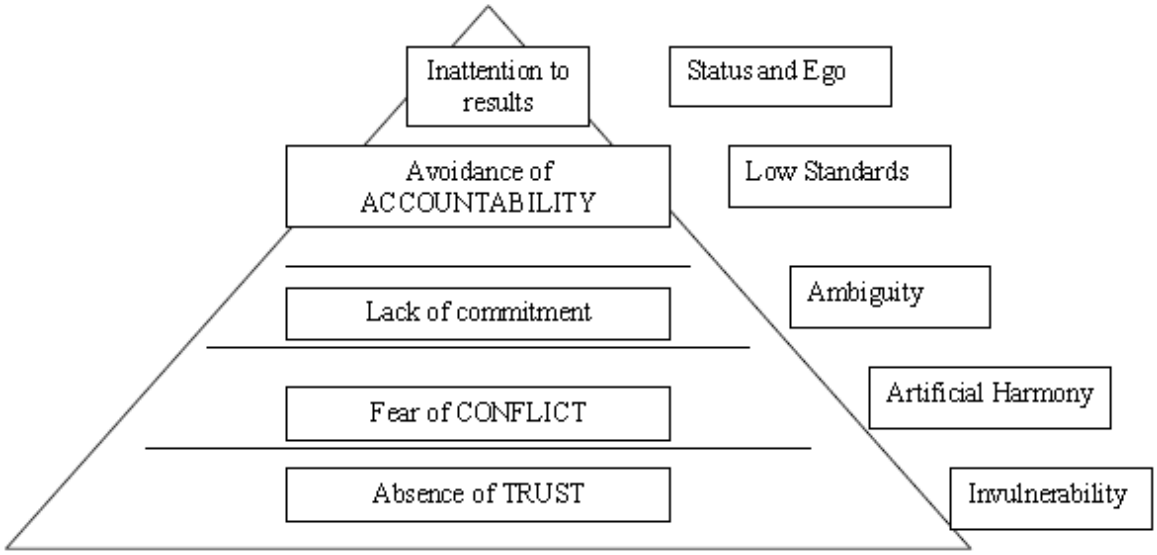
Nelson Forests
Prepare harvest plan portfolios for each contractor business
Create harvest units based on the current schedule through to Dec 2014
Undertake the terrain Classification out to 2019. Undertake a review of the current Terrain classifications to verify that they are correct.
Allocate the work to contractor businesses based on the terrain class typing through our harvest schedule

Harvest Contractors
Walk the 2014 planned areas and prepare a preferred schedule for the timing of each harvest unit
Understand the Harvest units in terms of predominant lean of the crop ground shape etc… and identify where setting boundaries are best located
Identify preferred locations for skidsites
Review the 2 – 5 year areas allocated and verify that they are suitable for their equipment

Engineering contractors
Build capability in costing construction within each of the soil types /blocks that are within the two year plan
Walk and assess the planned road and skidsite locations proposed by the planner /contractor and verify their feasibility
Identify sources of rock for areas of forest coming into the plan
Provide consideration of the logistics for road and skid construction in terms of how it should or shouldnot interact with logging as it progresses. Recommend the timing for construction and ahead position needed prior to startup for each planned harvest area as its plan develops.

6. Dysfunctions of a team and the Positive Approach (Patrick Lencioni)

I include this schema of the team dynamic that I spoke to at our recent meeting so as you can see how it was put together by Patrick Lencioni in his book published this year.



Positive Approach:

1. They trust one another.
2. They engage in unfiltered conflict around ideas.
3. They commit to decisions and plans of actions.
4. They hold one another accountable for delivering against those plans.
5. They focus on the achievement of collective results.

*It sounds simple, it's because it is simple, at least in theory. In practice, however, it is **extremely difficult** because it requires levels of **discipline** and **persistence** that few teams can muster.*

7. Ground rules for playing fair when in conflict

Here are some ground rules for having a healthy argument! Be hard on the Issue and soft on the person.

Remain calm. Try not to overreact to difficult situations. By remaining calm it is more likely that others will consider your viewpoint. If you tend to see red as a first response, take ten deep breaths!

Express feelings in words, not actions. If you start to feel so angry or upset that you feel you may lose control, take a "time out" and do something to help yourself feel calm: take a walk, do some deep breathing, play with the dog, write in your journal- whatever works for you. To help people understand you it is important to take the time to translate for them what you feelings look like in words.

Be specific about what is bothering you. Vague complaints are hard to work on.

Deal with only one issue at a time. Don't introduce other topics until each is fully discussed. This avoids the "kitchen sink" effect where people throw in all their complaints while not allowing anything to be resolved.

No hitting below the belt. Attacking areas of personal sensitivity creates an atmosphere of distrust, anger, and vulnerability.

Avoid accusations. Accusations will lead others to focus on defending themselves rather than on understanding you. Instead, talk about how someone's actions made you feel.

Try not to generalize. Avoid words like "never" or "always." Such generalizations are usually inaccurate and will heighten tensions.

Avoid make believe. Exaggerating or inventing a complaint - or your feelings about it - will prevent the real issues from surfacing. Stick with the facts and your honest feelings.

Don't stockpile. Storing up lots of grievances and hurt feelings over time is counterproductive. It's almost impossible to deal with numerous old problems for which recollections may differ. Try to deal with problems as they arise.

Avoid clamming up. Positive results can only be attained with two-way communication. When one person becomes silent and stops responding to the other, frustration and anger can result. However, if you feel yourself getting overwhelmed or shutting down, you may need to take a break from the discussion. Just let your partner know you will return to the conversation as soon as you are able and then don't forget to follow-up.

Establish common ground rules. You may even want to ask your partner-in-conflict to read and discuss this information with you. When both people accept positive common ground rules for managing a conflict, resolution becomes much more likely.