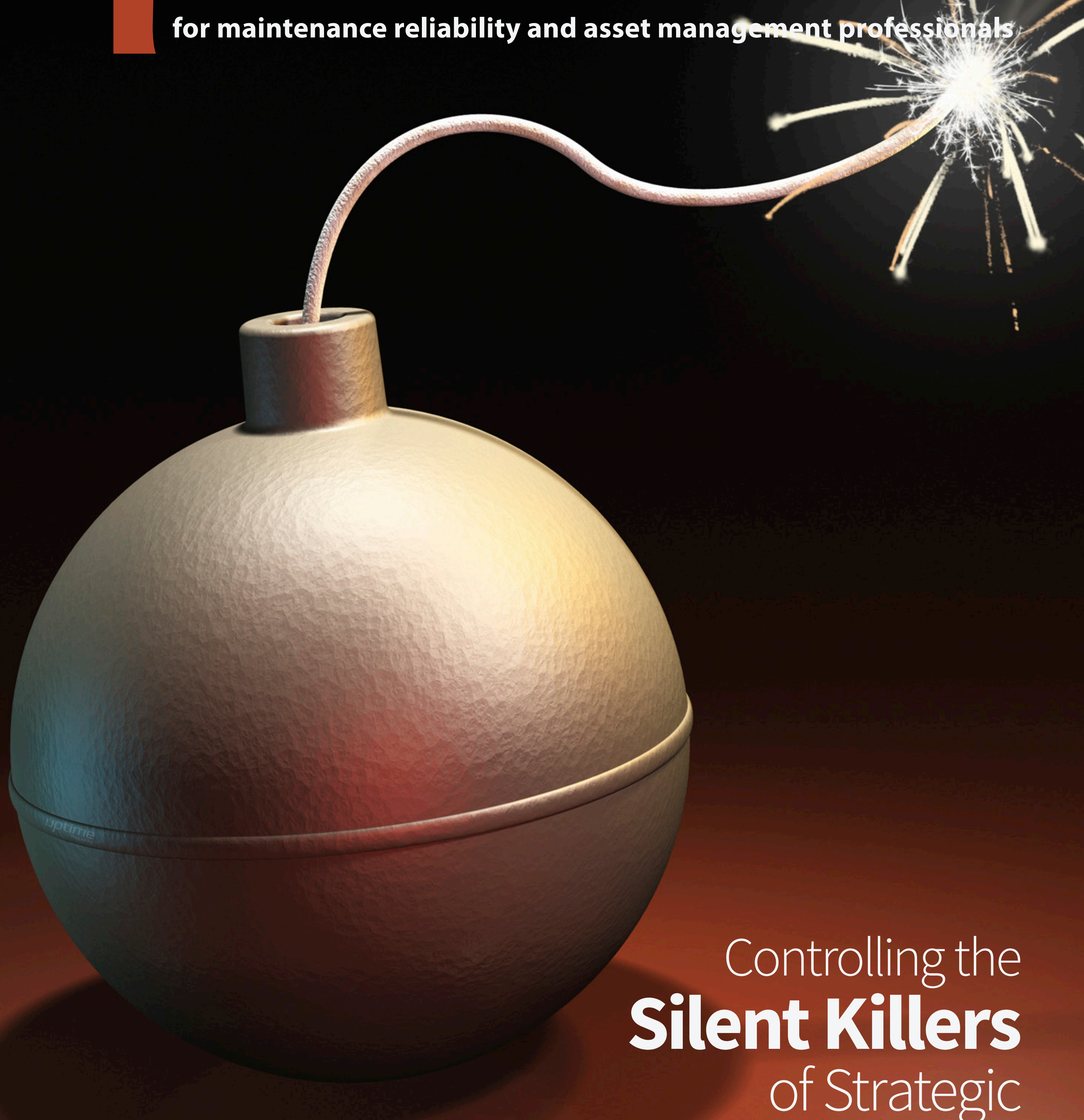
uptime®
april/may 16
for maintenance reliability and asset management professionals



Controlling the **Silent Killers** of Strategic Asset Management

uptimemagazine.com

USING PERFORMANCE AND DEVELOPMENT TO SUSTAIN PERFORMANCE IMPROVEMENTS

by Stephen Francis

The road to better manufacturing performance is littered with well-meaning improvement efforts that fall short. In some cases, initial progress fizzles out due to a lack of structure and incentives. In others, the workforce never embraces the desired change, viewing it as a top-down directive rather than an initiative they can truly own. Although executives often recognize emerging issues that impede improvement, developing and executing strategies that effectively address those issues have proved to be a recurring challenge.

Executives pursuing lasting improvements must take an inventory of their assets, then devise and implement a strategy that constantly reinforces the behavior of individuals along chosen dimensions. By addressing these areas in tandem with a performance and development (P&D) effort, companies can ensure that performance improvement efforts deliver value immediately and also stand the test of time.

> "The vital first step in linking better performance to financial targets is to perform a current state analysis"

Identify Assets and Needs

The vital first step in linking better performance to financial targets is to perform a current state analysis. Experience shows that this proven method for increasing operating income and cash flow typically delivers a 400 percent return on investment. A current state analysis also gives executives a baseline across different facilities, helping them set performance targets and measure improvements.

Even when the analysis doesn't turn up any surprises – often, executives know they have problems, but can't figure out how to fix them – it provides clarity and facilitates the development of a detailed road map to better performance. A thorough analysis evaluates the foundation of an operation, as well as gaps that need to be addressed, using two components: tactical analysis and P&D analysis.

Tactical analysis focuses on work tasks and tactics, such as processes and value-added and non-value-added movements. It examines any existing processes intended to promote efficiency and performance. The goal is to give executives an informed sense of their organization's capabilities by answering three questions:

1. Have performance targets been identified?
2. Do employees know what they're supposed to be doing?
3. Is performance measured?

P&D analysis evaluates management's people skills and organizational tactics. The former category refers to management's success in defining and reinforcing desired employee behaviors. The latter examines meeting structure and effectiveness, key performance indicators (KPIs), visual management and problem resolution and escalation systems to reinforce the desired behavior in employees.

"The closer employees are to the process, the more frequent the measurement and feedback"

Tactical and P&D analyses are complementary and provide executives with in-depth views of the operation from different angles. To gain a deeper understanding of where opportunities lie, both elements must be conducted concurrently.

Deploying an Integrated Tactical and P&D Plan

The findings from the current state analysis help companies develop and implement an integrated tactical and P&D plan. This resolves change management and operational issues, promotes optimal behavior and enables monitoring and evaluation of progress. Companies should follow a step-by-step process to incorporate and reinforce the importance of behavior in achieving better performance.

1. **Determine the organization's strategic goals.** Is the company pursuing transformation, seeking to improve margins in a commodity business, or looking to differentiate using the lowest total cost of ownership option? Well-run organizations would have already given much thought to these questions, but third-party experts can often ask probing questions to clarify objectives further.
2. **Devise an engineering intervention that provides a clear method for achieving strategic goals.** Typically, this intervention would be an industrial engineering process designed to improve throughput while containing or reducing cost. Value analysis/value engineering (VA/VE) or mechanical engineering also could be considered. As part of this step, the organization must identify local process owners.
3. **Identify critical sets of behaviors that owners must exhibit.** This step produces a roles and responsibilities document for all levels of management directly involved in executing the process. It's also important to avoid holding people accountable for outcomes they do not control, which can lead to stress, resentment and a passive resistance to change.
4. **Distill the roles and responsibilities to simple, observable behaviors and clearly communicate them to employees.** This framework defines for employees how they will be monitored and directly links incentives and consequences to performance, as reflected in day-to-day feedback and periodic performance reviews.
5. **Monitor employee performance on a regular basis.** By using a simple checklist, managers can monitor employees to see if the requested behavior was actually observed. Initially, employees are alerted when they are being reviewed. Essentially, the audit is an "open book test" to help employees get an "A," an approach that promotes the desired behaviors. After piloting the audit, the results should be checked against KPIs and adjusted accordingly.
6. **Promote the desired behaviors.** To instill a culture of continuous improvement, audits should occur at a reduced frequency and without prior notification. The results should be incorporated into HR evaluations, enabling fact-based appraisal and development and acting as a trigger for feedback and coaching.

Once companies have completed these steps, they should take several actions to sustain their hard-won gains. Managers should schedule carefully structured meetings to encourage the exchange of ideas from all members by directing discussions toward root cause analysis and developing effective solutions to identified problems. An outperforming organization also will embed a sense of ownership in its culture. Once the best system is implemented, it must become embedded in the team culture as "the way we do things around here." This goal is achieved through careful, thorough reinforcement.

The closer employees are to the process, the more frequent the measurement and feedback, from quarterly to monthly all the way down to real-time data streams. The approach, which is very easy and requires no special training, is: simple, observable behaviors are logged and low scores result in constructive criticism, while high scores may prompt coaching to develop the employee as a mentor or leader. Similarly, audits will uncover areas in which the majority of the population would benefit from further training, which can be tightly targeted and thus highly cost-effective compared with more general management training offerings.

In addition, companies should embrace objective, scientific experimentation. The right systems are those that drive KPIs. As business needs evolve, the right system today may be a millstone tomorrow – business history abounds with such examples. A system for improving systems can provide a potential safeguard and emphasize certain enduring measures, such as labor efficiencies and inventory or work in process (WIP) inventory reduction.

Although executives may be tempted to rely solely on industry benchmarks to guide performance improvements, they would be wise to avoid doing so. After all, no two companies are the same and within a company, no two sites are the same. By pursuing a comprehensive change management effort that identifies assets and then focuses on the behavioral component, executives will be well positioned to achieve sustained performance gains.

Stephen Francis *is a founding member of Argo, Inc.'s "Performance & Development" practice, where he co-created the "Argo Integrated Management System" (AIMS). He develops and implements tools that drive deep and rapid culture change for Argo's heavy industry clients. www.argoconsulting.com*