

ARGO

CONSULTING

How The Argo Transformation System Was Applied to Achieve Sustainable Change at a Major Railroad Operation



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Introduction to the Argo Transformation System

Successfully achieving substantive, enduring, ongoing change requires a rigorous process. The Argo Transformation System (ATS) is a compilation of three major elements that provides that rigor, while being flexible enough to succeed across industries and organizational scales.

Case Study: How the Argo Transformation System was applied to achieve sustainable change at a major railroad operation

Freight railroads are in the business of moving goods and materials through motive power. Every minute a locomotive stands idle reduces the return on capital and represents lost revenue.

One major contributor to locomotive standstills is maintenance. There are two primary metrics associated. The first is "Failures per Locomotive Year" (FLY) which provides a measure of reliability in service. The second is "Locomotive Dwell Time" (LDT) which measures the time spent out of service at a maintenance, repair, or overhaul facility. Our client had tried several times on their own to improve performance related to these key metrics at one of their "heavy" repair facilities, but never achieved sustainable results, leading to management considering shutting down the facility and outsourcing the work.

Argo partnered with the maintenance shops to build a sustainable system which would not only achieve the desired results in a lasting manner but would lay the groundwork for further evolution and improvement after our 6-month engagement ended. The "Argo Transformation System" (ATS) provided the template for success.

Sustained Results & Subsequent Further Improvement

- Improved Shop Locomotive Dwell Time (LDT) 20%
- Improved Failures per Locomotive Year (FLY) 57% (from worst-in-class to best)
- Increased throughput 2.3x
- Increased proportion of first-line worker time spent on productive activity from 45% to 80%
- Reduced material costs >30%
- Reduced labor hours per locomotive by 15%

In addition to the benefits achieved during our implementation and detailed above, the client further improved throughput and quality metrics by continued disciplined adherence to the Argo Transformation System. Within a year of our departure, the management team revised its capital plan, and reversed its previous intention to close the facility and outsource the work, instead "insourcing" work previously sent to outside vendors.

Method: The Argo Transformation System (ATS)

The Argo Transformation System (ATS) is Argo's proprietary compilation of three elements:

- "Principle-Based Change Management"
- The translation of higher-level business needs into tactics and work methods (via Lean, industrial engineering, Lean Product Development, PVM, etc.)
- Our behavioral management "Instruction | Behavior | Consequence" (IBC) system.



Elements of the Argo Transformation System

As per our standard methodology, we leveraged the three ATS elements depicted above at our railroad client achieving not only immediate success, but also the foundation of a truly Continuous Improvement mindset and a Culture of Excellence.

Approach

The standard approach encompasses four stages; Strategic, Tactical, Operational, and Sustain & Evolve. In this case, the strategic alignment was well defined (reduced Locomotive Dwell Time and Failure per Locomotive Year) allowing the team to proceed directly to translating the strategic needs into tactics and work methods, then move on to operationalizing the tactics, and finally on to sustaining the improvements and laying the foundation for ongoing improvement. Throughout the process, we applied our Principle-Based Change Management approach to accelerate and ensure gains.

1. Tactical: Translating Strategic Business Needs into tactics and work methods

Argo first translated the urgent business need for reduced LDT and increased locomotive availability into a tactical action plan centered around industrial engineering and Lean principles. We redesigned the flow of locomotives through the facilities, and implemented other Continuous Improvement programs such as "5S" (to provide point-of-use tools and materials), Failure Mode Effects Analysis (FMEA), shop planning, etc.

2. Operational: Business Intelligence (BI), and reporting system

Together we established appropriate Key Performance Indicators (KPI's) to track progress. We used Visual Management to direct improvement efforts and harness the know-how of local and HQ leadership. Lean evaluations and training gave leaders and first-line workers the tools and mindsets to pursue further improvement.

The KPI's formed the basis for "cascading metrics" -- business intelligence that can be progressively summarized as it moves up the organizational hierarchy, providing each level of management with the information needed to track progress and allocate resources.

3. Sustain & Evolve: Playbook & IBC

We summarized all procedures and their underlying logic in a "Playbook", providing documented processes for the client to follow and update after our departure, and serving as a reference for clarity and a basis for training.

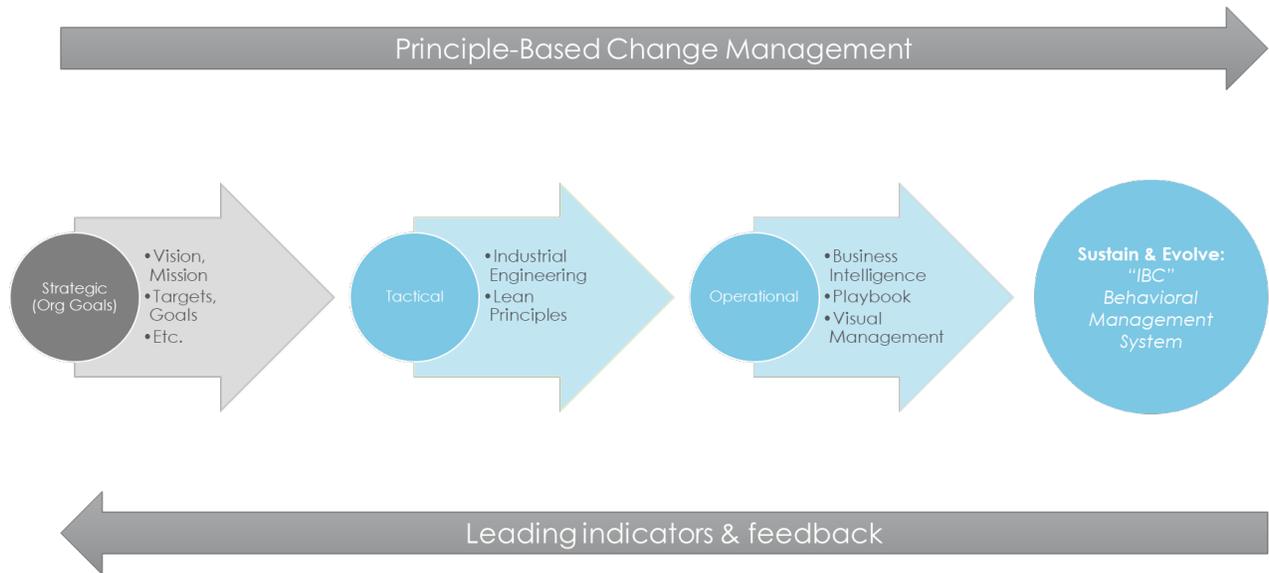
As the work design took shape and began to deliver improvements, we implemented our Instruction-Behavior-Consequence model (IBC) for leader behaviors and performance management. IBC reinforced the directions provided in the playbook, leading to lasting and self-sustaining evolutionary change.

For each initiative, we identified the critical few behaviors (the observable human actions) that created success if performed timely or lead to failure if neglected. The focus on actual activity as opposed to expectations or even higher-level outcomes is key to sustainment and ongoing improvement.

We created audit procedures to track whether these actions were indeed being performed; the resulting data not only provided nearly infallible leading indicators for system performance, but also became the basis for fact-based HR processes like promotions, career development, and disciplinary action.

The success of IBC led to its selection as the performance management system and the client rolled it out at a further 22 maintenance facilities.

This graphic gives an overview of how the elements of the Argo Transformation System were deployed at our railroad client, using the system to first translate high-level business needs into work design and operational reality, and then establishing a system for self-sustaining change and improvement:



The Role of Change Management

Throughout the engagement, Argo stayed true to its "Principled Change Management" framework:

- Respect the Individual
- Organize around value creation
- Question Everything
- Manage Risk

These four principles enabled us to achieve rapid, lasting, and evolving improvement for our client, by involving and empowering the client team at every level, from union crafts to the C-Suite:

Respect the Individual

Initially, the union crafts were deeply suspicious of Argo. A rumor started before our arrival led the craftspeople to believe that "the consultants" would pile yet more work on overburdened schedules, insist on layoffs for the already stretched workforce, and perhaps recommend the closure of a facility that formed a vital part of the local economy. This suspicion was so deeply held that Argo property was vandalized on our first day at the facility.

Argo spent several days visiting the facility for both day and night operations, listening to everyone's concerns, and talking through our initial plans. Having visited every organization and shift, we moved forward with a fragile but real trust. Over the course of the engagement, the front-line workers came to understand that our focus on "waste" did not involve depleting an already thinned-out workforce, but rather removing many irritants and implementing some ideas that had been discussed among the craftspeople for years.

Organize Around Value Creation

Argo looks closely at how value should be defined and pursued. As a result, we convene teams to drive improvement, and cut across organizational silos to ensure that the newly defined value chain is supported.

At this client, various facilities on the same premises handled different levels of damage, service needs, etc. On any given day, some facilities would be idle, while others were overburdened. By organizing the various facilities around the locomotive value chain, these imbalances were evened out and productivity improved.

Question Everything

From the very beginning to the very end of the engagement, Argonauts take nothing for granted, and dig through the obvious to the hidden causes behind issues.

In one example, we realized through extensive inquiry that due to overlapping Roles, Responsibilities, and Expectations (RRE's), no one was effectively responsible for certain key activities and metrics, resulting in much of the confusion and subpar performance observed. Further inquiry and collaboration led to revised RRE's and a nearly immediate uptick in performance.

Manage Risk

Once trust was established with the union, the main threat did not come from the clients we worked alongside very day, but from "outside the fence". It came from people in other areas of the business who were unfamiliar with the efforts underway in the areas where we were engaged. Here, classic Change Management tools were very helpful, as we continually assessed our stakeholders and stayed on message to an audience that increased in size (and influence) over time.

Conclusion

The Argo Transformation System (ATS) provides a framework for successfully achieving substantive, enduring, ongoing change. Too often consulting companies prosper by returning to "solve" more or less the same problem over and over. We take pride in the fact that our clients return to us to solve bigger and more complex problems, because they know an Argo engagement means the creation of enduring, substantive, ongoing change.

Results speak for themselves and the Argo Transformation System's compilation of Change Management, Work Methods, and Performance Management provides the template for substantive, enduring, ongoing improvement.

About Argo:

Argo is an international consulting firm that delivers operational performance by focusing on business processes, continuous improvement principles, and changes in workforce behavior. With an unrelenting commitment to achieving identified business and financial outcomes, we implement our recommendations to ensure our clients' profitability and sustainability goals are realized.

Our focus is on Food & Beverage, Industrial Manufacturing, Medical Products, Pharmaceuticals & Life Sciences, Aerospace & Defense, Supply Chain, Transportation, Chemical, Energy & Natural Resources, Industrial Aftermarket, Sales Force Effectiveness, Private Equity & M&A and Turnaround.

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