

How you'll know if you're delivering the right value...

BY NEVILLE PINKHAM



NEVILLE PINKHAM
A senior consultant with Kepner-Tregoe and his clients include mining, refining, and manufacturing companies. Prior to joining the company he was a member of the Australian Defence Force.

The management team was impressed when the project presentation was made. The timeline looked great, Gantt chart showed critical tasks and the objectives described clear outcomes.

Then a wily elder team member asked that question: "Yes, but how will we know if you are actually delivering the value?"

What followed was impressive; a flurry of spreadsheets, colour codes for project health and wealth, matrices for reporting to management, formats and the like.

"Yes," he persisted, "but how will we explain all that to the board?"

So just how DO we know that projects are delivering what was actually intended? Being on schedule and within budget is important but often means very little.

The management team certainly wants to know if the planned resource deployment is to schedule and not interfering with cashflow. But just whether that resource expenditure is creating value, is often a difficult one to measure and quantify as the project progresses.

Part of the solution is in clearly defining project objectives and measures of success. Without these we are lost

before we start. Unless we can track business results directly generated by a project, the reporting process risks becoming so focused on dollars and schedules that executive management cannot make informed decisions about whether the investment of resources is achieving strategic values.

Getting it right needs the following taken into account:

- Very specific, quantifiable and realistic measures of value must be defined. In many cases several of these measures need to be used with each outcome to separate one project from another.
- Business systems that are inflexible or managed in a bureaucratic fashion will inhibit project managers' ability to provide tracking information to executive teams.
- Project and portfolio managers need to be encouraged to believe that the executive team is truly focused on managing their outcomes and not trying to manage their projects. The result should mean that they present the team with less data on schedules and budgets and more information on value production.

Do all that and you will have the answer to all those hard questions about whether or not your project is really delivering the desired value.

"We turn your unprofitable activities into profit-makers"

BY JIM EDSON



JIM EDSON
B Ec, Dip Ed
Managing director of Kepner-Tregoe Australasia

I know I have a great team of enthusiastic and highly competent people but recently I wondered how they would answer the question: "What's so exciting about being a manufacturing consultant?" To ensure frank discussion I asked Private Advice's editor to ask some of our own team what keeps them turning up to work every morning with a smile on their face. Here's what they had to say:

- There are not too many times in a career when you are surrounded by bright lights, people who get things done and achieve change.
- Being part of a consultancy team exposes one to an amazing amount of resource, knowledge, and advice on almost any manufacturing problem.
- We never lower our criteria; there's nobody on our team I don't feel confident about asking for advice.
- You either sell or you deliver in the consultancy business. Clients won't work with people they don't like so you learn to be more likeable, more persuasive, more able to relate to other very capable people.
- The kind of person attracted to a consultancy is a finisher, a strong character who likes to feel they're winning and heading for a complete day.
- The best way to find one's future career direction is to experience the variety of a consultancy. Produce results and your future unrolls from there.
- In a single year one can work with world-famous companies such as

Goodman Fielder, BHP, HSBC, and APRO. It's like a lifetime of professional experience.

Consultants are implementation specialists. We make your good idea work, we find answers to your problems, we turn unprofitable activities into profit-makers and make profitable concerns even more profitable.

One moves from shop-floor to boardroom and back again on an almost daily basis.

My whole strategic thrust is helping our clients achieve high-performance.

I work in and on our clients' plant, wear our clients' uniforms and safety gear. I often don't wear a tie or sit in an office for months. Sometimes you can't tell the difference between my team and our clients' staff. Except for the way we think and do!

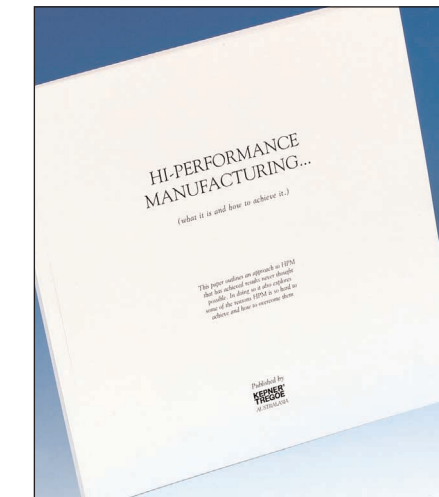
I am able to help clients create or identify breakthrough solutions that will transform their teams.

It's very different from the standard career path. Unexpected benefits include the depth of experience among one's colleagues - former scientists, teachers, military people, a diverse group of interesting professionals who provide different perspectives.

Consultants have a serious mentoring role yet tend to be their own boss so one develops the confidence to be self-sufficient.

One acquires career skills that are 100 per cent portable.

How to achieve results never thought possible...



Introduced by JIM EDSON

Private Advice

Vol 3, No.1

FROM THE WORLDWIDE MANAGEMENT CONSULTANCY OF



Hi-Performance Manufacturing

(74 pages). Published by Kepner-Tregoe Australasia Pty Limited.

This is a newly-published overview of why high performance or excellence in manufacturing is so difficult to achieve. It outlines an approach that has achieved results never thought possible, an approach that its authors call Hi-Performance Manufacturing or HPM.

Hi-Performance Manufacturing is a combination of not only doing the right things but also doing them in an extraordinary manner. The book explores some of the reasons it is so hard to achieve and explains how managers at all levels can overcome the difficulties.

This was written to share what Kepner-Tregoe has learnt around the world that has proved to work to achieve ongoing performance improvement in environments where competition is squeezing margins and manufacturing managers have to continually find ways to reduce costs and improve efficiencies.

Plant managers and manufacturing organisations everywhere face increasing competition from both existing and new competitors. To meet the challenge companies are moving their operations to distant places seeking lower taxes or lower wages. All of that continues to put pressure on operations for whom such a change is out of the question.

What then do they do?

Clearly, achieving ever-lower cost targets is critical. Achieving better quality at lower price is a demand we all hear from our customers and juggling multiple, often conflicting, priorities has become a way of life.

Defining excellence in manufacturing is relatively easy. We define it as:

- 100 per cent commitment to personnel safety
- 100 per cent on-time delivery
- Six-Sigma quality (Fewer than 3.4 defects per million opportunities)
- 95 per cent equipment reliability, and a
- Focus on products able to maintain a healthy profit margin.

Although that last point may seem to fit more into the domain of sales and marketing, its importance as a cost driver in manufacturing should not be under-estimated.

Most manufacturing professionals would agree with that definition of manufacturing excellence. Few however have seen an organisation with this level of performance and most are used to operating in an environment far from excellence.

The outputs of an improved environment are obvious but the required inputs are more elusive and successfully bringing these inputs to account is what this book is all about.

It details diagnostic techniques and the types of prescription that may result. They have achieved dramatic improvements in the past and our experience is that the better things get, the more opportunities can be seen. A manufacturer well along the journey to excellence often sees opportunities far in excess of the initial dream.

If there's something you know could be done better but you don't have the time or the people, then HPM may be the way to go. We hope you find at least one idea in it of value to you.

To order your copy please complete the application on page 5.

To: **Kepner-Tregoe Australasia Pty Limited,**
Level 8, 50 Berry Street, North Sydney NSW 2060

Email: jtimbs@kepner-tregoe.com

Fax: +61 2 99551625 Phone: +61 2 9955 5944

Please send me copies of *Hi-Performance Manufacturing* free of charge

Name:

Position:

Company:

Address:Postcode:

An invitation

Managers and consultants with something new to say about manufacturing or with a different slant on current wisdom are invited to contribute articles to Private Advice. Accepted articles will be published with their by-line and professional details as shown in this issue. Private Advice is read by some 5000 senior executives all over Australia and New Zealand and is published by Kepner-Tregoe Australasia as a service to industry.

Kepner-Tregoe Australasia Pty Ltd, Level 8, 50 Berry Street North Sydney NSW 2060
Tel: +61 2 9955 5944 Fax: +61 2 9955 1625 Email: jtimbs@kepner-tregoe.com



INSIDE

- Performance systems - Page 2
- Superior customer service - Page 3
- Hi-Performance order form - Page 5
- Delivering value - Page 5
- The right team - Page 6

Keep performance management systems performing

They should be a tool to achieve excellence for your organisation rather than a chore



TANYA DICKINSON
B Eng (Hons), C Eng
A consultant with
Kepner-Tregoe
Australasia

BY TANYA DICKINSON

Effective performance management systems are becoming increasingly important as organisations are being forced to pay more than lip service to the fact that their employees are their biggest asset and a unique source of competitive advantage.

The term "performance system" is bandied around too often these days and one sometimes wonders whether those using it are all talking about the same thing. So let's define what we mean by it by using a model already proven to be useful.

In this model the performance system consists of five components, all of which must be addressed for the system to be effective ...

1. Situation – The immediate environment or setting in which the Performer works – Expectations of which he or she is aware, guidelines on when things have to be done, other aspects of the work environment that we know can affect a person's performance (e.g. Too much noise, disruptive co-workers, too many tasks so that none can be done properly etc). A client once said: "All I have to do to get improved performance in an area is to establish a clear KPI and standard." Employees will generally do what is expected of them if they are told what that is.
2. Performers – The individuals in our performance system – Do they have the necessary knowledge, skills and experience to do what we expect of them? Do they have the physical

abilities to do it? What attitudes and beliefs do they bring to the job and how consistent are these with those of the organisation?

3. Response – The things people actually do and what we would like them to do. It's amazing how often managers have never given THIS serious thought, let alone pass on the secret to the employees so they know what is expected of them.
4. Consequences – The events that follow the Response and increase or decrease the probability that the behaviour will occur again. This is what is commonly referred to as rewards, thank-yous and atta-boys, or discipline and penalties. If you reward something then you tend to get more of it, if you penalise people for doing it, they will tend to do it less. Consequences should be PLANNED, occur CONSISTENTLY and be PREDICTABLE.
5. Feedback – We all know that feedback should be specific, accurate, relevant, timely. What feedback do your people get about how well they are going and how often do they receive this feedback?

Unfortunately, many organisations struggle to maintain effective performance management systems once they are implemented. The main reasons for this include:

- Components of the system are not consistent with or are in conflict with the organisation's goals. For instance, we want to reward superior performance but it's obvious that, in promotion decisions, it's more important who you know than what you have done; we want openness and trust among our employees and customers but essential data that staff require to figure out how they are going is still kept secret
- The system is not structured properly resulting in people not being able to see how it works. This often results in lack of consistency in applying the system. The system's five components are not addressed with the involvement of others and

then documented for all to see. Hence suspicion can arise.

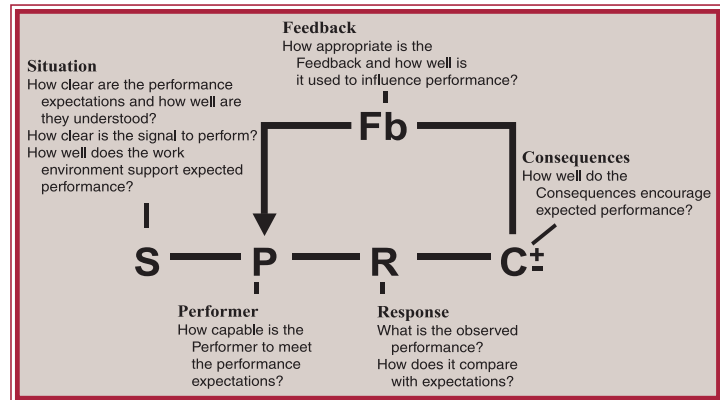
- Unnecessary complexity and excessive paperwork.
- Lack of support from senior management. Not modeling the desired behaviour and failure to reward appropriate behaviour.
- Lack of training for people using the system. This includes all supervisors, not HR folks only.
- Reward and recognition processes are haphazard at best.
- Lack of ongoing feedback. It's late at best, often vague (nobody ever wants to deliver bad news) and rarely specific and impersonal.
- The system has been copied from another organisation and is not appropriate.

Each of the components of the performance system has to be sensibly designed and put in place to fit the specific organisation and individuals within it. And the system itself must:

- Be driven by senior management.
- Be given equivalent importance to sales figures, throughput etc.
- Have a comprehensive reward structure and strategy.
- Have guidelines and standards that ensure consistent use of the system.
- Encourage feedback as an ongoing activity.
- Encourage assessment of not just the results but also of how the results are achieved.

Individuals using the system must be given appropriate training in coaching, assessing and determining the root cause of performance deficiencies, and providing balanced feedback.

By turning around the perception of performance management within the organisation, the experience will become value adding for all involved and help to reinforce, and make visible the competitive advantage that employees provide.



Model and checklist for analysing deficiencies in behaviour

Superior customer service can cost you dearly

There's a difference between exceeding expectations and giving it away through unsuspected generosity



ANTHONY FRIEDLI
B Eng (elec)
A consultant with
Kepner-Tregoe Australasia.
Anthony is a Six-Sigma
blackbelt

BY ANTHONY FRIEDLI

My client is one of those businesses that really practises what it preaches. Their mission statement echoes phrases like "ensure customer satisfaction" and "exceed customer expectation". Their focus on the customer is truly world class. Sometimes however you can be too good to your customers and in the process do yourself out of business!!

This scenario began with a seemingly innocent call taken by the marketing manager. A customer was very keen to purchase product that was in between two products currently manufactured. Because the call came from an existing customer this was deemed an opportunity to drive more volume through the business.

A quick analysis showed the customer already bought a significant amount of product either side of this new request. On finding out this information, three questions arose:

1. Would this new request cannibalise what was already being sold?
2. Has our customer tapped into a new market or are they just optimising their process?
3. Do we want to complicate our manufacturing process even more by adding another product?

After talking to some key people it was noted that this was not the first request for a tween-product. Many customers were asking the question through less formal channels to see if the manufacturing capability was

present. With this knowledge, it seemed odd that so many customers were embarking on the same process improvement projects at the same time.

Simplified, the manufacturing process followed the diagram shown below. Incoming product was reduced in thickness (often up to 10 times reduced) and then stress relieved before going through a second less dramatic reduction process. Outgoing of the process was material at the specification required by the customer.

Before any movement could be made on this new request a capability test had to be performed to find whether the tolerances on the machinery could cope with the new product size. Before that was done it was necessary to confirm with the customer what tolerance band percentages were acceptable to their process.

Four days of measurements followed, targeting all products manufactured. The measurement point was initially taken at the end of the process because this was the customer's reference point.

Due to the length of each of these products (averaging 8000m long), numerous sample points were taken along the product and the output of these was collated in the form of a histogram. The y-axis of the histogram indicates metres of product processed and the x-axis indicates the thickness of the product. Below is a typical representation of the findings for

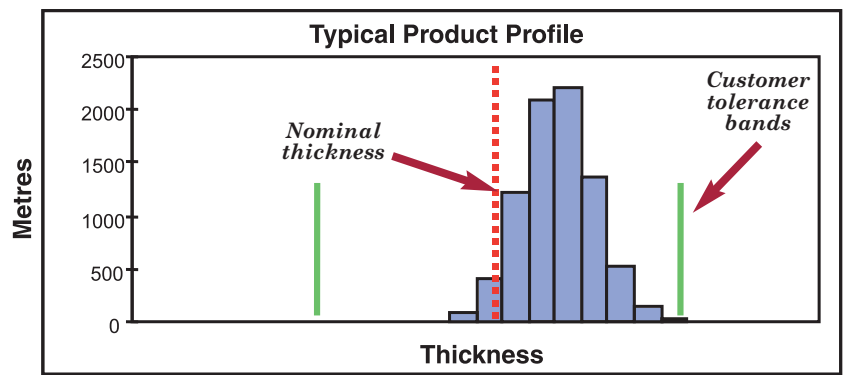
all product run. The red line indicates the nominal thickness required by the customer and the two green lines indicate the customer tolerance bands.

After ensuring that all measuring standards, the following statements could be made:

- The process of manufacturing this product is extremely capable ($C_p \sim 2 = 6$)
- Centering capability of this process is barely capable ($C_{pk} < 1$)

providing enough reduction to ensure the nominal value could be met. This was proven when product that was reduced only once (and by-passed the second reduction station) still exhibited a top tolerance profile.

Did external customers know about this thickness profile? From evidence so far, they most definitely did. By purchasing only half a size extra, the next product size (which was already being bought) would be reached. The cost saving in terms of raw material purchased, would reduce



The results of this analysis sent shock waves through the business managers. How long have we been doing this? Have our customers picked up on this 'generosity'? Where is the discrepancy coming from? What is the cost of this to the business?

A problem analysis specification highlighted the first reduction point in the process as not

significantly the cost of each product manufactured.

Finally, what was the cost of this to the client? By calculating the extra material that could be produced and sold if produced to the nominal thickness an annual sales increase of \$8 million would be achieved.

