

A road map to breaking through the barriers to high performance

BY KEVIN BONES



KEVIN BONES
BE(mech)
A senior consultant with
Kepner Tregoe

Achieving a high performance manufacturing culture is one of the key challenges for a management team.

Ask most managers what a high performance culture is and it will get them thinking. Ask many managers how you get there and there is plenty of theory but not always a well thought-out road map.

So where do you begin the process to move towards a high performance manufacturing culture. Step One is to understand the elements comprising a high performance manufacturing culture and compare how your organisation measures up.

- How well do your people model good leadership with a critical-few focus, commitment to data accuracy, effective involvement, daily discipline and effective performance management?
- How good are your peoples' critical thinking skills? Do you have a critical mass of problem solving and problem prevention skills? Do you have facilitators at the shop floor level who can lead teams to resolve issues efficiently? Do you use a structured, systematic approach to resolve your issues?
- How good is your peoples' technical understanding of your products and processes and how is this updated and developed?

- How is your business performing compared to where it needs to be?

The second step is to identify key performance gaps for focus and to set up the critical few projects that will deliver the performance breakthroughs in these areas. The key components needed to achieve this are:

- Data to prove that the critical few projects are those that will deliver the benefits most important to business performance
- Management commitment to make it happen including resourcing for success
- Project management process discipline to ensure the results are delivered
- Effective involvement and performance management to engage everyone from the CEO to the new recruit

The final step is to embed the behaviors required to achieve these performance breakthroughs shift-to-shift and month-to-month on a continually improving basis.

That's all about setting up the work situation, your peoples' knowledge and skills, establishing consequences and feedback so you can confidently answer: How does your organisation measure up?



Hi-Performance Manufacturing, 2nd Edition

The second edition of our widely acclaimed book Hi-Performance Manufacturing is about to hit the streets and will be published in the next few weeks. Completely revised and substantially enlarged with several new chapters, it is an authoritative review of how excellence in manufacturing can be achieved and maintained. To be sure of receiving your free copy, complete and send us the order form below.

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

Email: jtimbs@kepner-tregoe.com

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

Name:

Position: **Company:**

Address: **Postcode:**



Solving business problems at the first attempt is coming back into vogue

BY ISHITA SONEJI



ISHITA SONEJI
B App Sc, M Mgt
Training consultant with
Kepner-Tregoe

A strong view has developed recently that establishing and maintaining sound and common business processes is an imperative. The process approach is back in vogue and its benefits include...

1. **CONSISTENT OUTCOMES.**
In manufacturing, consistent quality raw materials and a consistent way of processing them will yield a consistent product. The same applies for issue resolution except the inputs aren't raw materials, they are your experience, knowledge and ideas.
2. **EASY ANALYSIS WHEN THINGS GO WRONG.**
If you use a systematic (read repeatable) way of resolving an issue and something goes wrong, you can track your approach to see where things went off the rails. Installing a new piece of laboratory equipment, for example. If it doesn't start up, we can refer to the process of installation and troubleshoot the cause of the problem.
3. **IT CAN BE IMPROVED ON.**
A consistent and repeatable way of resolving issues can be improved on because you can see how it worked to date! This forms the baseline for all continuous improvement initiatives.

4. **SOMEONE CAN PICK UP, WHERE ANOTHER LEFT OFF.**
It's like an IT help desk: The next shift takes over and runs with the established resolution process.
5. **TRUE TEAMWORK.**
Everyone knows how to work together. Everyone knows what questions to ask to come up with an action plan and then analyse it for risk so we can prevent risks from occurring or be ready for them if they do occur.
6. **GREATER CONFIDENCE** in the recommendations being put forward because one knows all the right questions were asked and how the recommendation was created is visible to all.
7. **CLEAR COMMUNICATION.**
A common systematic approach develops a common language.

Common rational thinking processes deliver other benefits too. For example, decisions are made without round-in-circle discussions, without political pushing of one option over another and without domination by any one person.

Perhaps the greatest benefit is that problems are often solved first time.

How to build the ideal supply relationship



DAVID BYRUM
BSc (Hons),
Grad Dip Mngt, MBA
a senior consultant with
Kepner-Tregoe Australasia

Private Advice

Vol 3, No.3
FROM THE WORLDWIDE MANAGEMENT CONSULTANCY OF



Many manufacturing professionals wonder about the ideal supplier relationship and how to develop and maintain it.

Without clear and robust strategies to build long-term relationships, users often need to take short-term actions to meet current operating goals.

This short-term focus has in turn left the decision making power to purchasing departments and contract negotiators (gatekeepers). They in turn have become masters at manipulating suppliers primarily based on price and often with dire consequences for the supplier and / or end user.

It should be noted that while these purchasing departments are doing exactly what they are paid to do, the lack of alignment to strategic goals across all functions creates conflicting priorities and sub optimal performance.

As we begin to describe actions that answer the above questions it becomes apparent that the key answers centre around the word "relationship". To be successful we need a strong relationship with our suppliers and have all the values inherent in any successful relationship.

Successful relationships exhibit the following characteristics:

- All parties are equal partners.
- All parties respect and encourage open communication.
- They have clear and common goals.
- They regularly review and align actions to current needs and challenges.
- Involvement is equal.

As we strive for the ideal supplier relationship we must first recognise

that it is a moving target and must continually evolve if we are to stay ahead of our competitors. Some key activities that position those who complete them well ahead of the competition include:

1. Technical and operational staff at all levels regularly spend time with their supplier counterparts to review performance and develop better practices that lead either to cost reductions and / or enhanced efficiencies.
2. Suppliers spend time at the end-use site to understand how their product is used and what drives end quality. Suppliers become technically competent in the end use process.
3. Suppliers have clear objectives, measures, and rewards for performance covering delivery, quality, inventory levels and ownership, suggested improvements and cost.
4. Key purchasing decision makers need an operational background.
5. Supplier rationalisation is based on their total offering rather than on one-off purchases or single contracts.
6. Suppliers are heavily involved in new product development to offer ideas and to sanitise suggested changes.

It should be noted that there is no silver bullet for building the ideal supply relationship and it will take time. But follow the standard protocols, focus on the key issues, and ensure they are followed through and you will position the relationship for a successful future.

Private Advice for a friend

This newsletter is published by Kepner-Tregoe as a service to manufacturing professionals. Its articles aim to help management meet critical business needs with solutions which our contributors have proven to be successful. Please contact us if you have friends who would like to receive their own copy of Private Advice. Contributions are invited from experts in all aspects of manufacturing. We would like Private Advice to be seen by senior managers as a forum for sharing ideas, techniques and experiences that will enhance everyone's ability to manage their operations. Please send your contributions to:
jedson@kepner-tregoe.com.au

© Copyright Kepner-Tregoe Australasia Pty Ltd
Level 8, 50 Berry Street, North Sydney NSW 2060
Tel: +61 2 9955 5944 Fax: +61 2 9955 1625

INSIDE

- Choose the right strategy - Page 2
- Decision making - Page 4
- High performance - Page 5
- Problem solving - Page 6

Choosing pomp over circumstance is no substitute for robust strategy

says MIKE FREEDMAN



MIKE FREEDMAN
Best selling author of *The Art and Discipline of Strategic Leadership*. President, worldwide strategy practice at Kepner-Tregoe Inc.

History will show that the real reason behind the failures of Enron, Xerox, Tyco, Worldcom, AOL/Time Warner, Vivendi, British Energy, Railtrack, Marconi, the dot com casualties, and other giants to bite the dust in the last year was strategic.

The detailed origin of their individual failures may differ but in the final analysis they fell into one of the following categories:

- There was no set of basic beliefs and values underlying their strategic vision decisions and behaviour
- Their strategy was inherently weak and unsustainable
- They failed to monitor and adjust to changing market, competitive and regulatory conditions and the original assumptions on which their strategy was built were no longer valid
- Their strategic vision was sound but their implementation was poor
- Their strategic leadership from the CEO down was weak, ill-disciplined, operationally oriented and used expediency rather than creative and disciplined thinking

World class leaders ensure the strategic health of their organisation is characterised by a robust strategy formulation and implementation process supported by a leadership team that: Owns the strategy, is committed to its implementation, motivates and develops all stakeholders to play their part in its success, and is rewarded for strategic accomplishment.

Global research and experience indicates five phases vital to strategic success:

1. **STRATEGIC INTELLIGENCE GATHERING AND ANALYSIS:** This examines the internal and external environment, develops assumptions about them over the strategic timeframe and draws implications for the organisation when it sets strategy.
2. **STRATEGY FORMULATION:** In this phase the following questions must be answered:
 - What is our strategic timeframe?
 - What basic beliefs and values underpin our decisions and behaviours?

- What is the scope of the products and services we will and will not offer?
- What is the scope of the markets (geographies, customers, end users) we will and will not serve?
- What is the relative emphasis and financial mix of our products and markets?
- From where will our growth and new business come?
- What key capabilities and resources do we need to take our products to their markets?
- On the basis of what competitive advantage will we compete?
- What are our growth and return guidelines?
- What critical issues (barriers to implementation) do we face?
- What are our key indicators of strategic success?

3. **STRATEGIC MASTER PROJECT PLANNING:** Strategic visions often yield hundreds of discrete projects that will form the basis of implementation. They need to be defined with a clear set of objectives, prioritised, sequenced, scheduled, resourced, executed and monitored. Some of the sources of these projects are:

- Strategy communication to all stakeholders
- Infrastructure alignment including structure, costs and information
- The design of strategic performance management system
- Product activities ~ research, development, launch, phase-down
- Market developments
- The role of alliances, acquisitions, and disposals
- Functional development
- Skill development
- Strategic culture design

4. **STRATEGY IMPLEMENTATION:** Is where rubber hits the road. Projects are executed on time to cost and to specification involving as many employees as possible. They should be trained in project management techniques and related issue resolution systems such as decision making,

problem solving, situation appraisal and potential problem (opportunity) analysis. Implementation can take years. Disciplined process is key.

5. **MONITORING, REVIEWING AND UPDATING:** This is an on-going activity and answers the following questions:
 - How well are the projects being implemented?
 - Is the strategy driving decision-making throughout the organisation?
 - Are the environmental assumptions we made still valid?
 - Is our strategy still viable? Is it producing success in the marketplace?

Readers can now apply this template to the great failures of the 21st century. Had Enron and Arthur Andersen been truly bound by their ethics statements and walked the talk, then the greed culture at the former and the complicity of the latter would not have happened. Similarly, Enron (and their advisers McKinsey) would have done well to have continually examined the assumptions behind their business model. Had they done so they would have seen they were no longer valid and that the implications they threw up were a recipe for disaster.

Railtrack had a clear strategy and mandate. Its implementation was poor and its leadership internally and externally a disgrace. AOL/Time Warner used a marriage of convenience and believed their own hype rather than each of them crafting a strategy for the 21st century. They misread the tealeaves then believed they could merge two totally different cultures to support a business model that was suspect at best. Acquisitions and mergers are no substitute for strategy.

The lessons are there for all to see. Strategy must be a disciplined, process-led activity. It cannot be about pomp, it must be about circumstance. So why not audit your own organisation's strategic health against the 5-phase model and answer the questions? Identify your weaknesses and plan to correct them. Or live with the consequences.



ANTHONY FRIEDLI
BEng (elec)
A senior consultant with Kepner-Tregoe Australia. Anthony is a Six Sigma blackbelt.

Ready to make a decision? Imagine if your team knew what you were thinking!

BY ANTHONY FRIEDLI

As business becomes leaner and fewer resources are expected to deliver more, decisions need to be made faster to keep up with the workload. Less time to make decisions is expected without compromising decision quality.

As managers find themselves running out of time to make decisions, the eras of *empowerment* and *workforce engagement* echo down the corridors along with *those with the knowledge to make the decision*.

Business upon business has felt the pain of poor decisions with a common complaint being: "We empower them and all they do is take advantage of the situation and make the decision suit them".

So where did that leave us? - Managers took back the responsibility and added hours to their day to suit. Was empowerment the wrong strategy? Why are there so many different opinions for the same decision?

The solution is simple: Use the process of decision analysis to get your people to make decisions like you do! How do you get them to think like you? - Well, let's analyse how you make decisions ...

Good managers all go through a systematic process to make a decision. Initially, they are very clear on what decision has to be made. From there they mentally list the benefits this decision must uphold.

Almost automatically they weight these benefits from *very important to nice to have*. Options can then be evaluated by their ability to satisfy the business need. Finally, a risk assessment is run on the decision to ensure nothing drastic can go wrong.

So if this is the way you make decisions, what needs to be done to make your people do the same? Let's run through some basic steps that will bring back your faith in empowerment and provide you with spare hours in the day:

1. **Make it visible:** The reason people don't make decisions your way you is often because they never see it! The

process you use is all in your head! Making your thinking visible is the first step to giving your people an insight on how you do things and the expectations you have of them.

2. **Formulate a decision statement:** Be very clear to your people what you want decided. You would be surprised how many times decisions are doomed from the start because what needs to be decided is unclear.

3. **Be clear on the objectives or benefits of the decision:** This is the critical step that will make or break the process. Formulation of objectives will ensure a consistent focus on the business and minimise bias so the best will emerge.

4. **Rate your objectives to the business goals:** Some objectives are more important than others. Eg: Ease of operation may rate much higher than transportability. If this is so, it should have greater influence on the decision.

5. **Evaluate options using weighted objectives:** Look at the options that will satisfy the decision and assess them against your objectives. This will ensure options satisfying important objectives will rate above those that don't.

6. **Check for adverse consequences:** Even though the option perfectly satisfies the business objectives, that does not mean it is the best choice. Imagine for example that you buy some equipment that looks great and comes at a good price; then you find three months later that it's out of date and no longer supported!

7. **Make the best balanced choice:** Now is the time to choose. Your options are assessed and risks documented. Are you willing to accept the risk on your top scoring option? What about the option that scored second? It's all about benefits versus risk.

This decision making process can be documented on one sheet. Not pages and pages of supporting data, reports, road

tests and sales glossies! It's direct, to the point, completely focussed on your business direction and rational. What else could you ask from your employees?

There are many examples where this system works extremely well and allows an empowered workforce to make the decision its manager would. Some that come to mind are:

CAPITAL EXPENDITURE: Imagine how easy it would be if your CAPEX system followed this path. Forget the pages and pages of justification. Just one page (with supporting data if necessary). Objectives for the purchase (in line with the business), options to satisfy the business needs scored up and risks associated with choosing any of the options. What an easy way to signoff!

SUPPLIERS: Now you have a system to evaluate potential new opportunities. Rationally score your new supplier against your current supplier to see if their offering holds true to your business objectives.

PROJECT CHOICES: Now you have a way of choosing projects that fit the business objectives. How do the projects rate? Ordering projects in line with business objectives is one of the best ways to ensure you are working on things that make a difference. And if another project arises? — Run it through the project prioritiser and see if it needs to start immediately or wait its turn.

HIRING PERSONNEL: What are the business objectives for this new position? What data do you need to evaluate each candidate rationally? What is the risk of taking this particular candidate? Following a rational approach ensures that whoever does the interviewing comes out with the same outcome as others. You have taken out the bias.

Hundreds of success stories and system changes stem from training in decision analysis. It provides a common language for evaluating decisions.