

The Journey to Excellence

A More Sustainable and Robust Success Strategy

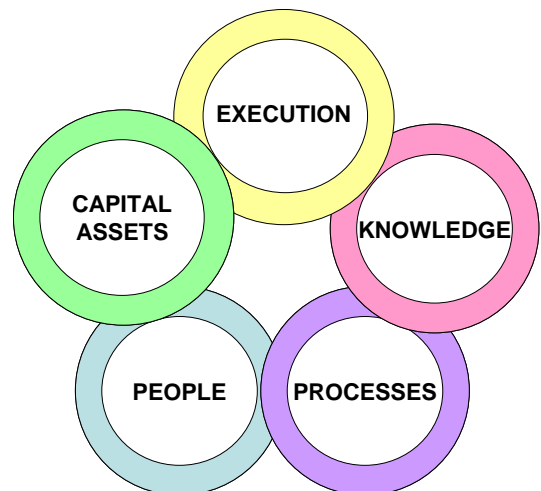
By Bill Flis

Leaders of industry recognize that Operational Excellence is an improvement journey that takes them well beyond simple compliance. Progress on this journey is driven not by regulation, but by a desire to meet customer needs, live up to public expectations, gain competitive advantage and ensure long-term business success.

Companies are transforming the way they work and boldly positioning themselves to meet future challenges – understanding that Operational Excellence is at its core, a comprehensive drive to continually improve the business.

Success characteristics

The first characteristic of Operational Excellence is a ‘balanced portfolio’ consisting of five interrelated components: capital assets, people, processes, knowledge and execution. Over-investing in one won’t compensate for under-investing in another: The safest designed plant in the world can still have operating upsets if the people who run it don’t have the requisite knowledge and aren’t motivated to act on what they know.



The second characteristic is passion for improvement: The journey to excellence takes energy and hard work, and you only succeed if you set goals, provide resources, and stick with it. There are no short cuts. It’s about consistency, competency, reliability, innovation and ingenuity.

The third characteristic is a risk-based prioritization of effort, which is particularly vital for the energy and chemical industries. It begins by understanding and assessing operational risks and then systematically reducing risks. Deal with the greatest vulnerabilities first, and move on to the lesser risks as you go.

Finally, the effort must be driven by senior leaders, owned and implemented by line management, and supported by staff. A staff group at a plant or at headquarters can’t do it alone. Line managers generally control 90 percent of a company’s resources, and they must be actively, visibly and passionately involved.

Capital assets

Some companies are willing to aggressively invest in new facilities without paying enough attention to the fact that someone is going to have to run and maintain these projects. A company dedicated to Operational Excellence will always take a comprehensive approach to their investment strategy. It will analyze risk and build in safety, reliability and environmental performance safeguards into its projects. And, it will support each project with appropriate engineering standards, adequate infrastructure, and consistent and sustained upgrades.

People

Operational Excellence requires investment in competent people who are empowered and encouraged to innovate and deliver. This is about bringing HR to the OE table and developing and implementing a strategy that includes recruiting, retention, competency and career development and ends with well thought out succession plans.

It is important to remember that training does not equal competency. How competent do you feel after sitting through a day of classroom instruction? How much do you actually remember? Most people remember only 10-20 percent. Yet companies throw money at training without assuring a return in competency from the dollars they spend. Computer-based training can be even worse: People can game the system, score high on the test, and remember absolutely nothing! The best way to learn something is to do it, or better, show someone else how to do it.

We also often see “more training!” used as a way to avoid dealing with more difficult problems. In one case, an electrician injured himself on the job trying to drill through aluminum – the drill seized, torqued the electrician’s wrist, and broke it. The incident investigation concluded that this 25-year-experienced electrician needed training on how to use a drill! Further investigation revealed that leaders were sending the implied message that job completion was more important than reducing job risk. The right tool was available; it just would have taken more time to get it.

Companies today face a major challenge in recruiting, developing, and retaining a next-generation workforce. In the next five years, most of industry will turn over 40-50 percent of its workforce. Companies without a plan to address these changes will be in trouble. The upcoming workforce has different expectations and different skills, and they will work in a different way. Companies on a path of Operational Excellence have a person or group focused on how to recruit and retain their next generation of employees and increasingly that person has operating experience.

Finally, a company’s Operational Excellence expectations and plan must be communicated and aligned throughout the organization. You can have great intentions at the top of the organization, but if you don’t communicate what you’re trying to do and how you’re trying to do it through the various layers of supervision, there will be a disconnect. What gets talked about in the Boardroom won’t be the reality at the plants unless a clear and well-executed communications plan is in place.

Processes

Too often, regulatory required systems such as OSHA PSM and ISO 14000 Certification are seen as endpoints, and mounds of paper substitute for actually eliminating unsafe or unhealthy

conditions. Management systems are important, but management system results are more important.

Say you have a written procedure for starting up a piece of equipment. Assessing the work process means that you ask questions about effectiveness: Is the work process actually used? How well does it work? What happens if there's a problem at 2 AM – do operators use the process or make up something on the fly?

It's absolutely critical to view assessments and audits as a learning experience. An assessment is an attempt to encourage and reward improvements, not to assign blame. Results of assessments should be widely visible, and people should welcome an assessment instead of dreading it.

Be alert to situations where every learning experience results in a new initiative or new process! We often see corporate or staff groups creating more initiatives and expectations than people in the field can possibly handle. Vet and screen new initiatives to make sure that people have time to do them, that they can finish what they start, and that there will be a way to measure whether or not the initiative worked. Use a risk-based approach to answer questions like: How important is this new initiative? What problems will it solve? And more important, what problems will it create?

Finally, watch out for unfunded mandates. Every new initiative must be given adequate resources to succeed. When in doubt, strive for simplicity over complexity.

Knowledge

Whether it is recognized or not, every company is in the knowledge acquisition, retention, and applications business. If you don't systematically deal with how you acquire, retain and use knowledge, you will fall behind.

The Internet and computer-based knowledge systems continue to open up game-changing ways of exchanging information. Companies with a focus on Operational Excellence are exploring these technologies as a means of bringing together employees with like interests to share what they're doing. Learning networks within companies have become common; and, when well implemented, can bring synergy and innovation. But networks must be treated as a core business process with goals and structure to maximize their benefits. Their goals must be more than to exist as a social network. They must accelerate improvement and be held accountable for results like any other business activity.

Execution

We have shown execution as a separate link in the chain, but in fact, it is also a key component of the other four. Execution is all about leadership. Leaders understand their responsibilities for excellence and successfully drive that commitment throughout the organization.

Leadership requires vision, expectations, prioritization, clear executive direction, delegation of responsibility, authority and accountability, visibility, assessment, involvement and continual improvement.

How Pilko can help

Operational Excellence is a basic change management process and many consultants sell organizational improvement and change management services. What we believe is unique is Pilko's recognition that every part of the OE journey must be undertaken contextually – every company has different needs. We work in partnership with our clients to assess the current state and the company's needs. That first step leads to a roadmap for change.

The roadmap

We think that three to five critical things can make all the difference and that, in this case, less is more. We take the time to figure out what those things are, and we target them for action. The journey to OE becomes structured project management or a roadmap. The job of the roadmap is to specify what has to get done in what timeframe by which people, so that everything is clearly understood.

Having an Operational Excellence roadmap is especially important when mergers or acquisitions are involved. In any transaction, you should spend enough time planning prior to the acquisition so that you can hit the ground running on day one. Otherwise you may still be trying to figure out how to integrate the new business five years down the road.

Assistance with implementation

Over the past few years, Pilko has expanded the scope of our services beyond strictly EHS support because our clients recognized that issues of reliability, mechanical integrity, good design practices, and people skills development had become major factors to successful EHS performance.

Experience shows that it takes *several years* to implement change and our clients are asking for our involvement in the implementation phase. Since our inception, we have advocated that the best combination for change is an enlightened leadership partnered with an experienced and focused consultant to catalyze change.

Short-term wins

While Operational Excellence is a long-term process, it must be structured so that progress is visible quickly. We coach clients on what short-term wins look like, and we help them communicate wins and market them throughout the organization. These wins can include reliability improvements, people skills development, management system frameworks, self-assessment processes and many others. They can be delivered quickly and become a base for further improvement. Each company will, of course, have a different short-term plan.

Driving change to the shop floor

Often excellence strategies at the highest levels never get down to the first-line supervisor. To make OE work, you must drive the common concepts all the way down to the shop floor. If you don't win over the hearts and minds of the first-line supervisors, you'll be playing theoretical games at the executive level, with results that will disappoint.

We have had good success with a coaching and mentoring program that we call ManageAbility. Instead of sending first-line supervisors to classroom training, we spend three hours with them once a month for ten months. We have a topic each month, and then we give them practice time back on the job. When they come back the next month, we critique the practice and then move on to another topic. We've found that this extended system of skills development, OTJ work, critique and coaching leads to cultural and philosophical alignment, and our clients have been happy with the results. We're in a unique position to bring the executive perspective to the people who have to carry it out, because we have been industry executives ourselves.

In summary

In an increasingly competitive and global marketplace, OE is the way to ensure long-term corporate survival. For many companies it has led to bold repositioning of the firm and transformations in response to the changing global marketplace. For others it has meant improved reliability and lower costs and better margins. For all it has meant a more sustainable and robust business model with better results.

The amount of change required could seem daunting; all the more reason to make the journey with someone who has made it many times before.

##