Creating the Performance Culture
We at SAMI, and others in our field, routinely write and speak about the methods and success stories that have resulted in substantial improvements. These are inspiring stories, and give us insights on what tactics to use, how to deploy them, and the kinds of gains we can achieve.

The truth that most of us prefer to hide is that most of these successes were not sustained over time. So many of the improvements we make create anecdotal stories. One-time events. Sometimes we get bottom line changes mentioned in our stories (additional production or reduced costs), but mostly we talk about a unit or a line and the changes in availability or another KPI.

Affecting the bottom line of the company, permanently, is a far more daunting task than improving the availability of a machine, or improving a KPI. In benchmarking studies, the relative position of the measured plants seldom changes in the long term, looking at a 10 year time horizon. For instance, most refineries are benchmarked by Soloman Associates. Their relative position and strengths/weaknesses very seldom change.

Why is that? Why is real, measureable, bottom line change so difficult to get?

It comes down to culture. Cultures resist change like crazy. That’s one reason why Toyota and Honda remain so good at what they do. They are so conscious about creating the right culture, they spend years at it before a product ever comes off the line. Each new person who joins the company learns expectations, methods, and teamwork. You can change out the entire workforce over a period of time, but the values and expectations remain embedded.

This is also true for the low-performers. They transmit values and expectations as well as the best companies.

**Culture Determines Results**

My point in presenting this article is, that *Culture Determines Results*. You can have all the best practices in the world. You can measure 100 KPI’s. You can have 15 #1 priority initiatives in a company (and most do). These things are all meant to drive changes in the behaviors of people on the plant floor, and the supervision who manage them.

Let’s say that again: *All the improvement work we do is trying to change the behaviors of the people in the plant.*
This may be the most important sentence in this article. If you don’t understand or agree, I’ll give an example or two.

The topic of safety has been prominent in industry for about 25 years. We have seen waves of attempts to improve safety results. At first we measured incidents. Things got a little better. Then we tried training and awareness, and little jingles the people should remember when they are working. Didn’t see much change. We finally saw a breakthrough when “Behavior-based Safety” became the standard. Understanding that what people habitually do gets them predictable results. We began measuring not only lost time incidents (things after the fact), but the behaviors that create the incidents (near-misses). By focusing on safe and unsafe behaviors our results in safety have improved dramatically.

Behaviors as the core of results is not a new realization:

“We are what we repeatedly do. Excellence then is not an act, but a habit.”
Aristotle 384 BC – 322 BC

It comes down to this.

1. **A Culture is the sum of all the behaviors in a group**
2. **A Culture determines the outcomes in every business**
3. **To Change the culture you need to change the behaviors of all the people involved**

We have observed recently that the largest and most sophisticated companies (industrial companies who lead their industries) are observing this:

- All the KPI’s are reported as GREEN (everything is working great)
- Results are flat or declining
- If we make sure we have no identified gaps, we cannot change. GAPS are our friends for improvement. Why do we game the KPI’s? Trying to make them look great? They are tied to our compensation! We are smart guys—we know how to make the KPI’s look really good.

Articles written in Journals like Uptime focus on measuring KPI’s. We are measuring KPI’s because we want to improve our results, and to comply with company policy and standards.

Executives are measured on results. Results are the consequence of what we do.

What’s missing is measuring behaviors. Change the behaviors sustainably, you get a different culture and different results. The **Performance Culture** measures all three.

Behaviors and Practices determine uptime, and overall production reliability, the holy grail of manufacturing.

With these things in mind, just what is a **Performance Culture**? How do we know we have one?

We measure four broad areas; we call these the **“4 P’s of the Performance Culture”**: (Figure 3)

1. **Performance**
2. **People**
3. **Purpose**
4. **Predictability**

**1. Performance.**
- First and foremost a **Performance Culture** makes its numbers. They set realistic targets, and make the production, safety, expense, revenue, ROI, inventory and pricing targets they set.
- Next, they satisfy their customers. In many cases they delight their customers, going beyond the agreements.
- No Performance Culture is static. It’s an organism that’s always looking for growth, pushing forward, whether it deals with products, services or ideas. It constantly looks for ways to expand its boundaries. This may be organic growth, acquisitions, or in influence within its sphere. Ultimately the growth will be evident on the top and bottom line.

**2. People.**
- In a **Performance Culture**, managers realize that their most important resource is their people. Their selection process assures a fit in values, as well as capability. They develop their staff, whether it’s by formal training, increased responsibilities, coaching to improve, or formal evaluations. And sometimes having the luxury to learn by failing.
- One of the things we notice immediately on entering a plant where there’s a **Performance Culture**, is the type of energy expended by the staff there. Everyone is busy, but it’s not a frantic, out of control busy. There’s intensity, a quiet purpose. When people talk, it’s mostly business related, problem-solving and coordination. I have heard that Google is like this; everyone is intent on keeping Google at the top.
• A great aspect of working in a Performance Culture is that people trust each other. Trust has two major pieces: first, am I willing to make everyone successful, do I tell the truth, do I have integrity? Second, am I capable and competent at the tasks to which I have committed? There is so little wasted effort when people meet these conditions of trust.

3. Purpose
In his book, Built to Last, Jim Collins says every successful company has a higher spiritual purpose. A purpose that creates value for Society, not just makes money for the shareholders. The purpose fulfilled creates value for their markets, and good financial results are an outcome of doing good.
• A great company focuses on its values. In such an organization there is no doubt what those values are, and they form the basis for every decision made. For instance, our highest and clearest value is integrity. Integrity in dealing with our clients, ourselves, our contractors, our markets and regulators. Integrity in all we do helps us create the trust we need to be effective. Sometimes it means we don't get business, because another firm may promise things they can't deliver. In our case it means we get a lot of repeat business.
• A major portion of Purpose is knowing the target. What do we want to achieve? What's the "End in Mind"? People who know the outcomes they are collectively working to achieve need little supervision. Everything they do is aligned to the company direction, to the extent that the Vision and Goals have been embedded.
• What is the job of Leadership? According to Edgar Schein, author of Organizational Culture and Leadership, the Leader's job is to change the culture. "It is the unique function of leadership to perceive the functional and dysfunctional elements of the existing culture and to manage cultural evolution and change in such a way that the groups can survive in a changing environment. The bottom line for leaders is that if they do not become conscious of the cultures in which they are embedded, those cultures will manage them".

Jim Collin's Good to Great further describes Leaders. His descriptions of the Level 5 and Level 4 leaders set the tone for excellence: Level 5's are humble and know they are part of a vast system of people doing their best for the company. Level 4's are charismatic leaders—when they leave the company has no north star to guide them.

4. Predictability

The Performance Culture is all about Predictability. The point is to be consistent in our results, in our approach to our people, in our values and purpose. Making a record one day at the cost of performance the next is not what greatness is about. Greatness is about doing the right things consistently, and improving on what we do all the time. Understanding what our customers want and need, and exceeding expectations. Consistently, Predictably.
• Safety and integrity are core to running any operation. In the past 10 years behavioral-based safety has made great strides to become part of most cultures. At the same time we see reactive cultures trying to emphasize safety. Our observation is that it's an oxymoron to have a safe work environment that's reactive. Reactive environments by definition aren't in control of the equipment, nor are they able to provide proper equipment care, planning and scheduling of work. Inevitably this puts pressure on the individual operator or technician to keep an operation running without the proper study, parts, equipment, ignoring alarms, etc. Predictability for safety goes hand in hand with predictability of production.
• Having the right data, knowing what to do with it, and operating from data-based decisions will deliver predictability faster than any method. This is a disciplined operation by definition, as it requires analysis of what's important to start with, then having the discipline to enter data that may not seem immediately material to the provider. Making the time to analyze data, mixing in the proper experience, and coming to a consensus on action plans will eliminate a lot of false starts. Doing things once, doing them right and eliminating root cause will help assure every other part of the Performance Culture.
• Variability in manufacturing operations is a fact of life. It takes many forms, including customer demand, operating speeds, process and equipment parameters, materials and finished product. Variability in any form produces waste and as variability increases, performance is adversely affected. It affects the operation in one or more of the following ways:
  o Lost throughput
  o Wasted capacity
  o Inflated cycle time
  o Larger inventory levels
  o Long lead times and/or poor customer
CASE STUDY
We worked with the oil and gas production operations of a European-based oil major to achieve three goals:
1. Improve production output
2. Reduce costs
3. Improve asset integrity within the existing operating budget, as opposed to special studies and interventions
The vehicle was through improved maintenance and controls within their managing system. When we began our work, their Performance Culture analysis summary showed the measurements shown in Figure 4.

They were regarded as a first quartile operator in their industry—demonstrating how low the bar is for this industry when you see the huge opportunity for improvement demonstrated by this “spider-diagram”.

The issues demonstrated in the 12 elements of the Performance Culture were:
1. Meets Targets - Despite being a top quartile performer in the categories of production loss and operating expense, both of these highly important metrics were trending in the wrong direction.
2. Satisfies Customers - Increasing unplanned production losses were causing occasionally missed customer nominations at export points.
3. Grows Business – The organization was in a continuous pattern of new development, acquisition, and divestiture to increase reserves and production volumes. However, there was minimal focus on organic growth of existing assets based on eliminating loss.
4. Develops Employees – Individual and position developmental plans existed along with significant training resources. Although these were in place, there was a high level of under-utilization of training and personal development resources.
5. Focuses Energy – The organization was data and information rich. However, there was insufficient focus on the critical few parameters which were driving production and expense.
6. Creates Trust – A low level of trust existed between the field staff and office staff. This was primarily the result of multiple “high” priority initiatives which would start/stop, which were chronically under resourced, and usually had little follow through and no accountability.
7. Lives Its Values – The organizational values were clearly communicated and largely exhibited with the occasional exceptions.
8. Embeds Vision – Goals and objectives were communicated in the organization top down. However, the goals were not uniformly cascaded down into the organization. This created misalignment on the asset and regional levels with the top level goals.
9. Leads Change – The existing situation was a great deal of mutual frustration between the field organization and the home office. The field considered that the corporate programs were optional. There was no ownership of the corporate initiatives, and in any case, the initiatives were too numerous and disintegrated for anyone in the field to take them seriously. The sum of the initiatives was not implementable, however well-intentioned. There could be no change in the working culture without field ownership of the change.
10. Assures Safety and Integrity – There was a high focus on safety, health and environmental issues. Safety critical work always received the highest priority and safety performance was high.
11. Decides by Data – As mentioned previously, the organization was data rich and monitored many parameters. They were not effectively using the data and reporting system as management tools to guide the decision making process. The result was a lot of cost to measure, and little application of the information.
12. Eliminates Variability – Due to increasing unplanned outages, production and expense budgets were being missed. With the lack of data driven decisions, waste was being introduced by emotional and “gut feel” actions to address issues. The variability trends were consistently in the wrong direction.

What We Did
The presenting problem was their failure to understand the value of implementing these practices and disciplines. Was SAP PM implementation an exercise of some administrative mandate, or was this a business imperative, leaving hundreds of millions of dollars on the table?
to implement SAP PM, in spite of several attempts. The underlying cause was identified as “optionality”. The culture of oil and gas exploration was entrepreneurial, and lacked discipline. Managers felt they had the “option” of following best practices.

Perhaps a better cause of optionality would be lack of clear leadership. There was no understanding of the value of implementing these practices and disciplines.

Was SAP PM implementation an exercise of some administrative mandate, or was this a business imperative, leaving $100’s of millions on the table? The magnitude of the opportunity was never quantified, the implementation plan one which had little field input, and there was no plan to coach for sustained performance of excellent practices. Without these methods in place, the implementation was doomed, as indeed it is throughout the SAP implementation universe.

We began with a Strategic Plan for Operations. Everyone has a strategic plan for the business, but improving operations seems to be a series of overlapping initiatives, all well-meaning, but overwhelming in their resource demands, leading to frustration and very little progress. We worked with a team of their people to clearly delineate:

1. Where they were now
2. The future state of where they envisioned they wanted to be
3. The strategies to bridge these gaps, and the projects and sequence to implement the strategies
4. The overall implementation plan for all 28 properties, which varied dramatically in size geography
5. The business case, cost and benefits for the overall plan implementation

This plan was the vehicle to implement all 12 Elements of the Performance Culture. It got leadership attention because the value of the plan was a result of over $1 Billion per year in additional cash flow. The future state described how they would work, what the work would be, how they would make their numbers, what data would drive decision-making. The organization structure, the cross-functional teamwork required, the job development and gaps in personnel and skills were all laid out. A result of the implementation would be to measure and reduce variability, including the operators’ job descriptions, roles and responsibilities, and planning all work to eliminate most opportunities for safety lapses.

The implementation was laid out to develop more than 100 Subject Matter Experts; this was in no way a “SAMI Project”, but fully owned by our client. We put part of our fees at risk and acted as a partner in the implementation and results, and not simply as a consultant. We could veto changes in the project plan when we knew they would compromise results. We moved resources around to make sure every property met with maximum success. We had a planned implementation period of two years. In fact we finished in 18 months. Everyone knew the change was coming. It wasn’t optional. And everyone was prepared ahead of time to get ahead of the curve.

The results were spectacular: unplanned downtime went from 6% to 1%, and planned downtime was reduced by one-third. Platforms that were experiencing a trip a day moved to a trip per month or less. Productivity increased by 50%, and safety critical backlog went to nearly zero. Total operating costs were reduced by $25,000,000 annually, or 20%.

The resulting measure of the Performance Culture is shown in Figure 5.

We did an audit of the business processes in 2011. We found that 85% of what was implemented was still being used many years later.

**Conclusion**

“We are what we repeatedly do. Excellence then, is not an act, but a habit”.

Culture determines results. Until you understand that, embrace that, your professional life will be like Sisyphus, rolling the rock up a hill, only to have it roll down again and again having to start all over.

(Sisyphus in Greek mythology was a king punished by being compelled to roll an immense boulder up a hill, only to watch it roll back down, and to repeat this throughout eternity). Changing results requires changing behaviors for the long haul. A project, a computer system, all the initiatives in the world will not be successful unless there is a clear understanding and embrace of the value of implementing these practices and disciplines.
We understand and agree that technical and tactical competence is important, but the sustainability of such approaches is totally dependent upon the behaviors supporting the Performance Culture.

Over the course of our professional lives, SAMI has made a study of the Keys to Sustainability. If the keys to sustained performance stem from the culture, then how do we change the culture?

Our findings are conclusive, and agree with Jim Collins’ in *Built to Last*, Stephen R. Covey’s in *7 Habits* and Stephen M.R. Covey’s in *The Speed of Trust*. Performance is an outcome of doing all the right things, which are embedded in the Performance Culture. The right things involve having the right elements for:

- Performance (Meets Targets, Satisfies Customers, Grows Business)
- People (Develops Employees, Focuses Energy, Creates Trust)
- Purpose (Lives its Values, Embeds Vision, Leads Change)
- Predictability (Assures Safety and Integrity, Decides by Data, Eliminates Variability)

We know how to measure these items. We know how to correct them, and we know how to engage our clients to make these permanent behaviors. *The Performance Culture* is not a mystery, but a path towards excellence.

**REFERENCES**

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