

# Reaching HIGHER

A QUARTERLY PUBLICATION BY SAMI

## Financial Return of the *Performance Culture*™ Part 1

In 2012, Strategic Asset Management Inc. (SAMI) introduced a unique approach to organizational improvement called *The Performance Culture*. The concept and model of *The Performance Culture* revolves around four domains, each with three supporting elements. Two of the enabling domains, Purpose and People, focus on leadership and organizational development. Two others, Predictability and Performance, focus on elements which drive the financial results of the enterprise. To achieve the desired performance, a company must initiate behavioral change and invest in certain aspects of managing it effectively. The paper identifies key variables for implementing *The Performance Culture*, the investments necessary to achieve a higher level of financial performance, and the interrelationships of the variables involved in the process. Financial improvement and predictable levels of return—major components of the paper—represent a compelling case for companies to consider implementing the *Performance Culture*, as well as improved performance throughout an organization.

### The *Performance Culture* Model

In 2012, Strategic Asset Management Inc. (SAMI) introduced a scalable model of performance improvement based on organizational culture change. The *Performance Culture* model is constructed with four domains comprised of three elements each. One premise of the model

### The Performance Domain

Companies and management consultants routinely write and speak about the methods and success stories that have resulted in substantial performance improvements through different Operations Excellence Programs. 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. However, the truth that most want to hide is that most of these successes were not sustained over time. When we measure these improvements over time, we can only conclude they were temporary improvements at best and a waste of resources and time at worst. Occasionally, we get bottom line changes mentioned, but these are usually focused on a unit

is that financial performance of the company is directly correlated to the organizational culture. The organizational culture is defined by the set cumulative behaviors routinely exhibited by the organization during routine operations. The model is depicted in Figure 1 on page 2.

The four domains of the model are Performance, People, Purpose, and Predictability. The enabling domains of People and Purpose are necessary to develop the platform which guides behaviors with respect to the intent, values and focus of the company. The benefit domains of Performance and Predictability define behaviors which produce the tangible results of the organization. Every element and sub-element of the model establishes a set of behaviors which can be evaluated to determine the cultural state of the organization. SAMI has defined four stable cultural states which can be correlated to the sustainability of financial performance. The four stable cultural states are defined as:

- Reactive
- Compliance (Planned)
- Objective (Proactive)
- Inspired

Every organization exists and operates in one of these stable states, which results in certain levels

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or a line and the changes in availability or another key performance indicator (KPI). Affecting the bottom line of the company, permanently, is a far more daunting task than improving availability or KPI's.

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

What's missing is measuring behaviors. Change the behaviors sustainably and you get a different culture and different results.

In 2012, Strategic Asset Management Inc. (SAMI) introduced a unique behavior based approach

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# Financial Return of the Performance Culture Part 1

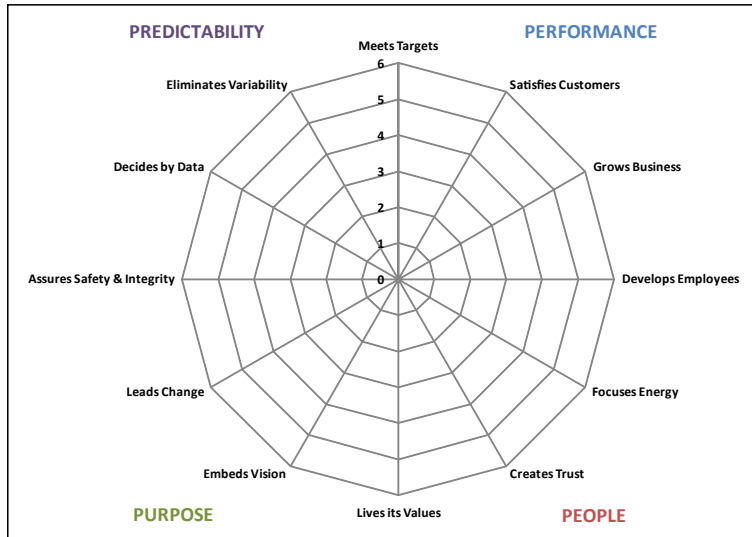


Figure 1: The Performance Culture Model

of financial performance. To change the stable state of operations, significant energy (financial investment) must be injected into the organization over a period of time. These are the two key variables, financial investment and time, which influence the ability to change the financial performance of the organization which will be described in more detail.

Just as there are many layers of culture in society; global, national, regional, and local, there are many layers of culture within organizations. To facilitate the application of the model based on need, the model was constructed in a scalable fashion to address layers of organizational culture from enterprise, division, function, process, down to individual roles. The evaluation of behaviors at any or all of these layers can identify opportunities to improve financial performance.

## The Investments

To properly frame the range of investment and return of implementing the Performance Culture, we must classify the organization to be engaged. The characteristics used for classification below can vary by industry, but, are sufficient for purposes of this paper. Organizations are classified as outlined in Table 1.

The ranges of investment and return quoted in the following narrative are from small to large.

Implementing the Performance Culture requires a mix of internal and external human resources to support the change process. Small organizations are typically resource constrained in their ability to support the process and are more dependent on external resources. Not ideal

from a change management perspective, but, necessary to support ongoing operations and the change initiative. Large organizations typically have more flexibility to assign resources to support the process and develop deeper ownership of the proposed changes. Since the assignment of internal resources is highly situational dependent, the investments outlined are exclusive of internal resources. The primary categories of investment to implement the Performance Culture are:

- Baseline Evaluation
- Design and Definition
- Behavioral Coaching
- Information Management

To understand the magnitude of the financial opportunity and the specific gaps that need closure, a baseline evaluation needs to be performed. The baseline evaluation is a data driven analysis that focuses on the current execution of business processes, the supporting behaviors, definition of the stable cultural state, and the resulting levels of performance. The baseline evaluation develops the value proposition and the justifying business case to proceed with implementation.

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| Classification | Staff Size | Revenue Size | Number of Assets |
|----------------|------------|--------------|------------------|
| Small          | <500       | <\$250 M     | <5               |
| Medium         | <1000      | <\$1.0 B     | <10              |
| Large          | >1000      | >\$1.0 B     | >10              |

Table 1: Organizational Classification

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# The Performance Domain

to organizational improvement called The *Performance Culture*. The concept and model of The *Performance Culture* revolves around four domains, each with three supporting elements. The Performance domain focuses on elements and behaviors which drive the financial results of the enterprise.

## Performance

- First and foremost a *Performance Culture* meets its targets. They set realistic targets, and make the production, expense, revenue, ROI, inventory and pricing targets they set. Most organizations develop a set of high level KPI's and monitor performance over time. It is very satisfying to see results indicators go from red to yellow to green and success is celebrated. However, it goes further than just meeting the targets. Quoting Ralph Marston **“Don’t lower your expectations to meet your performance. Raise your level of performance to meet your expectations. Expect the best of yourself, and then do what is necessary to make it a reality.”**

The key here is to continue to challenge performance. Do we know what good looks like? How do “the best of the best” organizations perform? As a leader, how can I challenge and excite the organization to reach the next level of performance, year after year.

- Next, they satisfy their customers. In many cases they delight their customers, going beyond the agreements. Most importantly, they know their customers and have a continuous dialogue with them how

they can create win-win scenarios to do better as a team. Finally, knowing when a customer is not happy. Companies typically measure and address customer complaints, but do they know when the customers think you are doing an OK job. The danger here lies in becoming a commodity, you believe that you are unique because of few customer complaints, but in the eye of the customer you are as good as eight other suppliers.

- No *Performance Culture* is static. It’s an organism that’s always looking for continuous improvement, pushing forward, whether it deals with products, services or ideas. It constantly looks for ways to expand its capabilities and how it responds to an ever-changing market environment.

When an organization gets performance right, they should expect significant improvements. An example of achievements from a reactive mining operation can be seen in the table below.

This resulted in a culture was always met expectations and satisfied their customers. Further, the organization is now on a journey to implement changes throughout the rest of their operations, and have embraced continuous improvement as a part of their culture.

The Performance domain is critical in a *Performance Culture* Organization. However, the other three domains (People, Purpose and Predictability) are equally important.

Creating a *Performance Culture* is not about individual performance. It is about how we as leaders in an organization work together to create a great culture underpinned by values and behavior norms understood and practiced by all.

This is a culture that achieves outstanding performance.

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| Key Performance Indicator | Baseline at start of improvement project | Sustained performance reached (18months) |
|---------------------------|--|--|
| Operating Efficiency      | 72.9%                                    | 90.2%                                    |
| Emergency work            | 23.6% of all maintenance work            | 7.0%                                     |
| Schedule compliance       | 43%                                      | 92%                                      |
| Maintenance Backlog       | 39 weeks                                 | 8.3 weeks                                |

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# News & Events



SAMI CEO Brad Peterson will present "The Work Revolution" as a keynote speaker at the OMAINTEC conference in Dubai May 18th - 20th 2014



SAMI has been selected to present "Performance Culture for Greenfield Projects" at Middle East Petrotech in Bahrain May 19th - 21st 2014



SAMI has been selected to present "The Financial Return of the Performance Culture" at the AMPeak conference in Perth, Australia June 3rd - 5th 2014