

Reaching HIGHER

A QUARTERLY PUBLICATION BY SAMI



inside

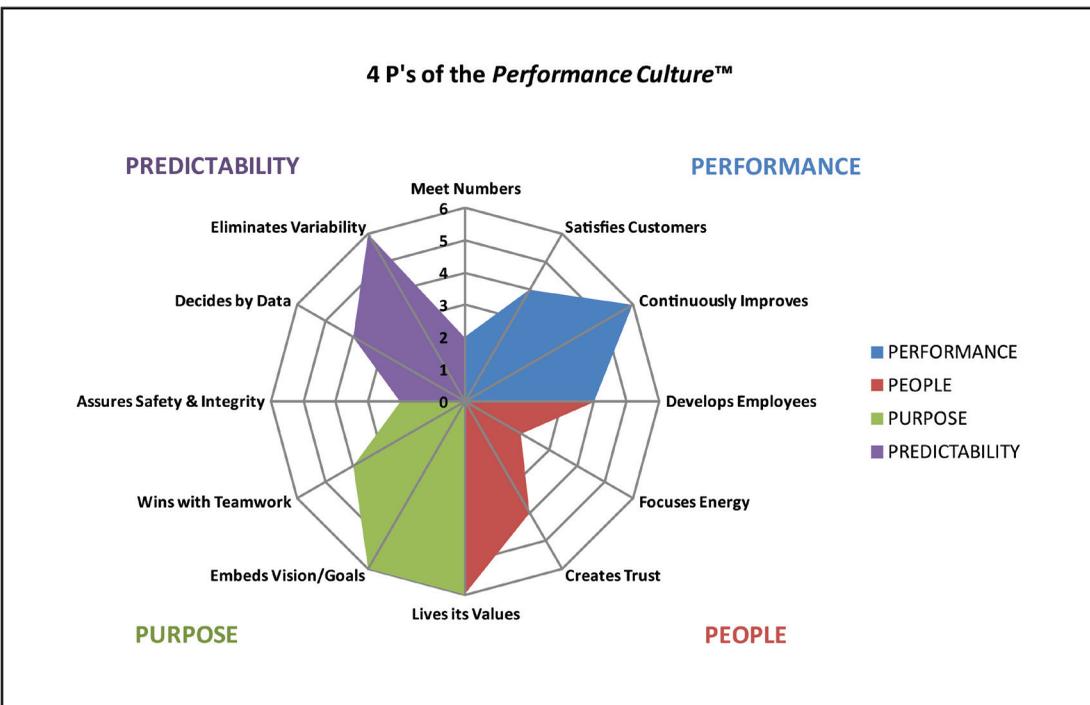
Creating The Performance Culture™: Part 2

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™”:

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



Performance Culture Spider Chart Sample Data

(continues on page 3)

- **Creating The Performance Culture**
Brad Peterson

- **The Spectrum of Industrial Cultures**
Mark Broussard



The Spectrum of Industrial Cultures

As we engage organizations around the world in performance improvement initiatives, we encounter industrial cultures across an entire spectrum of performance levels. We have defined the spectrum as ranging from Reactive to the *Performance Culture*TM. Figure 1 below illustrates the spectrum and the relative impact on asset life cycle costs. We have been introducing the characteristics of the *Performance Culture* in an ongoing series of articles in the Executive Corner of Reaching Higher. So to present the contrasts, I will describe a couple of common industrial cultures.



Figure 1 - Industrial Culture Spectrum

The most common culture we encounter is some variation of a reactive culture. So how do reactive cultures form and embed themselves in an organization? Well, the culture forms most typically as a reaction to market conditions!

As industries go through their cyclical peaks and valleys, some organizations are ill prepared to face the economic pressures of declining revenues and elect to take the tactical approach of reducing operating expense to minimum levels. As a result, maintenance expenditure is restricted to only “what is necessary to keep the place running”. This dictate allows the establishment of a pattern of behaviors which transform the culture and can have long term negative impacts on the performance of the organization. The behaviors are typically reinforced and embedded by the following thoughts and characteristics:

- “We are saving the company money”- While there may be some short term reduction in expense levels with invisible impact on the reliability of the assets, the longer term impact is an increase in overall life cycle costs. As required asset healthcare activities are neglected during this period

of focus on expense reduction, the material condition of the assets erodes and over time chronic failures will drive excessive repair expense and lost production volumes.

- Less discipline and rigor is required – Humans, as with most elements of nature, seek their lowest energy level. In a reactive state, much less time and effort is expended on planning and scheduling of work. The discipline to organize, plan, and measure activities gives way to complacency due to the financial constraints placed on the organization.

- Individual recognition – Staff get recognized for “saving the day” and restoring production. The individual recognition reinforces self-worth over contribution to teamwork. The organization increasingly relies on individual effort to sustain operations.

- Adrenaline bursts – We all love the burst of energy we get from having a clear, focused, and urgent task. In the short term, these adrenaline bursts feel good to the organization and allow them to sustain the reactive behaviors. However, as assets continue to decline, the bursts become too frequent and the organization becomes weary and overwhelmed.

Some industry downturn durations exceed 18 months, which is plenty of time for these behaviors to embed a reactive culture in the organization. The behaviors may even continue as the industry economics improve, however, at some point the organization will recognize that the reactive culture is unsustainable because performance levels will lag. The tactical focus on operating expense reduction creates the inverse effect of increasing operating expenses and increasing production losses as the assets are required to perform at higher levels.

Another increasingly common industrial culture further along the spectrum is identified as the compliance culture. This

industrial culture has evolved mostly in response to recent high profile safety and environmental events. The culture is focused on demonstrating the ability to comply with regulatory, industry, and internal standards to avoid any liabilities or negative publicity. The organization supports a “tick the box” approach to functional operations. Some typical characteristics of compliance cultures include:

- Work processes – Clearly defined and documented work processes which contain many best practices
- Key Performance Indicators – Metrics for functional performance are defined and routinely reported. All metrics are either meeting targets or trending toward target levels
- Performance improvement initiatives – Many prioritized, defined, resourced and cost justified initiatives are in place to support the operational strategic plans
- Audit function - A robust audit capability that frequently engages assets to document compliance

Despite these characteristics being in place, overall performance levels are declining! All personnel involved can demonstrate and document compliance. However, achieving the targeted numbers becomes the focus, rather than focusing on the sustainability of improvements. As a result, the behaviors that support sustainable performance and a *Performance Culture* are not embedded. Additionally, the various initiatives are often viewed as independent of each other, rather than being part of a cohesive plan for business performance improvement. These initiatives end up competing with each other, and some are eventually viewed as optional. The compliance culture has many worthy attributes, but, it will not result in high levels of sustainable performance.

Industrial organizations typically move up or down on the culture spectrum over

(continues on page 4)

Creating The *Performance Culture*™

Part 2

(continued from page 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.
- Third, measured over time, you can see that their results trend in the right direction, getting better and better. Continuous improvement is part of the fabric of companies like Toyota and Honda.

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.

Purpose

In Jim Collins' book *Built to Last* he says that 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 everything decision made. For instance, our highest and clearest value is 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.
- Jim Collin's *Good to Great* is a touchstone for me. I keep going back to try to understand what's important. 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. Everyplace we go we see silos, usually by functional area. The very lack of teamwork and common business processes creates serious issues with results. The issues with results create the need for finding a scapegoat. And everyone is right! Maintenance can't perform because of production not giving them the equipment to maintain. Production can't perform because maintenance doesn't keep the equipment running. Only teamwork can get us out of the catch-22.

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.

(continues on page 4)

Creating the *Performance Culture*™

Part 2

(continued from page 3)

- 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:

- * Lost throughput
- * Wasted capacity
- * Inflated cycle time
- * Larger inventory levels
- * Long lead times and/or poor customer service

Brad Peterson
Chief Executive Officer SAMI
bpeterson@samicorp.com

In part 3 of Creating The Performance Culture we will

The Spectrum of Industrial Cultures

(continued from page 2)

time due to behavioral changes endorsed by leadership. To achieve the high levels of sustainable performance over strategic horizons and optimize life cycle costs, the organization needs to embed the behaviors defined by the *Performance Culture*!

Mark Broussard
President & COO SAMI
pmbroussard@samicorp.com

News & Events



SAMI will be presenting a one day workshop on the *Performance Culture* and exhibiting at the SMRP Annual Conference being held from October 15-18, 2012 in Orlando Florida.



SAMI is a gold sponsor of Maintcon 2012 taking place in Bahrain December 2-5 and will present a one day workshop on Work Management for Managers, as well as several technical papers.