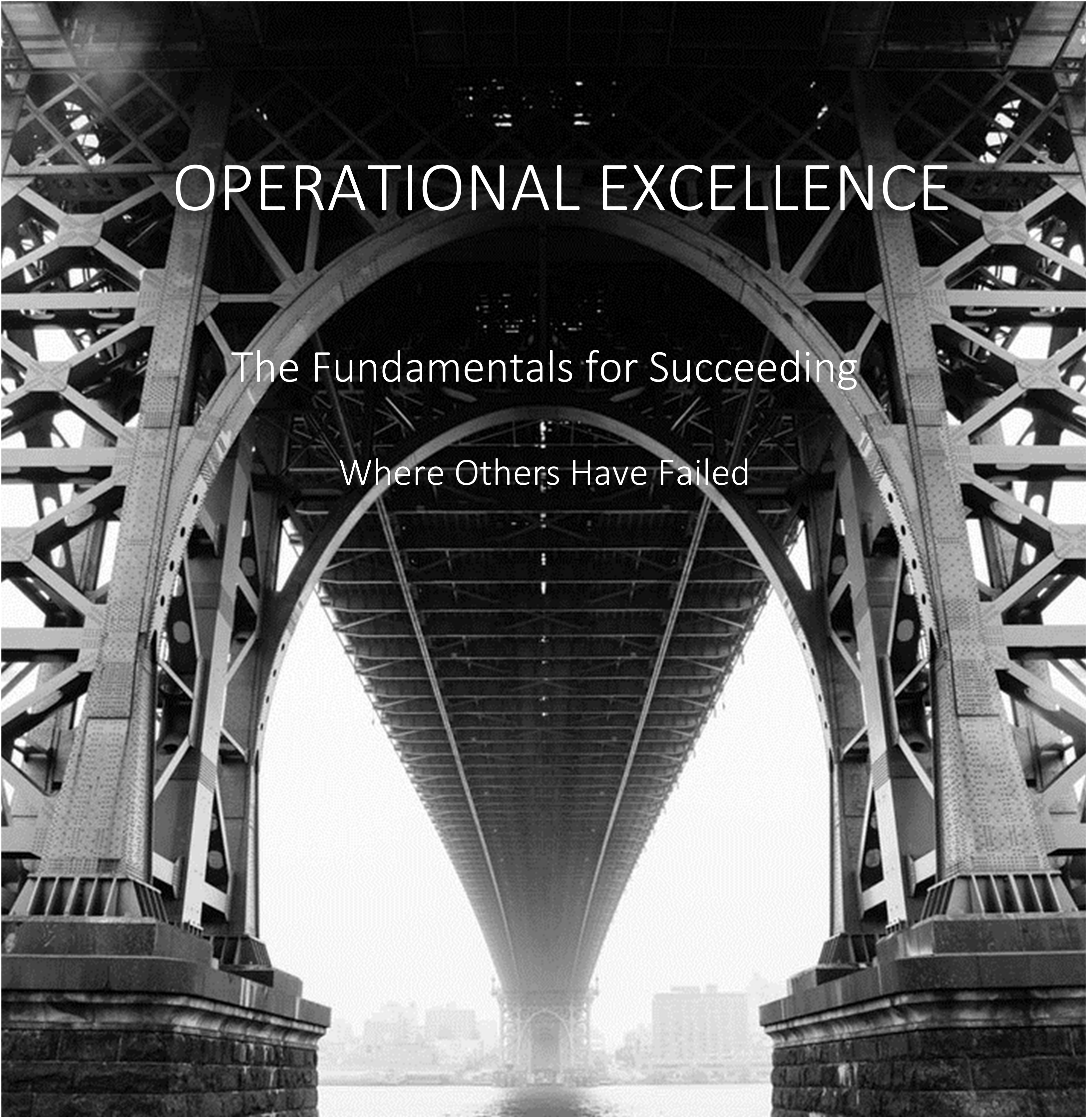

OPERATIONAL EXCELLENCE

The Fundamentals for Succeeding

Where Others Have Failed

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Operational Excellence continues to gain popularity. A recent worldwide survey by the Business Transformation & Operational Excellence World Summit found that over half of respondents believe OE is on the rise, and nearly half have an Enterprise-wide Operational Excellence (OE) program in place. Yet, despite the popularity, several studies have found that between 50% and 70% of "OE Programs" fail to deliver their expected results.

Why most Operational Excellence efforts fail

Perhaps this is a classic case of "over selling and under delivering"; maybe expectations were set too high. Surely one way to improve that metric would be to lower the bar for "success" in OE. However, we believe that the reason many OE programs fail is because they do not set expectations high enough. Unfortunately, Operational Excellence is often associated with efforts to create continuous yet marginal improvements by chiseling away fat and waste little by little. These methods have their place, but they alone will not deliver OE. We believe Operational Excellence is much more than a set of tools, methodologies or software to marginally improve performance. OE is an end goal where your company is performing at its absolute best to execute its strategy.

For most organizations, achieving Operational Excellence will require transformational rather than discreet changes

For most organizations, achieving Operational Excellence will require transformational rather than discreet changes. It may require transforming the way we think about Operational Excellence, transforming what we work on to achieve it, and transforming the environment to make those efforts successful.

OE is more crucial today than ever before

One of the greatest opportunities for outstanding performance is through Operational Excellence. As competition intensifies across all industries, competitive advantages from strategic differentiation are harder to find and much harder to sustain. Companies that can effectively and consistently execute their strategy while quickly adapting to strategic shifts will stand out among their competitors. Just look around any typical company. There is rarely any shortage of good ideas. The limitation is usually on the ability to put those ideas into motion.

Operational Excellence is delivering leading performance across all measures of value by consistently executing the strategy. Consistent execution requires two components working together: the systems in place to manage the work to be done to execute the strategy, and the culture that drives how well and consistently the work is done.

Figure 1: The formula for leading performance

The 10 Fundamentals of Operational Excellence

The following series of articles is a compilation of what we believe to be the 10 most fundamental things to get right for Operational Excellence. Before diving in, a word of warning. This is not a comprehensive checklist of everything you will need to do to achieve Operational Excellence, but rather a list the things most often forgotten or ignored. This is also not a list of the trendiest buzzwords that will excite the imagination. These are the fundamentals of Operational Excellence, the necessary foundations that allow other, more exciting things to flourish.

In a way, these represent a new approach to Operational Excellence. In another way, they represent a return to an old approach, a return to the things we've lost through growth and complexity, and a refocus on the basics that make a company great.

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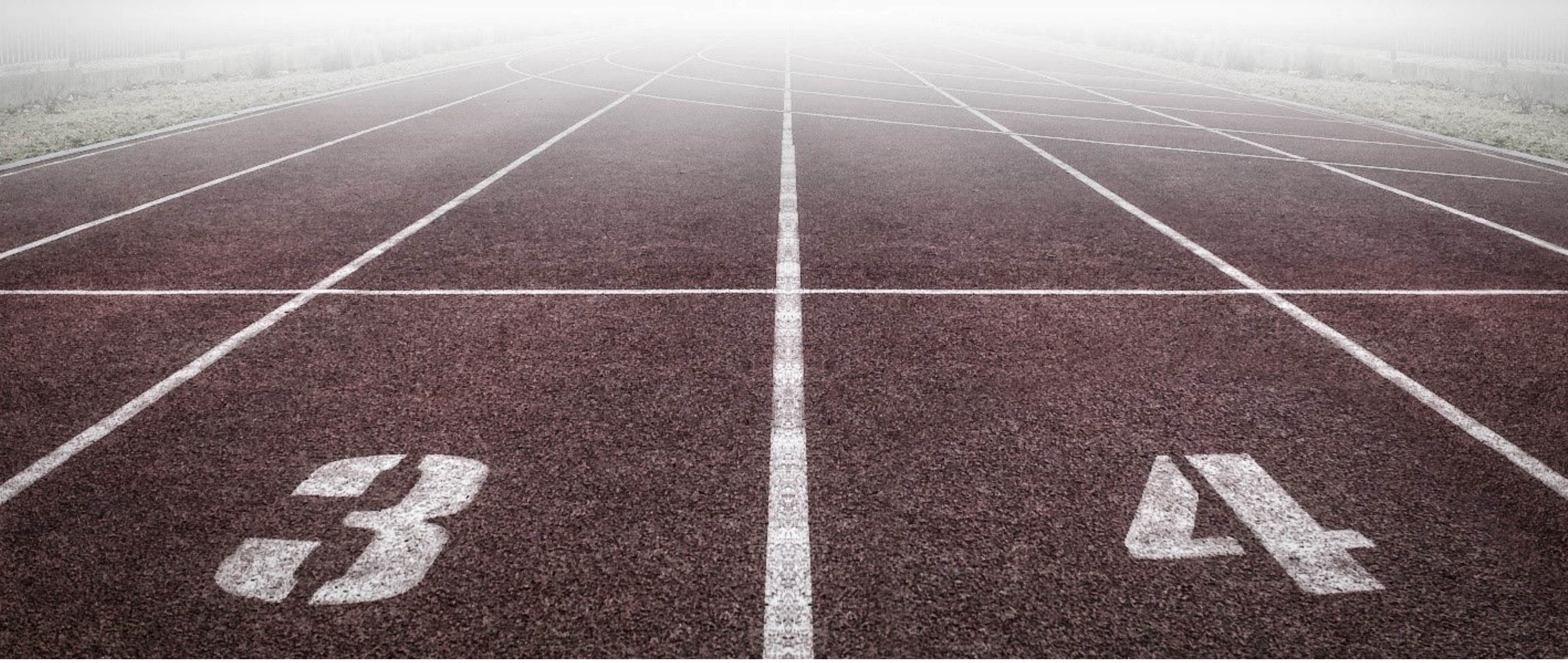


Without a clear idea of where you're headed, how can you know how to get there?

Most executives will agree that Operational Excellence is good. Many will even argue that it's a crucial factor for success. But what is it? Despite the widespread positive perception, there isn't a lot of agreement around what Operational Excellence (OE) is.

The term "Operational Excellence" gets thrown around a lot, and common definitions rarely help. OE is described as everything from specific improvement tools to ambitious company goals to ambiguous philosophies. For all the ways the term gets used, there are even more ways that companies go about pursuing it. While there is no single right way to achieve Operational Excellence (OE), we've noticed that most successful programs share a few core characteristics. This series is intended to filter all the noise and help you focus on the few things that make a big difference – the 10 Fundamentals of an Effective Operational Excellence Program.

Setting the direction

For these 10 Fundamentals to be useful in achieving OE, we should first align on a few things.

What is Operational Excellence

The first thing to tackle is to define OE. Absent a clear definition for what it is, it will be impossible to align your organization on its value and much less on how to get there.

There seem to be two predominant ways OE gets defined incorrectly.

1. **Misleading Definition #1**
   OE is commonly used as a synonym for tools and methodologies like Lean, LSS, BPM, Agile, etc. In this case, the term OE is hijacked by practitioners and consultants to give old tricks a new life, piggybacking on the latest wave of interest. Calling OE a set of tools is good for those selling the tools, but it is of little use to a company seeking help. Are they Operationally Excellent just from having implemented the tools? What if the tools don't work, is OE just not for them? Surely not.
2. **Misleading Definition #2**
   OE can also be defined as a set of lofty but ambiguous goals. Definitions like "Be world class" or "Excellence in everything we do" are very common because they are easily agreed upon – who doesn't want to be world class? Though these definitions aren't technically wrong, they are of little help because they offer no redirection or focus. When a company says it now wants to be "excellent in everything", were its employees previously shooting for mediocre results? These definitions are the execution equivalent to the "be all to everyone at all times" strategy.

OE Is Not Just:

Process Improvement – many companies improve their processes every day and don't achieve operational excellence

A Mindset – the correct mindset or mentality may be a necessary enabler, but it alone will not lead to OE

A Tool – OE will require the use of different tools at different points along the journey. Narrowly defining OE as a set of tools and methodologies like a lean six sigma program will hamper your OE program's ability to use other tools when needed.

The companies that most effectively and efficiently pursue Operational Excellence have this in common – they have a very clear vision for what Operational Excellence means and thus why it is a worthwhile endeavor. Their vision typically defines it through 2 characteristics – it defines a desired outcome rather than the tool or methodology to achieve it, and it defines the outcome in a measurable way. In other words, these companies take a lofty goal like being "world class" and define it within the parameters of their strategy and corporate values to know exactly what that looks like.

*Operational Excellence is sustainably delivering **leading performance** across all measures of value **by consistently executing a sound strategy**.*

We use the above definition as a starting point for companies to fill in the missing pieces. To get a clear vision for OE, we need to further define two pieces – what is "leading performance" and what are the necessary components for "consistently executing" a strategy?

Leading Performance – Setting the vision for OE

How any organization defines leading performance, or even acceptable performance, will drive everything else. Defined too broadly, it will be of little use in translating an idea into better actions. Defined too narrowly, and it can create misalignment within the organization. For example, if Operational Excellence is seen only as related to EHS performance, it creates or reinforces a divide between the parts of the organization worried about EHS performance, and the rest of the organization trying to "run the business".

The Institute of Operational Excellence comes close with their definition as "Each and every employee can see the flow of value to the customer and fix that flow before it breaks down". This may suffice as it relates to value to the customer, but it excludes value to the company and its broader stakeholders. Instead "Leading Performance" should be defined to align to your strategy and corporate values, which naturally include customer value. Your strategy will define what good looks like in terms of profitability, growth and customer satisfaction. Your corporate values should establish all the issues that matter in achieving your strategy, usually as of some measure of safety, environmental performance, employee satisfaction and community improvement. This holistic definition of performance is broad enough to capture everything important to the organization, but specific enough to measure.

Consistent Execution – Understanding what it takes

What does it take to consistently execute your strategy? Execution can be broken down to its two basic components – the systems in place to manage the work to be done to execute the strategy, and the culture that drives how well and consistently the work is done. Every company has both, and many companies have multiple variations of each. Operational Excellence requires the management systems and the culture to work together, building on each other to enforce the right level of consistency to effectively and efficiently execute the strategy.

In the following sections, we will explore 10 things related to both the management systems and the culture necessary to deliver any strategy in an operationally excellent way and enable leading performance. These 10 are related to fundamental factors that apply to any industry or company. We will look at characteristics of the management system itself, how effective programs establish and manage those systems, and specific ways in which the culture can ultimately impact the program's success.

#1: Integrate Your Management Systems

Summary

- There is a big difference between Unified Systems like an EHS system, and an Integrated System like an OEMS
- Unified Systems tend to work independently from standard business processes, and thus pull the organization in different directions
- Companies that operate in an Operationally Excellent manner use an Integrated System that standardizes and improves all interrelated business processes

We should start with one of the most important factors to the overall effectiveness of your OE program – the level of integration and alignment within your organization. This depends on how well the people, processes and technology or equipment work together to execute your strategy. In other words, it depends on your management system.

The International Standards Organization (ISO) defines a management system as *"…the way in which an organization manages the inter-related parts of its business in order to achieve its objectives*". We like this definition for its simplicity and because it highlights that a system is intended to manage all the variables that can impact a desired outcome. Just like a security system would be less effective if it monitored only your door but no windows, a company's management system needs to account for all the inter-related inputs for a desired outcome. This is where the idea of an "Integrated System" comes into play. The word "system" is often associated with software tools, but in this sense, we are referring to the entire system of people, processes and equipment working together to execute the strategy.

Figure 2: Components of a Management System

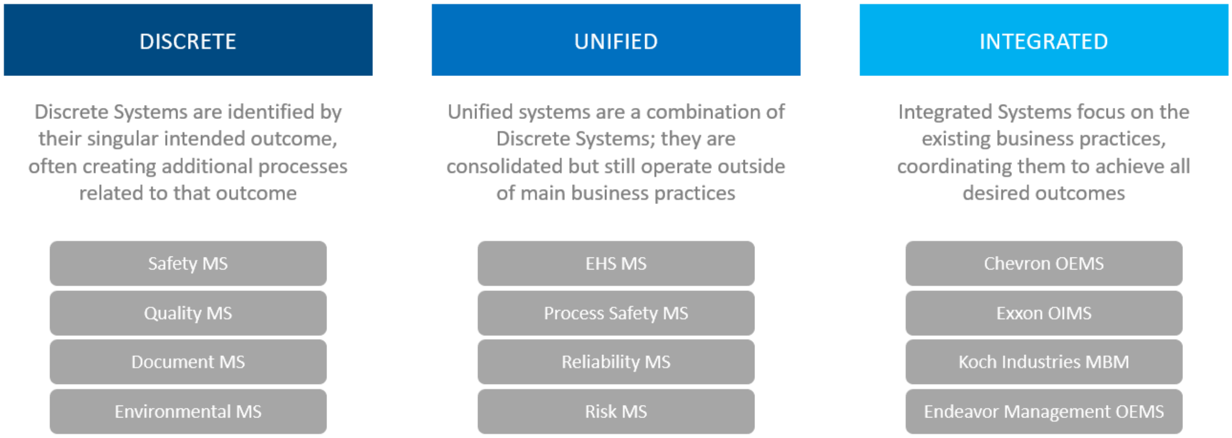


Figure 3: The 3 types of Management Systems: Discrete, Unified and Integrated

In terms of Operational Excellence, most management system discussions revolve around managing quality, safety, environmental performance, and the like. When OE practitioners discuss integrated systems, these are the systems they usually have in mind. The most common is the merger of Environmental, Health and Safety (EHS), and in some cases this also includes Quality (EHSQ). These systems are intended to improve and integrate the way the organization manages things that impact performance across those four measures. These kinds of systems are often referred to as Integrated Systems, but we draw a distinction between these systems, which we will call “Unified Systems” and true “Integrated Systems”. The key distinction is, while Unified Systems combine different outcomes, they usually remain independent of the main business practices that introduce and drive the very risks they seek to manage.

Sidebar: Why Unified Systems will always have limited impact

The complexity introduced by Unified Systems is easily masked, but when you look closely, it is easy to see how they add complexity without addressing many of the underlying risks.

Take, for example, the ISO standards. In 2016, 1.64 million organizations held an ISO certification. Their systems for Quality (9001), Health and Safety (45001), Environmental Management (14001) are often used as benchmarks for companies establishing an “HSEQ” system. They have many overlapping requirements, making them easy to group into a single system, but simply grouping them doesn’t go far enough.

For example, each system has requirements for assigning organizational roles, responsibilities and authorities. It is easy to see how an incident can be caused by any individual not understanding his or her role. The problem though is when these systems are adopted, they focus on R&R as they apply to the management system, not as they relate to broader day-to-day roles. This ignores the fact that every employee, regardless of their direct responsibilities within the system, has some indirect impact to the desired outcomes.

The same is true for requirements around leadership, planning, communications, documentation, and so on. You can have a world-class process for planning gap-closure and improvement activities related to your HSEQ system, but if the overall business planning process is broken, then the system usually has limited impact on the actual business risk, and often fragments the business around competing processes.

Limitations of Unified Systems – the most common systems today

Unified Systems are, in many ways, better than discrete systems. They are more efficient and simpler, but they all run into the same issues of limited effectiveness, especially within companies that have multiple Unified Systems at once. **The biggest weakness with all Unified Systems is their limited impact on the parts of the business driving the risk.** When one part of the business is driving towards a set of goals like growth, and a separate part of the business is driving towards a different set of goals like managing risk, the result is a fractured organization. Regardless of the Unified System's sophistication, it will always be held back. Organizationally, **it is the equivalent of driving by pushing on the gas and brake pedals at the same time, pulling the organization apart.**

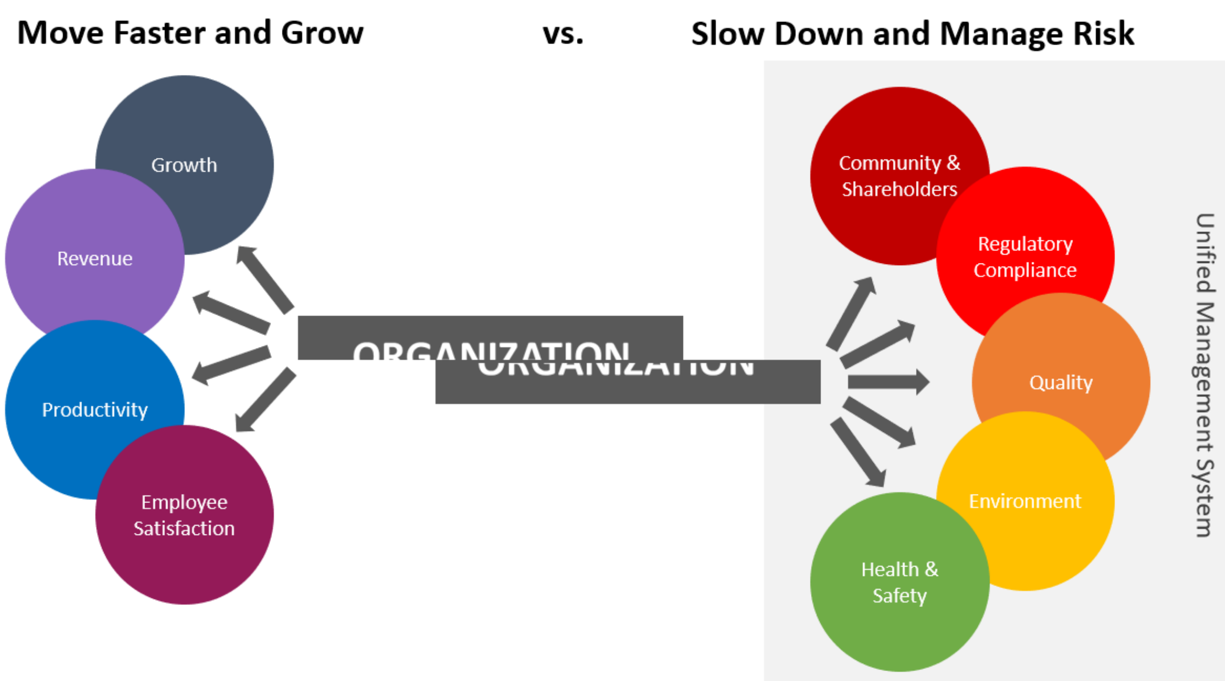


Figure 4: Discrete and Unified Systems work to manage risk independently of the processes introducing this risk, leading to fractured or "siloed" organizations where different parts are pulling in different directions.

Integrated Systems – a more effective and efficient approach

Companies that effectively and efficiently achieve Operational Excellence utilize an Integrated Management System approach. On the surface, it may seem like semantics, especially since on paper Unified and Integrated Systems look very similar, but in practice they operate very differently. One key difference that goes unnoticed is that Integrated Systems don't seek to create additional processes; they seek to change existing ones. They focus on how the existing processes introduce risk to the business and seek to improve the ability of existing processes at managing the risk. In an era where most companies are overburdened by complexity, integrated systems stand out by removing rather than increasing complexity.

Back to Operational Excellence, companies seeking to operate in an Operationally Excellent manner use an Integrated System built around their definition of Operational Excellence. Since Operational Excellence should reflect all the outcomes necessary for achieving your strategy while upholding your mission and values, and every part of the business plays some role in achieving these outcomes, the Operational Excellence Management System ends up impacting every part of the organization. This is what makes the OEMS so effective – its focus is on making all of the interrelated parts of the business function as one, breaking across silos and barriers in the process. This goes beyond any tools and it is not just about process mapping or optimization. At its core it is about how the organization works together to make better decisions.

The next few topics will look at distinct characteristics that make some Integrated Management Systems more effective than others.

#2: Unlock Organizational Agility

“The right decision is the wrong decision if it’s made too late”.

- Lee Iacocca

Summary

- The pace of change in every industry requires rapid and constant strategy adjustments, so consistent execution requires agility
- Traditional methods for ensuring consistent execution make the system very lethargic, and need to be re-thought to allow consistency and speed
- Agility can be achieved by building in organizational muscle memory for how the organization evaluates and reacts to changes

Operational Excellence, as we’ve defined it, is “delivering leading performance across all measures of value”. This, of course, requires both a sound strategy and consistent execution of that strategy, and this is where it gets tricky. The pursuit of consistent execution values stability and repetitiveness. When success is found, we want to lock it in through things like standards, procedures and work flows so it can be repeated. The more success is found, the more we desire to lock in that success. This all works great, so long as the conditions that created that success don’t change.

The challenge is that no strategy is immune from change, especially these days where “change is the new normal”. According to a recent study1, the average tenure of companies on the S&P 500 was 33 years in 1964. Today, this figure has dropped to 24 years and is expected to shrink to only 12 years by 2027.Keeping up with this rapid rate of disruption and turnover requires a strategy that can quickly adapt.

Operational Excellence and Agility

McKinsey & Company illustrates this point well with their Organizational Health Index (OHI). The index data shows that companies with a high OHI rankings generate total returns to shareholders three times higher than those with a low OHI. Interestingly, they also found a strong correlation between "Agility" (the ability to adapt quickly while still executing reliably) and OHI, with 70% of "Agile" companies also being in the top quartile of OHI.

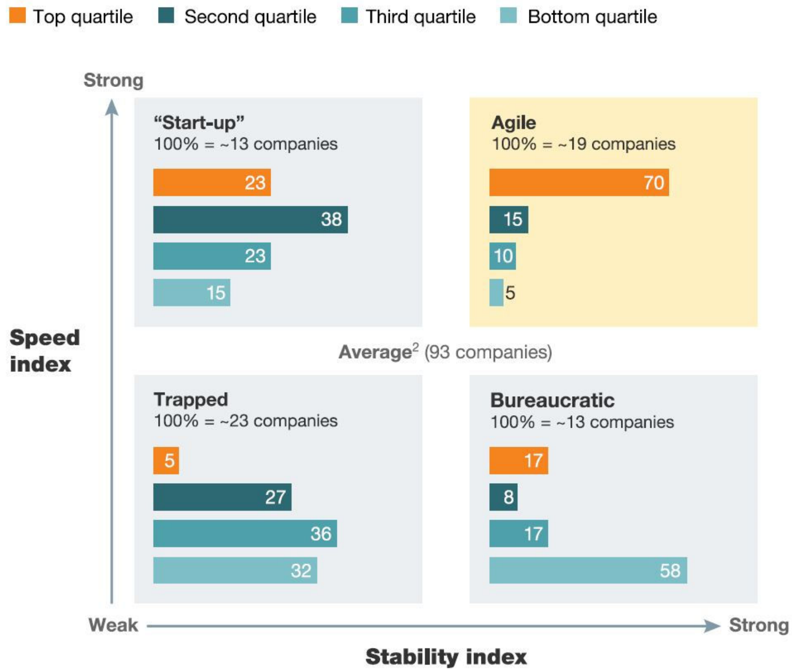


Figure 5: McKinsey & Company "Why Agility Pays", 2015

The obvious conclusion is that long term success requires stability (the ability to execute consistently) and speed (the ability to respond quickly to new challenges). In other words, agility is a prerequisite for Operational Excellence in today's environment. The implication is less obvious: how are companies supposed to achieve consistency and stability while also reacting quickly to change, especially when our normal toolbox for achieving consistency relies on "locking-in" success? The more we lock in, the more "things" we need to alter to keep up with changes in strategy and thus the longer it takes to change.

A common misconception is that agility requires a balance between speed and stability. If stability is achieved through control mechanisms like standards, procedures, formal processes and the like, then the trick must be in finding the right balance of having enough controls without overdoing it. This idea is debunked by the data; most companies (58%) in the McKinsey study were right in the middle of the four quadrants, effectively achieving a "balance" between speed and stability, but still falling short of being "Agile".

Instead of viewing it as a matter of compromise between speed and stability, we need to think of it as a matter of maximizing both. If traditional methods for ensuring stability sacrifice speed, then we need to re-think the methods we rely on for ensuring stability.

Unlocking agility through Organizational Muscle Memory

Athletes are great examples of agility and studying how an athlete develops his or her craft reveals many secrets to organizational agility. Athletes train for years to develop the necessary physical ability to execute in high-stress situations. Highly trained athletes are so well coordinated that they can make superhuman-like feats almost seem easy. We take for granted the billions of neurons that are firing in their brain, at hundreds of times per second, that make that motion look so effortless. Those commands within their brains are so hard-wired that the athlete hardly realizes in the moment what they are doing – their motions are so engrained that their bodies just react. We often call this muscle memory, and it's a key component of agility.

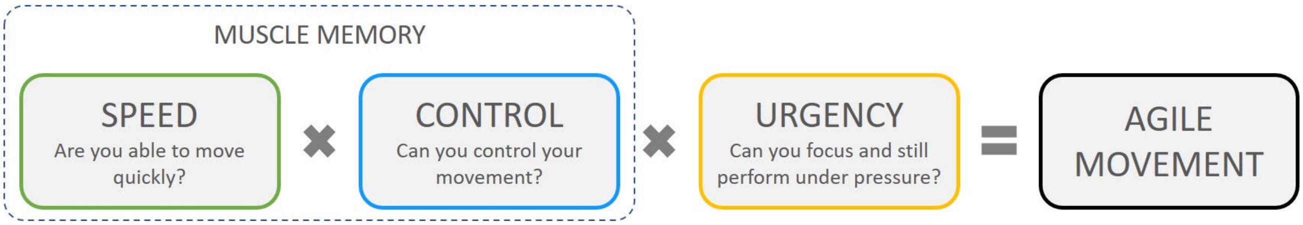


Figure 6: Agility comes from speed and control with the ability to work through urgent pressure

Moving with agility requires three things:

1. Speed: This refers to the ability, whether physical or otherwise, to move at the desired pace.
2. Control: This refers to the ability to control your movement at the desired speed. Since agility is only useful if it results in rapid movement towards a desired direction, some level of control is necessary. Some people can move very quickly but lose repeatability and accuracy, especially with unrehearsed movements
3. Urgency: This refers to the desire or need to move quickly, and it is the true test of agility. Agility must continue to perform as expected even under heightened pressure and urgency of real-world tests to be useful

The danger of unstructured urgency

When many leaders sense their organization is moving too slow, they tend to focus on increasing the sense of urgency. For instance, they may re-iterate the need for rapid improvement due a challenging competitive environment. They might increase urgency through "empowerment" messages that encourage employees to act on their own rather than waiting for someone else to address a known issue. This works in limited instances, but **over time, increasing the sense of urgency without enabling speed or earning control often leads to one of two scenarios**:

Organizational Gridlock

Rookie athletes sometimes experience this. They have the physical ability to move quickly, and they know the urgency, but lack of experience leads to indecision and hesitation, and that split-second makes all the difference in the outcome. Organizations do the same thing. Under increased urgency, organizations without control lack confidence in making faster decisions and can end up in a gridlock of indecision. Over-reliance on consensus or data is often a mask for this lack of decision-making confidence.

Organizational Fatigue

Take an average runner with a high degree of confidence in his or her ability to run without falling and put them in an emergency situation, and that runner might run faster than they've ever run before. However, regardless of the sense of urgency or level of control, some people will never be able to run as fast as an Olympic runner, and certainly not for any sustained period of time. Some organizations have the sense of urgency, and in the heat of the moment, they can round up the troops and make rapid changes. However, without sustainable mechanisms for speed, as the fire drills become more common employee fatigue and even resentment can increase.

The only way organizations can operate in an agile and sustainable way is to make it the norm. Like an athlete practices to simulate game-time conditions, organizations shouldn't wait until the pressure is on to learn to move quickly.

Creating an agile organization

When we examine conventional methods that companies use for increasing consistency and stability, we notice they all have something in common. Think about how most companies go about increasing stability – they assess a product or process, find "incidents" where something wasn't quite right, and create controls against them. These controls, if shown to be successful, become embedded throughout the organization in the form of Best Practices, Policies, Procedures, Standards, Work Flows and Automation. Over time, everyone should be performing that action in the same way and thus stability is improved.

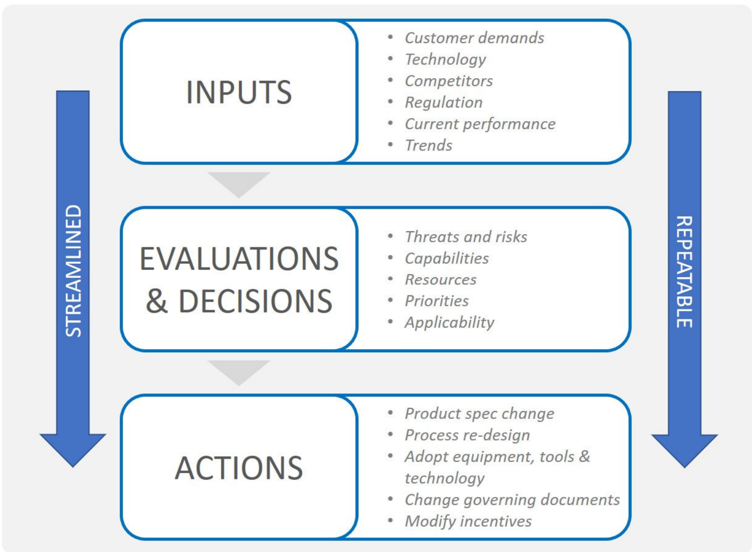


Figure 7: Becoming agile requires focusing on how your organization takes changing inputs and takes the correct action through streamlined and repeatable evaluation

Notice though that these controls are the result of someone taking many inputs and deciding how to perform an action. The focus is on repeating the successful action, but what about the successful decision? In a stable environment, the decisions to change a process or modify a governing document may be rare events, and the actions that lead to success today are likely to lead to success in the future. However, in volatile environments the lifecycle of a “good” decision is shortened, and the decisions are revisited often. Herein lies the key differentiator for Agile companies – they focus more on locking-in the decision algorithms than on the answer.

Agile organizations use their management system and culture to enable speed and control in decision-making. Control comes from building a system that defines repeatable and consistent processes for how management makes decisions. Their culture reinforces following these processes, which over time are improved to remove aspects about the decision-making process that don’t add value. Repetition and continuous improvement are where the speed comes from. When a decision is needed, they don’t waste time figuring out what information is needed, who can approve the decision, who needs to be consulted, etc. They trust and follow the system that has led to good decisions in the past and can focus more energy on the actual problem rather than sorting out the politics.

In the next few sections, we will look at the fundamentals of setting up an effective and efficient management system that allows for sustained agility and Operational Excellence. We will look at the importance of creating your own management system that supports the way you make decisions, and how to structure your system’s framework around key decision-making processes for long-term continuous improvement.

#3 Design a System that Works for You

Summary

- A common approach is to adopt a system from a leading company as the basis for your company's system
- The problem is that the things you cannot see are what make a Management System effective and compatible with your company's values, culture and strategy
- The investment in creating a custom system will yield long-term returns through greater effectiveness and improved organizational adoption

One of the most common stories we hear is "we started off by borrowing from existing popular systems such as ExxonMobil's OIMS, Chevron's OEMS, or the like". Most stories that begin this way end up with disappointment. This brings us to Fundamental #3: Design your own MS.

This may sound painfully obvious, but it is one of the most common mistakes we encounter. Starting with another company's framework and tweaking it to make it your own is about the same as starting with someone else's tailored suit and trying to trim a little here and add a bit there to make it fit you. These systems work well for those companies because they were painstakingly developed over decades to meet their specific needs.

Top 3 reasons why you shouldn't adopt someone else's system

Figure 8: Management Systems are like an iceberg, the part that sustains it is usually hidden from view

Reason #1: What you see isn't what makes it work

Many companies are very open about their management system. Some make their framework and performance reports publicly available, which is great for investors and customers, but there is much more to the system that they don't make public. This is the part that really matters. The visible parts like the framework elements mean relatively little to the ultimate effectiveness of the system. A management system is only effective if it is built to work within a company's culture, strategy and leadership style. Similarly, different level of maturity, level of understanding, and the makeup of the underlying tools and documents will yield very different results.

Reason #2: You are a different company

Benchmarking other systems is not harmful up until the point where it becomes the basis for your management system. Designing a management system for your organization should focus most of the attention on understanding the needs of your organization.

A disproportionate about of time should be spent looking internally to the following factors:

- Leadership style – command and control vs. distributed

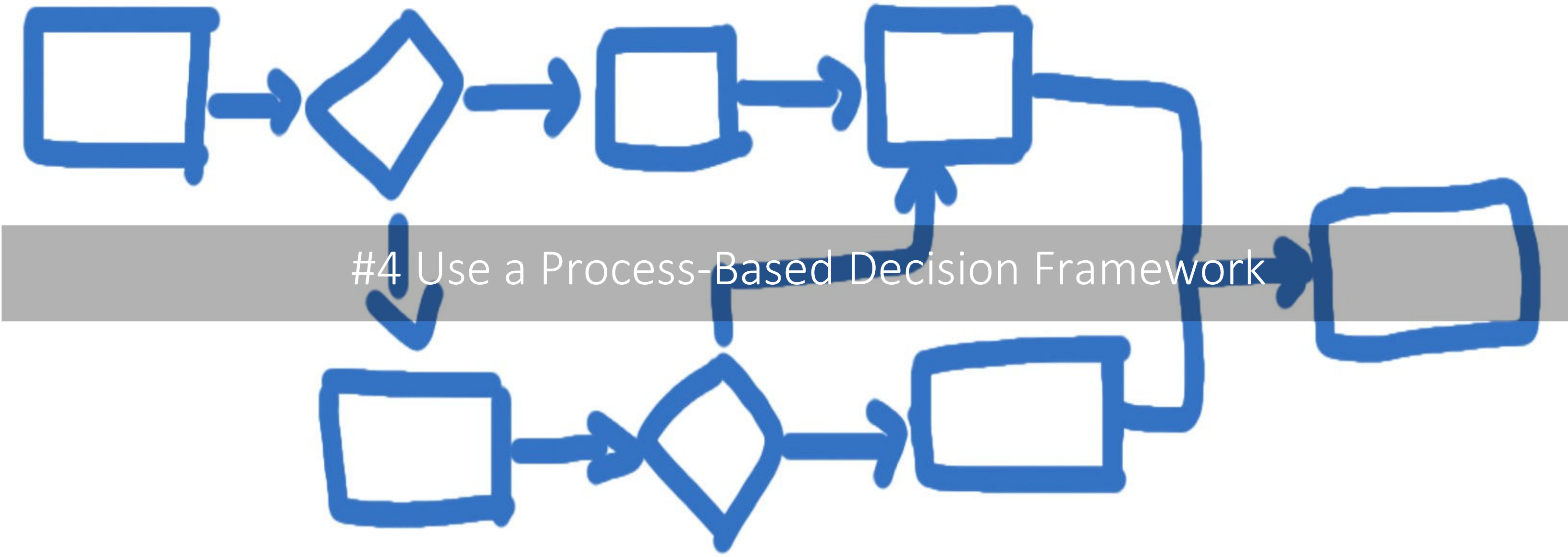
- Strategy – level of risk tolerance, how often and substantially the strategy changes, the organization's desired competitive advantages, level of desired strategic standardization
- Culture – current compatibility with a systematic management environment, cultural uniformity and variances
- Maturity – the maturity of current systems
- Level of Understanding and Use – how well the current systems are understood and used, the current perception of their effectiveness
- Documents, tools and processes – the formality of existing processes and current state of supporting documents and tools which could be used as building blocks for future systems

Reason #3: Adopting an outside system may sabotage internal adoption

One of the most common reasons why "copy & paste" MSs fail is because the broader organization pushes back against it. Even if the system is perfectly suited for your needs, the organization will still reject it. It simply comes down to perception and involvement. The final answer isn't as important as how you arrived at it.

The most successful systems are built by the people they are intended for.

#4 Use a Process-Based Decision Framework



Summary

- A common approach is to adopt a system from a leading company as the basis for your company's system
- The problem is that the things you cannot see are what make a Management System effective and compatible with your company's values, culture and strategy
- The investment in creating a custom system will yield long-term returns through greater effectiveness and improved organizational adoption

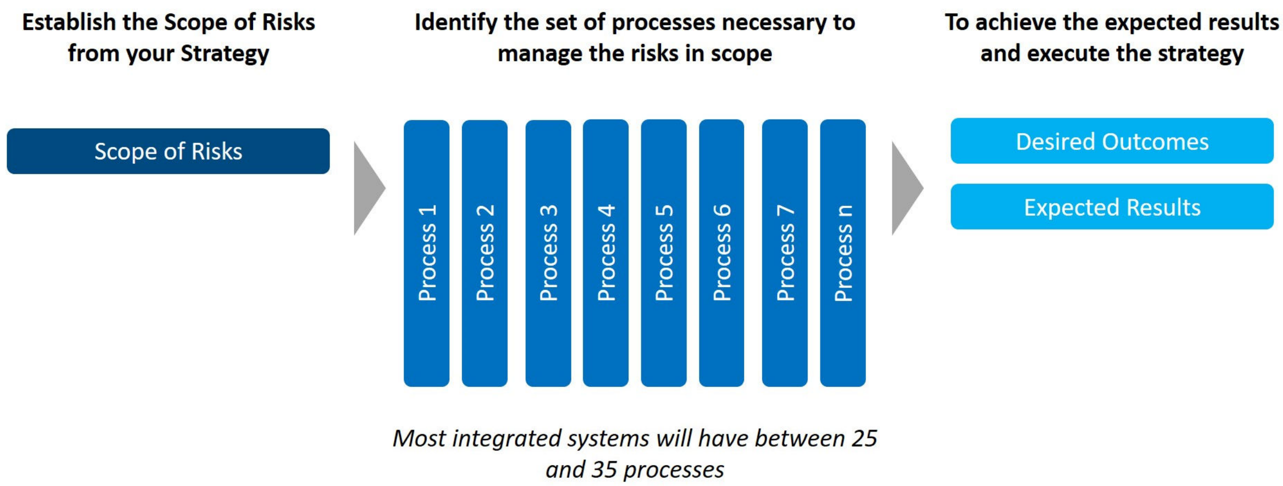
So far, we've looked at several factors for Operational Excellence, specifically related to your management system. We've established the need to have an integrated system that allows you to remain agile and designed specifically for your needs.

This section dives a little deeper into how you should structure your management system framework to avoid introducing much of the complexity that inhibits progress through a Process-Based Framework.

The focus of your system should be improving your decisions

Think about any important decision you make. Be it a decision to hire a new candidate, a decision about whether to invest in a new product idea, or a decision to shut down a piece of equipment to perform an inspection, each key decision will have some impact on how consistently and efficiently your company executes its strategy. Even day-to-day decisions about how to prioritize our time add up and impact overall performance.

Behind each of these decisions, there is usually a process. In some companies, that process varies depending on who is making the decision. In smaller companies the process is simply to ask the boss. In all cases, there is a process being followed with the intention of making the best decision.
A management system can, therefore, be simplified down to the set of interrelated processes that, when working together, will yield better decisions.



3 Benefits to a Process-Based management system framework

1. Arranging the system as a set of distinct processes helps identify overlap and potential conflicts in your decision-making

Many integrated systems suffer from built-in complexity because they are made up of a combination of processes, outcomes and things. For example, in developing a car, imagine you gave one group responsibility for vehicle safety, another group responsibility for hydraulic systems, and another group responsibility for stopping the vehicle. What group makes decisions regarding the brakes? On a relatively simple project like a car, it would be easy to identify this interdependency between the three groups, but in large complex organizations, this overlap is easily buried.

We see this often with systems that have elements such as “Asset Integrity”, “Safety”, or “Quality”. These are outcomes that all rely on the same set of processes, so what ends up happening is redundant and even contradictory controls get put in place. For example, a mid-sized Oil and Gas company was having issues with repeat incidents related to operating a critical piece of equipment. Despite the usual corrective action efforts like offering more training and improving warning signage, the issues remained. Eventually they realized that, depending on several factors, an operator could end up using one of 7 different instructions, each created by a different group that had something to say about that equipment.

The most efficient systems start with the risks to achieving the desired outcomes and expected results, and from that they identify the unique processes necessary to fully address the risks without creating duplication, overlap or conflicts.

2. Building the system as a set of processes makes embedding continuous improvement much easier

Processes are much easier than outcomes to break down into their inputs, outputs, and discrete repeatable steps. You can identify a clear objective and scope for each and observe if the process is being followed. These are the basics of Deming's system for continuous improvement. By structuring your system as a set of processes, you can drill down to the individual processes which may be failing and contributing to the overall system's performance.

3. A process-based approach will make development more manageable

Process-based systems are easier to sequence and prioritize for development. Since processes have inputs and outputs, you can understand their dependencies and thus break up the development into more manageable sections. This has big implications for deployment, as the system can be piloted and refined, thus improving adoption, rather than relying on a big-bang deployment.

Using a process-based approach seems logical yet all too often, companies fall for the same trap of embedding outcomes and things into their system. Usually this is driven by the desire of senior executives to see certain keywords present as if to make them seem more important, or to reinforce existing organizational division of responsibilities by function.

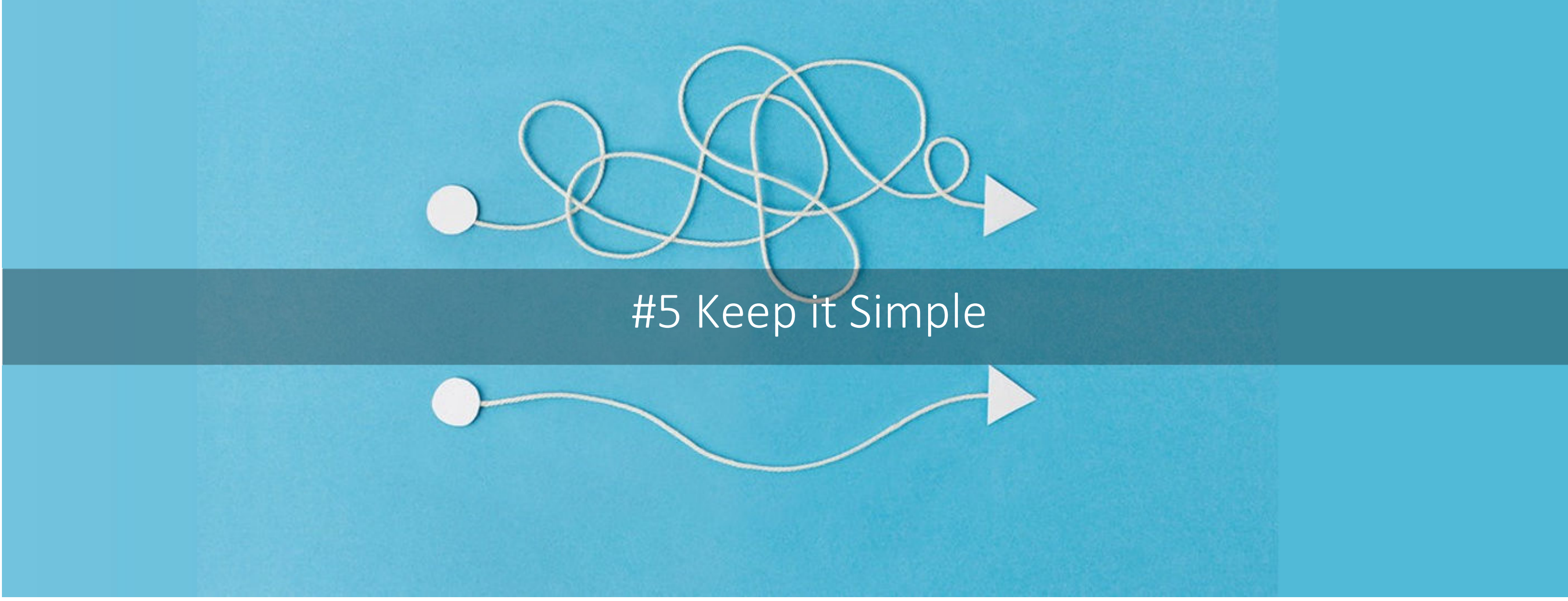
This is an important junction in the road – the system will either reinforce existing silos and politics, or it will move the organization beyond them. A small change in the foundational design of the system can have large scale implications for its effectiveness and efficiency, so be very weary of compromising the system's design at this point.

Tying it together

The benefit of taking a process-based approach is highly dependent on several factors:

1. Incorporating the right processes, including the ones your company uses for evaluating opportunities that increase or mitigate the risk of your strategy. This requires an Integrated Management System (Fundamental #1).
2. The processes should reflect how you run your business, including your operating model and organizational structure. This is best accomplished by designing your own system to meet your needs (Fundamental #3)
3. When a process-based system is properly utilized, the key decision-making processes are regularly practiced and improved, allowing for the speed and control necessary for agility (Fundamental #2)

The next few sections will look at other fundamental factors to making your system work.



#5 Keep it Simple

Summary

- Management Systems naturally grow more complex over time
- A key objective of a management system is to simplify how the organization works together, which means the system itself must be simple
- Keep in mind what the system is intended for, and who it is supposed to help, and build in controls to prevent the system from growing out of control

In previous sections, we've looked at several factors for Operational Excellence, specifically related to your management system. We've established the need to have: an integrated system, a system that allows you to remain agile, a system designed specifically for your needs, and to structure your framework as a set of processes. This article looks at one of the most challenging fundamentals to accomplish, especially given how complex most organizations have become - keeping it all simple.

Complexity – the kryptonite to operational excellence

Any set of rules or instructions is only of value if they are used, and to be used, they need to be simple. Keeping it simple is much easier said than done, and this seems to be one of the toughest challenges in making a system effective.

The challenge is staggering. The US Federal Government revises or adds about 4,000 rules and regulations per year. Add this to the ever-growing list of expectations from trade associations, standard setting bodies, customer and other industry inputs. Combined, no single employee can keep track of every rule and expectation directing his or her job. This is the justification for why companies have management systems.

But therein lies the catch – to get the results you expect out of your people, the management system must make it easier for them to do their job while meeting all requirements. The system should sort and filter all requirements, from regulators, industry

The Voice of the Frontline

- Simplify, simplify, simplify
- We are overwhelmed by conflicting initiatives
- Don’t give us another procedure or rule. We have enough of them.
- Take the stuff off our plate that doesn’t add sufficient value
- You pay us to think. Give us time to do it.
- See our work with your own eyes.

and technical experts, senior leaders and external stakeholders, into a single set of instructions for any given task or role. In other words, the system should do the hard work and be simple enough to use.

Many of the integrated systems in use today have grown in both size and complexity to the point where their effectiveness becomes questionable. Instead of helping mitigate complexity, they get caught in the *Vicious Complexity Cycle*, where issues caused by complexity are combated using additional processes, people or tools. This only introduces more complexity and compounds the original problem.

If the system is too complex, it either becomes a paper exercise that consumes resources or sits on the shelf. One of the keys to making the system effective is to keep it simple. Whether you are starting from a blank sheet designing a new system, or you are looking to improve the effectiveness of your current system by simplifying it, the follow these three rules.

3 Rules for simplicity

1. Before you create, consolidate

Remember that complexity is what we are trying to solve for. When considering any new documents, standing up any new committees or groups, or adding a new process or tool, remember that all of these will increase complexity and consume resources. So before going down that path, carefully consider why the current set of people, processes and tools are failing. Examine all alternatives for removing complexity, including complexity brought on by your strategy.

A few methods you can consider for removing complexity include:

- Consolidate separate management systems, especially if they have redundant objectives like safety, integrity, quality and efficiency
- Clarify the accountability of existing groups and individuals
- Evaluate if current systems and processes are even being followed as intended before re-designing them
- Evaluate your strategy for non-value-added complexity in the form of products, services or markets that are either redundant or that introduce a disproportionate amount of complexity compared to their contribution to your bottom line

2. Remember that the goal of the management system is not to create documents

Too often we encounter well-intentioned management system teams that point to the number of documents they've created as evidence of progress. It's not uncommon to see companies with hundreds of policies and thousands of standards and procedures that sit on the shelf and go largely unused. These two symptoms usually go hand-in-hand.

The management system is not just a conduit to communicate rules, it needs to synthesize them into the smallest set of rules in the simplest, most useable form that will achieve compliance and risk management needs. This is the difficult part as this requires negotiating and compromising between normally siloed groups to sort through conflicting needs or redundant instructions

3. Remember that the front-line doesn't care about your MS framework or document hierarchy

This may sound harsh but it's the truth. The only ones who really care about the management system and how sophisticated it might be are those who create it. The front-line doesn't care. They just want to know what is expected of them. The more we complicate this by dispersing these instructions across multiple documents, the less useful it is for them.

Keep the document hierarchy and structure simple and clear. Avoid the trap of making your document hierarchy match your org structure. Most of the time, this leads to either many unnecessary documents being created, or a confusing document landscape where front-line employees don't know what to look for when seeking instructions.

Be overtly specific about the role of all document types within your management system. For instance, what is the purpose of a policy vs. a standard vs. a procedure. Make sure that if someone picked up any document in your system, they could easily know if, and when, it applies to them. And finally, be clear within your governing documents about what is an expectation and what is a recommendation.

Tying it together

You can't just add simplicity, you must instead address the issues that led to a lack of simplicity. Beyond the rules stated above, the other fundamentals in this whitepaper can unlock simplicity in your organization. For instance:

- An integrated management system will remove complexity from redundant/conflicting systems
- Clarifying ownership & accountability is necessary to avoid duplicate/conflicting roles
- A process-based structure will help identify gaps or overlaps in ownership & accountability
- A compatible culture and an adaptive approach to technology will help you get the most out of existing processes and tools, helping curb complexity from unnecessary or unmanaged change

#6 Don’t Adopt Technology, Adapt To It

Summary

- Technology can help achieve operational excellence, but it isn’t dependent on advanced your technology is
- Operational Excellence requires a holistic approach to technology where the objective is adapting to tech rather than simply adopting it
- This approach expands the focus from implementing new technology to the systemic issues impacting how well the organization prepares for and utilizes its tools

You can’t talk about operational excellence without addressing the role of technology. Its impact is so pervasive in every part of the business that it can’t be left as an afterthought. Furthermore, part of our definition for Operational Excellence is “delivering sustainable leading performance”. With how rapidly technology changes, a company cannot expect to sustain operational excellence without an effective way of keeping up with technology.

The key question is: how do Operationally Excellent companies differ in their approach to technology?

Before diving in, we should clarify our intent. When most people talk about OE and technology, they tend to focus on making the case for typical OE software solutions such as tools for performing risk assessment, tracking audits and incident investigations, or creating procedures. While there are hundreds of great tools out there that add value when properly utilized, the more pertinent discussion starts at a higher level. Before considering specific tools, OE begins with your company’s overall approach to effectively adapting to changing technology.

Going back to the question, there are definite differences in how OE companies approach technology. One would assume that OE companies typically are also high-tech, but this isn't always the case. We’ve seen OE companies span most of the adoption spectrum, from early adopters to laggards. We've also seen many companies that are constantly adopting the latest tech and are nowhere near OE levels of performance. It doesn't come down to how much technology they use, but rather how selective they are and how effectively they adapt to it.

How OE companies select what new technology to adopt

They start with the problem, not the product

Conversations about improving the business shouldn't start with the solution, and this is especially true of technology for two reasons.

1. The first is bias. Of all ideas that come across executives table, considerations for new technology are among the most susceptible to the Appeal to Novelty fallacy, meaning it is easy to favor it over the status-quo simply because it's new and modern. When the conversation starts with the technology, the evaluation process tends to succumb easier to biases and inaccurate information.
2. The second reason is that technology can offer deceiving promises and mask the real root causes. A very good example is collaboration-tool overload. The University of Virginia estimates that knowledge workers spend about 70-85% of their time dealing with meetings, email and other forms of collaboration, leaving them very little time to create value. Every collaboration tool claims to improve employee productivity, but over-collaboration is rarely made better by adding more technology. What we've seen instead is, as it has become easier and cheaper to collaborate, it hasn't improved productivity. Instead of reducing the cost of collaborating with a small group of people on a project, it has encouraged collaboration with a much larger group. As some are

beginning to realize, collaboration tools mask the true causes over-collaboration such as improper organizational design, unclear accountability and cultural barriers.

Technology is part of a larger discussion

Companies that effectively and repeatedly adapt to new technology start the evaluation long before considering any actual technology. They have an ongoing, honest discussion about the business needs and issues before considering potential solutions. Despite how elementary this seems, it's much harder to get it right than it sounds. Many companies find these discussions rarely translate to or influence conversations about technology. This goes back to our Fundamental #1 about integrating disparate management systems. If conversations around the biggest risks to the business never translate to the conversations around technology, you are operating with separate management systems.

Getting this right requires gaining a clear understanding of the complex issues affecting your organization. Rather than starting with the symptoms, begin with a thorough evaluation of the root cause and the complexity of the issue. More advanced organizations use their ERM program to consolidate risks across the business, prioritize short and long-term objectives, and thus identify the tools needed to reach those objectives.

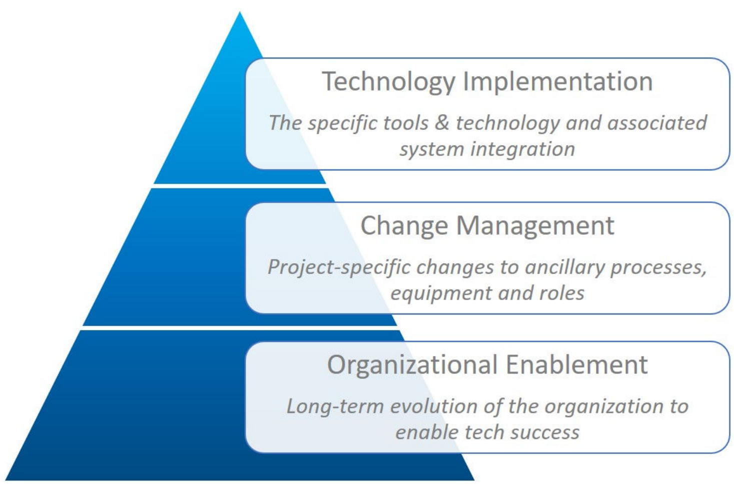
By using this approach, OE companies are in the driver seat. They are better able to identify what technology they need, even if it doesn't exist yet and they need to be the ones to create it. It also allows them to have a broader picture of the issues and create a holistic solution to a complex problem

OE companies don't adopt, they adapt

The second main difference for OE companies is how effectively they adapt to new technology. Here we should be clear – where many companies view new technology as an issue of adoption, OE companies view it as an adaptation challenge. When you adopt technology, the primary focus is adding that technology to the system. When you adapt to technology, the primary focus is changing the system, whether that requires additional technology or not.

To illustrate this point, think of the adaptation process in 3 stages, all of which need to work in unison for any technology to deliver on its promise.

1. Technology Implementation
2. Change Management
3. Organizational Enablement



Technology Enablement

The most basic stage is Technology Implementation, meaning the integration of the actual technology platform. This relates to how well the specific tool or technology is integrated within existing platforms, systems and data.

Change Management

The next stage is basic Change Management necessary to ensure proper communication, training and documentation for the new technology. Most companies do these first two, and they do them on a project-specific basis.

Organizational Enablement

The third stage is where many companies fall short, the Organizational Enablement. This refers to the long-term evolution of the organization to enable successful integration of future technology, and includes far-reaching changes to the operating model, organizational capability and knowledge, and even cultural norms and biases. These are factors that impact the effectiveness of many separate technologies but are too large of an undertaking to be included within the change management for most single tech projects. Organizational Enablement is not specific to any single technology, as efforts to enable the organization are difficult to justify in the ROI for a single project.

For example, training is a critical part of any new tool. That training would be much more effective if incorporated into the ongoing training program and something like a web-based LMS, especially if certification is involved. An LMS would be difficult to justify for a single piece of software but aggregating the value of an LMS across multiple new platforms and skills makes it much easier to justify. More importantly, Organizational Enablement is treated as an ongoing effort that is reevaluated and adjusted as needed. Continuing with the training example, this allows insights from training specific to a previous piece of software to be used to make future training more effective.

Lastly, Organizational Enablement isn’t only about enabling future technology. Like a tide that raises all boats, it is used to improve the effectiveness of existing technology. For instance, going back to the issue of collaboration overload. Often, project teams use collaboration as a safeguard against the repercussions of making a mistake, as a sort of insurance. What if that team was given greater clarity around accountability and if the culture empowered people to make decisions? Project teams in organizations where this is the case are far more productive, even without the latest collaboration tools.

Where to begin

Operational Excellence requires having a long-term view of where your organization is going, and the role technology will have in shaping that journey. When it comes to technology, start by clarifying and prioritizing your company’s organizational needs. From there you can develop a better picture of your technology needs along with key organizational and strategic changes necessary.

#7 Establish Clear Lines of Ownership and Accountability

Summary

- Ownership and accountability are critical to operational excellence, primarily to your ability to continuously improve
- A lack of accountability can set you into a spiral of continuous change, create redundant controls, add cost to your improvement efforts and hold back innovation
- To improve ownership and accountability, a simple 4 step evaluation will reveal systemic factors and allow improvement across the organization

Operational Excellence doesn't happen overnight, but rather through diligence and perseverance. Thus, every OE program is built on some basis for continuous improvement, with most programs using some variation of the traditional PDCA (Plan, Do, Check, Adjust) cyclical process. The specific mechanics for how this is done vary from company to company, but the primary intent remains the same.

We won't spend time re-iterating the importance of a formal Continuous Improvement (CI) program. It's more interesting to examine why CI continues to allude many companies despite, and sometimes due to, their CI programs.

Continuous Improvement, or more specifically the C and the A in the PDCA process, can be made ineffective by one single factor – ambiguous lines of ownership and accountability. We'll illustrate this through four examples

4 Ways inadequate ownership and accountability is holding back continuous improvement

1. Never-ending process change

Every company at one point or another experiences an incident caused by one of its employees not performing as expected. In a healthy company, at least part of the solution includes addressing employee under-performance, but in an organization without accountability, this lever is unavailable.

What ends up happening is the blame is transferred to something else. For instance, if an incident is caused because an employee fails to follow a procedure, instead of addressing the employee, the procedure is blamed. This not only reinforces the negative behavior, which will almost guarantee it will happen again, but it also wastes the organization's resources changing procedures and retraining against the changes. It becomes a never-ending cycle of continuous change, but not necessarily improvement.

2. Redundant improvement efforts

The thing about improvement efforts is that they rarely target an issue that is unique to any small group of people. Even if the symptoms are concentrated, the causes might be complex and involve widespread factors. Combine this with well-intentioned employees, and leaders championing change, and you get redundant solutions to shared problems. In one company we evaluated, this resulted in 4 separate initiatives to fix the same process. In another company, we found that any given task for operating a piece of equipment could have between 2 and 7 procedures, often with serious contradictions. The important thing to note isn't the magnitude of the issue, but rather that it came about through employees with good intentions trying to address an issue. Without clear lines of responsibility and accountability, this is bound to happen.

3. Costly improvement

Unclear lines of accountability and responsibility can also cause the continuous improvement process to become overly laborious. Whether it's over-collaborating, wasting time identifying who needs to be involved, or redoing work, the process will go on far longer than it needs to. This is not time that is spent adding any value.

4. Holding back innovation

This last impact is probably one of the most overlooked consequences. Real innovation requires adapting to changes, some of which might be inconvenient or difficult at first. You could have the smartest team in the world trying to improve something, but if they are unsure of their ownership, they will hold back. The symptom of this is when continuous improvement starts becoming more about making everyone happy than about making the necessary changes.

How to fix ownership and accountability

Ownership and accountability are not easy to correct, but the process is not complex. Some perceive the idea of improving accountability as an exercise in punishing employees, and over time even the word accountability has taken on some negative connotations. Our approach to this is the opposite; we believe most employees want to do the right thing and often something else is influencing their behavior. In the simplest terms, the objective of clear ownership and accountability is to have everyone do their part to do the right thing.

Viewing ownership and accountability in this sense allows us to break it down into 4 steps you can evaluate in any scenario.

In order to do the right thing, an employee must:

1. Do your people want to do the right thing?

This one is simple – do they want to do what they are accountable for? Do personal or group interests get in the way of their responsibilities? If they are misaligned, it could be an issue where the employee's values do not align to the company's values, or it could be more complicated where the employee is forced to sacrifice competing priorities such as their personal life for company priorities.

Much progress has been made in this area to remove that competition and allow employees to improve their work/life balance. The biggest improvement comes when employees are given actual ownership and trusted to deliver without micro-managing how they need to work to accomplish this.

2. Do they know what the right thing is?

This is where most employees get tripped up most often – they want to do the right thing, but they aren't sure what that right thing is. Maybe it changes depending on who the shift leader is that day. Maybe their accountability was never clearly communicated so there is a difference between what they think their job is and what their boss thinks it is. What about how instructions are communicated through governing documents? Is it clear what instructions apply to them, and which are mandatory vs. suggestions? For instance, if you have recommended practice documents that contain many "shall" statements, it can be confusing to know if they must follow that recommendation or treat it as a recommendation for consideration.

If this is where the process breaks down, there are some simple steps you can take. A quick diagnostic is to identify ownership of the different parts of the value chain, ownership for each management system process, and the accountability for existing governance structures. Starting here will lead you down the right road to identifying misalignment and ambiguity that are holding you back.

3. Are they able to do the right thing?

If your employees know what they need to do, do they have the capability and capacity to do it? This can take the form of hard and soft skills, having access to the right tools and information, or simply having the capacity to complete all their responsibilities.

The capacity aspect is why this step comes after knowing who owns and is accountable for what. Outside of front-line operations, about 3/4th your employees' time is spent in meetings and answering email. Clarifying ownership and accountability allows people to be more selective about who they invite to meetings and who gets added to an email chain.

4. Are they recognized for doing the right thing?

Of course, over time, it doesn't matter what you tell employees to do but rather what they are rewarded for. If they are told they own a certain decision but are chastised when it doesn't match what someone else wanted, it undermines the entire process. This is why this process is cyclical – the reward mechanisms will influence what they want to do and what they think the right thing is.

Improving the reward mechanisms requires looking at all the ways employee behavior is rewarded or corrected, including formal methods like performance reviews and compensation along with informal methods. Are they rewarded for what they do or also how they accomplished it? How timely is the feedback? Finally, pay close attention to how the culture either reinforces or undermines how you are telling your employees to behave.

Where to begin

The 4 parts involved in with getting employees to do the right thing are interdependent but very distinct. The solution will depend on where the process is breaking down and why. Start by understanding where the process is breaking down, looking for systemic indicators.

#8 Establish Governance that Improves Decisions

Summary

- Governance is a critical aspect of a functioning, continuously improving organization
- Many companies take a one-size-fits-all approach to governance, which over-burdens some decisions and turns it into a check-the-box exercise
- Governance should be designed appropriate to the decisions being made, and placed as close to the information source as possible

Governance is one of those terms that makes many people cringe – it invokes images of long meetings, bureaucratic processes and red tape. Yet it is an unavoidable reality that effective governance is a critical aspect of a functioning, continuously improving organization. The key word is "effective"; governance only adds value if it is effective, and not all governance is effective.

Many definitions for "governance" define it as the policies, procedures and rules put in place to control the business. In other words, it's defined by the common methods utilized. Yet, those who have sat through all the meetings, created all the reports and filled out all the forms have, intuitively, questioned the value at some point. When governance is defined by a fixed set of methods, then those methods will eventually be ill suited and that's when governance and bureaucracy become synonymous.

This points to the root of the problem with governance structures – primarily that many companies take a one-size-fits-all approach to governance, and the single approach is quickly becoming ill-suited for modern organizations.

We need to re-think governance for the modern world. This starts with simplifying the definition. The simplest way to think about governance is by its intended outcome, and that is better decisions throughout the organization.

How did we get here?

Traditionally, one of the key challenges with decision-making has been limited information. Those on the front line or even low-level managers had a very limited view of the organization, which hampered their ability to fully evaluate the impact of any decision on the rest of the organization or on other stakeholders. The mitigation was for key decisions to be escalated and dispersed. This practice was based on the fact that information came primarily through interaction, and those higher up the organizational ladder had more interaction with the rest of the organization. Thus, escalation and dispersion typically led to better decisions.

In the last few decades, this dynamic has shifted where now the front-line has access to far more information, and usually has more knowledge about any particular situation than their managers. As technology reverses the knowledge balance, the role of governance has shifted but many are struggling with finding the right fit.

Governance as a hinderance to progress

As companies attempt to adapt to this new dynamic, we've seen governance take on some roles that are counter-productive to progress and improvement. The three most common ways this happens are:

1. Using governance to give a false sense of control and certainty

Our natural inclination is to trust decisions made by groups rather than individuals. We feel better having "run it by" others, even if the decision remains the same. Collaboration can be very beneficial for decision-making, but it can also give a false sense of security. Sometimes escalation or collaboration are used merely as a means of insurance against being the single point of blame for a bad decision. In these situations, governance is no longer about driving better decisions but about creating the illusion of a good decision.

2. Using governance to slow down decision-making

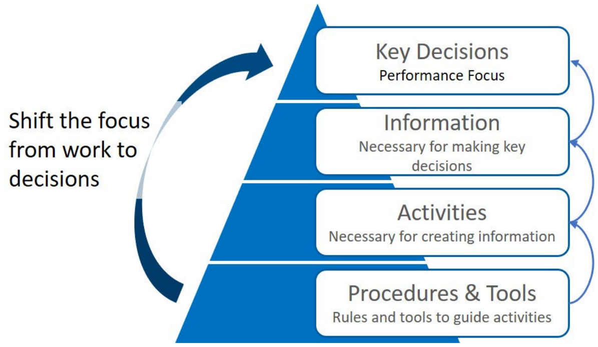
The right decision, made too late, is the wrong decision. Just like we associate decisions made by larger groups to be better decisions, we do the same thing with decisions that we have spent a long time on. Long, drawn out governance structures are sometimes tolerated or embraced because it matches the organization's shyness towards making quick decisions.

3. Using governance for assurance or as "check-the-box management"

Governance meetings can very easily digress into report-out meetings that play the role of assuring the work is being done rather than governing the work. After employees become accustomed to this as the norm, the repetitive governance meetings are little more than check-the-box exercises offering little value to the governors or to the teams doing the work.

5 steps for improved governance

As we've previously discussed, Operational Excellence requires the agility to rapidly adapt to changing environments. Decisions need to be correct, but they also need to be made in a timely manner. Yet the fact remains that decisions aren't all the same. Thus, an effective governance model won't only look different for your company compared to others, it will look different for different decisions. Here are a few things you can do to make your governance structure more effective without becoming overly bureaucratic.



1. Structure your governance model for speed as the default

As the pace of change increases, empower your employees to make decisions as close to the point of action as possible. Escalation and over-collaboration for decisions shouldn't be the norm, as they are neither as effective or quick as knowledgeable, empowered employees. The key for this is focusing on the decisions rather than on the policies, procedures, tools and meetings normally associated with governance. Let the uncertainty and impact of a given decision drive the work spent making the decision and let the uncertainty drive escalation.

2. Build flexibility into your governance for risk-based escalation

Your governance structure will be far more effective if it is flexible enough to match the decision risk and your organization's risk tolerance. This means your governance requirements might look different across your organization, and even differ by the riskiness of a decision. This will free up resources to focus on high-risk decisions.

3. Teach managers to identify key decisions and decision risks

Rather than building your governance for the few, high-risk situations, teach your managers how to identify the risk of a decision and take appropriate action. They should know how their decision will impact the organization. They should know what to do when a routine decision becomes non-routine, and how to measure uncertainty. Just as importantly, they should understand how to effectively escalate decisions through the proper channels. This depends on having the other fundamentals we have discussed in place.

4. Give your employees the tools to make decisions

Incorporate decision-making into all leadership training. Make sure they have access to the right information and teach them how to use that information effectively. Help them utilize information correctly to make data-driven decisions by being aware of common biases.

5. Rely more on self-governance through transparency, accountability and culture

An overlooked buy highly effective means of governance is self-governance. For example, if governance is about better decision making, consider the usual process works for managing employee travel expenses. Many companies utilize a single approved agent or site for booking flights and hotel, which often is not the most cost-effective option. Many companies also require escalation for expense items above a certain threshold. These methods may work to a degree, but they also add cost. Some companies are sidestepping this issue by using transparency instead of formal approvals. For example, a Swiss pharmaceutical company piloted a program in which the travel expenses for most employees were made available to all employees. Despite removing all limitations and guidelines on travel costs, their travel expenses went down.

Where to begin

Governance does not have to be a drain on your organization. Taking into account the considerable amount of time employees spend in meetings, creating and delivering reports, and gathering feedback on their work, improving the productivity of this time alone is worth the effort. However, the value of improving the quality of your organization's decisions through effective governance is worth getting this fundamental right.

#9 Getting the Culture Right

Summary

- Culture can be one of the greatest competitive advantages for any company, helping it stay ahead even if product, process or talent-based advantages diminish
- Operationally Excellent companies treat culture as an ongoing effort to be monitored and nurtured
- Culture is more than values, and changing culture takes more than posters and pep talks

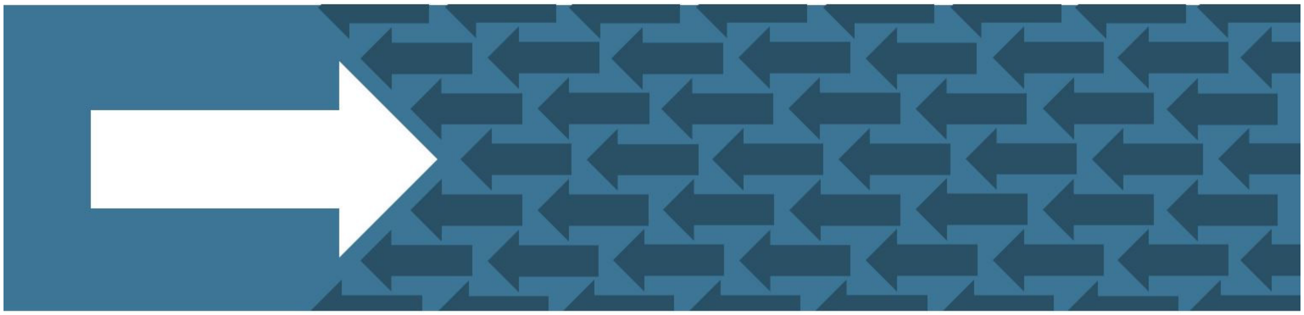
Culture seems to be one of the trendiest buzzwords. Following high profile incidents in nearly every industry, culture has been elevated to priority status for many senior leaders. A 2017 report by the Business Transformation & Operational Excellence World Summit revealed that "improving company culture" was the most critical challenge facing operational excellence practitioners for the last 2 years.

Operational Excellence depends on a healthy, cohesive culture. The question isn't why, but how.

The most common justification for focusing on culture is for avoiding incidents, but the stronger reason is as a competitive advantage. Your culture can be the strongest competitive advantage you have. It can magnify your return on investment in talent and technology, and it can compensate for shortcomings in your processes. It can make you more reactive and adaptive to change. It is well known that diversity breeds innovation and progress, but your culture will dictate the extent to which the ideas and opportunities that diversity provides are allowed to flourish or be extinguished.

Getting your culture on the right track

Despite the popularity of culture improvement initiatives, many companies still struggle with making any real progress. Not to oversimplify the challenge, there are four primary steps on this journey that we want to highlight because they are where most companies struggle.



1. Define your desired culture

Culture change cannot begin without defining your target. What do you want your culture to be? The tricky part is defining it in a meaningful way. These are two best practices for improving how it's defined.

First, define the culture by observable behaviors rather than desired outcomes or goals. For instance, some companies use their corporate values to define their culture. Values inevitable contain "things" or "outcomes" that are important but difficult to consistently translate into behaviors. Whether you use your values or something else to define your culture, you need to go a step beyond the "what" you want to do and define the "how".

The second is make the definition short enough so it's easily remembered and applied in the moment where you want it to influence how employees behave. If you have a list of 20+ values or characteristics, your employees won't remember them all. Highly effective cultures can be narrowed down to a handful of characteristics that apply to every employee to guide their behavior.

2. Translate and communicate your culture to each employee

Culture will never be changed through a few posters on the wall and leaders mentioning its importance at town halls. Culture is reinforced or changed in every interaction between the individuals that make up the culture. To change the culture, you need to take your definition for desired culture, then translate and communicate it to each employee. Show them how the desired culture manifests in their normal day-to-day actions.

3. Treat your culture as an ongoing effort

This is perhaps the area with the most opportunity. Culture change efforts take time, and they are difficult. If culture change is driven by the temporary momentum following an incident, that momentum will always run out before permanent change occurs.

Commit to culture change by making cultural improvement an ongoing part of running the business. Build on the desired culture by incorporating cultural measures into your interviewing and onboarding practices. Reinforce the culture by embedding the desired culture into individual performance assessments. Periodically measure the culture through objective tests. Forget employee engagement surveys – they are unreliable measures of culture. Engagement surveys primarily measure how satisfied and happy your employees are, so keep in mind that culture change will initially challenge many of your employees and make them uncomfortable.

4. Exemplify your culture

This should go without saying, yet it remains a critical opportunity. The most important factor for changing culture is leadership examples. If leaders are measured and rewarded on a biased scale, culture "change" will never happen. The important thing to realize with this is that every employee can play a leadership role to someone else, every employee can lead by example. This means any employee has the capacity to kick-start a culture change. You don't need to wait for a corporate initiative for funding, or for everyone to get on the same page. Start with your circle of influence and go from there.

Where to begin

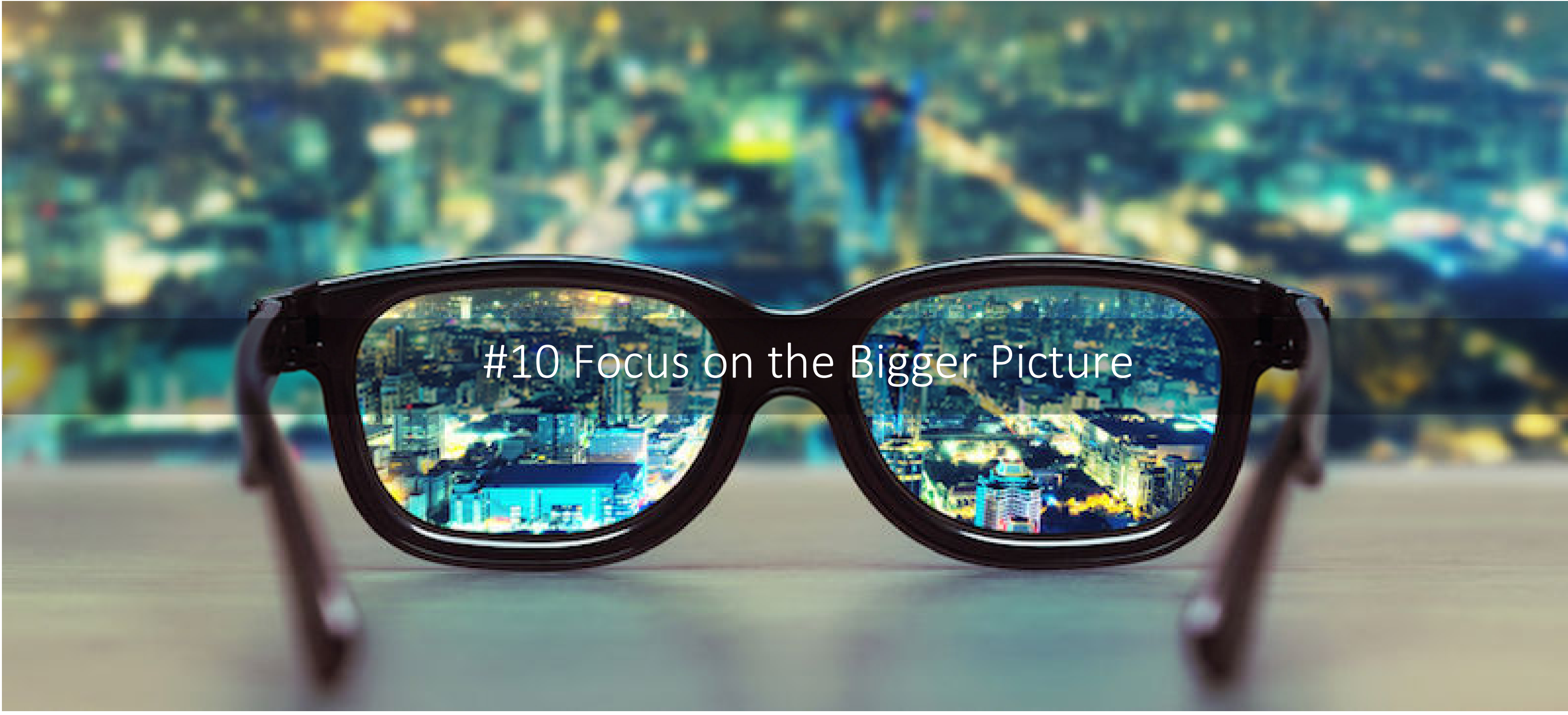
Culture change is hard, but it isn't complicated. It doesn't require sophisticated technology or a highly coordinated plan. With a clear direction, patience and persistence, any company can change transform its culture. Creating a cohesive culture begins with understanding the current culture and level of misalignment. The best way to do this is through an objective assessment to evaluate where, how and to what degree any misalignment exists.

The true measure of high performance culture

For the best results, seek out a comprehensive assessment that:

- Measures the culture across different levels and locations
- Isolates cultural factors from outcomes like collaboration, innovation or engagement which depend on multiple variables beyond culture
- Comprehensively evaluates both the culture along with the ecosystem that rewards and reinforces the culture

Our culTRUE™ is a great place to start. Call us to find out more.



#10 Focus on the Bigger Picture

Summary

- Don't lose sight of the objective of your OE efforts
- Many OE programs get launched and, years later, after hundreds of changes, little has really improved
- At the end of the day, the shortest path to Operational Excellence is one that makes it easier for your front-line employees to create and deliver value

We've seen successful Operational Excellence programs across many industries. While they all have something that is unique and different, there really is no single formula, methodology or tool that will work everywhere. Indeed, it is much easier to identify the things that will prevent your OE program from delivering value than the things that will be guaranteed to work for you.

Among the top of the list of things that can derail your program is losing sight of the bigger picture. This is much easier to do than you would expect. For most OE programs, the lag time between implementation and value creation can be years. This can make it difficult to provide proof of progress, even if you have reliable KPIs. In these cases, it's easy to lose focus and sacrifice long-term transformational improvements for short-term gains.

Symptoms of losing focus

1. Equating staying busy with progress and improvement

Continuous change doesn't always equal continuous improvement

The most common symptom is getting stuck in the bad habit of measuring progress and success by the amount of work being done. With this symptom, the focus is placed on tangible things like the number of documents created, the meetings held, or the percentage of employees that have gone through some form of training. This is a difficult rut to pull yourself out of once employees get into the habit of equating staying busy with creating value. As mentioned earlier, the lag time between initiating an OE program and seeing substantial value creation can be years. In that time, the only available measures are leading indicators measuring the work done. At some point, however, the work should taper off and lagging indicators should begin to show progress.

Enablers:

- Treating your OE program as a project
- An inadequate

2. Avoiding difficult issues

The value of a management system is the sum of the misalignments and issues it resolves

Imagine a scenario where you have a well-defined plan for implementing your OE program, and everything is going according to that plan, except for one group who disagrees. This common scenario plays out in every company, and the way they address it can reveal if the program will be successful. One option is to ignore or downplay the feedback from that group to stay on schedule. The more challenging, yet correct, option is to address the issue. Keeping in mind that a key objective of an OE program is to align the organization, disagreements should be seen as an opportunity to correct foundational issues. Sweeping these under the rug might help the project stay on schedule, but it defeats the purpose.

Enablers:

- Unified Systems, where the objective is to create an additional system rather than address issues of the existing ones.
- When OE programs are treated like projects with fixed deadlines and strict plans
- Unclear governance over the management system processes

3. Changing the outputs, but not the system itself

An OE program that doesn't change how leaders behave and make decisions is worth its weight in paper

How does your company react to an incident? Most companies, when evaluating corrective actions for an incident consider the factors that may have directly caused the incident. For instance, if it's a case of an operator making a mistake, they question if the documented instructions were correct, if the operator received enough training, or the operator followed the instructions and training. Somehow, these factors continue to be found as the culprits, but few stop and ask themselves why that situation could exist. For example, if a procedure is found to be incorrect, sure it needs to be updated, but why was it incorrect in the first place? The answer is a systematic issue, and if an issue in the system allowed that procedure to be incorrect, it likely allowed many other mistakes as well. Any changes to the output (the documents, training, etc.) without addressing the system is temporary at best.

Correcting this requires a shift in focus from worrying about the outputs of the system to the system itself. The telltale sign is whether your system focuses only on creating requirements and rules for the front-line, or if it also resolves how managers make decisions that impact the front-line. Does it drive alignment and consistency in how management works together, how they behave, and the information they consider in making a decision? If your system never impacts their decision-making process, and if your culture improvement excludes leaders, you might be missing opportunities to make drastic improvements.

Enablers:

- Leadership that views the culture and management system as something for "others" to follow
- If the MS framework is missing the key decision-making processes used to run the business

Where to begin

Considering the effort required and how easy it is to get off course, periodic course correction is key. A few best practices are worth considering:

Build in and reinforce the habit

The best course correction happens frequently and early on. Encourage a questioning attitude and strongly consider constructive feedback from all levels of the organization. The goal is to work through these issues rather than subjugate them.

Network outside of your organization

Those outside your organization will naturally be more objective, so seek out mentors and collaborate with other professionals for periodic feedback.

Bring in 3rd party experts

Sometimes you reach a point where you need someone to come take a look under the hood. Experienced advisers can provide a rapid assessment of opportunities and can often be more effective in communicating those opportunities.

Endeavor Management can assist in getting you started. Whether you would like more details on building in frequent course correction, getting in touch with other professionals in your role, or a cold-eyes look at your system, we can help.

About Endeavor

Endeavor Management is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

Our clients include those responsible for:

- Business Strategy
- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm's 40-year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor's clients span the globe and are typically leaders in their industry.

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