

# BREAKING BOUNDARIES

for Operating Excellence



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## Four Systems to Significantly Improve Operating Performance

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### The Objective

The objective of this, and every **BREAKING BOUNDARIES** from

Bovino Consulting Group, is to improve the operating



performance and profitability of your business. This **BREAKING BOUNDARIES** will define the four systems that represent the foundation for a HIGH PERFORMANCE ORGANIZATION.

Each of the four systems that form the foundation of a HIGH PERFORMANCE ORGANIZATION will be further explored, in detail, in future **BREAKING BOUNDARIES** ... Stay tuned!

## The Relentless Battle for Operational Excellence

Every company, large or small, public or private, hi or low tech, capital or labor intensive, people-paced or machine-paced, customer focused or commodity based must, be relentlessly dedicated, and laser-guided, to improve every aspect of their business.

Unfortunately, in some organizations it is easier to do little or nothing to elevate operating performance.

These organizations simply let their success or failure flow with “marketplace” changes ... clearly a strategy for failure. You cannot create a different future by desperately clinging to your current method of operating. Challenge yourself to break the bonds of tradition.

If your company is not charging ***beyond*** your industry’s “best practices” your competitors will leave you in their dust with a limping profit margin.

Caution! Never benchmark your company’s operating performance against industry average. Industry average will put you on the fast track toward mediocrity!

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# Four Systems to Significantly Improve Operating Performance

## Every Initiative Must Support the One Objective

It does not matter if you are just getting started with an improvement initiative or you have been formally at the improvement game for many years, you must have a single-minded objective for the initiative.

Too many organizations have improvement initiatives that sound good, but they are not aligned to the core objective of that business. These initiatives have a short shelf life. Organizations often spin up a series of stand-alone initiatives that are well intended, but do not support the reason for the business's existence. Every initiative must be in harmony with the company's core values/philosophies (if they are well defined) and drive the primary reason for the business's existence.

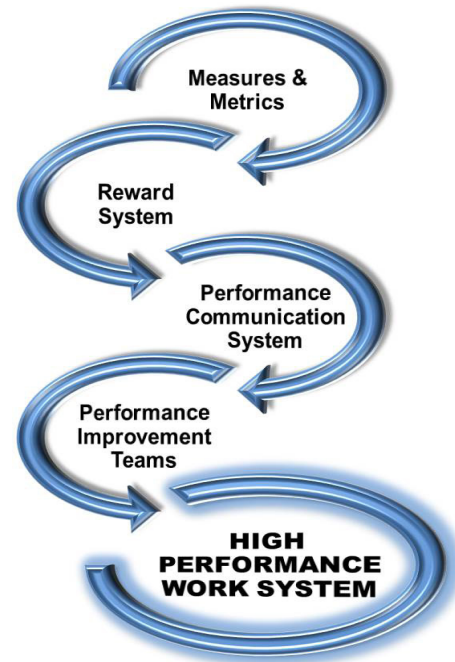


At the risk of sounding like a free market capitalist (it's true, I am), the objective of any business is to make money. Stated more smoothly, the objective of a business is to provide a return on invested capital for the owners/shareholders. The origins of some businesses may have been to provide superior products and services to customers that were poorly served, while other businesses sought to advance technology and creativity to benefit mankind. I don't challenge those reasons; however, unless the business makes money, the other "reasons for being" will not be realized on a sustained basis. The objective of all improvement initiatives must be viewed through the lens of the owners/shareholders, and that view reads, "Drive operating performance to new heights for the purpose of improving profitability".

If you have not created a well-defined culture of continuous and breakthrough improvements it is definitely time to start ... start small or go big ... but start now! **BREAKING BOUNDARIES** will guide you along the journey to excellence.

## Creating a Rock Solid Foundation for All Improvement Initiatives

The foundation of the HIGH PERFORMANCE ORGANIZATION is comprised of the following four systems or building blocks:



With these four systems firmly in place you are well positioned to move forward with a variety of topic-based initiatives that are "bolted on" to the four core systems. These initiatives must support a return to owners/shareholders, and drive results as defined in your Performance Measurement System.

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# Four Systems to Significantly Improve Operating Performance

Some of the “bolt on” initiatives might include: preventive maintenance ... quality improvement ... scrap reduction ... work flow analysis ... customer satisfaction ... technological innovation ... employee wellness ... energy reduction ... equipment upgrades ... capital investment ... material utilization ... short interval scheduling ... quick change over ... cycle time reduction ... leadership development ... inventory accuracy ... the list is endless. If you have selected the correct measures of success, nearly every “bolt on” initiative must support and drive improvement to one or more of your measures.

## The Four Powerhouse Systems ... A Quick Snapshot

*(More information will be written on these four systems as part of our **BREAKING BOUNDARIES** for **OPERATING PERFORMANCE** series.)*

### A Performance Measurement System

It all starts with the correct measures and metrics. The first and most solid principle of improvement is ... “what gets measured gets done”.



All improvement initiatives must begin with deep and well anchored measures. The measures are the starting point for developing performance goals and without goals, optimum business success is impossible.

Measures also provide purpose, direction and the information necessary to achieve meaningful improvement.

The measures at the business unit level (plant, mine, refinery, mill, distribution center, etc.), are often called Key Performance Indicators (KPIs).

They become the only factors upon which the Incentive Pay System is based and reflect the only performance information to be included in the Performance Communication System.

**MEASURES & METRICS ... GET IT RIGHT THE FIRST TIME is the title of the next **BREAKING BOUNDARIES**. A full description of and the wisdom behind a two tier measurement system will be fully explored.**



### An Incentive Pay System

The first law of economics is NOT “supply and demand”. The first law of economics is “Incentives Matter”.

“What gets measured get done” is true. “What gets measured and rewarded gets done to a greater degree” is also an important take away message.

Well-designed and implemented variable pay or incentive pay systems, driven by

factors that employees can understand and influence, that produces a “meaningful and timely” financial reward, will change employee workplace behavior quickly and on a sustained basis.

The 20 basic principles of well designed variable pay or incentive pay systems will be the topic of an upcoming **BREAKING BOUNDARIES**. Failing to effectively implement those principles may leave you with a lifeless incentive plan.

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## A Performance Communication System

Unfortunately companies do a marginal job of effectively communicating operating performance to their employees in a visual, timely, easy to use, repetitive, and understandable format.



A soon to be released **BREAKING BOUNDARIES** will discuss the characteristics of a well designed communication system that gets and keep employees informed. Basic communication platforms and a few very unconventional communication tools having pronounced impact on employees' performance will be highlighted.

A uninformed workforce is destined to achieve predictable levels of marginal performance ... clearly not a winning formula. An excellent performance communication system is an absolute necessity. Effective communication systems present the most recent performance and performance trends, along with the incentive pay that was earned (or lost) as a result of the performance.

PI Teams are strategically positioned, trained, and charged with assaulting the inefficiency and waste that exists at all levels of most organization. Every company is "TARGET RICH" with opportunities for improvement. PI Teams are an excellent forum for systematically pursuing those opportunities.

An upcoming **BREAKING BOUNDARIES** will dive deep and present a PI Team structure that works ... produces business results.

## The Seamless Integration & Linkage of the Four Systems (most companies miss this key point with their continuous improvement activities... the most important point of this **BREAKING BOUNDARIES**)

Today many companies have reasonably good operating performance measures ... about 35% of companies have some form of incentive pay system ... very few companies do a good job at communicating performance results ... and even fewer companies have effective and long-lived continuous improvement or (Performance Improvement Teams) or any other effective system to capture and implement employees ideas for betterment. Unfortunately, very few companies weld the measurement system to the incentive system to the communication system to the performance improvement team system ... A huge missed opportunity.



## A Team Based Improvement System

The Performance Improvement (PI) Teams are the heartbeat of a HIGH PERFORMANCE ORGANIZATION and must be in constant motion to stay alive to produce the business results. Your employees are oozing with concerns, issues, solutions to problems and ideas to achieve new and heightened levels of excellence.

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# Four Systems to Significantly Improve Operating Performance

The above four systems are the foundation for a HIGH PERFORMANCE ORGANIZATION and *must* be seamlessly linked and aligned to each other.

Here is how to achieve the four system linkage and alignment:

**STEP # 1 ...** Define your **business goals** and identify the business unit's measures of success. These are the Key Performance Indicators (KPIs) that are defined in your **Performance Measurement System**.

When correctly designed there is perfect linkage and alignment between the **business goals** and the **Performance Measurement System** defined by the KPIs. For this discussion, let's assume your business has developed six KPIs.



TAKE HOME MESSAGE ... "Measures must support, reinforce and drive your business goals."

**STEP # 2 ...** The **Incentive Pay System** becomes perfectly linked and aligned to the **Performance Measurement System**, by only including the same six KPIs in the **Incentive Pay System**.



TAKE HOME MESSAGE ... "That which is measured is also rewarded."

**STEP # 3 ...** Now for the **Performance Communication System**; the primary Performance Communication document is the Monthly KPI Report (reviewed with employees in small group meetings). The only information in the Monthly KPI Report is the operating performance results of the same six KPIs and the incentive pay earned (lost) from the same six KPIs.



TAKE HOME MESSAGE "That which is measured, is rewarded and is also communicated to employees."

**STEP # 4 ...** Enter the **Performance Improvement System**; the primary forum for capturing, evaluating and implementing ideas for improvement, cleansing the organizations of behavioral toxins, shedding stale approaches to operating performance, solving operating problems and enhancing efficiency is the Performance Improvement (PI) Team. The sole focus of the PI Teams is improving the business as defined by the same six KPI.



TAKE HOME MESSAGE ... "That which is measured, is rewarded, is communicated to employees and is also the sole focus of the PI Teams."

**YOU NOW HAVE PERFECT LINKAGE AND ALIGNMENT BETWEEN THE FOUR FOUNDATIONAL SYSTEMS FOR A HIGH PERFORMANCE ORGANIZATION.**

**This model will produce heightened levels of operating excellence, meaningful levels of incentive pay for employees, a more informed workforce and improved profits.**

Do you want to take the next step toward implementing these four systems into your business?

**Call Bovino Consulting Group today!**

Thanks for reading,