

# WHEN THE RUBBER HITS THE ROAD

Instituting a culture of  
continuous improvement



# INSTITUTING A CULTURE OF CONTINUOUS IMPROVEMENT

In one guise or another, businesses have been working for decades with management philosophies such as Six Sigma, Lean Manufacturing, TQM, Balanced Scorecard, Requisite Organisation, Management by Objectives and others.

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These philosophies have evolved – and been branded – successful programmes at major corporations. Now just about every organisation worthy of the title deploys one, or several, in the quest to improve performance and gain more from their people and assets. Ultimately the value in these philosophies is not in fixing ad-hoc problems, but in establishing an organisational culture where continually improving is the natural order.

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There is no question that these philosophies have the potential to bring about substantial benefits. In every industry there are well-documented successes where operational cultures have been transformed and companies have achieved dramatic gains in asset utilisation, service, quality, profitability, ROI, ROAE, market share and market value.

However, the high rate of failures in matching performance to strategy is disturbing to many CEOs and boards. These failures also receive far less publicity, so the lessons learned are not as readily shared. The difficulty for businesses, and the reason why so many of these programmes end in disappointment and frustration, is the chasm between the textbooks, management training and theories, and how they are applied.

Implementation is the touch point; it is here that middle managers are asked to change their thinking and their behaviours and where theories are tested at an operational level. This is where the rubber finally hits the road.

# WHERE CONTINUOUS IMPROVEMENT FALLS SHORT

*Despite the good intentions of boards and the cooperation of bright and ambitious managers, many CI programmes lose their momentum and become tangled in unproductive effort and ballooning costs. Here are a few standout reasons.*

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The brand hype often leads to managers slotting these philosophies into categories without truly understanding their application.

## SKEWED BY THE BRAND NAMES

Several CI management philosophies have become international brand names in their own right. Managers learn about them at university and in various training programmes. They read about them in the media. Executives transport them from one organisation to the next. For many there is a natural level of comfort that comes with operating in known territory using terminology they are conversant with. Additionally, with the brand name there flows an added element of confidence and an expectation of success; it worked for them, there's no reason why it shouldn't work for us.

The other side of the coin is slightly less shiny. The brand hype often leads to managers slotting these philosophies into categories without truly understanding their application. This has the dual impact of constraining thinking and leading to the automatic selection of the wrong approaches and tools.

## YES, IT'S THE RIGHT ANSWER – BUT NOT FOR HERE

Six Sigma, which has been around for several decades, is an excellent case in point. It can be a highly-effective quality improvement programme with the ambitious aim of eliminating virtually all operational defects and errors. (To achieve Six Sigma status, companies need to reduce those defects and errors to just 3.4 per million opportunities.)

Six Sigma is ideally suited to a steady-state production environment; whether that involves manufacturing computer chips or tractor steering columns, or processing batches of credit card applications. Plug Six Sigma into a discontinuous and less predictable environment – such as an underground mine, where the location of equipment, people and the factory floor physically change daily – and, unless you adapt the application to the environment, the cost and effort are likely to outweigh the benefits by a hefty margin.

There is an obvious need to identify and link the right CI approach to the industry, operating environment, problems and objectives of each business. However, most managers don't have the knowledge and breadth of experience to analyse what's available and which is the most likely to deliver the required performance improvements. As a consequence, they tend to match the task to the tools instead of the other way round.

## TAKING TOO BIG A BITE

The focus should be on fewer but higher-yielding transformational projects that impact on the whole business and substantially raise performance.

Some companies take a highly ambitious approach to CI. Directors and executives see it as an opportunity to bring about a complete transformation of the business culture and set about covering the entire organisation in a bright new cloth.

While this can bring about wholesale change, it is also very difficult and risky. With too much happening, too many projects on the go, and insufficient resources to prioritise and control them, results will often disappoint. The outcome is likely to be a costly loss of business improvement opportunities that were within reach, and a loss of management confidence in the specific approach and the general benefits of business transformation.

Our experience shows that many organisations can achieve far more – both in short term returns and in instituting a resilient CI culture – by avoiding a proliferation of narrow based improvements. Instead the focus should be on fewer but higher-yielding transformational projects that impact on the whole business and substantially raise performance.

## WE'LL SUPPORT IT WHEN IT SUCCEEDS

It is not uncommon for senior executives to hold back their support for CI initiatives until they see the results flowing in. In many cases that alone will ensure that the flow will be a trickle.

If the senior management team want CI to succeed, they need to show that they support it and overtly demonstrate their belief in the process. A great deal can be accomplished by executives living the behaviours they advocate and reinforcing those behaviours through consistent use of language and terminology. Typically, a CEO who states that CI is an evolutionary process, that people should experiment and not be afraid of mistakes, will foster innovation and ownership at all management levels. When the same CEO starts hammering the table demanding quick fixes to elaborate problems, inspiration quickly turns to cynicism and managers rapidly retreat into their shells. Similarly, if senior management want change but tolerate middle managers who block it, the rest of the organisation will soon get the message that it is OK to resist.

# WHERE CONTINUOUS IMPROVEMENT SUCCEEDS

There is no set formula. Every organisation has its own issues to face. History, culture, industry, size, structure, location, maturity, skill base, as well as specific operational problems and opportunities. However, there are common issues that should be addressed by each organisation in its own way. Over the next few pages we have outlined some of these.

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# ALIGN CI TO YOUR STRATEGY

*There is a significant difference between fixing isolated productivity, quality or cost problems and developing a culture of continuous improvement.*

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In most leading organisations there are always operational improvement projects on the go. Some are narrow in scope (for example improving a shift changeover) others are more broadly based (for example streamlining the supply chain).

Characteristically there will also be a number of training programmes underway to improve management capabilities; from technical disciplines to leadership skills.

All too often, once managers receive the necessary training, they are given access to the tool box and cut loose to identify and fix problems within their sphere of control. While this may bring operational gains, they are likely to be narrow in focus and therefore bring only marginal benefits to the organisation. See side bar.

Companies that make the leap to the next level – not just improving, but continually improving – tend to be those that successfully align CI to strategic objectives.

Whether those objectives are to meet levels of demand, strip out costs, improve service and product quality, replenish depleted reserves or any other worthwhile aim, they should serve as the kernel for CI activities. Around this, organisations can start to build a manageable system for complex transformational change – with projects carefully and rationally selected, prioritised, managed, worked on, and communicated.

Have you considered:

- whether your strategic objectives are clearly understood by your management teams?
- which business units have the potential to drive performance?
- where each business unit sits within the improvement cycle?
- how improvements in performance will impact strategic objectives?

## RIGHT RESULT, WRONG TIME

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An improvement team at a global mining company invested considerable time and effort to increase the utilisation of truck tyres. The results of their efforts were successful and they recorded a gain of some 30%. However, the organisation was grappling with a significant shortfall in the production of metals. The improvement in tyre utilisation had virtually no impact on this. The same effort directed at a project that aligned to increasing production would have yielded valuable improvements and would have ricocheted around the organisation. Once the organisation was past the big ticket items, the small, specific projects would take on greater value.

# DEVELOP A STRUCTURE FOR SUCCESS

*An important starting point for any organisation embarking on a CI programme is to ascertain who is accountable for making it a success. Then build a structure and allocate the resources that will enable that success.*

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Clearly any new management philosophy should be directed by the executive team that drives the business – the highest levels of the organisation’s management. However, even the most charismatic and effective leaders cannot bring about change on their own. There aren’t enough hours in the day. It is necessary to establish a stable structure with transparent levels of authority and accountability, along with a formal reporting mechanism.

This structure should be used to establish who has executive responsibility for key decisions (such as the selection and resourcing of projects), how those decisions will be made, and to distinguish between the roles and responsibilities of the programme sponsor, owner, manager and other stakeholders.

Once those roles are established, there needs to be a mechanism to coach and mentor the occupants. In most instances, this will be a new experience for them and they are likely to encounter barriers and objections that they are unprepared for and can’t find answers to in the text books. It may not take much to knock them off course. Equally, it may not take much to set them right again.

## PROJECT TEAMS OR A CI DIVISION?

In general there is little benefit in establishing a CI division, other than as a supplier of technical resources and as a supervisory function to ensure the integrity of the process. It is all too easy for a specialist division to become an outrider group, isolated from the mainstream of the organisation and a sole arbiter of which projects to undertake. Clearly this also concentrates skills in one area – not the most effective way of making CI a part of the organisation’s culture.

CI teams should ideally be assembled to achieve a particular task, taking responsibility for leading the project and executing the plan. And then disbanded.

CI teams should ideally be assembled to achieve a particular task, taking responsibility for leading the project and executing the plan. And then disbanded. This gives managers the opportunity to up-skill and gain exposure to methods, techniques and tools that are not part of their usual responsibilities and to take these back to their line roles.

## THE VALUE OF A REVIEW BOARD

It is worthwhile establishing a formal review board to approve, steer, direct the emphasis, assess opportunities and otherwise instil confidence in the programme. Review boards should reflect the way decisions are made in the organisation and ensure that the appropriate people are accountable, responsible, participate in and review decision-making.

Have you considered:

- how project teams will be assembled, mandated and led?
- will they be permanent or formed according to the need and the opportunity?
- how projects will be resourced?
- what mechanisms are in place for continual feedback, evaluation of performance and assessment of opportunity?
- who will coach and mentor the occupants of key roles?

# MARKET CI PROFESSIONALLY AND INTELLIGENTLY

*Although CI is usually mandated, each level of management must be persuaded to accept it on its merits. CI will not succeed if it is forced down their throats; it has to be effectively marketed and communicated both internally and externally.*

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Persuading senior managers to buy into CI is hard. Partly because of their desire to protect their comfortable ways of operating. Partly because they seek to protect initiatives that they have already started. And partly because CI is rarely positioned to them well or sold to them effectively.

Marketing CI has to be approached on the assumption that not everyone will appreciate how wonderful it is and immediately want some. Many managers and operational staff have been overexposed to improvement programmes. Going to them with something that sounds like 'the same old' with new packaging is likely to be seen as just another fad in a long line of them.

When managers are presented with an initiative that they do not own, where they have not been part of the journey, have not experienced the highs of successes or the pains of failure, where they can not see the true value or understand how change works, then they will push back. They will find their own way of solving problems with disjointed results that are often a long way from the target.

## OVERT SUPPORT FROM THE TOP

There is no question that CI must have, and be seen to have, the active support of the CEO and the senior management team. This can't stop at a speech or two and the occasional memo. It requires high visibility, continuous support, and a demonstration of that support through decisions and actions. Equally when individuals and groups succeed, the CEO and senior managers should lead the recognition of their achievements.

One of the more effective elements in marketing CI is to demonstrate and communicate the successes and ensure that credit is given to those who have a right to it.

## DEVELOP A FULL-ON MARKETING CAMPAIGN

To sell CI internally, as well as to external stakeholders, requires a well-thought out communications strategy. Organisations need to determine what messages to communicate, to whom, by whom, through what methods and with what frequency. Again, each organisation will have its own approach to marketing the benefits (to the organisation and to the individuals who climb on board) and communicating specifics such as what materials are available and how to use them.

In some cases it may be wise to avoid a polished marketing campaign in favour of direct, personal communication. Particularly if previous programmes were over-marketed and under-delivered. In other instances professional marketing support and materials may be required in order to demonstrate that the organisation is serious, committed, willing to put its name to CI and to invest money and resources in its success.

## SUCCESS IS A HEAVY BREEDER

One of the more effective elements in marketing CI is to demonstrate and communicate the successes and ensure that credit is given to those who have a right to it. That includes communicating the lessons learned along the way, as well as gains in performance. Letting people know that some things may take a little more time or even fail, and celebrating the successes, sends a powerful message to the organisation and encourages the doubters to climb on board.

Have you considered:

- a marketing and communications plan; internally and externally?
- what your message is, who will deliver it, how and how often?
- what your marketing and communications budget should be and what resources you will need?
- what materials and media are required to support communications. For example audio-visual, road show programme, PR, written documentation?
- which projects can be used to demonstrate success?
- how can the benefits of CI be explained and answer the question 'what's in it for me'?
- whether to brand CI, and if so what the brand attributes should be?

# CHOOSE THE RIGHT TOOLS

*There is a better-than-adequate array of tools, techniques and methodologies available to most organisations – either already in place or in the public domain. And in many cases, the ability to apply them either exists internally or can be quickly learned.*

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Tools, techniques and methodologies are rarely the barrier to success. If anything, organisations have too many of them available and too few people able to fully understand or utilise them.

Clearly there is more to making a positive change than knowledge of techniques. There is a skill to knowing which stage of the improvement cycle you are in, which tools to use, when to use them and how to interpret the data that is gathered. Managers need to be coached in selecting the appropriate tools for the strategy, developing them as needed and refining them as they are applied. It is also worth having a few core tools that are taught and deployed consistently across the organisation.

The methods managers adopt for choosing tools need to be clearly defined and be user-friendly. Modules should cover aspects such as analysis and business case development, project design, project management, measurement, communication, skill development, supervision development and organisational development.

Have you considered:

- what tools, techniques and methodologies are needed?
- what is in place, what is available in the public domain, and what needs to be acquired, invented or customised?
- what learning, e-learning and self-learning resources are needed?

## NOTHING NEW

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There is not much that's new about the materials – in fact quite the opposite; the key to success is using them correctly.

# RECRUIT AND DEVELOP THE RIGHT PEOPLE

*Typically the best source of recruits is up-and-coming managers from within the company; people whose skills the organisation wants to enhance (a simple criterion is whether or not they are candidates for promotion). Early adopters are preferable. They should be team players who share the organisation's values and have a commitment to it; not individuals seeking to build themselves into a key-person empire.*

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A well-designed CI programme enables managers to learn by experiential and cognitive methods. It puts in place form, structure, priorities, technique and emphasises their development needs. Ultimately the hands-on experience these managers gain will be a key factor in growing the next generation of leaders.

Two guidelines worth following are not to place team members on projects in their own area of the business or involve them in projects in their own area of expertise. Primarily this is to avoid bias and preconceived ideas on what the problems and remedies are. It also eliminates, or reduces any baggage that managers may be carrying that may adversely impact on their relationships with other CI team members or people within the area in which they are working. One of the key objectives of CI is to encourage objective and innovative thinking. Bringing across managers from other departments and disciplines is a good way of achieving that.

## SUCCESSION PLANNING. HAVE YOU REALLY TESTED IT?

When you remove managers from their usual roles and assign them to a project team, by default, they are usually replaced by one of their immediate reports. This gives the new generation of managers an early opportunity to experience the next level of management and to demonstrate their skills and capabilities. In addition to keeping the organisation dynamic it puts succession planning to the test.

It is at this point that many organisations that believe they have a robust structure and sound succession planning get a rude awakening. Good managers tend to be in important roles. When they are allocated to CI teams, cries of 'you can't take them, they are key to our operations' start to echo. Instead of drafting the best and the brightest for CI projects, there is a risk of allocating managers who are less than capable or enthusiastic and somewhat marginalised from the management team.

It is good discipline to return CI team members to their original line-management positions where they can put into practice what they learn.

At some point it may be necessary to bite the bullet, temporarily release good managers from their role and either give other staff a chance or recruit from outside. We have seen a number of clients take the risk and been rewarded with outstanding performances by young managers who have gratefully embraced their opportunity.

## HOW DO YOU TRAIN THEM?

Before managers are placed on CI project teams, they should be put through intensive training programmes that include rapid exposure to parts of the organisation beyond their usual domain. This gives them an understanding of how different functions – finance, IT, technical centres, manufacturing centres etc. – work together across the organisation.

Training should also cover analytical tools, motivation, interpersonal and leadership skills, organisation and process flow analysis, project management, meeting management and so on.

## UP THE LADDER ON MERIT

Between 6 and 12 months after a project commences, it is good discipline to return CI team members to their original line-management positions where they can put into practice what they learn. Rather than place them in a higher management position (as they often expect) give them room to use the skills they have acquired to move up the ladder on their merits.

Have you considered:

- how will you choose CI leaders?
- how will they be inducted?
- what skills and tools to provide them with?
- how their performance will be evaluated and by whom?
- how you will remunerate and reward them?
- how you will return them to the mainstream?
- what are the organisation's skill gaps?
- who has responsibility for training: HR, divisional management, other?

# CREATE A PROCESS FOR SELECTING AND PRIORITISING PROJECTS

*In general there is a distinct benefit in tackling larger whole-of-process engagements rather than a proliferation of smaller ones. Small projects are often overhead-heavy, chew up significant resources for limited results, and take the place of larger projects that present broader strategic opportunities.*

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Deciding which projects to undertake should be determined by an analysis of the business drivers. This will frame their scope, approach and sequence. However, end to end projects, larger in scale, have the benefit of crossing departmental lines and require more disciplines, structured project analysis, design and implementation. All good attributes in building a CI organisation.

In addition to size and scope, a sound approach (in particular during the initial stages) is to focus on projects that provide tangible and measurable returns, are achievable in a relatively short time frame, and are therefore easier to communicate and market. Typically these are projects that increase throughput, increase the availability of equipment and lower production or processing costs. It is also worth considering projects that are geared to achieving improvement targets that managers regard as difficult or unattainable in the normal course of events.

Extending the scope into cross-functional projects, involving support services such as purchasing and accounting, can be important in cementing a new culture and in preventing the backslide that often accompanies programmes of this nature. While results in these areas are not as measurable in dollar value, they are clearly noticeable in faster, more consistent and more accurate reporting.

## WHEN A QUICK REMEDY IS NEEDED

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CI should not replace ad-hoc fixes. When problems arise that require immediate resolution, let managers do their job and attend to them – ensuring that they align with the principles of the CI programme.

Have you considered:

- how do you assess and set priorities?
- which business units are most likely to drive performance higher?
- what are the performance drivers in those units?
- what you can accomplish in reasonable time frames?
- who is accountable for selecting projects?
- how sustainable are these projects?
- what changes will be in evidence?
- how will the lessons be communicated and sustained?

# PUT IN PLACE SYSTEMS TO BUDGET, PLAN AND MANAGE PROJECTS

*Operational improvements need to be elevated from ad-hoc projects to medium to long term deliverables for key operating assets. Start with a strategic view of what needs to be – and what can be – achieved and give priority to those projects that will yield substantive financial and operational results.*

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As with every other aspect of management, there needs to be a system that drives and controls projects and ties them to budgets and plans. This includes a formal process to select, analyse, design, implement, measure and track ongoing progress. While this is an elementary function of project management, if there is no system in place to measure and manage projects, the potential will not be realised and the momentum will not be maintained.

## LEAVE IT UNTIL LAST

Budgeting and planning must align all the elements of CI: strategy, roles and responsibilities, marketing, tools, selection of people and prioritisation of projects. As with all budgeting processes, once the costs and the bottom line become visible, people are forced into reviewing their original intentions – to decide what is truly worthwhile pursuing and what is on the wish list of things that would be nice to have in a utopian environment.

That said, there is considerable merit in leaving the budgeting until last – otherwise there is a serious risk of constraining thinking and missing out on creative solutions.

## PART OF THE JOB

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The odds of success increase exponentially when managers stop regarding CI as a task to be undertaken when their day job is done. It has to be positioned as the way the company works – now and into the future. The first leg of a race with no finishing line.

Have you considered:

- how budgeting and planning practices will be translated into activities at business unit manager level?
- how variances will be highlighted and corrected?
- how benefits will be captured and reported?
- how project results will be amalgamated and fed back into corporate budgets and plans?
- how project resources and expenditure will be controlled?
- how you will measure effectiveness?

# CHOOSE EXPERIENCED PARTNERS WHO CAN SUPPORT YOUR PEOPLE

*External partners can provide the disciplines to accelerate change and the experience to overcome many of the risks and problems that derail CI programmes. But, organisations need to use them cleverly and sparingly.*

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Many organisations use external consultants to implement projects deemed too complex to manage internally; especially those projects that reach across multiple departments and processes. This approach gives rise to two traditional problems.

Firstly, operational managers are not involved in development of the fix or its implementation until late in the programme, and they have little by way of emotional buy-in or personal stake in the success. Secondly, much of the thinking and knowledge disappears when the consultants do, along with the enthusiasm and momentum.

However, consultants, partners, coaches – whatever name they go by – can be a significant factor in successfully instituting CI, and are especially valuable in the early phases. Experienced consultants bring you the knowledge gained in managing similar projects, and often do so at a fraction of the cost, a fraction of the time and a fraction of the pain of working it out yourself. They help to maintain momentum and ensure that people and programmes are not sidetracked and that methodologies are not diluted.

Importantly, they help your managers apply what they learn with greater confidence and certainty. No matter how good the training or the materials, people generally retain about 25% of what they are taught in a block. For the remaining 75%, feed the ideas, information, techniques and examples to them again while they are solving real problems.

The experience your managers gain in applying their ideas, provides a solid base on which they can build the next project and the one after that.

## MAKE IT A TEAM TO REMEMBER

An important issue when utilising the support of external experts is to ensure that their knowledge is transferred in a way that enables your managers to become self-sufficient.

In general, a good way to do this is to assemble project teams with a blend of external consultants and internal managers. This has the benefit of combining the consultants' years of management experience with your managers' years of operational knowledge.

The ideal ratio is 50 / 50. But ratios of one consultant to two or three internal managers can work just as effectively – if the project is suitable.

Use consultants to provide key elements of the training, to provide project skills when and where these are needed, to provide personal support and mentoring, to ensure a disciplined approach is maintained in areas such as roles, accountabilities, scheduling and timing, and to bring much needed objectivity to decisions and measurements.

The knowledge your managers gain in deciding upon and planning projects, and the experience they gain in applying their ideas, provides a solid base on which they can build the next project and the one after that. As the internal take-up of skills and experiences increases, the need for external support gradually reduces and can be called upon only for the largest and most complex projects.

Have you considered:

- how consultants should be engaged?
- who appoints them?
- who evaluates them and using what criteria?
- what authority they have?
- whether you want this to be an arms-length contract or a partnership with shared responsibilities?

## OBJECTIVE VERIFICATION

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CI has been around for a long time and many organisations have highly developed programmes in place. However, it often pays to have an objective, external review. This can be used to assess overall effectiveness, collate perceptions around the organisation, determine where managers see opportunities for further improvements and guide ongoing evolution.

# THE NUTSHELL

*Companies that succeed in implementing a culture of continuous improvement – regardless of their industry or location – tend to be those who approach the task with clear goals and smart disciplines.*

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- They align CI to their business priorities.
- They build CI programmes that are enablers of change; providing the resources and encouragement in a structured way.
- They reward those who support change and whose behaviours are consistent with the organisation's values.
- And they provide visible, consistent support from the top.

GPR Dehler has a long record of successes helping organisations to implement significant cultural and operational improvements to their business. To find out more about our company and the benefits we have brought to our clients, please contact GPR Dehler - email [info@gprdehler.com](mailto:info@gprdehler.com) or visit our web site [www.gprdehler.com](http://www.gprdehler.com).