

IVEY BUSINESS JOURNAL

improving the
practice of
management

PERFECT PLANNING

By Laura Methot, Julie Barker-Merz, Carolina Aguilera, and Steve Jacobs

Reprint #9B16TB01

RICHARD IVEY SCHOOL OF BUSINESS FOUNDATION March/April 2016
COPYRIGHT © 2016

To order copies or request permission to reproduce materials, please contact:
Ivey Publishing, Richard Ivey School of Business Foundation
c/o Ivey Business School
Western University
1255 Western Road
London, Ontario N6G 0N1
Tel: (519) 661-3208 Fax: (519) 661-3882
Email: cases@ivey.ca

Ivey Business Journal
is published by Richard Ivey School of Business Foundation
a division of
Ivey Business School
For information, please contact:
Ivey Business Journal
www.iveybusinessjournal.com

Email: ibjonline@ivey.ca

Richard Ivey School of Business Foundation prohibits any form of reproduction, storage, posting or transmission of this material without its written permission. Reproduction of this material is not covered under authorization by any reproduction rights organization.

Perfect Planning

By Laura Methot, Julie Barker-Merz, Carolina Aguilera, and Steve Jacobs

Improving performance in just one area is rarely easy, which is why trying to achieve multiple performance-improvement goals at once often seems impossible. The sheer number of metrics and improvement techniques involved in the process can overwhelm even the best workers, who often get confused by management's well-intended attempts to reinforce multiple goals. Employees wonder if they should focus on production goals or safety goals or environmental goals or quality goals. As they contemplate priorities, they ask, "What does management really care about?" And a cynical answer often emerges: making more money.

Good leaders, of course, care about every objective, especially those related to employee wellbeing, not to mention environmental and community concerns. And yet, even the commitment of good leaders to these things often gets lost in the minds of workers, who frequently fail to obtain the focus needed to take new actions required to meet objectives.

So what can we do to improve the performance-improvement process?

We've found that focusing an organization around a perfect day can help. Now, when we talk about a perfect day, we obviously don't mean literal perfection. We are not talking about operational problems magically fixing themselves, or equipment that works beyond specifications while employees hold hands and sing Kumbaya. We're talking about defining a series of goals that, if all were met, would comprise success on just one day.

In order to establish new production capacities in 2013, for example, a global mining outfit embarked on three-month production test runs at two of its recently expanded sites. In the past, the company in question typically put an emphasis on safety and production when conducting test runs. And in keeping with the mantra that only "safe tons" mattered, personnel ran the equipment hard, stretching and stressing facilities to their limits while fixing problems as needed. This time around, however, leadership challenged conventional wisdom by asking an intriguing question: What would a perfect day look like at their mining operations?

After considerable deliberation, the perfect day was defined as one in which the company's enhanced production goals were met with no equipment failures, no personnel injuries and no environmental incidents. Management then challenged themselves and the company's workforce to deliver perfect day after perfect day throughout the test-run period.

It was a tall order, but people all the way down the line rallied around the goal of achieving perfect days. And the results were extraordinary. Production at both mines exceeded expectations, demonstrating increased capacity of over 20 per cent while setting new safety records. Incredibly, the plants and equipment emerged from their test runs in better condition than at the beginning of the perfect-day challenge.

Defining a perfect day is a powerful way of getting people focused so that they can achieve profoundly new performance. This article examines this simple, practical, back-to-basics approach to improving performance to help organizations clarify what needs to happen to set the stage for sustained, long-term change — and understand how to energize teams to get it done.

We first came to appreciate the usefulness of defining and aiming for a perfect day while working with a global energy company during the early 2000s. The company's refinery operation was in poor shape. Safety performance lagged. Equipment malfunctions routinely disrupted operations. Plant reliability was low. And nearby communities were frequently alarmed by environmental incidents that aroused public opposition and created a steady stream of public relations nightmares.

Not surprisingly, this plant had received bottom-quartile ratings on an important industry index for several years when the company hired a veteran troubleshooter to serve as the refinery's new general manager (GM). Looking to dramatically improve performance, the new GM implemented operational excellence initiatives within the plant. In addition to setting top-quartile performance goals, he refreshed the business strategy and he realigned senior leadership. He ensured that the most capable people available were in key roles. And he launched employee-engagement initiatives.

The solution to the company's operational woes seemed to be in place. However, after six months in play, the solution had no impact. The refinery's on-site performance hadn't budged. Workers were still getting injured. Operations were still shutting down almost daily. And environmental incidents still occurred at an unacceptable rate.

After digging deeper into the company's performance issues, the new GM discovered that employees didn't really understand what was important to focus on during day-to-day operations. They wondered if production was more important than limiting safety and environmental risks, with most concluding that production was the main goal. To the GM's chagrin, he also discovered that few employees had any enthusiasm for his performance-improvement initiatives because they believed the top-quartile goal was unachievable. Even safety-improvement objectives spawned apparent apathy because the refinery was located in a high-crime region of a developing country. As one employee explained in stark terms, "I have to worry about staying alive just getting to and from work. Wearing my safety goggles once I get here just isn't a big priority."

To achieve lasting change, the veteran troubleshooter in this case quickly realized that he first had to reframe performance improvement in a way that could get employees excited about the objective, or at least make them believe the objective was doable. So rather than dwelling on stretch targets for year-end, he and his turnaround team thought up and applied the concept of the perfect day. Employees at this trouble-prone developing-world refinery were asked to simply focus on achieving just one day in which the things that were most important to their operation all went well. This simple-to-understand goal then became the basis for a turnaround with unprecedented bottom-line results and positive culture change. It took a couple of months of managers and employees working together to achieve the first perfect day. Within nine months, however, environmental performance improved by 67 per cent while safety performance jumped

83 per cent. Meanwhile, there was a 92 per cent decrease in lost profit opportunity (LPO) arising from plant disruptions. Simply put, performance gains on safety, environment and LPO far exceeded management's expectations.

This success story led us to realize that many organizations struggle with excessive complexity in their performance-improvement initiatives. At some of our clients' facilities, employees were forced to contend with wall charts that contained a dozen or even two dozen metrics. We spread the word about what happened at the refinery that focused employees on a perfect day, and we saw success replicated by clients that embraced the concept. Indeed, we have now seen management teams apply this approach at numerous diverse organizations and achieve similarly impressive performance gains.

The perfect-day approach isn't about a single day. After achieving one perfect day, the goal becomes achieving two perfect days in a row, and then lots of perfect days. Companies that have succeeded with the perfect-day approach have taken four key steps.

First, as we've seen, leaders have aligned senior management around a definition and measures of the perfect day. Next, leaders have worked with managers across their sites to generate area- and team-level goals that, if attained, would produce the desired improvements. In other words, they've zeroed in on the leading results that contributed to the overall opportunity and those parts of their operations' areas that could have the most impact. At the mine, for instance, leaders realized that by addressing the reliability of critical equipment, they could decrease unplanned production disruptions, which would have a positive impact on their goal of "safe tons."

The third step has been to home in on the workforce behaviours critical to attaining the perfect day. At the mine, leaders determined that if mill operators improved the regularity and quality of their daily circuit checks, they could dramatically impact equipment reliability. Similarly, mine maintenance crews could help enhance production by ensuring the timely and complete turnover of equipment to production crews.

The fourth step has been aligning leadership behaviours across the organization to ensure that the right consequences exist to help motivate desired behaviours. At the mining company, leaders defined key performance indicators (KPIs) and goals for each level of the organization, from senior leadership all the way down to crews on the ground. For each level, leaders identified a small number of high-impact behaviours that would support the change and yield the desired results. For instance, front-line supervisors would conduct formal safety inspections throughout each shift using a standard checklist and then share feedback with employees. This behaviour was so important that leaders tracked it throughout the three-month test runs, discussing progress on daily shift boards and in department meetings. They also coached managers so that they could guide and support teams throughout the run. As the mine's leadership discovered, if every on-site team achieved its own safety- and production-oriented perfect-day goals, that would add up to immense success at the site level.

Of all the steps described above, the last two — identifying the most important behaviours that would drive team-level results and aligning leadership behaviours and results across the organization — comprise the real "magic" of the perfect-day approach.

Leaders so often pass over behaviours. Focused as they are on taking long-term strategies and translating them into short-term operational plans, they think it's enough to train people, tell them what to do, give them some tools and expect them to take action. But that isn't enough. As decades of research in behavioural science have shown, nothing really changes until behaviour changes, and the right kind of behaviour change doesn't just happen on its own.

The perfect-day concept works precisely because it fixes attention on behaviours and the results they produce, and does so in a way that feels manageable and realistic.

Leaders at both the mining company and the refinery asked a number of questions designed to facilitate behaviour change: What does a perfect day look like? What must people do to achieve a perfect day that they aren't already doing? Are teams clear about what they need to do, how they need to do it and why? Do teams possess the required skills and resources? Are people motivated? Are they receiving regular feedback individually and in groups? And if teams lack any of these elements, what's the plan for providing them?

Yet merely identifying desired behaviours and results at the team level doesn't go far enough. You must also maintain a clear line of sight across organizational levels as well, aligning everyone around the desired outcomes and their contributions to the desired change. To do this, start with identifying your business outcomes (at the mine sites that was "safe tons"). Next, follow the data pathways to area- and team-level results (at the mine, these included feet cut per hour or pump reliability). Figure out which individuals, through their words and actions, have the greatest impact on those results and identify the critical few, most important things they need to do, such as starting equipment on time or completing circuit checks. Finally, get your leadership engine in place to support performance excellence. The only way to guarantee that a business unit will have a perfect day is to make sure that everyone knows the few "right" things to do and that they receive reinforcement for doing them.

At the refinery, getting all of these elements of a perfect day to happen initially seemed difficult. But at department and shift turnover meetings, teams identified small behaviours that could make a difference. For instance, workers noted that they couldn't wait until machinery broke and then be content with fixing things promptly — they had to act in ways that prevented breakdowns. This insight led to behaviour change. Every morning at shift meetings, supervisors started to ask workers, "What could go wrong today? What could hurt us today?" And those conversations, which were tracked by leaders to make sure they took place, yielded specific actions that teams could take each day to prevent mishaps. By simply following through on a series of pinpointed behaviours such as this, workers at the refinery moved from daily firefighting to daily surveillance and prevention.

Once critical behaviours are pinpointed and aligned, leaders incorporating the perfect-day approach apply fundamental principles of behaviour science to influence behaviour change. They work hard to ensure that the right conditions exist to support the workforce and leadership doing the right things every day. They talk to people on the ground to make sure they understand worker challenges and can move to remove barriers. They communicate broadly and frequently to make sure that everyone knows what is important and why. Leaders make sure all concerned have the training, tools and motivation necessary to do their jobs the right way. They share

frequent, fact-based feedback with all levels so that people know what they are doing well and where they can improve. They recognize employees often and loudly, helping them to feel good about their accomplishments. They share safety, productivity and other relevant data every day so that people can see how their work contributes to the overall success of their sites. They treat failures and missteps as learning events, rather than as opportunities for flogging.

By following this approach, leaders and workers feel like champions after meeting their perfect-day goals, not to mention beating their corporate targets.

One industrial client we've worked with applied the perfect day to 16 business and functional units in its organization, and every one of them achieved the desired performance improvements. But the approach is not just for industrial ventures. Anecdotally and theoretically, it is broadly and deeply applicable across business units, functions and industries. In conversations with managers across a number of non-industrial sectors, we found many leaders enthusiastic about the perfect day.

Bank of Montreal executive Julie Barker-Merz, one of the authors of this article, imagined for us a perfect day in financial services. As she sees it, it would be a day when all systems are stable and all transactions are processed seamlessly. There would be no client wait times. Every customer call would be handled on first contact. Every customer would be able to find what he or she needed on the bank's website. Employees, meanwhile, would feel empowered to serve clients well without any internal processes impeding customer service.

Nick Sarillo is founder of Nick's Pizza & Pub, a two-restaurant chain in suburban Chicago, whose per-unit revenues are among the highest of all U.S. pizza restaurants. He is also author of the book *A Slice of the Pie: How to Build a Big Little Business*. He envisioned a perfect day for his business as follows: "Our guest check averages would be at their highest levels, we would exceed our forecasted sales, the team members on the shift would affirm and deepen their trust in one another, and they would leave both excited about what they had accomplished and about the prospect of coming back to work." Sarillo went further, reflecting on a few of the critical behaviours that team members would have to embrace to achieve these results. "The teams that open the restaurants in the morning would be very clear about forecasted sales and track whether they prepared the required amount of vegetables, meats, and other pizza components. Managers would make sure the restaurants were properly staffed, and they would hold inspiring and exciting pre-shift meetings. Meanwhile, trainers and team members would recognize the positive behaviours of others and link them directly back to our organization's values in conversation."

It's clearly not a stretch to think about applying the perfect-day approach in all sorts of operational situations, ranging from mergers to technology implementations. In fact, it can be applied in any situation governed by a clear strategy that has a clear beginning and end to it. All that is required is defining what a perfect day would look like and identifying the critical few behaviours that will get you there.

Higher-ambition companies seeking to achieve a social good could also make significant strides with the perfect day. Whole Foods, for example, aspires to serve the broader community and its suppliers in ways that other grocery chains don't. Applying the perfect day could be a helpful

and practical way of orienting employees around a few critical behaviours that make all the difference. In this way, the company could take a lofty, aspirational mission and translate it into something simple on which employees could focus. We even know of an executive who used the perfect-day concept to achieve excellence in the running of a charity golf tournament.

To achieve sustained performance, leaders often look to the latest trend, tool, methodology or technology. Yet the most effective path to superior execution is much simpler than that. Indeed, performance improvement doesn't have to seem daunting, complex or frustrating. The trick is getting employees back to basics. Focus them on a few key right behaviours, and align the organization around performing those behaviours.

Most businesses already conduct annual planning, setting goals and attempting to cascade those goals down through the organization. The perfect-day approach can attach easily to that existing process, prompting you to crystallize your goals into a single day and then work out a plan for performing the necessary behaviours. Simply by focusing on that critical piece — the behaviours — you'll put your teams on track to dramatically improve how they work and what they achieve.

The perfect-day concept allows you to start small and take a single, manageable step toward operational excellence. Once you experience the thrill of achieving that one perfect day, go for that perfect week, month or quarter. Is it possible to achieve a perfect year? Maybe not, but over time, as you increase the number of perfect days under your belt, you'll become ever more skilled at aligning your people to improve their execution. You'll come to master what lies at the core of any successful change in an organization's operations: behaviour.