

Best practices
for accelerating
performance
improvement*

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About Global Best Practices®

The PricewaterhouseCoopers' Global Best Practices team researches and writes about leading business practices in today's global marketplace. Best practices are the means by which leading companies have achieved top performance, and they serve as goals for other companies striving for excellence. Best practices are not the definitive answer to a business problem but should serve as a source of creative insight for business process improvement.

Introduction

Companies that apply best practices establish a disciplined, replicable process for performance improvement.

In warfare, ancient Chinese military strategist Sun Tzu wrote, speed is the essence. If the campaign is protracted, the resources of the state will not be equal to the strain.

In business too, success often relies on rapid response to changing conditions. Whether the focus is on streamlining the supply chain, reducing operational errors, or gaining greater control over compliance issues, companies undertaking performance improvement campaigns need to stay alert to factors that can impede progress toward swift completion. Delays can arise from unreliable performance data, slow decision making, or the need for rework. Workers' resistance, complacency, and failure to understand the complexity of change can also hold up progress. Companies that apply best practices address these factors by establishing a disciplined, replicable process for performance improvement, leveraging a full complement of performance improvement tools, empowering their workforce, and addressing change management issues that delay implementation.

Armed with instant access to up-to-the-minute, accurate, and consolidated performance information, managers at best practices companies are able to pinpoint the cause of problems more quickly, better assess the strategic value and effectiveness of business processes, and accelerate decision making. And by building flexible operating models that can handle both anticipated and unanticipated change, leading companies can shift between a choice of operating options and make performance improvements fast without distracting or overwhelming their employees.

Yet despite the ability of technological enablers to facilitate more nimble, efficient processes, path-breaking companies have shown that company culture and managerial styles—not technology—matter most when it comes to expediting performance improvements and implementing best practices. They know it is no longer sufficient to simply respond to change by reengineering systems. To keep up with the accelerating pace of business and maintain their competitive edge, they minimize disruptions as they strive to anticipate change and operate proactively and systematically in the execution of adaptations and innovations.

A.

Instill discipline to increase speed.

The connection between discipline and speed may not be an apparent one, but it is at the heart of the ability of best practices companies to accelerate their performance improvement efforts. Working within a disciplined system of performance improvement does not inhibit their creativity or innovation. It channels those qualities along positive, practical avenues, linking them to company goals and strategies. Companies develop a consistent methodology so each business unit does not have to reinvent the wheel when it embarks on its own performance improvement initiative.

A disciplined approach to performance improvement initiatives significantly reduces the likelihood of delays due to performance data errors, backtracking, or omissions. Components of a disciplined approach to performance improvement include:



To accelerate performance improvement initiatives, leading companies pull their value-creating business processes out of silos.

Securing senior management sponsorship. Senior management's sponsorship of the initiative provides the governance, legitimacy, and broad acceptance to keep it moving forward. Without executive level buy-in, the initiative may struggle to secure adequate funding or become susceptible to conflicting agendas and priorities among different departments vying to reap the benefits of the initiative. At leading companies, senior managers sustain enthusiasm and demonstrate support by continually communicating progress in pursuit of the initiative's goals. Failure to communicate performance updates for several months after its launch can prompt worker doubt of management's commitment and cause the initiative to stall or die on the vine.

Taking an enterprisewide view of processes. When functional business units operate in silos, a company loses the agility it needs to manage change quickly. To accelerate performance improvement initiatives, leading companies pull their value-creating business processes out of silos and create a model to define all core processes of the enterprise and its external stakeholders, including suppliers, partners, and vendors. The model, built on an understanding of how each process relates to other key processes and contributes to organizational performance, is an essential first step in the development of a comprehensive performance improvement management methodology. To create the model, the company seeks input by workers throughout the organization and information on enterprise process models within their industry. The resulting document defines process interrelationships, provides a governance structure, and serves as the baseline for improvement efforts.

In addition, companies appoint process owners who are responsible for the performance of the end-to-end process. They create service-level agreements between functional managers and process owners that delineate areas of responsibility for each constituency. These agreements help companies avoid overlapping duties and minimize political turf fights—increasing the likelihood of implementing improvement initiatives on schedule.

Prioritizing improvement initiatives using objective criteria. Performance improvement initiatives compete for scarce human and financial resources. Unfortunately, projects that receive the lion's share of both often have more political clout than strategic importance. Best practices companies remove subjectivity and bias from these decisions by prioritizing processes according to relative strategic importance, current performance level, likelihood of achieving improvement goals, and the ability to measure results.

Leading companies go beyond automation, realizing that automating a poorly designed process only produces mistakes at a faster rate.

Questions that guide prioritization decisions include:

- How much time and money will it take to effect desired enhancements?
- How many similarities does the process bear to processes that have already been improved?
- How do likely risks in the improvement effort balance against possible rewards? (Risks might include downtime, change management issues, and impact on other processes. Examples of rewards might be competitive advantage or the ability to move products to market faster.)

Putting process before technology. Many companies are tempted to rush out and buy the latest technology in order to accelerate their processes and improve performance. Leading companies go beyond automation, however, realizing that automating a poorly designed process only produces mistakes at a faster rate. Before acquiring new technology, these companies determine how the process in question can be redesigned and improved. Once they have clearly defined the scope of improvement efforts required, they turn their attention to selecting technological tools to meet their plans, determining at the outset how well tools under consideration would fit with their existing architecture. Consequently, they increase the likelihood of implementing the tools they select in a timely manner, ideally in 90 days or less.

Applying proven performance improvement concepts like lean manufacturing. Leading companies implement a variety of performance improvement concepts and techniques that have proven their value over time. For example, one popular tool that can be applied to a broad range of performance improvement initiatives is lean manufacturing, a systematic approach for simultaneous improvements in cost, quality, and processing times. Lean manufacturing accelerates performance improvement efforts by reducing waste within a process, with the goals of operating with less human effort, less inventory, and less process time to develop products.

Setting incremental, realistic performance targets. Setting realistic goals for each stage of an improvement initiative helps maintain project momentum. To encourage employees to move from one performance level to the next, best practices companies establish a series of performance targets for their initiatives, such as minimum, medium, and world class, or “stretch,” targets. Companies seek input from business unit leaders in creating these performance goals and take a collaborative approach to target setting. However, the final decision on the target thresholds comes from senior management, ideally the chief executive officer, who can view performance targets objectively, uninfluenced by departmental biases.

Hewlett-Packard Company (HP), headquartered in Palo Alto, California, applied a standardized design for its supply chain management to other design processes within the organization, based on these four steps:

- Prove the concept with early wins
- Formalize the concept
- Formalize the program
- Accelerate adoption

Process owners and stakeholders at the technology powerhouse received awards for achieving early milestones. Rounding out a performance improvement methodology that relied heavily on positive communications, HP created a set of best practices based on the four-step performance initiative and disseminated that information throughout the company. HP businesses that have employed this four-step approach to performance improvement have saved more than \$100 million collectively.

Achieving milestones quickly and announcing them. Leading companies tend to select performance improvement initiatives that not only rank high in strategic importance, but also stand the greatest chance of showing progress quickly. The credibility of an initiative grows with small successes over a sustained period, achieved by moving from one step to the next. The team in charge of the initiative demonstrates the value of the initiative to the organization by posting quick performance improvement achievements in public areas of the workplace.

Measures of acceleration

- How long it takes for the initiative to achieve its first quick win
- Number of initiatives that follow the same methodology for performance improvement
- How often the initiative's performance progress is announced to the organization

B.

Solicit feedback from customers and suppliers early on.

The Boeing Company, the aerospace conglomerate headquartered in Chicago, launched an effort to redesign the way it tracked parts for its military transport plane in order to reduce construction time. The process management team included subject matter experts, all process stakeholders for building the aircraft, and representatives from inventory, shop-floor control, and transportation. All were actively involved in each aspect of the initiative. They analyzed root causes of process problems and determined that bar coding was the optimal means for reaching performance goals. In addition, stakeholders were surveyed to ensure that their needs were being met. As a result, Boeing experienced a 35-plus percent improvement in process quality, an 80 percent reduction in time to execute the process, and a 25 percent improvement in cycle time.

Many companies solicit customer feedback and share product information with suppliers only after the performance improvement initiative has been implemented. Leading companies know customer and supplier knowledge is essential to achieve performance improvement success. Without this input, managers can succumb to invalid assumptions and protract deadlines with excessive redesign iterations. A business strategy that invests in deep customer and supplier knowledge allows companies to see their products and services through customers' and suppliers' eyes. The broadened viewpoint helps to reduce the cycle time to implement performance improvement initiatives. Toward this end, companies develop a central repository of customer and supplier data that helps them analyze these two key constituencies, refreshing that data continually so it remains relevant to their current strategies. And they facilitate improvement initiatives by educating suppliers about their performance expectations and the company's internal processes.

Leading companies include customers and suppliers at each stage of the performance improvement effort, using web-based technologies to gain continual input. Up-to-date information helps minimize rework and revisions to development plans, and provides a basis to validate performance initiatives from concept development and production to delivery and refinement. Companies glean information from customer and supplier focus groups, customer clinics or panels, surveys of lead users, one-on-one interviews, on-site customer observation, sales force information, and customer comment cards.

For example, in the case of a performance improvement initiative that takes the form of a new product rollout, a best practices company would offer its customers access to its new product development project portal from the outset of the initiative. The company would encourage customers to offer opinions about product features and benefits as the project moves through its development stages. The company would make that portal accessible to suppliers as well.

As a result, a supplier might notify the product development team of relevant information about materials, notifying the team, for example, that a part needed for the new product is already being supplied to another division of the company.

Measures of acceleration

- Percentage of new products or services that receive ongoing customer and supplier input before going to market
- Percentage of customers and suppliers linked electronically to the company's product development project portal

The lack of a common performance measurement language is often a major impediment to implementing a performance improvement initiative under deadline.

Leading companies accelerate performance improvement initiatives by following a disciplined approach and measuring the performance of each initiative systematically. They know, for instance, that unless improvement measures are linked to strategy, the measures can steer workers toward stand-alone targets not directly related to the initiative's stated goals. In fact, many of these companies can actually use the number of initiative-related measures that are aligned with overall strategy as a guide in quantifying how long it will take to implement an improvement initiative.

Companies expend their time and resources only on measures that link directly to their strategic goals, such as process efficiency, product quality, cost efficiency, risk reduction, and timeliness. They keep the number of measures sparse, to permit them to act on a performance shortfall quickly. If a company is mired in hundreds of measures, the sheer number of measures can mask the ones most meaningful to performance improvement efforts. In addition, companies ensure that each measure they create is easily understood and actionable. And workers who participate in creating the measures by which they will be evaluated are more likely to challenge themselves to hit their targets, for example, lower accounts receivable days or reduced cycle time. These successes in turn set an example for other workers.

Misunderstandings breed delays. The lack of a common performance measurement language is often a major impediment to implementing a performance improvement initiative under deadline. Leading companies clearly identify the key performance indicators (KPIs) to be measured and develop common definitions for key performance data elements. Giving workers these clear guidelines ensures consistency, accuracy, and speed of information delivery.

Forward-looking companies emphasize KPIs that enable them to identify trouble spots before they become serious—in advance of profit and loss results. In designing their balanced scorecards, these companies review their processes to identify parts of the operation where performance measurement is needed most. In targeting processes with the greatest potential to improve performance, they ask which processes are most important to the organization and whether measuring these processes will contribute significantly to their improvement. To keep the initiative on track, companies use strategy maps to link strategic objectives to the balanced scorecard, enabling them to quickly identify gaps between measures and strategy and determine how to respond. The map provides employees with greater insight into how their contributions directly affect performance and the company's ability to achieve its goals.

Global supply chain operations at Cincinnati-based Procter & Gamble Company used to focus primarily on reducing the cost of moving products. Seeking more in-depth performance information to support its efforts to reduce inefficiencies, the company began to place a greater weight on other supply chain measures, such as how long it takes to get the product on the retail shelf and how quickly the company's supply chain can change its schedule to meet changing customer demands. Putting greater value on these measures allows the company to assess supply chain performance from end to end and to anticipate and correct potential out-of-stock situations. As a result, it is able to hit its customer measurement targets more frequently.

When it comes to initiatives that focus on improvements in measurement systems, leading companies make minor, incremental changes, building from simple and already existing resources. They avoid the time-consuming task of reconstructing the entire measurement system, which would cloud performance results during the overhaul. And they design measurement plans that can be applied in a few months, without requiring formal approval.

Measures of acceleration

- Frequency of disseminating information on performance measurement results
- Frequency with which performance measurement data is updated
- Number of workers outside information technology (IT) capable of generating performance measurement information
- Percentage of each performance improvement initiative's measures linked directly to strategy

D.

Achieve consensus faster through benchmarking.

Benchmarking compares a company's business process, function, or strategy with those of other companies to uncover best practices that will help improve performance. Leading companies use benchmarking to achieve faster consensus on how to proceed with proposed performance improvement initiatives. The quick and effective implementation of change is the determining factor in their benchmarking success.

Sharing best practices data accelerates value creation, but many companies still struggle to capture and transform performance improvement knowledge into a form that can be shared. Leading companies solve the problem with a knowledge-based best practices system that automates access to best practices and standards. These systems simplify workers' search for best practices and other benchmarking guidance by creating a central source for benchmarking information. The approach shortens the time for finding best practices and benchmarking partners while empowering and encouraging employees to implement best practices and undertake benchmarking to improve performance.

By adopting a benchmarking methodology that is applicable throughout the organization, leading companies ensure that every business unit has valid and comparable data. Benchmarking projects are prioritized according to the company's strategic plans, determining which projects have the greatest potential impact on company objectives. Establishing priorities also helps ensure ongoing executive-level support. Companies solicit the insights of the owners of processes to be benchmarked to get input on KPIs, primarily outcome measures such as customer satisfaction levels or employee turnover ratings. And they keep the scope of the project under control by weighing objectives, time frames, and costs, aligning the project's objectives with the company's time constraints.

To help speed implementation of best practices findings, leading companies:

- Provide a forum for all stakeholder to discuss benchmarking methodology, facts, and findings
- Induce stakeholders to voice their feelings about the change
- Include employees in pilot tests for projects
- Provide training so employees can manage new responsibilities or procedures that accompany the change
- Stress the benefits of improvement results to gain buy-in and ongoing support

Ford Motor Company in Dearborn, Michigan, has established a benchmarking intranet site and employs benchmarking leaders and clearinghouse coordinators to bolster benchmarking knowledge and information sharing companywide. From the site, workers can download high-level training presentations, as well as Ford's five-phase benchmarking process:

1. Identify what to benchmark
2. Determine how it is done at Ford
3. Identify who does it best
4. Uncover how they do it
5. Analyze results and implement plans for change

The site breaks down each of these steps into activities to carry out each step and includes benchmarking tools such as a code of conduct, a process map, and a list of internal benchmarking contacts. Also included are a database of past projects, lessons learned, and contacts at other companies. Dedicated clearinghouse coordinators oversee the site and collect benchmarking information from lead contacts who drive benchmarking efforts and information sharing for their territories. These concerted efforts result in an online benchmarking site that helps workers understand benchmarking and learn how to apply it fast.

These companies communicate expectations about the performance improvement initiative and celebrate successful implementation of best practices and improved performance. They combine benchmarking with other performance improvement initiatives such as Six Sigma, the ISO 9000 program of the International Organization for Standardization, and the Malcolm Baldrige National Quality Improvement Award given by the U.S. National Institute of Standards and Technology.

Measures of acceleration

- Average number of days to achieve consensus on improvement initiatives
- Number of improvement opportunities identified through benchmarking in the last three years
- Number of internal best practices replicated across the company in the past year
- Number of improvement ideas generated by workers within the process

E.

Empower workers to stretch performance boundaries.

Arming workers with knowledge of customers and suppliers is central to accelerating improvement initiatives.

Many companies make the mistake of embarking on performance improvement initiatives without seeking input from the people doing the work. This not only breeds resentment, it also eliminates a valuable source of experience and practical knowledge. Workers directly involved in the performance improvement effort become vested in making it work. And leading companies know motivated workers are more likely to keep the initiative moving forward.

Knowledge is not only power. Knowledge is speed. Arming workers with knowledge of customers and suppliers is central to accelerating improvement initiatives. Without this knowledge, workers succumb to invalid assumptions, produce excessive redesign iterations, and end up with off-target products and services. Leading companies know the time and expense to conduct market research and competitive analysis more than pays for itself in the deeper knowledge of customers' needs and expectations, which can eliminate the need for time-consuming revamping and revision.

Managers in an agile enterprise have complete visibility into end-to-end process performance and the ability to make decisions based on what they see. They are able to construct new process models as work is being executed. They use process performance tools such as business process management systems (BPMS) software to help detect and correct errors before those problems have time to grow into major concerns.

At leading companies, performance improvement becomes a natural by-product of worker commitment and empowerment. Paradigms are continually challenged. Workers adapt to new practices more easily and quickly because performance improvement education has become an integral part of work life. And mechanisms are established to resolve conflicting improvement ideas advanced by workers within the same process.

For example, the budgeting manager may push for product or service standardization to reduce process costs. The sales manager may want to make the process more complex, offering extra product options in order to expand sales appeal. Such disputes drag down the progress of improvement initiatives. Companies address them by appointing a neutral facilitator with no stake in the process, such as an external consultant, who diffuses arguments tangential to the main objectives of the initiative and focuses on ways to achieve consensus.

Facing a delivery backlog of up to two years for its popular Sportster model in another plant and growing customer dissatisfaction, Milwaukee-based Harley-Davidson, Inc. designed its motorcycle factory in Kansas City, Missouri to streamline Sportster production by implementing a self-managed culture. To counter poor employee morale, the company gave all employees extensive training covering goal setting, cooperative communication, and performance expectations.

Teams comprising frontline workers, union leaders, salaried personnel, and senior managers established plantwide objectives. Self-managed work groups replaced supervisors, and scorecards helped monitor performance. As a result, productivity improved by 88 percent, the Sportster's 16-to-24-month lead time was cut to just two weeks, and customer satisfaction soared by 200 percent.

Leading companies also develop programs to develop the abilities and promote the well-being of their workers. They know that increasing workers' capacity to work faster and better hinges on improving morale, reducing turnover, and providing a working environment conducive to comfort and productivity. These companies evaluate their talent pool to uncover hidden skill sets, provide the latest training aids, and institute formal recognition and rewards programs. Companies also achieve faster results with improvement initiatives by empowering self-managed teams with the autonomy to make management-level decisions.

As companies empower their workforce, they increase worker accountability. Workers are held more responsible for hitting performance targets because they have more control over achieving those goals than ever before. Accountability for gathering, tallying, and disseminating results is made clear so that reports tracking progress of the new initiative do not become buried paper on someone's desk. Without clear accountability, goal setting often remains a paper exercise that is slow to translate into performance improvement results. Unless workers have specific goals, and unless their roles and responsibilities are clearly presented and agreed upon, performance improvement efforts suffer. Leading companies provide training to managers on how empowered employees will impact their traditional job functions, since middle management may resist having to relinquish power to workers. These forward-thinking companies establish clear lines of responsibility and shift managers' role into oversight functions.

Measures of acceleration

- Number of performance improvement team members with change management skills
- Number of managers able to make a performance improvement without IT staff involvement
- Annual percentage of workforce that contribute best practices insight
- Average time lapse between identifying performance gaps and implementing best practices

Leverage a broad complement of performance improvement tools.

Dashboard users can change a process on the fly without disrupting the process or incurring downtime.

Companies have the ability to empower workers now more than ever, thanks to a variety of performance improvement tools that deliver real-time performance data at the point of need. Leading companies use a variety of these tools to empower their workers, such as:

- Simulation tools
- Dashboards
- BPMS solutions
- Business performance management (BPM) solutions
- Business intelligence (BI) solutions

Simulation tools. Companies use simulation tools to identify the performance improvement tools suitable for their improvement initiative. Simulations allow workers to try the initiative without fear of making costly mistakes, helping them learn complex new business processes fast. Workers use lessons learned from the simulation exercises to guide them through the actual implementation of a performance improvement initiative more quickly, reducing reliance on time-wasting, trial-and-error activities and improving the learning curve. This speed can be especially valuable following a merger or during the implementation of new technologies and other circumstances requiring quick acquisition of new skills.

Dashboards. Choosing the most appropriate measures for each initiative helps focus improvement efforts, and presenting the status of those measures to the right people at the right time helps accelerate completion of the initiative. At leading companies, the tools to accomplish both tasks are performance dashboards. Dashboards provide at-a-glance access to the current status of KPIs as well as automatic alerts when performance dips below minimum levels. Users can drill down into detailed performance data to identify the root causes of problems and address them immediately. Leading companies create a central repository for performance data to feed the measures on its dashboards, so the data is always ready at workers' fingertips. Dashboard users can change a process on the fly without disrupting the process or incurring downtime. The more dashboard users a company has, the greater the number of workers who are informed about the status of a performance improvement initiative.

While real-time performance information offers the potential to accelerate decision making, these opportunities can be wasted if the dashboard user is confused about how to act on that information. At leading companies, dashboard users know how to respond to different types of performance information, and they are empowered to act on their own rather than following an approval process that delays action. The information made available to individual dashboard users is relevant to their job role, designed to help them improve their performance rather than overwhelming them or confusing them.

BPMS solutions. With a reputation for rapid deployment potential, BPMS technology promotes flexibility and speed in resolving process issues. Companies that apply best practices use BPMS capabilities to develop a common language, framework, and business requirements for their processes. BPMS allows them to set business rules that align user responsibilities with process tasks, and receive up-to-the-minute performance data on how the process is doing so BPMS users can address performance issues in real time.

When a problem occurs, BPMS alerts the user, who can reconfigure the process to find a different path without causing failure or incurring downtime. BPMS offers automatic escalations as well, so if someone who normally performs a process function is unable to do so, the software automatically shifts work responsibility to the appropriate person, so little or no time is lost in transferring responsibilities and roles. In addition, companies insert the process knowledge of the absent person directly into their BPMS application. To accelerate implementation, some companies choose BPMS application service providers (ASPs) rather than purchasing and installing the BPMS themselves. Using third-party providers enables companies to avoid the time needed to implement technology and to reduce the expenses associated with a major software purchase.

BPM solutions. Complementing BPMS applications are BPM solutions, which provide analytic capabilities that enable companies to deepen their understanding of progress in performance improvement initiatives. BPM, a group of management and analytic processes supported by technology, helps accelerate decision making by providing insight into current and future performance shortfalls. For example, a company's finance department can use its BPM system to forecast fuel rates and project changes in forecasts as soon as their BPM-generated analytical data signals such a change, without having to depend on IT to provide that information.

To better train its call center employees, New-York based American Express Company re-created its real-world facility in a laboratory environment complete with identical cubicles. The lab combines a replica of the call center database with role-playing software that uses speech recognition to simulate live calls. Trainees first learn about the different types of transactions they will encounter and later take part in simulated calls that require them to practice how they would handle those transactions. The software gives feedback on errors, demonstrates procedures for correct handling of the transaction, tracks performance metrics, and alerts instructors if someone is falling behind.

Call center representatives mastered the skills needed to perform their jobs in just 32 days, significantly faster than the previous 12-week training program. Turnover rates for call center representatives also decreased after the company replaced training with simulations.

BI solutions. Like BPM, BI solutions help companies gain a deeper understanding of the data generated by BPMS. BI presents that information in different ways for different user groups, for example, giving logistics workers data by region or dividing information by customer for sales people. BI helps companies understand performance shortfalls, identify ways to correct problems, and show managers how their processes interact. BI also helps companies analyze events as they occur, and can actually give the process the capability of making its own decisions, for real-time process optimization.

Companies that consistently reap a quick return on investment (ROI) from performance improvement tools establish a clear understanding of their needs before they go shopping for tools. At the same time, they know initial enthusiasm for a performance improvement initiative can wane when the implementation phase gets bogged down by heavy emphasis on systems development and customization. So they avoid prolonged implementation phases, often rolling out the initiative within 90 days of inception, by choosing a performance improvement tool compatible with their existing technological infrastructure. In some instances, they purchase a packaged software solution tailored to the needs of their particular industry. This rapid implementation approach presents performance improvement to the organization as a concept that can make a difference—fast.

Measures of acceleration

- Number of performance improvement tools used for performance improvement initiatives
- Number of workers who use simulation tools to perform their jobs
- Time to achieve positive ROI from performance improvement tool implementations

G.

Improve processes continuously within a performance-driven culture.

While culture may seem like a peripheral concern, it actually pervades operations throughout the company. Culture influences productivity, quality, employee retention, and customer loyalty. It affects speed to market and speed to achieving performance improvement. In organizations that are functional in structure, company culture restricts interdepartmental collaboration and slows the development of companywide performance initiatives that require input and acceptance from cross-functional stakeholders. In contrast, performance-driven companies accelerate improvement initiatives with a horizontal hierarchy that promotes openness and transparency and a culture of unrestricted collaboration that supports the easy flow of information and ideas. By making the commitment and investment to transform themselves into customer-focused, process-centric organizations, these companies can respond faster to changing customer needs than companies bogged down by bureaucracy.

Leading companies disengage conventional thinking, provide connectivity, encourage risk taking, and develop a willingness to move into uncharted territory. They realize making frequent, ongoing adjustments to their processes helps maintain process relevancy, strategic linkage, and strong performance standards. Flexibility in response to shifting needs also helps them avoid long investments of time to overhaul a neglected process. They create a structure to adapt processes to changing strategies through a shared services environment, which provides an agile arrangement for maintaining alignment over the long term. By putting non-core processes into the shared service format, they free time and resources to focus on core processes and link those processes to strategy. And performance measures used to track their process performance focus on corrective action rather than just monitoring or control.

Companies also use rewards and incentives for completion of improvement milestones to sustain momentum. They address worker resistance to change by offering opportunities for personal rewards. And they motivate workers to implement performance improvements with more enthusiasm and pride, leading to faster results.

General Electric Company transformed itself from a slow-moving behemoth to a fast-paced, team-run think tank by promoting process simplicity, employee self-confidence, and speed. Its leadership reasoned that self-confident people inevitably benefit from simplicity in organizational processes, and that self-confident managers do not need the usual overabundance of meetings, memos, approval systems, and strategic planning theories. GE managers generate simple plans, speak clearly, keep paperwork to a minimum, and set clear goals. The Fairfield, Connecticut-based company discovered that courage and clarity gained from self-confidence and process simplicity produce a huge competitive advantage—speed.

Forward-looking companies integrate continuous performance improvement into their organizations by linking it to the annual planning cycle. They use the annual planning meeting to address performance improvement prioritization issues, set performance objectives and anticipated benefits, and create the process improvement initiative budget. The annual planning meeting also serves as an opportunity to appoint performance improvement team members, the process owner, and the champion of the initiative.

Companies that apply best practices in performance management create a central department to prioritize improvement initiatives and share and promote performance improvement knowledge and education. This performance improvement center of excellence (COE) provides access to subject matter experts on different processes and offers a forum for thought leadership. It is a vehicle for ongoing acceptance, understanding, and communication of performance improvement concepts and best practices. The most effective COEs help IT staff increase their business skills and business staff increase their IT skills, purposely blurring functional distinctions between the two groups to accelerate process management effectiveness. While the COE helps from the earliest process improvement implementations, its value grows as the number of best practices accumulates. Then, the COE helps meet the increasing need for a central location to house a standardized language and methodology for process management.

Measures of acceleration

- Percentage of managers trained in communicating the value of the initiative
- Percentage of employees trained on new systems before the improvement initiative is implemented
- Percentage of workers whose compensation is based partially or entirely on performance

Conclusion

Speed is a huge competitive advantage. But leading companies do not allow speed to compromise the measures of success they value most, such as customer satisfaction, employee morale, and operational quality. A company's ability to implement change quickly and effectively hinges on applying the right change management principles in a disciplined approach that has been tested and proven. Effective change management communicates expectations, creates an action plan, and provides a forum for all stakeholders to discuss change management methodologies.

Studies show that the same skeptics who resist major change are usually more willing to support incremental efforts that later expand. Consequently, small-scale performance improvement efforts have a better chance of facilitating positive change initially than massive, organizationwide efforts.

Open and frequent communications is critical to the success of a performance improvement initiative and is one of a company's best defenses against the biggest obstacle to implementing change—employee resistance. Good communication alleviates fears, and the more detail provided, the better. Leading companies provide information about the initiative, offer individual growth and skills development training to prepare workers for the changes, show areas that will remain the same, point up past successes, coach workers on how to overcome the difficulty in letting go of past practices, and understand that different people adjust to change at different rates.

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