

Developing a Performance Based Culture

Presented by: TMSi
Ron Cain & Ken Therrien



2007 Northeast Supply Chain Conference &
Educational Exhibition

Culture is:

- More than a fluffy HR concept.
- The foundation for performance (which translates into profitability)

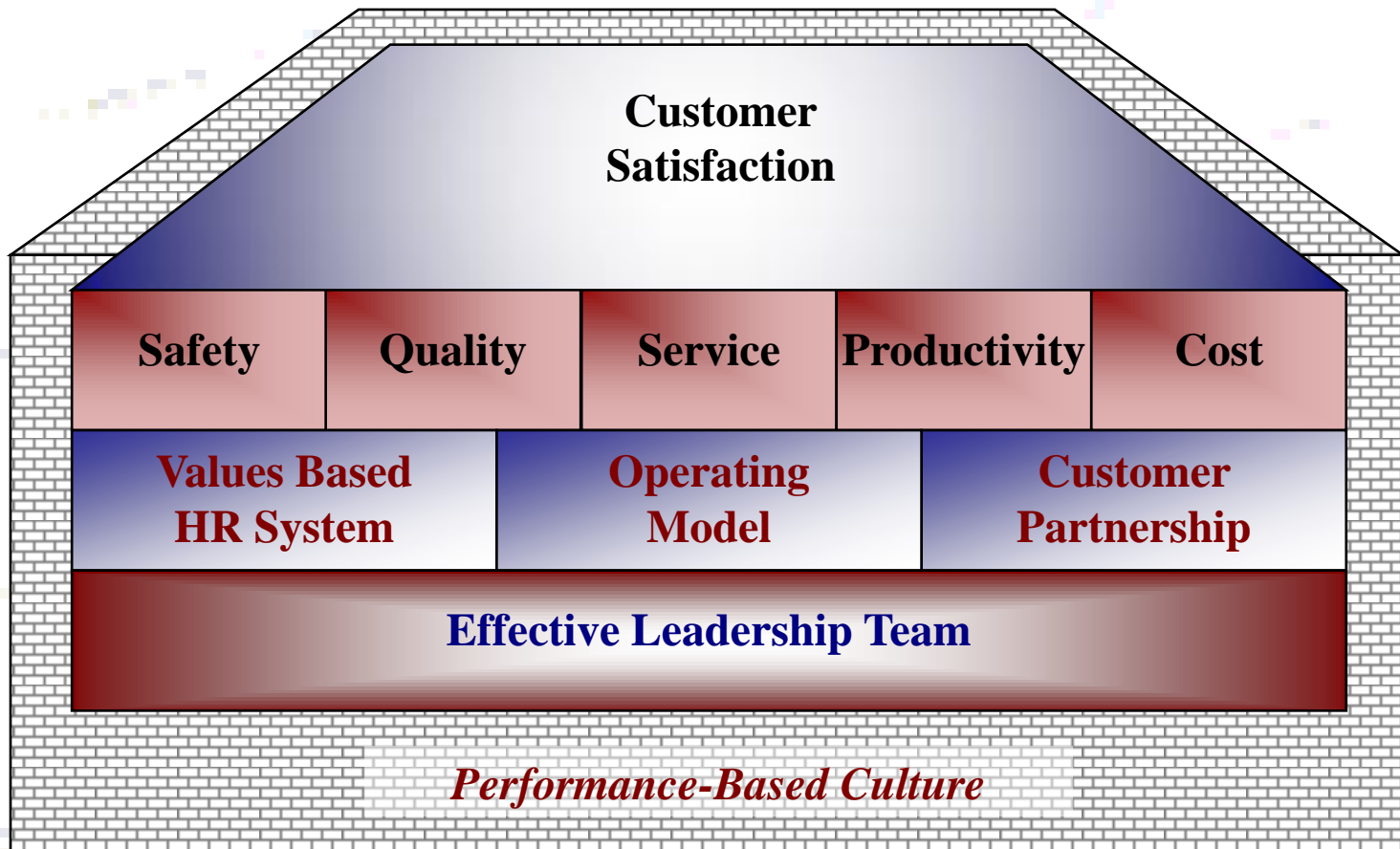
“You’re going to have a culture, and it’s up to you to have the right one” - John Van Tomme, TMSi founder

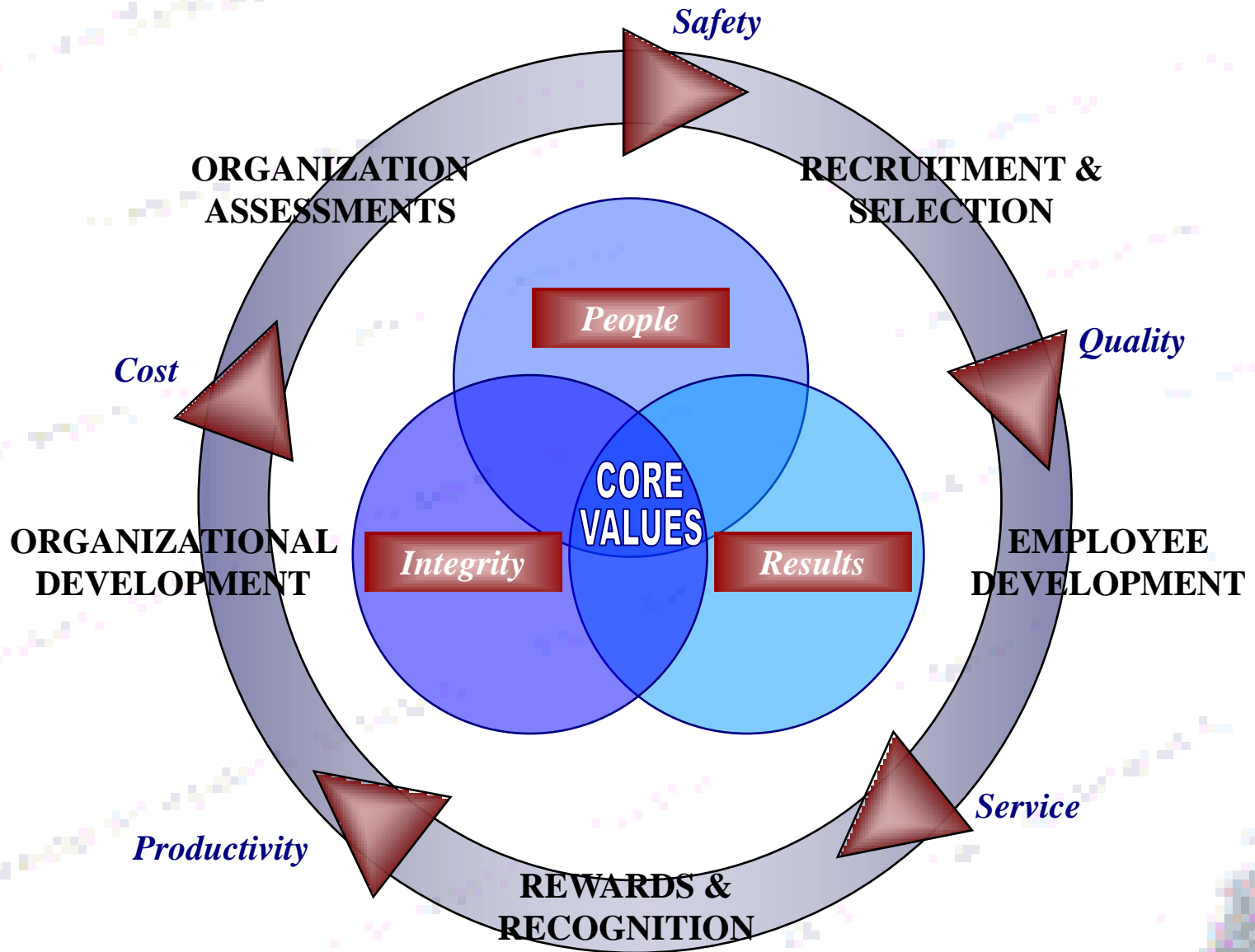
Why is Culture So Important?

- The culture sets the tone for the “everyday execution” of the operation
- It drives labor expenses which represent about two-thirds of the cost of producing a good or service.
- Positive culture will increase positive retention.

“Businesses need to stop focusing on ‘paradigm shifts’ and ‘strategic initiatives’ and realize that none of that makes any sense if your employees don’t give a damn”

- Rhoda Olsen, President, Great Clips



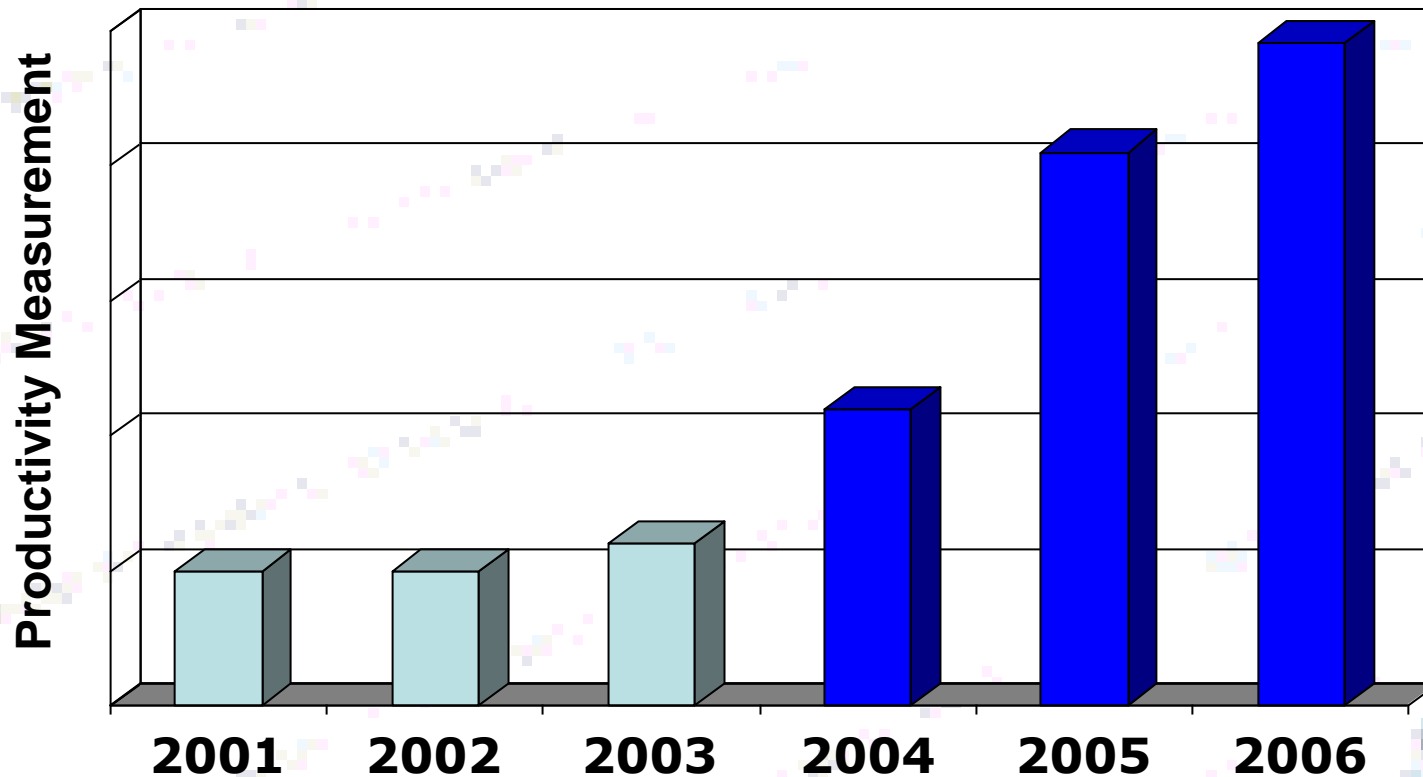


Why Focus on Culture?

Just one example:

- Only 3 yrs ago, our Knox County facility was facing the real possibility of business loss, sale, or relocation.
- Our leadership team came together, stepped up, and met the challenge.
- We identified the root cause: *Our culture was not performance driven.*
- Today, this facility is an award winning, high-performance culture experiencing tremendous growth, one of the top performers in the company!

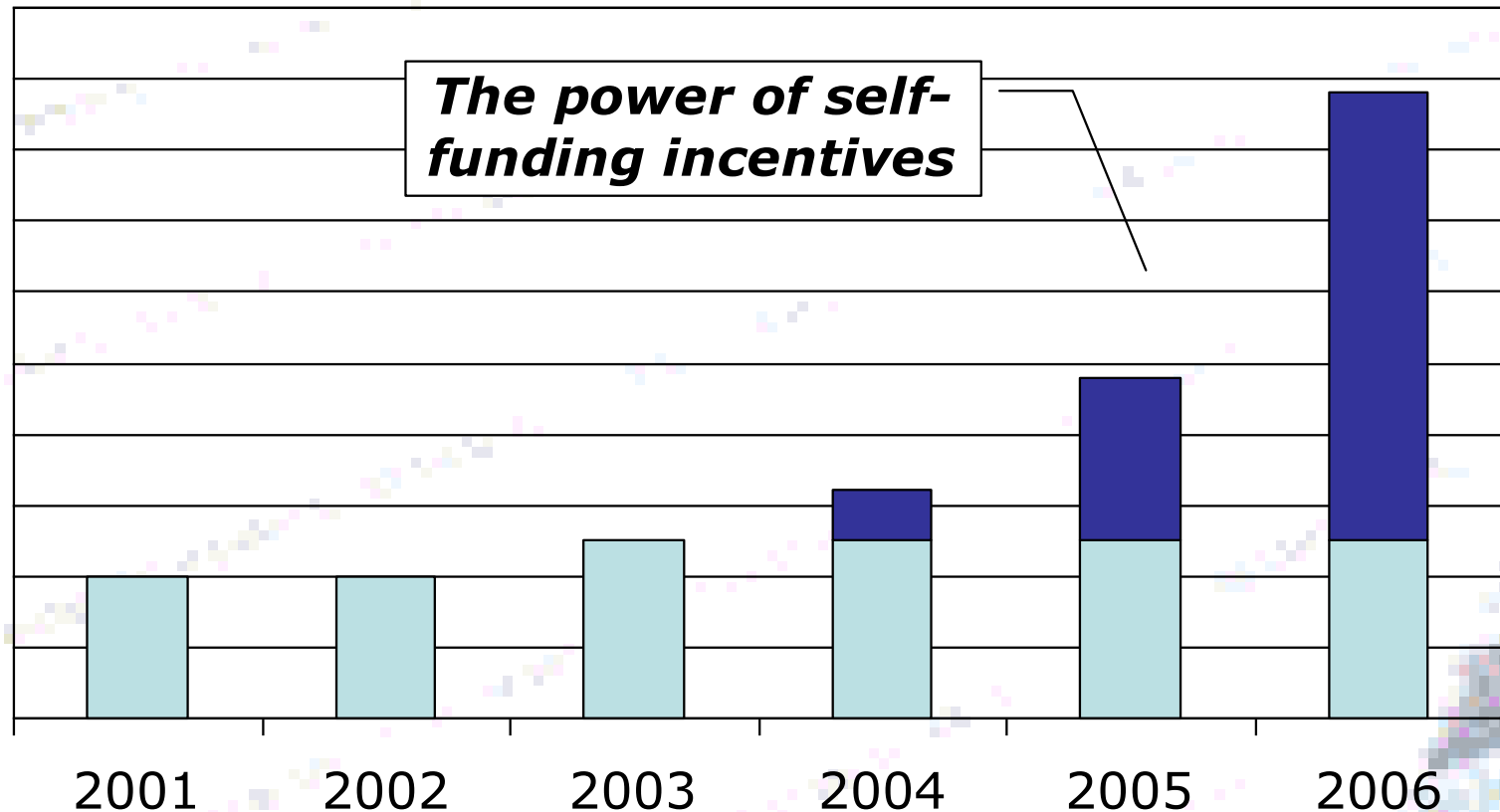
Performance-Based Culture *Company Effect (+45%)*



2007 Northeast Supply Chain Conference &
Educational Exhibition

Performance-Based Culture

Employee Impact – Wage Increase



The power of self-funding incentives

Things to Consider...

- What kind of culture drives your organization?
- Can an investment in improving your “culture” improve your business/profitability?
- Is your focus on long-term, sustained results?
- Do you have the right team?
- Is your leadership team ready/able to change?
- As the leader, are you personally willing to fail?

Steps To Achieving A Performance-Based Culture

Plan the change

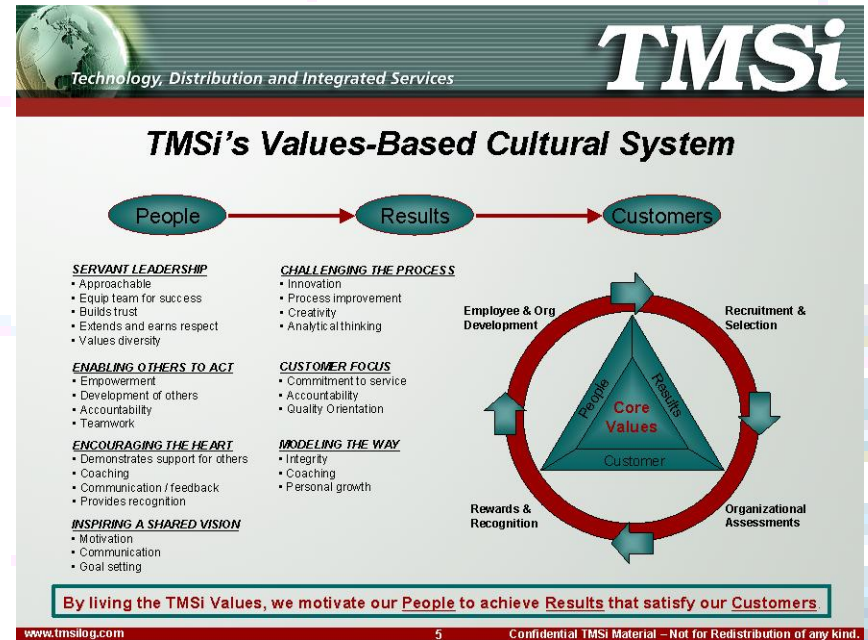
- Understand your current culture
- Know where you want to go
- Implement the plan
- Communicate
- Celebrate the success
- Monitor for control

Communicate the plan to all accountability partners

- Get all your leaders (up and down) together and on the same page
- Challenge them.. Does it make sense?
- Ask if this plan aligns with our values and desired culture.
- Encourage input/pushback.. Kill the “YES” Man

Identify Your Core Values

- Servant Leadership
- Enable Others to Act
- Challenge the Process
- Encourage the Heart
- Model the Way
- Inspire a Shared Vision
- Customer Focus
- Community Outreach



Understanding Your KPIs

- What drives performance in your business?
- Key Performance Indicators (KPI) generally involve:
 - Service
 - Quality
 - Sales
 - Cost
 - Safety
- Must know the cause and effect of 1 unit's change in all major KPI's
- Ability to convert performance to \$\$ requires metrics

Develop a Vision and/or Mission that makes sense to your organization

- Keep it simple
- Encourage each function to develop their own
- Ensure it ties into the overall corporation's ideals.

Build the Right Team

- Essential for success
- RIGHT = The team that will achieve your vision/mission
- Start at the top first, hold each level accountable (up and down the ladder)
- The team will/should change over time

Rely on Experience and Learning's from the Past

- Why did you hire me?
- Ask for help from “junior” leaders and hourly associates
- Be humble!

Implement the Plan

- Communicate
- Set up
- Status updates
- Employee's opportunity
- **Make It Fun!!!**

Communicate to Educate

- All of this is a waste of time until you spread the word...
- Your employees have to see you “live” it. Use each dialogue to reinforce your culture, values, mission.
- Create a diverse workplace that values both commonalities and differences.
- Communicate upstream.
- Provide executives with bottom-line results to reinforce the value of the initiative.

Tactic:

Visual Management/Leadership

- Set up Information Centers (better keep them current...)
- Use technology to your advantage
- Use the right media... keep key information in front of everyone... messages on pay stub

Know your audience... “Draw the picture”

Tactic:

Relevant Metrics & Dashboards

- Keep them current
- Roll up and down the organization
 - Have enough granularity to take to the people.
- Tie to cost accounting
- “Don’t track it just to be tracking it...”

Tactic:

Immediate & Scheduled Feedback

- 2-way Communication. Must be a dialogue:
 - Individual: daily, weekly, ...
 - Performance evaluations/goal sheets
 - Group: monthly overview
- Understand the value of team meetings, idea sharing
- Be REAL: Communicate the positive along with the negative
- Recognize top performers

Decide on frequency/medium for status updates

- You cannot communicate too often...
Reinforce the desired behavior.
 - This will expedite the culture evolution.
- Set periodic updates
- Increase face time – start-of-shift meetings, monthly facility meetings, roundtables, etc.

**“Employees love to hear
that they were right”**

**“When it works...
employees love to get the
credit”**

Decide the Reward

- Develop a matrix that identifies your PRIMARY KPI (Y axis)
- Use other KPI's to maintain focus in other areas (X Axis):
- What value should be assigned to each tier?
- What type of incentive plan will yield the best results?
 - Individual, Team or Combination

Tactic:

Incentives, Pay for Performance

- Build bridges
 - Between the workforce and the bottom line
 - Between various KPI's
- Set achievable goals, then stretch
- Consider mixing Individual & Group incentives
- Adjust annually
- Do not put a burden on the business. Make self-funding.
- Avoid ceilings.

Evaluate, Improve.

- Set up specific dates and measures to review the state of the culture.
- Employee surveys done correctly can tell a lot.
- Observe how employees participate and engage in their jobs.

Make It Fun!!!

- Play to your team's competitive spirit
- Make it personal
- Be creative
- Celebrate the team's success!

Remember. . .

Culture = Productivity

Productivity = Profitability

What kind of culture drives your organization?

- “The my way or the highway” – boss driven
- “Not my job” mentality – selfish driven
- “Just give me a paycheck” – nobody driven
- “What do we need to do today, what can I do to help?”
- Get everybody driving!

What's the catch...

2007 Northeast Supply Chain Conference &
Educational Exhibition

This takes time...

- Expect it to take several years to achieve the change you desire.
- Transforming the current culture to the desired culture will create tension within the organization.
- Maintenance of the status quo will be one of the most challenging resistors, so a committed, cohesive and aligned leadership team is paramount to success.

Culture has to be Nurtured

- Commitment from all levels
- Take frequent pulses from your people (Grass Roots)
- Align support systems to reinforce the desired culture (e.g., performance management, hiring/firing, training, recognition, etc.).
- Do organizational assessments!

This is what worked for us, will it work for you?...

- The cookie cutter checklist does not exist.
- External resources are OK for broad ideas only
- Requires time, buy-in, and follow through
- Adapt to each/every facility

“People won’t remember what you said or did, but they’ll never forget how you made them feel.”

What you'll find is...

- Your previously known output capacity will increase
- “Is that the same Larry?????”
- The focus will shift from the “workers“ to the leadership team
 - You will quickly find that the front line employee has a better understand of how to raise the bar than you do
 - Focus becomes removing obstacles Vs. pushing for productivity
- Your employees will “demand” process improvements that increase output and efficiency
- “Get out in front of the headlights”

HAVE FUN

- You'll spend nearly 40% of your adult life at work.
- Let your people see the human side of you.
- Real behavioral change occurs at the emotional level, not the intellectual level. Relate to your audience in their terms, not yours.
- **SELL IT!!** Answer "What's in it for me?"



Questions?

Thank you!

References:

- **CREATING A POSITIVE CULTURE (Whitepaper)**, Phyllis G. Hartman, SPHR, and John T. Hayden, March 2005
- **THE LEADERSHIP CHALLENGE**, Kouzes & Posner
- **GOOD TO GREAT**, Jim Collins
- **THE SUPER SUPERVISOR**, Mildred Ramsey