CONOR TROY
CONSULTING

LEAN CHALLENGE

KRAFTSTOFF MOTIVATION

20. APRIL 2023

Leaders in operations are under pressure to deliver top performance despite many crises

STAYING AHEAD

“

We are constantly being challenged by our business to improve our performance across all operational metrics.

Despite the fact, that we have already installed complex Operational Excellence programs we are struggling to deliver on the goal-sets being asked from us.

We will only be able to achieve this ambition if all our resources are aligned and our teams are motivated to deliver their best, every day…

”

MAX MUSTERMANN
Vice President Operations

71% of OpEx-Programs fail to meet the expectations of leadership

Are you getting the most out of your OPEX Program?

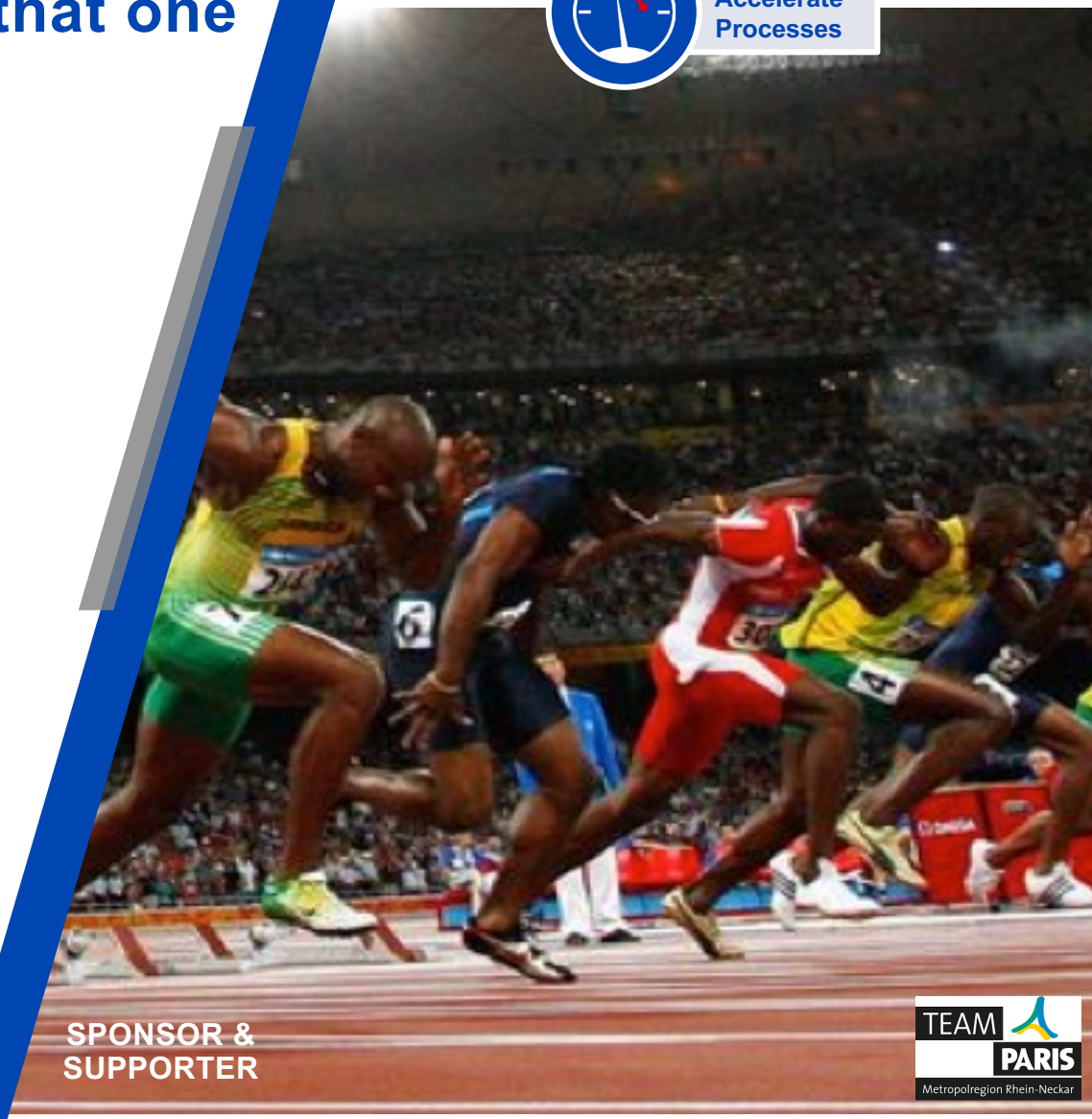
ARE YOU LEAN ENOUGH?

- Driving waste out of processes and systems and **connecting to value** has to be part of the job description of every member of staff.
- Aligning the efforts of the overall organization on delivering the improvement ambition needs to be continuously woven into the fabric of the **improvement program** design and execution.
- The challenge being faced is how to ensure that theses programs continue to support the overall goals of the organization on a dynamic and efficient basis and generate a **return on continuous improvement** (ROCI).

Gold Medaille Olympischen Spiele 2008 Peking

Are your competitors just that one step quicker than you?

Accelerate Processes



ARE YOU FAST ENOUGH?

- One thing has become clear over the past few years, there is no compensation for the **lack of speed** and reactiveness in the current markets.
- The fastest executers are **winning the race** for market share and the rest are falling further and further behind.
- Staying ahead in current hyper-competitive markets means improving the **speed of execution** of all customer facing processes and making sure your supply chain is outpacing the rest of your peers.

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Men's 100m Sprint World Record = 9,58 sec. 2022

Is keeping up with growing complexity becoming a stretch?

Reduce Stocks

ARE YOU FLEXIBLE ENOUGH?

- The companies that can adapt and adjust quickly to the **dynamic environments** in which they operate will thrive, those who can not adapt fast enough will suffer.
- The challenge most of our clients are facing is how to **build agility into** the very fabric of the organization through topics like adaptive goal-sets and dynamic resource allocation to key activities
- A key management task in developing the forward looking organization is how to introduce agility without **causing instability** in process that need robust and cost effective execution.

Is you organization hitting the safety performance wall?

Mitigate Risks

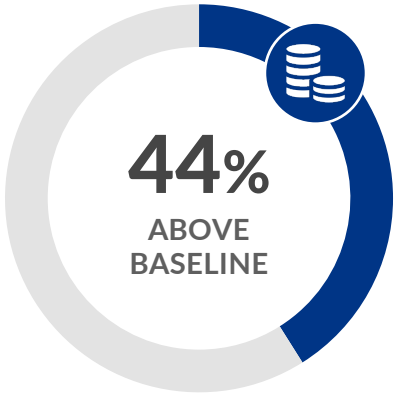
ARE YOU SAFE ENOUGH?

- The process industry is very clear on this, we do **not want to tolerate** any accidents or incident that put employees, consumers, communities or environments at risk.
- However, most of the companies we interact with have hit a **performance wall,** where after good improvements in the past years further progress in this areas is not being made.
- In order to make further progress on the journey towards ZERO incidents and become a **highly reliable organization** (HRO) the overall system of prevention needs to be addressed in an integrated manner.

Gewinner der Bronze Medaille in Degenfechten in Athen ,2004

The majority of performance improvement programs are not delivering on the expectations of leadership

2019

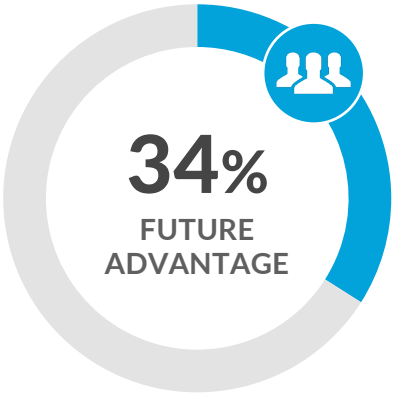


CONTINUOUS

Number of continuous improvement projects or programs that deliver results above their baseline after just two years

IMPROVEMENT

Number of continuous improvement programs that meet the expectations placed on them by senior management after three or more years



ADVANTAGE

Number of senior managers that still see a source of competitive advantage going forward in their current Operational Excellence/ Lean Management programs

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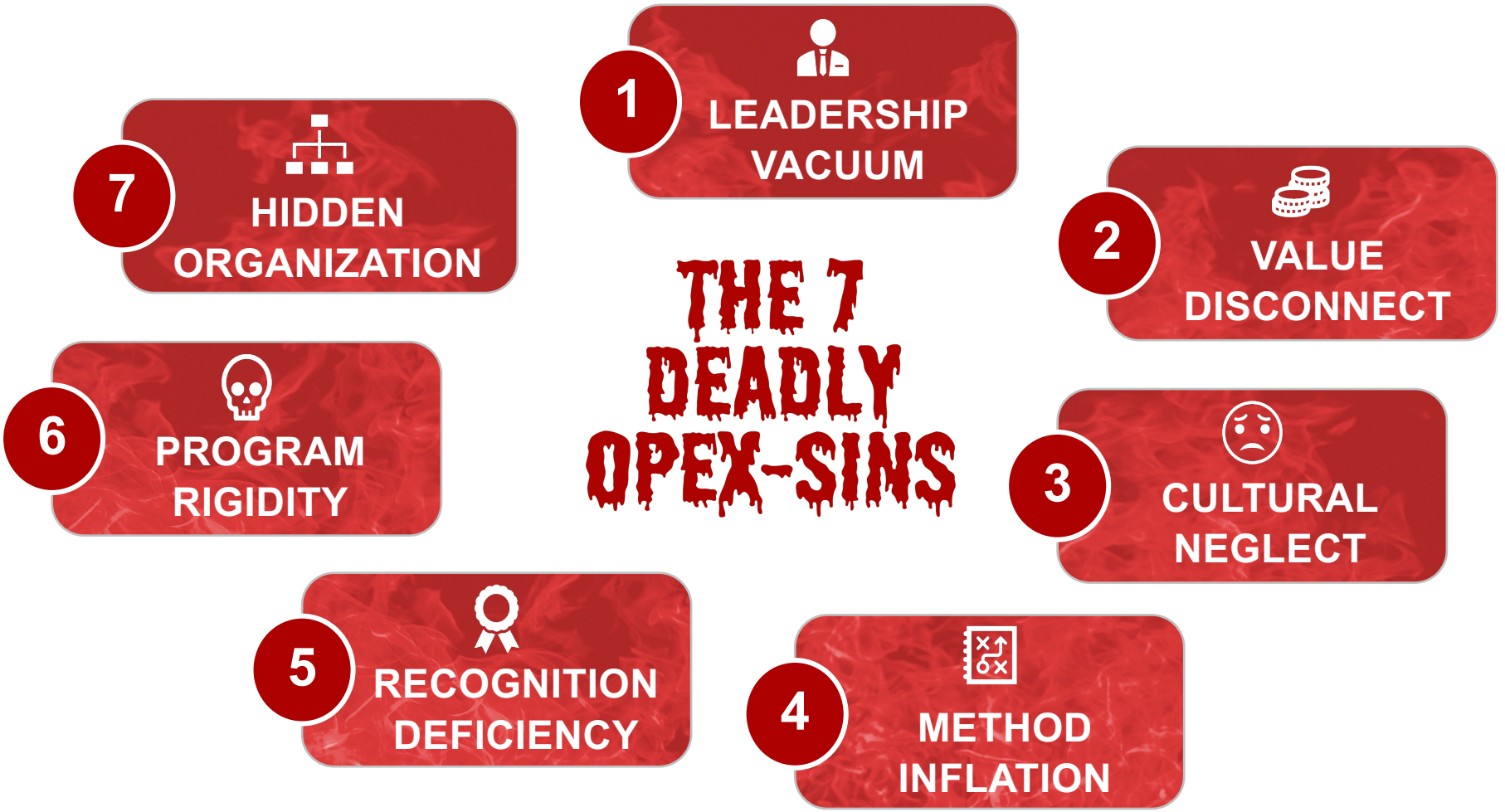
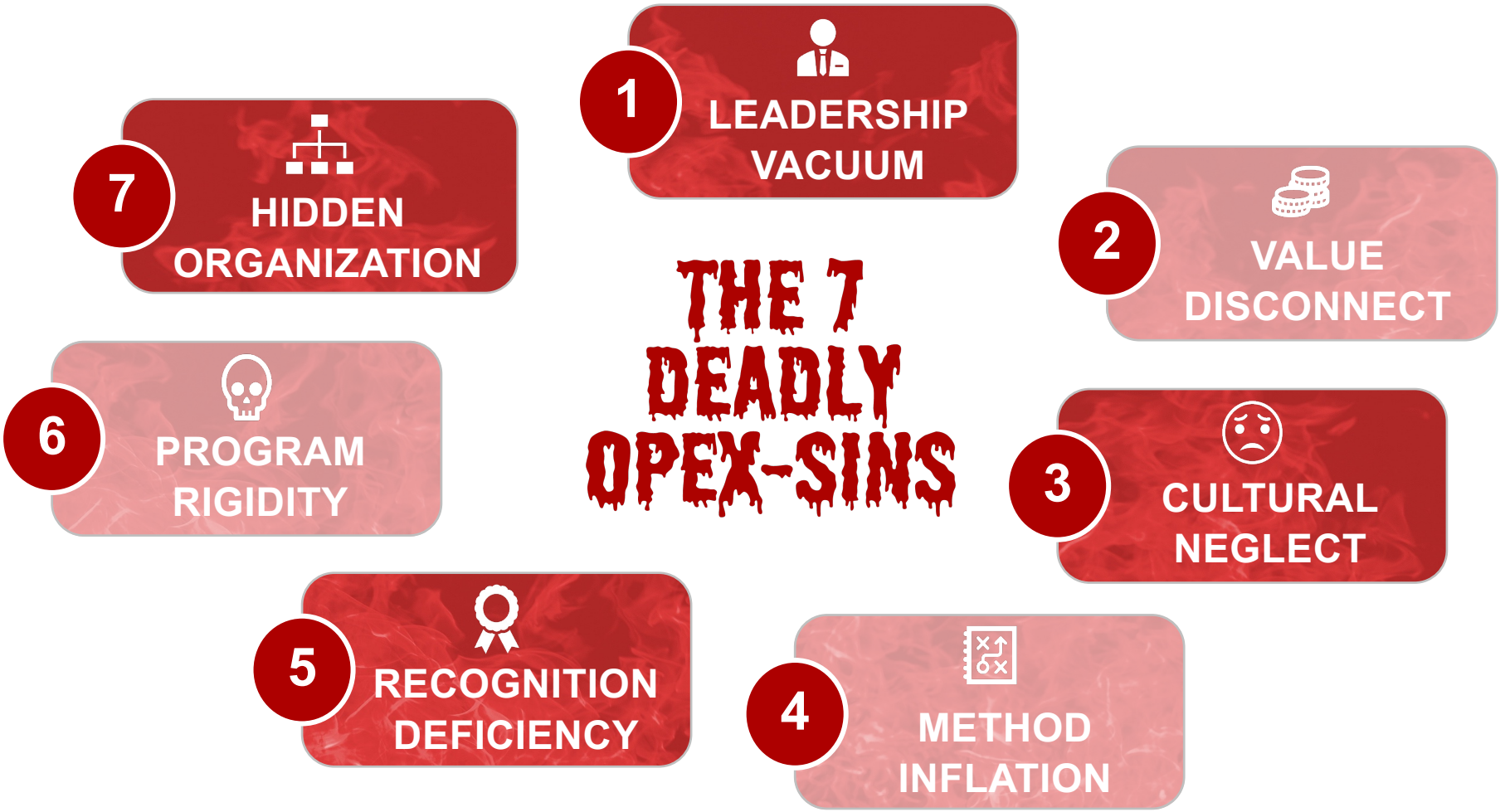
Source: Harvard Business Review | Results from the analysis of over 200 Operational Excellence and Lean Six Sigma programs implemented between 2012 and 2017 globally

We have have discussed why this is and identified seven typical weaknesses (sins) that restrict the value creation



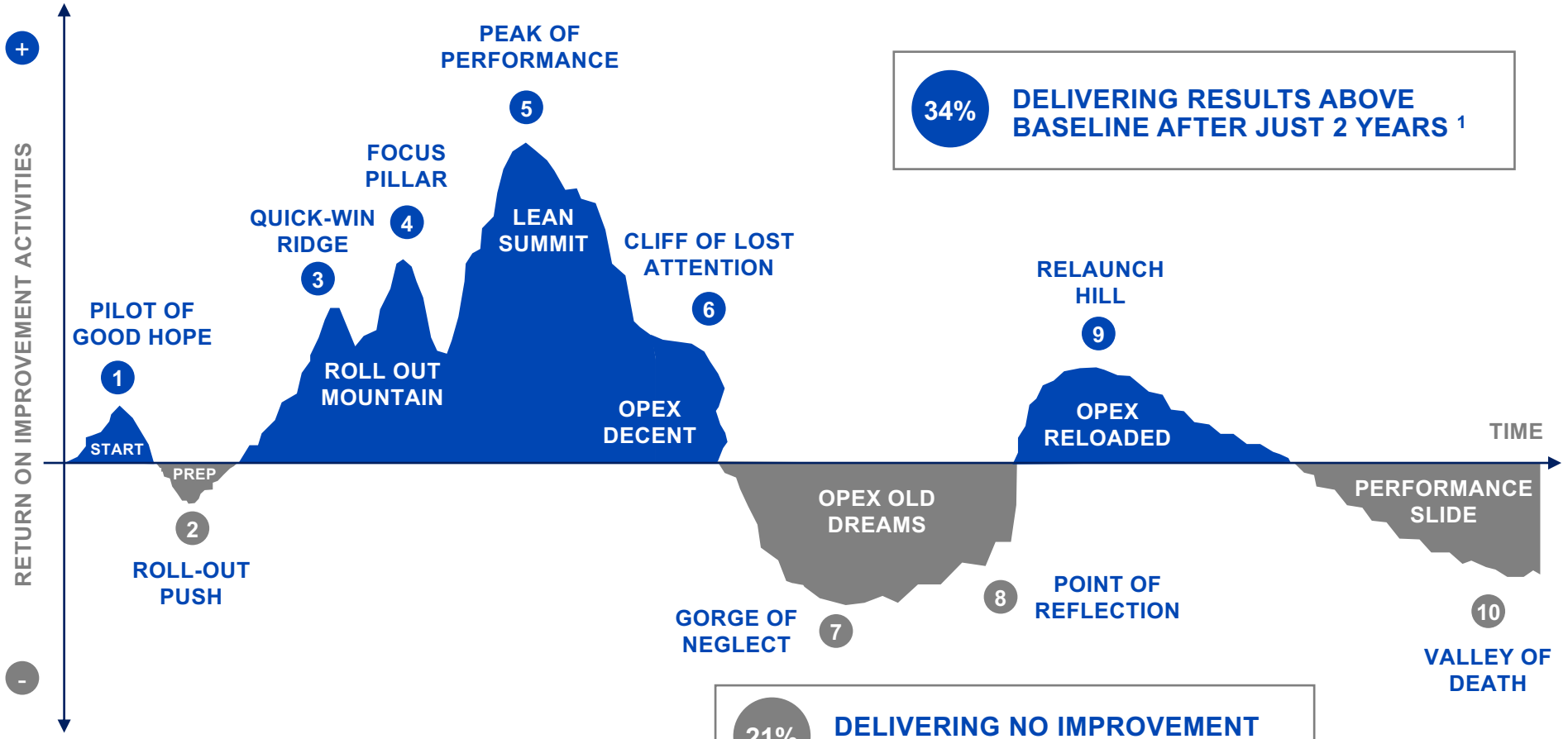
Source | Conor Troy Consulting

Four of these seven deadly OpEx Sins are directly related to Leadership issues and missing Employee Engagement



Source | Conor Troy Consulting

However, we know from experience that the ROCI[1] from OpEx Programs is a dynamic metric that trends over time…



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1 ROCI = Return on Continuous Improvement
2 Harvard Business Review 11/2018 – Global Lean Project Performance Analysis

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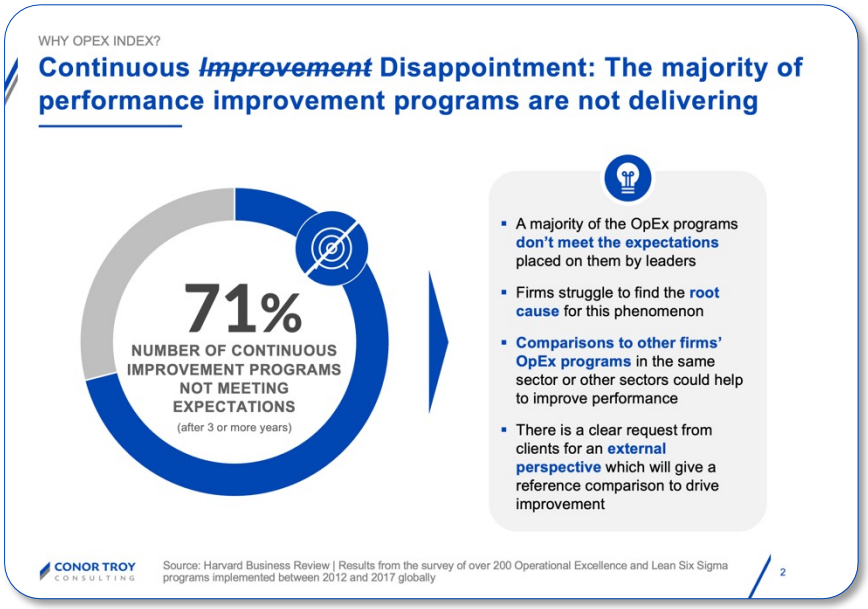
OPEX INDEX

AN INDUSTRY BAROMETER
FOR OPERATIONAL EXCELLENCE

The OpEx community has been asking for a universal metric to measure OpEx program performance for years

Imagine if we could…



…measure the health of our OpEx programs with just one common metric, which we could use to compare our progress with our peers and drive improvement.

(The Motivation)

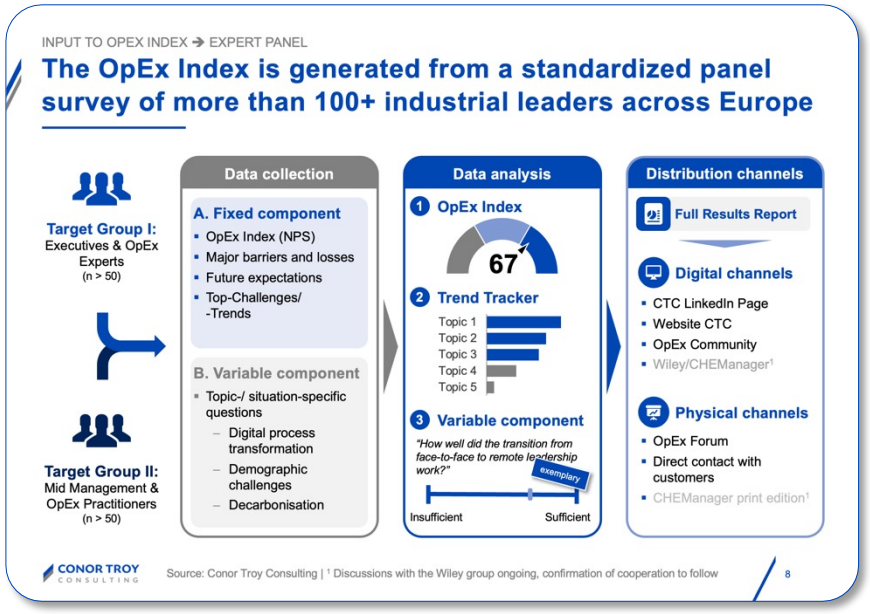
Yes we can…

…we have developed a key metric based on the Net Promoter Score (NPS) logic to evaluate the overall satisfaction of the community with their programs.

(The Inspiration)

We have tapped into the experience and insights of over 100+ OpEx leaders and professionals to build this Index

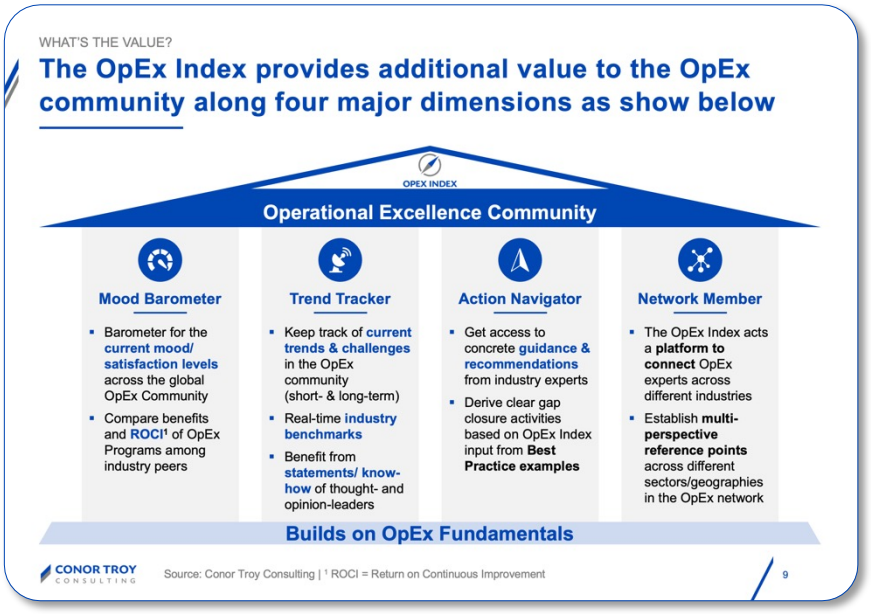
? Getting the benchmark right…



…required us to reach out to over 100+ line leaders, OpEx professionals and practitioners across various sectors and geographies to build the OpEx Index.

(The Experts)

€ And the value is…

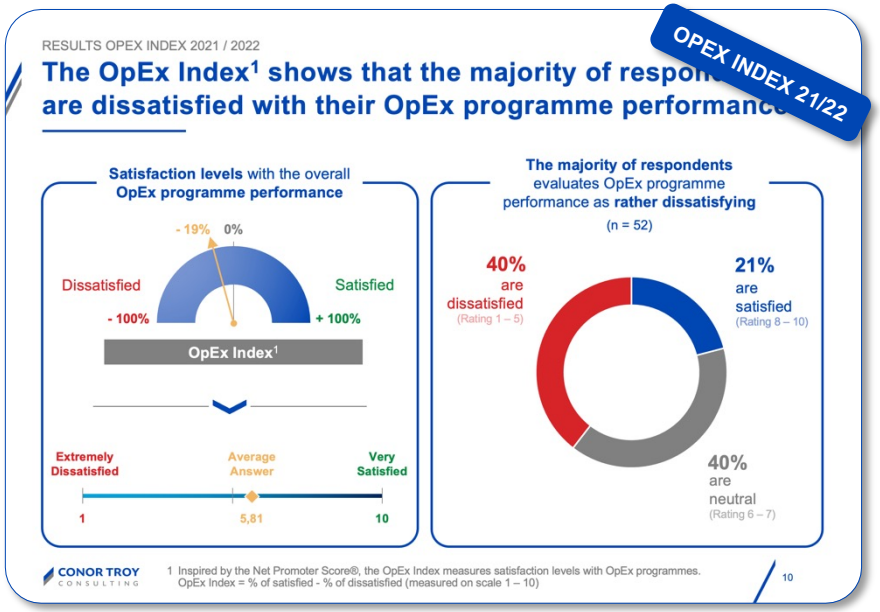


…our expert panel have been asked to revisit the survey at the end of each year to define the current ”mood” of the OpEx community and show trends in performance.

(The Proposition)

The OpEx Index has now been established as one of the prime measures of overall performance for the community

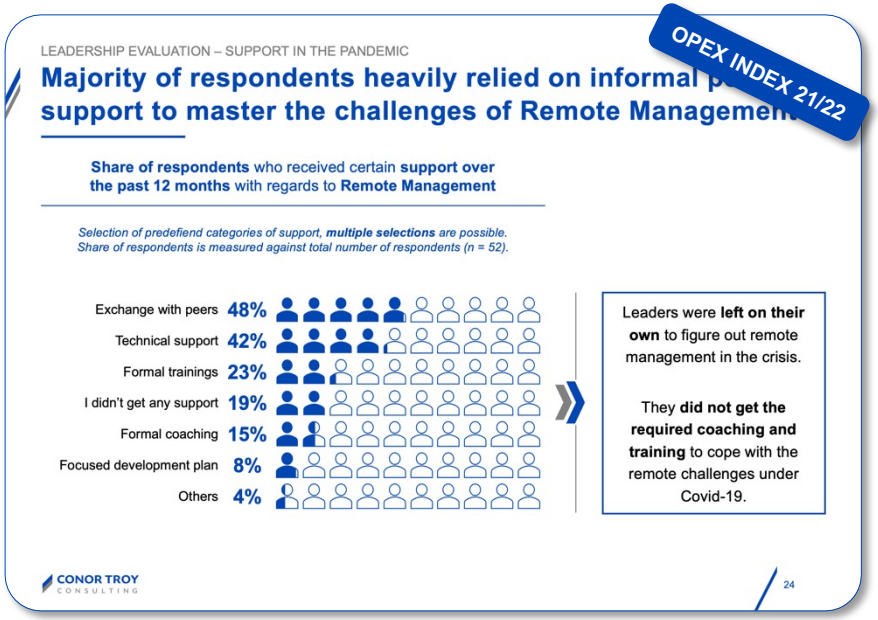
The measure of success…



…the OpEx Index currently confirms the opinion that the majority of leaders are not satisfied with the overall performance of their OpEx programs.

(The OpEx Index)

Future challenges & trends…



…beyond the OpEx Index the community has also provided a lot of very specific guidance on the most relevant levers for the improvement of OpEx.

(The Improvement Levers)

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SUMMARY OF RESULTS SURVEY 2023

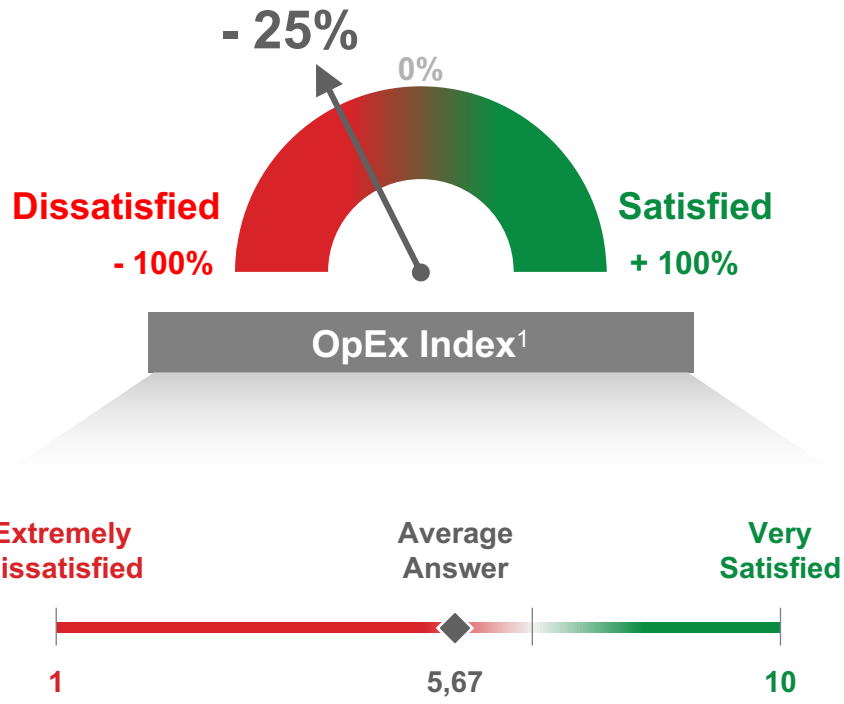
OPEX INDEX

Process Industry Benchmark

April 2022

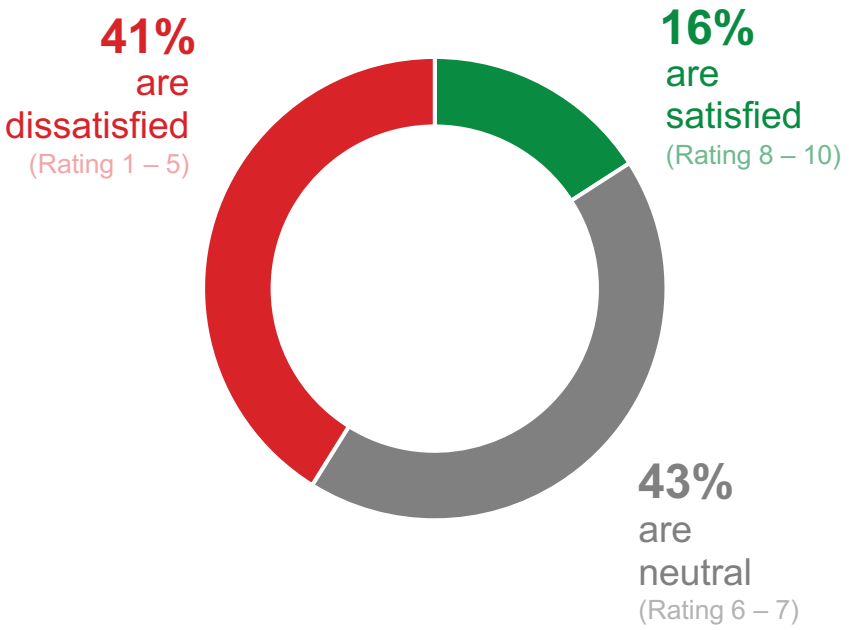
The OpEx Index[1] shows that the majority of respondents are dissatisfied with their OpEx program‘s performance

Satisfaction levels with the overall **OpEx program performance**



The majority of respondents evaluates OpEx program performance as **rather dissatisfying**

(n = 107)

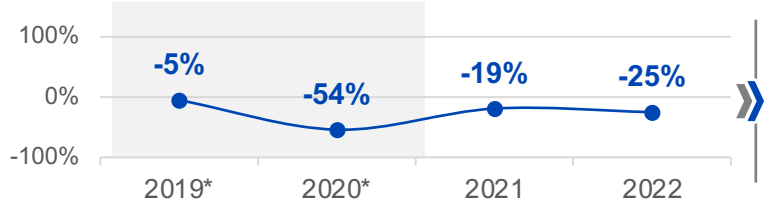


1 Inspired by the Net Promoter Score®, the OpEx Index measures satisfaction levels with OpEx programs. OpEx Index = % of satisfied - % of dissatisfied (measured on scale 1 – 10)

All key metrics for OpEx Performance showing negative trends following initial recovery after Covid-19 shock

OpEx Index

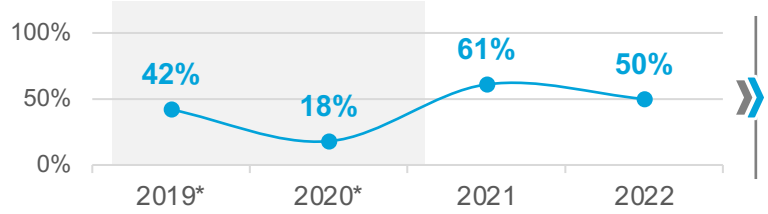
Evolution of the OpEx Index with regard to dissatisfied and satisfied leaders with their OpEx programs over time



Satisfaction levels have fallen again following post-Covid revival, a majority of programs still not meeting expectations

OpEx Program Effectiveness

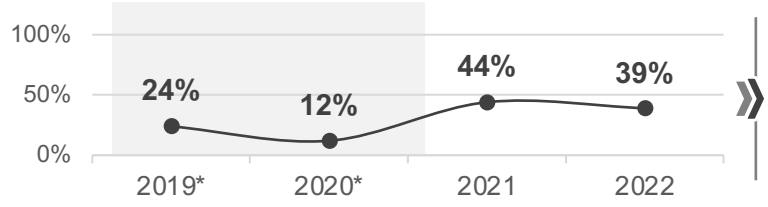
Evolution of the share of OpEx programs that have either met or exceeded the expectations placed on them by leadership



Only half of the OpEx programs are achieving the performance goals defined for them, indicating poor “Returns on Investments”

OpEx Program Extensions

Evolution of the share of OpEx programs that have been extended in the last 12 months at the point of the survey (Q4/2022)



Still a large body of companies prepared to extend their OpEx programs despite an underlying dissatisfaction with performance

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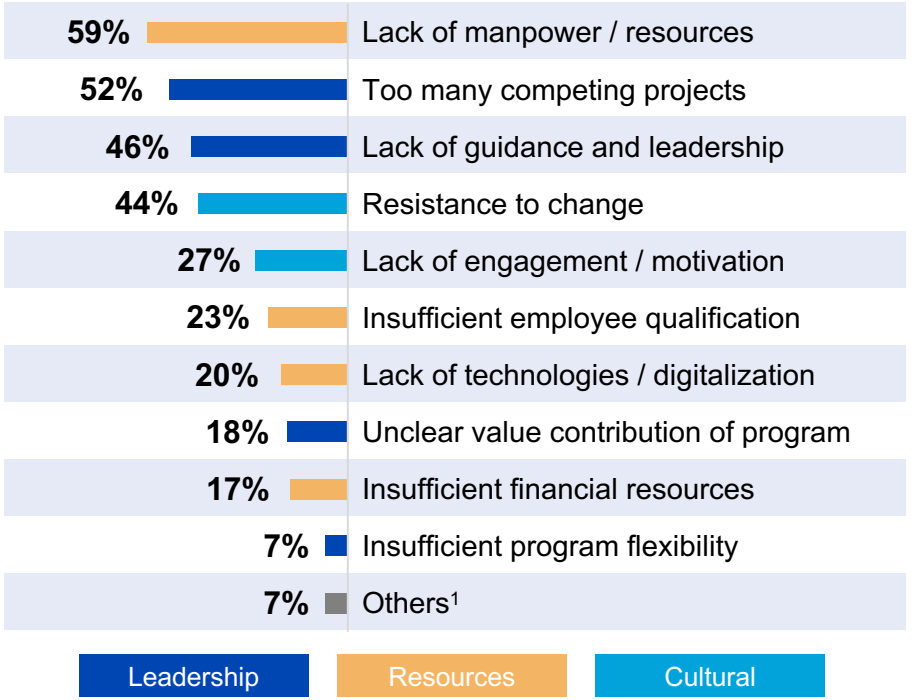
* Values for the period 2019 & 2020 are based on feedback from the hosted OpEx Forum Event and comprised of qualitative results from working sessions, feedback from industry leaders & recollection (first formal survey in 2021)

Conflicts in resource allocation and prioritisation of projects hinder the full effectiveness of OpEx programs

Factors that currently limit the performance of OpEx programs ranked by % of survey participants

*Multiple choice selection of pre-defined answers **naming the factors** that **currently limit the performance** of OpEx programs*



Interpretation of results and **additional insights** from our past engagements

- Many of the OpEx programs are overburdened with too many competing initiatives compared too resource availability for execution
- Two of top three factors limiting the current performance of OpEx programs can all be directly related to the role of leadership
- Dealing with cultural issues with the help of Change Management is the next most relevant challenge and not dealt with well in most cases

Active prioritisation of projects and better steering of resources required from leadership

1 The selection of *Others* allowed for free feedback of additional factors (e.g., Organizational transformation, Functional structure, High pace of improvements, Risk-related topics, Lack of support from owners, COVID-19)

We consolidated the free-form feedback and identified four major clusters of resistance and barriers to performance

We asked for industry participants' opinions and **they answered** freely about…

We asked participants where they experienced the most resistance and biggest barriers for their OpEx programs

Participants shared their thoughts & opinions in free form text answers, resulting in over 90 individual answers

We aggregated & consolidated the results and subsequently summarized them in the following key insights

...the most resistance and **biggest barriers** to performance improvements of their OpEx programs

- **Poor involvement in OpEx programs and lack of active guidance** from Leadership, leading to neglect of overall program performance
- **Lack of leadership alignment, resulting in many competing initiatives** with conflicting goals and exacerbated by an absence of prioritisation
- **Lack of qualified resources** for the support and execution of key OpEx initiatives, inability to free up staff from daily tasks for improvement projects
- **High levels of staff turnover** during & following the Covid-19 crisis, combined with lack or training and onboarding for new co-workers on OpEx

All answers have been handled anonymously and cannot be related back to individual survey participants

The feedback from our clients, indicating that employee engagement is still one of our major challenges…

"The amount of variance in our processes has risen markedly since the Covid-19 crisis, we are still **struggling to regain the stability** we need in our daily operations…

Chief Operating Officer
Personal Care & Cosmetics

Revisiting the **Shop Floor routines** following periods of turbulence and minimal leadership attention is a relevant topic. Reviewing and reshaping these processes can deliver improvement opportunities

"My plants always seem to be in **firefighting mode** and everyone is complaining that they are overloaded with tasks, how can we get back on track with our performance?"

Vice President Operations
Chemicals Maufacturer

Empowering front line teams to correct gaps and weaknesses quickly, combined with the use of **robust daily routines** for rapid escalation of deviations on the shop floor helps stabilise performance

"We have seen a lot of turnover of staff during and following the Covid-19 pandemic, **training and onboarding** these new colleagues has become a key task for us…"

Senior Site Director
Plastics Packaging

Pushing more responsibility to front line employees remains a key challenge for leaders. This goal can only succeed if **robust training processes** enable this transfer of responsibility to the line teams

CTC Response ➔ Shop Floor Management central to plant stabiilty[1]

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1 Response from CTC Experts in response to some of the comments made by leaders in the OpEx Index Survey 2023

Most relevant topics for leadership in order to improve the performance of their OpEx programs in the short term are…

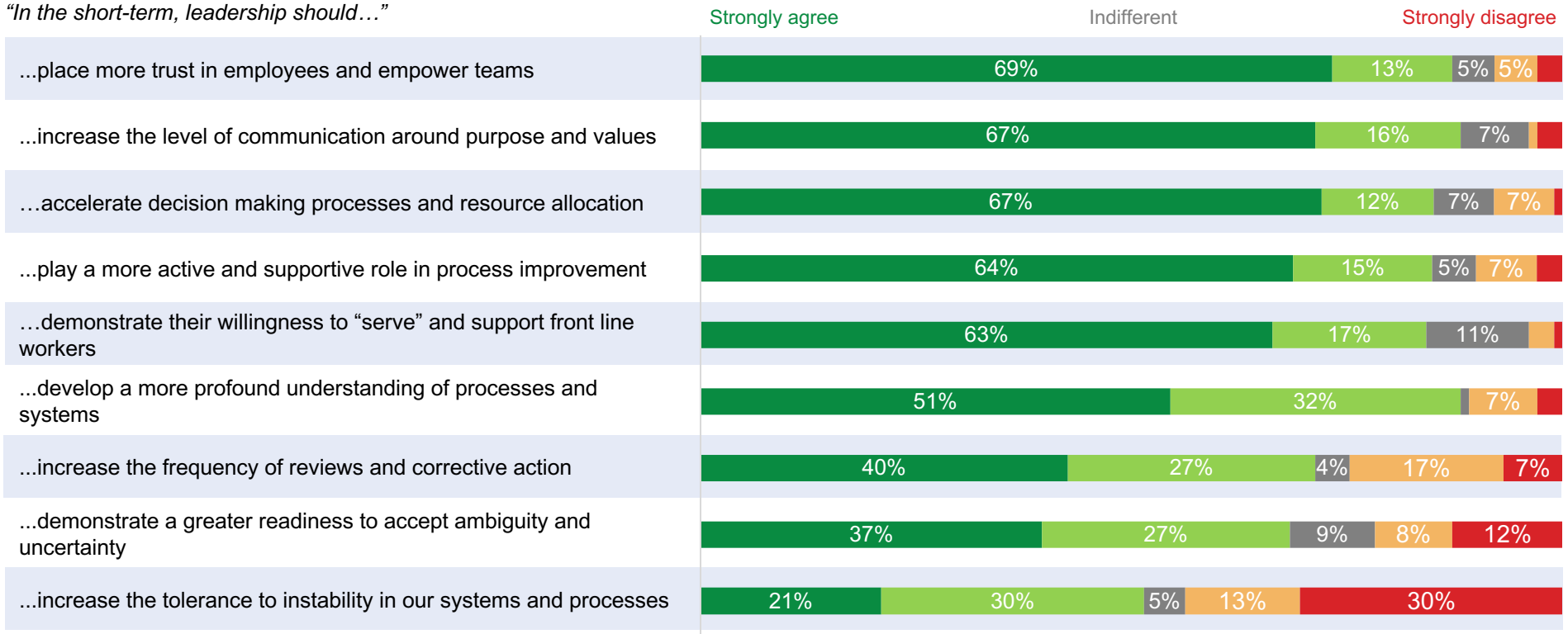
Statements evaluated

*Evaluate the statements to the **degree you can agree upon** (ranging from "strongly agree" to "strongly disagree"):*

"In the short-term, leadership should…"

Share of respondents (dis-)agreeing with the statements

*"How would you **rate the statements** from „strongly agree" to „strongly disagree" ?"*

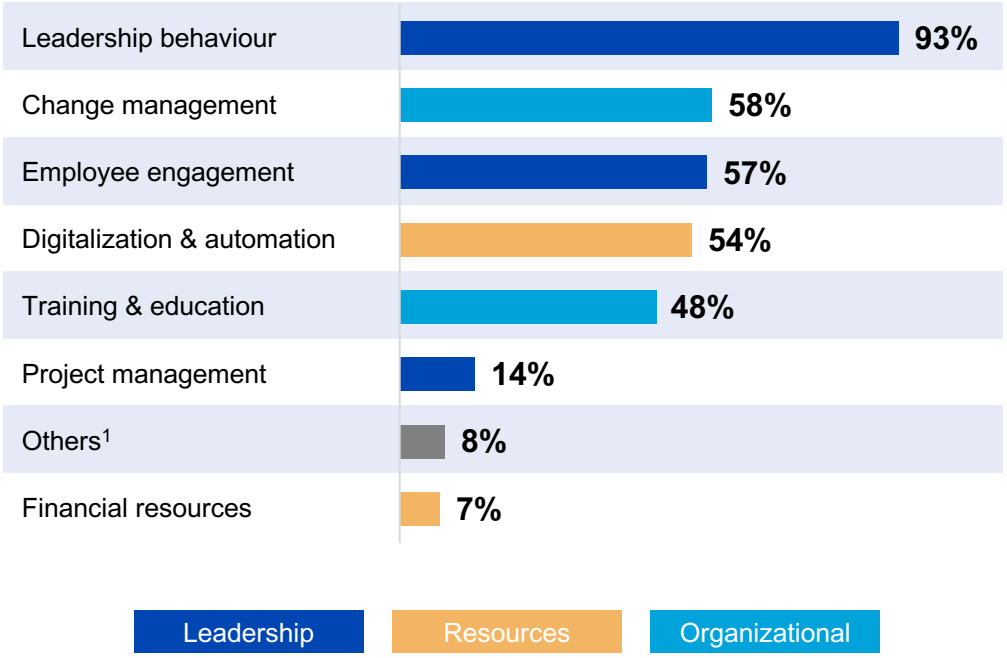


Changes in Leadership Behaviour are one of the most important performance improvement drivers for the future

Topic as % of total participants

*"Which of the following topics do you think will have **the greatest influence on the success** of OpEx Programs in your industry sector over the **next 3-5 years**?"*

(multiple selections possible)



Interpretation of results and additional insights from our past engagements

- It's all about Leadership! Almost all of the survey participants have defined **Leadership Behaviour** as the most relevant lever for future success
- **Mobilising and engaging** front line staff in OpEx activities seen as the next biggest opportunity for performance enhancement in OpEx programs
- High expectations placed on the power of Digitalisation for OpEx programs

Review post-pandemic Leadership skill needed to drive improvement

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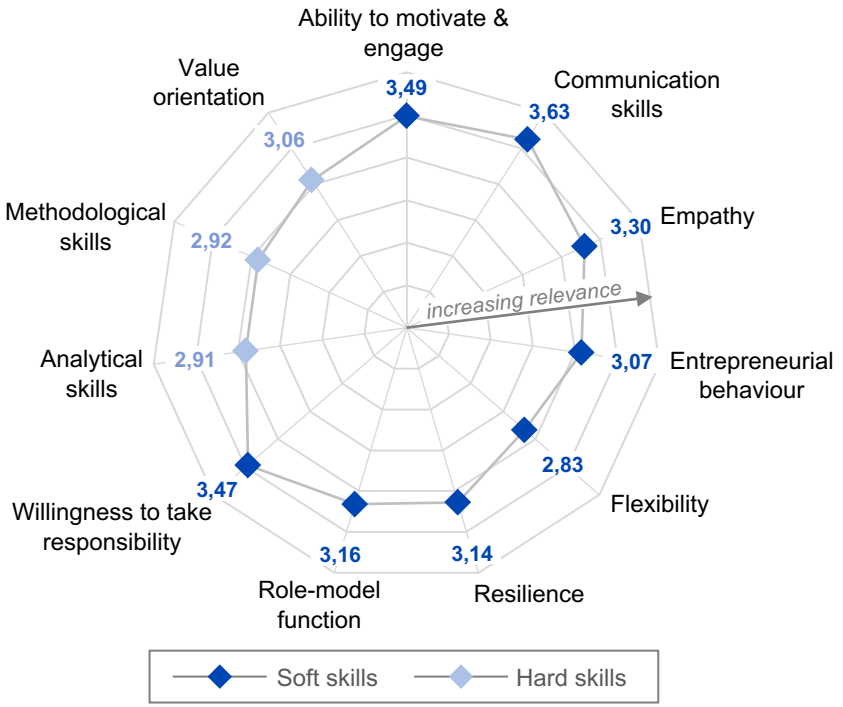
1 *Others* allowed for free feedback of additional factors (e.g., environmental regulation, demographic shifts)
2 Employee related topics which drive culture have been grouped together

Good communication skills, and the ability of leaders to motivate teams and front line workers seen as most relevant

Most relevant **competence profile** of future leaders[1]

*Rating of nine pre-defined competencies **on a scale** from **irrelevant** to **absolutely necessary** for future leaders*



Interpretation of results and **additional insights** from our past engagements

- A leaders ability to communicate and give teams clear guidance is ranked as the most relevant skill required to be successful in the future
- **Empowering and motivating teams** and front line workers is ranked as far more important for leaders than other specific hard-skills
- Taking an active role in transformation processes compared to just managing resource and setting direction seen as a key enabler for success

Strengthening Leadership soft-skills will be central to succeeding in the future

1 Measured on a scale from 1 (*not relevant*) to 4 (*absolutely necessary*); Scores are weighted averages over all responses (n = 107)

Re-tooling the workforce and implementing new leadership models due to shifts in demographic most relevant for OpEx

*„Which of the following points do you think **need to be incorporated** in your OpEx Program in the **next 3-5 years** to remain **relevant for the business agenda**?“ (multiple selections possible[1])*

DEMOGRAPHICS

- 61% — Up-skilling & re-training our workforce under OpEx to adjust to changes in demographic structures
- 50% — Implementing new leadership models to help manage new, flatter organizational setups

VUCA

- 51% — Redesigning our processes & supply chains under OpEx to deal with volatility of supply and demand
- 50% — Working more closely with suppliers & customers across our end-to-end supply chain

DIGITALIZATION

- 48% — Leveraging data analytics & digital tools in OpEx to solve complex problems across our organization
- 28% — Building predictive analytics & machine learning into our OpEx systems to improve decision making

SUSTAINABILITY

- 34% — Targeting emission reductions with the same priority as savings in our OpEx Program
- 42% — Challenging the energy efficiency of our processes more aggressively than in the past under OpEx

Managing the Demographic Shift and reshaping Supply Chains most relevant to ensure the future relevance of OpEx in the next 3-5 years

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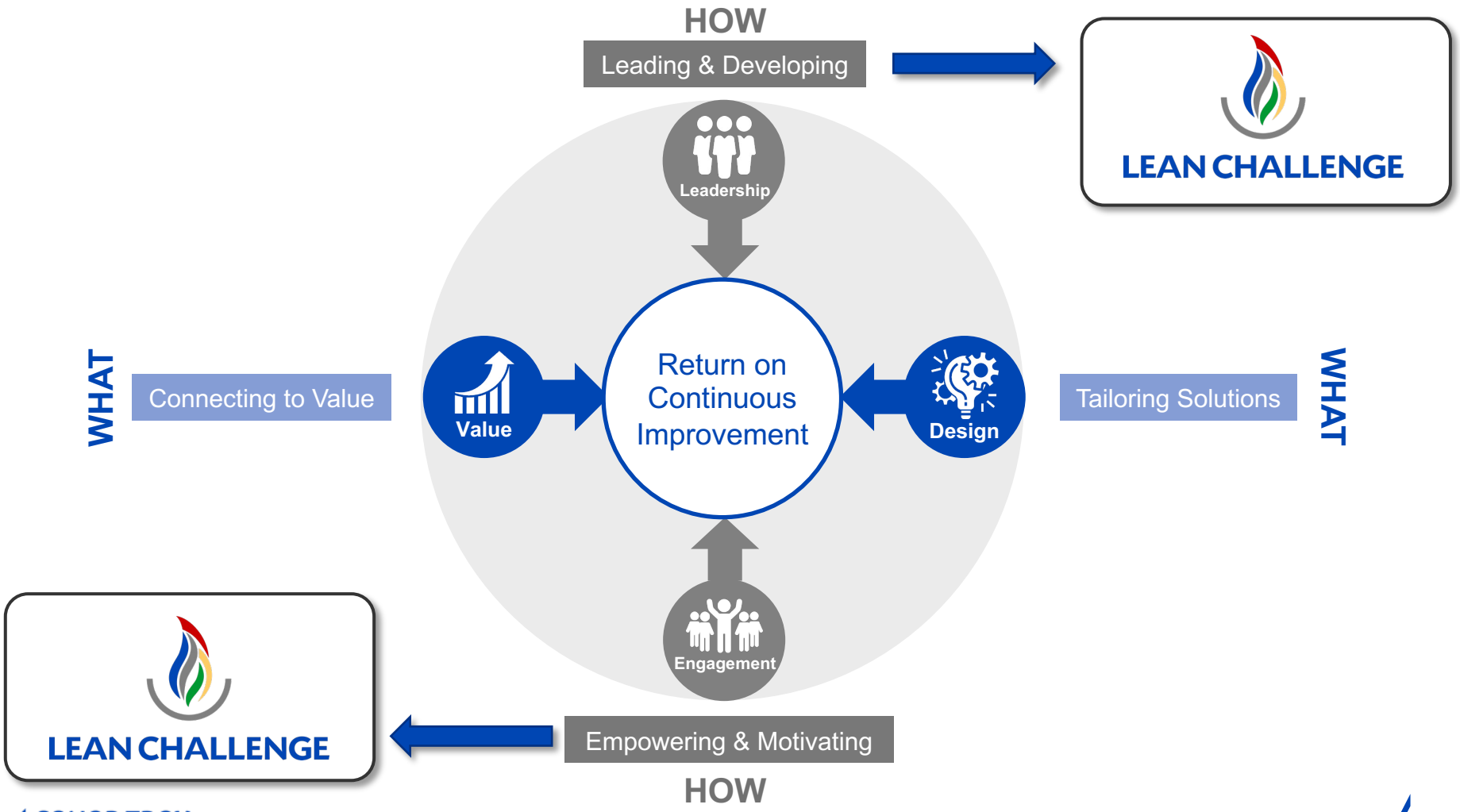
1 Multiple selections possible for each respondent; Numbers displayed as share of respondents who voted for the respective points (n = 107)

The three key findings from this years' survey and the resulting recommendations for Leaders of OpEx programs

	Key findings Survey 2022/2023	Recommendations for 2023+	Impact
1 Strengthen Leadership Soft-Skills	The biggest lever to improving the performance of OpEx programs lies in **Leadership Behaviour**. In particular soft skills (like communication) seen as most relevant for the future success of the programs being run.	▪ Revisit leadership role in OpEx activities and prioritise active communication and guidance ▪ Focus on development of Soft Skills for leaders in 2023 with HR business partners ▪ Implement "Pulse Check" feedback to leadership on perception of engagement level	High
2 Empower & Motivate OpEx Teams	One of the top barriers to performance improvement in the past year was the lack of broad **Employee Engagement.** Leaders will have to ensure higher levels of staff engagement with a more demanding workforce to succeed.	▪ Adjust design of OpEx program to foster active participation in improvement activities ▪ Align reward and recognition structures to promote active support of OpEx initiatives ▪ Build self-reinforcing networks around key functions, connect with other practitioners	Medium
3 Streamline Program Management	We are suffering from to many initiatives and projects competing for the same limited resources. The quality of prioritisation and **Program Content Management** will need to improve to be successful going forward.	▪ Improve the quality of Program Management and the transparency on project status ▪ Sharpen value creation focus and ensure full impact from initiatives with resource allocation ▪ Revisit project closure and sign-off procedures to ensure full benefits of OpEx initiatives	Medium

Based on both short-term and long-term recommendations from this years OpEx Index survey

Results of the OpEx Index reinforce our Improvement Model along two improvement dimensions, main focus on “HOW”



Source: Conor Troy Consulting – Engagement Model – Improving Continuous Improvement

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