
Operation Turnaround – executive initiative improves company performance through integrated training

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Abstract

Describes a programme designed to overhaul training and development activities, instigated by an informal review of monthly reports which showed a generally negative trend in various areas. Outlines the formation of a corporate planning committee, the planning process, and various programmes in management development, accident prevention, manufacturing, etc. Concludes that effective training and development spans all levels of employees, and should be needs based.

The Hypothetical Manufacturing Company is listed on the Australian Stock Exchange. It is a highly diversified Australian-owned manufacturing and marketing group which operates a number of divisions in several different industries. Some of these are closely related and some of the company's products complement each other in the same market. Increasing attention is being paid to the development of overseas markets, particularly those in nearby countries in the Asian region.

Hypothetical employs around 2,000 people who are located on several different sites around Australia. The major manufacturing plants are based in Melbourne, although some minor manufacturing operations are carried out in Sydney, Brisbane, Adelaide, Perth and Hobart.

There are three small specialised manufacturing or assembly operations located in Australian regional centres and one expanding plant in South East Asia. A further major manufacturing operation is to be established in Asia, probably as a joint venture, and another wholly-owned production plant in New Zealand.

The company has an annual sales turnover in excess of \$250,000,000. The company's major expense relates to the purchase of materials and this represents around 60 per cent of total expenditure. Wages and salary costs are in the vicinity of 20 per cent of total costs.

Although each operating division enjoys a degree of autonomy, strong financial and managerial control is exercised by the senior executive group and the company's board of directors. There is regular weekly reporting to the company's head office and formal monthly review meetings. These involve the divisional management team and key members of the head office executive team.

The general internal working relationships are amicable. Apart from the usual head office/operating division differences in perception, which are very common where there is the need for an operational focus on short-term production output, sales and profits and the longer term business development and strategic direction inherent in the head office function, there is high level of positive co-operation evident.

The bottom line

Operation Turnaround and associated activities resulted in a significant improvement in the bottom-line performance of a medium-sized manufacturing and marketing company. Operating profit before tax increased by nearly 250 per cent and return on shareholders' funds increased by 16 per cent over a period of two years.

Historically the company has held a dominant position in a number of the markets in which it operates, but there are indications that some major product lines are progressively losing market share. The company manufactures and markets a range of different products and the workforce is fully unionised. The prospect of one operating division being played off against the other in terms of industrial negotiations with the major unions, which have members holding key positions of power throughout the company, is another factor that encourages the management team to work in close co-operation.

An informal review of the various monthly reports, and some selective analysis of the personnel records, both at a company and at a divisional level, indicated that some managerial action was necessary to prevent an erosion of profit levels and the loss of some key middle level managers who were becoming a little anxious about the longer-term prospects.

While each individual activity reviewed did not cause a great deal of concern, an analysis of the collective data most certainly highlighted the need for action to arrest the general trend before it became really serious. There were a number of seemingly unrelated negative trends including extended delivery times, increased levels of rejects and scrap in the manufacturing processes, manufacturing cycle times were being slowly extended, productivity appeared to be falling, staff turnover (both at the operating and managerial level) was increasing, absenteeism was up, compensation claims and lost time injuries were increasing and the number of minor lost-time industrial disputes was also increasing.

A further investigation confirmed a general feeling that there is a serious lack of people who had been trained in management. Promotion had been based on performance in the job and most people holding senior positions have risen through the ranks of the workforce, primarily through the factory operations. There has been little training, other than the

on-job variety, and where this had occurred it has been very internally focused. The significant majority of managers have developed through their own specific job function and tend to reflect somewhat of a specialist bias when considering strategic management issues.

Although there is a high level of participation in each of the specific industry groups in which the company operates, it is in each of the operating divisions of the company that there is little external focus in terms of people development, supervisory and more senior level management training.

Following a preliminary review of the action required to address the various problems that had been identified, a corporate planning committee was formed with the clear objectives of determining plans for the future development of the company and to integrate the formal planning with the current and projected future activities of the company's various divisions, units, departments and sections. This action was taken to ensure that the senior management team did not lose their focus on the longer term while they took action to address the number of short-term problems that had been identified.

An outline of the functions, responsibilities, membership and authority of the corporate planning committee is presented as follows.

Hypothetical manufacturing company: corporate planning committee

- (1) Basic function:
 - 1.1 To act in an advisory capacity to the managing director in determining and reviewing plans for the future development of the company.
 - 1.2 To integrate the planning of the various divisions, units, departments and sections into overall corporate plans and objectives relating to the improvement of profit.
- (2) Responsibilities:
 - 2.1 Plans and objectives for the company.
 - 2.2 Acquisition of new products, firms or undertakings.
 - 2.3 Research projects and the development of new processes.
 - 2.4 Establishment and integration of sales and marketing objectives with production capacity.

- 2.5 Financial requirements and profitability objectives.
 - 2.6 Organisation structures and manpower requirements.
 - 2.7 Any other matter referred to the committee for consideration by the managing director.
- (3) Membership:
- 3.1 The basic membership of the committee shall be:
 - corporate manager – administration
 - corporate manager – marketing
 - corporate manager – manufacturing
 - corporate manager – finance
 - 3.2 The committee has the power to co-opt members of the corporate and divisional staff as required.
- (4) Authority:
- 4.1 The committee will consider all matters placed before it and make recommendations to the managing director.
 - 4.2 The committee has the authority to request information relative to specific projects and to refer back for revision any plans or proposals submitted by any division, unit, department or section.

The members of the corporate planning committee recognised that the need for integrated planning was frequently discussed and, although well accepted in principle by senior management, frequently received only token support. Consequently some time was spent in defining and documenting the process.

An outline of the overall corporate planning process, designed to translate company objectives into an integrated operational master plan, is presented in Figure 1.

A number of recommendations came out of the work carried out by the corporate planning committee. The members of this committee agreed that many of the problems identified could be resolved by introducing more effective management practices and that there was a pressing need to develop a programme that effectively linked the company's objectives with the capabilities of staff in various specialised areas of work and at the supervisory and managerial level.

Based on preliminary findings from meetings of the corporate planning committee an integrated corporate manpower planning and development programme was developed and introduced.

The major objective of this programme was to ensure that the company was adequately staffed to meet both current and future needs in such a way that the company would continue to meet its specific objectives, including those relating to profitability and market share.

A general announcement to staff was published in the company house journal, together with a statement along the following lines:

“The training of our people is a very important part of our operations and the development of future executives, managers and specialists is vital to our future progress.

“Consequently, our manpower development programme has been introduced in an endeavour to help improve current performance and to develop longer-term potential.

“The programme involves reviewing our current organisation structure, projecting our future structure and staffing requirements, the preparation of managerial position descriptions, and conducting a review of individual performance.

“We believe that:

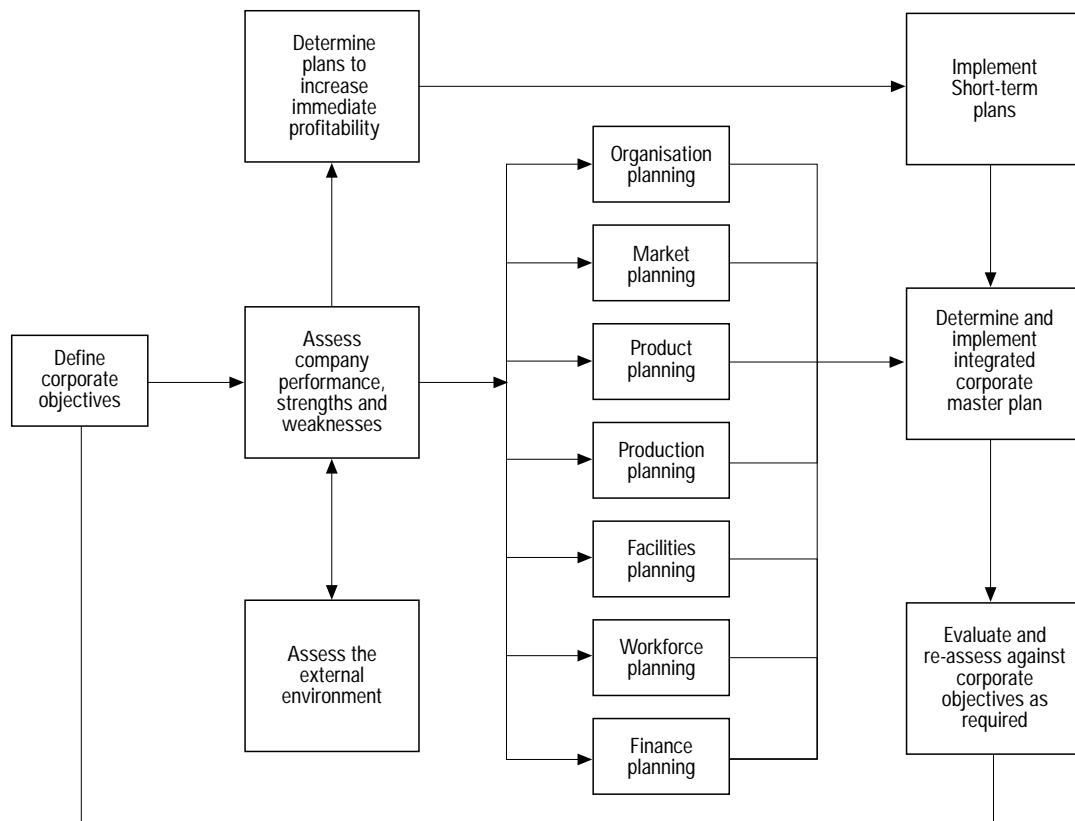
- the quality of people's work will improve with competent guidance for their managers;
- unless our people know where their strengths and weaknesses lie, they cannot take confident and effective steps towards improvement;
- although the final responsibility for development lies in a person's own hands, a recognised and organised procedure is the most effective way of ensuring that development does take place;
- staff performance reviews will shortly take place.

“The purpose of these reviews is to:

- determine the competence of each person in the performance of their current duties;
- identify specific areas in need of improvement;
- ensure that people are placed in the most suitable position;
- identify employees' ambitions regarding personal career development;
- provide a basis for planning the future development of individual employees in accordance with their capabilities and aspirations.

“Based on the information already collected by the company's personnel department, a basic internal training programme has been

Figure 1 Outline of corporate planning process of the Hypothetical Manufacturing Company



prepared in line with our general policy and future directions to develop the skills and knowledge of our people, and this will be implemented progressively.”

An outline of the basic management development programme is presented as Figure 2.

Hypothetical manufacturing company – management development programme

As this was the first time that the company had really addressed a formalised integrated training and development programme, a significant amount of course material was structured in such a way that the training at the basic supervisory level was repeated and reinforced at a more senior level to ensure consistency of theory and practice throughout the company.

One of the objectives involved here was to ensure that training was related to workplace needs and that various levels of the programme related to the seniority and experience of the people who would be participating in the programme.

The senior management team wanted to communicate an ongoing commitment to

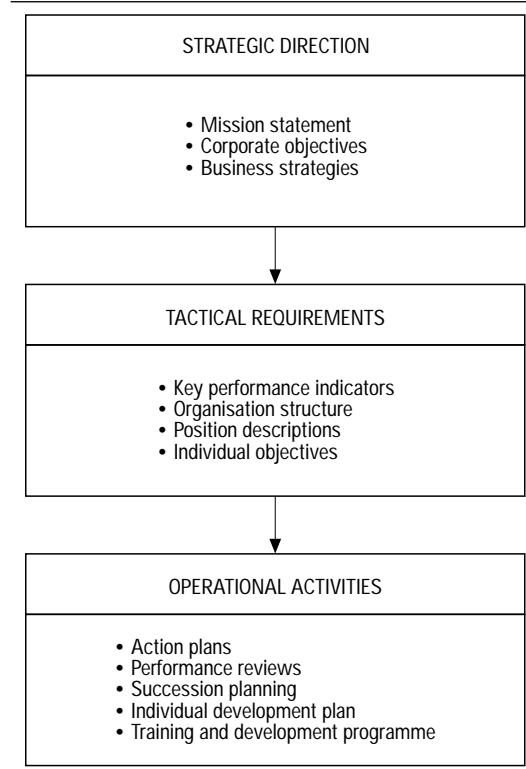
career development, skills enhancement and to place significant emphasis on practical training that really did match current company needs and really would help participants to carry out their present responsibilities more effectively.

The programme structure was carefully designed to ensure that people at the various levels of supervision and management were receiving consistent and complementary training and information input so that they could translate the training into practical application in the workplace.

The review of training activities carried out in other companies had identified a number of potential problem areas. One of the most common of these was the use of different training instruments, sometimes with conflicting basic concepts underlying them, and different terminology at different organisational levels. This invariably led to confusion, lack of direction, inter-personal conflict and rendered much of the time and money spent on training useless.

This programme was very carefully structured to avoid the frequently encountered problem of conflicting approaches that occur

Figure 2 Integrated performance management programme



from time to time within organisations which do not take the trouble to integrate programmes in such a manner that there is progressive reinforcement of common approaches and principles.

It was also structured so that people who were promoted through the company received reinforcement of the basic training at more senior levels as they progressed.

The formal programme was reinforced by a number of specific projects and activities. These included projects relating to accident prevention, marketing and manufacturing and some examples are very briefly outlined as follows.

Workplace safety and accident prevention

Some operating areas of the company had very poor accident records and a high level of compensation claims. This was partly due to the perceived role of the safety officer and the safety committee.

There was a perception that the safety officer was responsible for all safety and compensation matters. The safety committee was disbanded and each divisional manager was specifically made accountable for safety and accident prevention in their own division. An

extract from the company accident prevention programme is presented as follows.

Hypothetical manufacturing company: accident prevention programme

Objective

The aim of this programme is to minimise accidents with the objective of a reduction in accident frequency of 25 per cent for each of the next three years.

Outline of specific responsibilities

(1) Divisional manager

- 1.1 Responsible for safety and house-keeping within their area.
- 1.2 Holds subordinates responsible for the safety of employees under their control.
- 1.3 Authorises necessary expenditure on safety, subject to established authorities.
- 1.4 Ensures that all supervisory personnel fully understand company safety policies and procedures, and are trained in safe working practices.
- 1.5 Conducts a regular programme of safety inspections within the division.
- 1.6 Assists the industrial sister and the company training officer in the development of divisional employee safety programmes and conduct of divisional educational activities.

(2) Divisional supervisor

- 2.1 Trains subordinates in safe working practices.
- 2.2 Responsible for the safety of all employees under their control.
- 2.3 Responsible for good housekeeping and ensuring a safe workplace.
- 2.4 Enforces the wearing of protective clothing and equipment as required.
- 2.5 Reports all accidents affecting his/her subordinates and investigates causes.
- 2.6 Ensures first aid promptly administered when required.
- 2.7 Conducts a regular programme of safety inspection with their department.
- 2.8 Assists the industrial sister and the company training officer in the development of employee safety programmes and the conduct of educational activities.

(3) Employee

- 3.1 Works in accordance with accepted safe practices.
- 3.2 Reports unsafe conditions and practices.
- 3.3 Observes safety rules and regulations.

A number of training activities relating to workplace safety and accident prevention were introduced. In preparing these considerable use was made of industry and company history and current data relating to each operating division. Where they were available, local area statistics using regional personnel groups, were also included. This enabled the training activities to focus on specific problem areas.

Information relating to accidents and compensation claims were included in divisional monthly reporting and particular attention was placed on the reports relating to the manufacturing and factory managers.

This managerial initiative, supported by focused training activities, resulted in a most significant decrease in the number of claims and accidents over a comparatively short period of time.

For the first time it was made clear that both the production manager and the divisional was accountable and the monthly results were included in the company's board reports.

The training programme provided the information and support base required to assist the members of the divisional management teams to address the issues with a degree of confidence.

Sales and marketing

The need to take action in relation to the sales and marketing function was identified as the company's operating and administrative costs were recognised as being high and there were clear indications that there was some loss of market share.

The sales managers had developed primarily through company ranks having commenced as a sales representative without any formal training or real assistance in terms of broadening their understanding or preparing them for a more senior managerial role.

There was no formalised planning nor any formal market research in terms of current and future markets, or product mix within these markets.

A company-wide project team was established comprising the sales manager of each of the operating divisions. The members of this

team participated in a series of executive briefings, covering topics including market research, product development, produce life cycles, distribution, customer service, advertising and sales promotion.

In addition, a concentrated three-day programme that addressed marketing management, accounting and financial control was introduced. The objective of this programme was to reinforce the financial implications relating to marketing, including stock levels, which traditionally had been very high throughout the company.

The relationship between promised delivery dates, order placement and processing, production planning and scheduling, raw material, work in progress and finished goods stock was emphasised.

As a part of this programme, key operating divisions were required to conduct a market research project which provided three-year product and market forecasts. This required company representatives to speak with key customers about projected future requirements and work was carried out using trade information available through industry groups, the Australian Bureau of Statistics and other appropriate resources.

At the conclusion of the project a one-day workshop was held. This resulted in the production of a document which gave fairly clear indications of market trends, highlighted some potential opportunities, and indicated areas where there was a need to reduce reliance on specific components of the market. An integrated annual marketing plan was developed by the participants, presented to the board of directors and introduced through the company.

The marketing component was then communicated back to the corporate planning committee. This provided an excellent basis for future planning.

Improving manufacturing effectiveness

A similar activity was conducted in the various manufacturing areas where training courses were carefully structured to address items such as production planning and scheduling, inventory control, work methods, productivity improvement and so on. These courses were complemented by the creation of performance improvement teams which focused on raw material, work in progress, finished goods stock levels, scrap and waste reduction, improved work methods and so on.

A course on financial aspects of production was introduced and this also resulted in an

increased awareness and understanding of the implications of order and delivery cycles, the high cost of raw materials and work in progress. When combined with the output of the marketing project team it resulted in a significant increase in productivity and profitability for the organisation.

A number of complementary initiatives were taken, including the introduction of employee briefing groups during which senior executives of the company outlined current issues and future plans including major capital projects.

There was a certain level of scepticism when these programmes were introduced but as it became clear that these were a genuine endeavour by management to inform and involve the employees there was a strong support including that of representatives of the various trade unions involved with the company.

One of the most revealing comments was from a leading trade unionist who said something along the lines “I don’t necessarily believe what you are telling us but the very fact that you are making the effort, and seem to be open and responsive, gives me hope for the future”.

Concurrently with these activities a number of formalised procedures were introduced including the preparation of action-oriented position descriptions, a performance review programme, which focused on ways of improving current performance and preparing people for broader or more appropriate future responsibilities and the previously mentioned management development programme.

In addition an individual development programme was prepared and introduced to provide a more specific focus on training and development activities. An outline of this programme is presented.

Hypothetical manufacturing company: general outline of individual training programme

(1) Basic propositions

- 101 The development of executives, supervisors and other selected staff is vital to the future progress of the company.
- 102 The quality of a person’s work will improve greatly with competent guidance from their immediate superior. This holds true at all levels of the organisation.

103 Unless each person in the management group knows where their strength and weaknesses lie, they cannot take confident and effective steps towards improvement.

104 The final responsibility for a person’s development lies in their own hands, but a recognised and organised procedure is the best way of ensuring that development does take place.

(2) Objectives

201 To train supervisors and other selected staff to do a better job in the positions they now hold.

202 To identify, select and prepare suitable staff for advancement.

(3) Summary of programme

301 *Job description:* a systematic statement of what is required of a person in a job. Wherever possible, levels of acceptable performance are stated.

302 *Review of job performance:* the measurement of the person against the job. A review is made by the departmental head and the immediate supervisor where they are not the departmental head. Discussion centres on the job performance of the person being reviewed. Likely training activities are considered.

303 *Performance discussion:* the review of job performance is discussed with the staff member by their department head, or by their deputy in special cases. The tone of the discussion should be one of frankness. It should be helpful and encouraging. Specific means of improvement of performance are jointly explored.

304 *Training programme:* an individually tailored training programme is developed. The term “training” is used in its widest sense to mean any planned activity directed towards the development of the individual. The plan should be as definite as possible in terms of activities, times and assessment of results.

A computer feasibility study was carried out during the same period, and as a consequence a new computer-based management system was introduced to the company which focused on production planning and control with the accounting components being the secondary consideration. This provided a substantial increase in the amount of managerial infor-

mation available and training courses were developed to ensure that there was a reasonable level of understanding of the company's objectives in introducing a computer-based management system.

Training courses re-enforced the objectives, stressed the integrated nature of the programme and, perhaps most importantly, taught managers and specialist staff how to read, understand and utilise the information that became available.

Over a period of time an integrated process that helped consolidate the linkage between the company's objectives and the training and development programme evolved. This included a process for rewarding people on the basis of their contribution to the achievement of agreed objectives evolved. This was progressively documented and developed into a formalised company performance management programme.

Used in this context, performance management provides a dynamic tool that links the planning process with the preparation of mission statements, strategic plans, departmental and individual objectives, position descriptions, capital and operating budgets, action plans, performance reviews, training needs analysis, the preparation of individual development programmes, career and succession planning, and the conduct of appropriate executive development programmes and staff training courses.

While the details of this process are beyond the scope of this case study, a simplified outline of the integrated performance management programme that enabled this to occur is the Hypothetical Manufacturing Company (Figure 3).

An ongoing review of achievement against original objectives, based on the various indicators that had caused the senior management team to implement this broad action programme, was carried out. Where quantitative data were available, such as production output, industrial disputation, staff turnover, internal promotions versus external hires, customer complaints, lost time accidents, and so on, these were reported on a monthly basis and subject to very detailed analysis on a quarterly basis. Trends were identified and discussed and corrective action taken where appropriate.

On reflection, perhaps the most important lesson arising from this programme for people who are responsible for training and development activities, is the strong reinforcement of the absolute necessity to base training and

Figure 3 Overview of an integrated performance management programme



development programmes on the real needs of the organisation and on the needs of the many individual people and teams (specialist, project and management teams) who are responsible for making it happen.

This means that effective training and development programmes must span from the most senior levels of management through to the operational and clerical support people employed in the company. Unless training and development programmes are clearly needs-based and fully integrated, they are wasteful and can be counter-productive.

A closing thought

We are brilliant at discussing, communicating and articulating. We are marvellous at setting up committees and having ideas, but when it actually comes down to doing something, there's something in our culture that clicks into neutral, or worse, reverse. It gradually begins to erode valuable initiatives (Brian Wolfson, Chairman, National Training Task Force, UK).