

Effective standardization: Harnessing the power of your organization

Applying these guidelines can effectively leverage economies-of-scale

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Whether you are in a strong economy or a weak economy—especially in a weak one—standardization across a multi-facility organization is good business practice. Standardization provides a mechanism for effectively leveraging the economies-of-scale associated with a large multi-facility organization. It provides a basis for continuous improvement through a process of practice/standard evolution by allowing for better organizational learning. Small, single-facility organizations can also benefit from developing defined standards as they provide a basis for improving the efficiency and effectiveness of employees. At the same time, standards allow for better teamwork. The following explores the arguments for standardization and describes the framework for effective standards development.

Standardization defined. Standardization is the process of developing, agreeing upon and implementing technical or program specifications, methods, processes and/or practices throughout an organization. When compared to the classic performance model (Fig. 1), standardization provides a mechanism for improving overall organizational performance by moving the entire organization toward a “cognitive team” operation mode. This helps an organization recognize the efficiencies and business value associated with alignment between related groups as well as providing a platform for improved communication opportunities.

A classic performance in-depth analysis. A more detailed look at this model, which defines the four classic levels of engagement for an organization, illustrates the need and value of standardization.

Chaos is a common organizational state found within the process industry. It is characterized by a “not invented here” mentality—the basic premise is that every site’s situation is so unique that they warrant a different approach. While chaos allows for a significant level of individual freedom, it also drives the lowest level of performance, because it does not allow the sites to effectively learn from one another.

Organizational discipline is a disciplined response, the first stage of standardization, and it is characterized by a blind adherence to policy. This operational state shows higher levels of performance based on the assumption that the standards reflect the most advanced knowledge and practices in the organization. However, this state is limited in performance by its lack of ability to effectively

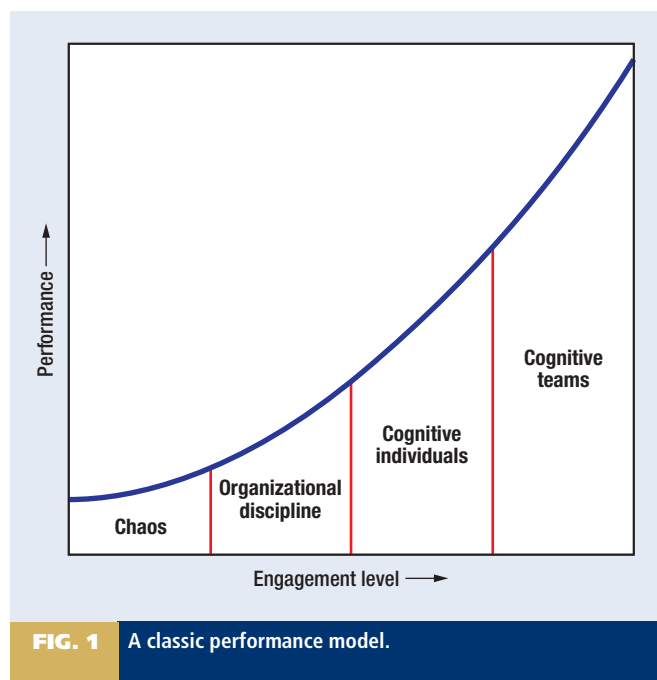


FIG. 1 A classic performance model.

deal with unique or unexpected situations or requirements.

Cognitive individuals are characterized by an “open-eyed” adherence to standards. This operational state is defined by individuals applying the standards in the most effective manner possible for their specific situation.

Cognitive teams are characterized by a collaborative working environment based upon a common set of applied practices and standards. When implemented effectively, standardization institutionalizes certain organizational behaviors, allowing for more effective teamwork. This collaborative environment, when combined with a strong set of corporate standards, permits a more efficient evolution of an organization by creating an efficient and effective learning environment.

Why standardization? The business practice of standardizing key work systems across an entire corporation is a common practice among industry-leading corporations. When executed correctly, this practice allows for true organizational learning, and it provides a basis in which effective practices are established and

MANAGEMENT GUIDELINES

sustained over time.

Those that argue against standardization feel that by holding everyone to the same set of guidelines and practices, the ability to optimize their approach to suit the situation is taken away. However, when implemented correctly as previously discussed, standards actually do the opposite. Standards provide a foundation by supporting common practices from a central group and a set of guidelines for efficiently and effectively tailoring practices, that are directly impacted by the idiosyncrasies of a particular site. Further, standardization minimizes the overall amount of effort required to achieve and sustain excellence at any one individual site by leveraging the entire corporation's resources.

It is important to note that it is incumbent upon the central group administering the standards not to place excessive controls on the system as they may unintentionally discourage local innovation. When done correctly, the controls should ensure a consistent and effective application of the standards to drive local innovation as part of the continuous improvement process.

When standardizing across an entire corporation, the goals are to:

- Leverage economies-of-scale provided by the corporation
- Minimize liabilities by applying the same standards to all facilities
- Optimize overall enterprise performance by applying best-known practices across all sites
- Drive continuous improvement by providing a platform for capturing and institutionalizing best practices.

Effective standardization requirements. The first requirement of effective standardization is establishing the governing policies. These policies set the boundaries for desired organizational behaviors, while the standards themselves dictate or provide guidance on how to meet those policies. In simpler terms, policies provide guidance and direction, and standards define the compulsory practices and/or targets associated with those policies.

Policies. Policy documents guide the behaviors of groups or individuals to achieve a desired outcome. When written properly, policy documents provide the framework for developing the work processes, management systems, supporting documentation and procedures associated with adhering to specific policies. Whether for an individual site or across an entire corporation, policies determine philosophical direction, while standards dictate the work processes, management systems, supporting documentation and procedures that individuals must adhere to for compliance with the policy.

Practice standards. If standards documents are constructed correctly, they balance the value gained by standardization with the need for unique site approaches by defining three categories of practices:

- **Minimum safe operations standards** are those practices that must be adhered to for safe operations. Once set, every site must follow these standards or face potential liabilities.
- **Business standards** are the practices that the corporation encourages employees to follow to achieve desired business performance. These standards are largely mandatory. However, with corporate approval, a site or segment of the organization may choose, by exception, not to follow some or all of these standards due to operational issues or concerns.
- **Guidelines** represent recommendations and/or suggestions for effective practices. Guidelines are typically used in practice areas that are largely governed or impacted by local site considerations.

Once an effective set of standards has been developed, the only way to gain full value from the effort is to implement the standards across the entire organization. Specifically, this means that each site must be held accountable for adherence to both the minimum and business standards as written. If exceptions to this adherence are required, they should be approved based on agreement between senior site and corporate management. These exceptions must be heavily scrutinized and subjected to a management-of-change process to ensure that the deviation from the standard does not pose an undue business or safety risk.

In practical terms, sites have the following responsibilities with regard to corporate standards:

- Adhere to both minimum and business standards. Deviation from these standards will only be allowed if required by a unique situation, and any deviation must have prior approval from a senior site manager and the corporate manager responsible for the standard.
- Follow corporate guidelines as appropriate to ensure optimal performance against the standard objectives.
- Provide input into creating corporate standards.
- Provide feedback to the governing body of the standards document to ensure that the standards effectively support optimal operations. Any lessons learned are shared with the rest of the organization and incorporated into future updates to the standards document.

Organizational standards provide the framework from which exceptional organizational performance can be achieved. Standardization is not as simple as documenting and rolling out standards. The process utilized to develop and implement those standards is crucial to success. When approached incorrectly, the implementation of organizational standards will be met with strong resistance and sometimes outright defiance. Employees may see the standards as a way of eliminating their ability to think and apply their expertise. This resistance often comes from a feeling by employees that they are being told that their performance to date has not been adequate and that someone else is going to tell them how to do their job better. However, when approached correctly, employees will more readily accept standards knowing that they were part of the development process, making implementation significantly easier and much more effective.

So, "Why standardize?" The answer is simply that it makes good business sense. Then, "How can we go about standardization?" This is a much more difficult question; the answer is to ensure that a deliberate process is followed for the design, development, implementation and evaluation of standards that engages affected employees at each process stage. When standards are applied effectively, they can transform an organization into an industry-leading business entity. **HP**



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