

# Business Improvement through Transparency

Business Improvement through transparency is a simple but powerful new management technique that is now becoming widely accepted.

It is making sure;

- there is a single business wide structured view of all the functions in a business for all to see, i.e. the “DNA” of business;
- all staff are focussed on the business because they can see on one page all the key actions a business has to do and with what performance; and
- each staff member has their individual accountabilities for specific business actions aligned to the business DNA that are also transparent for all to see.

Making these actions transparent to all staff, at both the business and individual levels, introduces a new and effective way of developing teamwork and making staff more sensitive to their role and performance. Transparency is a do-it-yourself mechanism that helps control all business improvements and kills poor performance.

Transparency creates control.

## Transparency Management is Simple.

Simplifying the complexities of business into one view common to all staff is essential if there is to be good communications within the business as to its purpose and performance expectations and not a lot of mixed signals. Everyone should be singing from the same sheet of music. A true team focus starts with the senior management and cascades through a series of teams to permeate the whole business. This process is called structuring the business, or the systemisation of the business.

The approach also makes managers transparent!! Management is the “science of directing all actions with a degree of skill so as to alter the system to create value for all constituents”. This method is transparent. It reveals how good managers are and what skills they need to improve to be better managers. There is nowhere for managers, including MD’s, to hide. Most importantly, they will not want to hide as performances will be great.

## Creating the Information Structure is Simple

Not only must the message be focussed and simple for all staff to understand but also creating this information for the structure must be simple. Capturing the structure information is as simple as the business owner or MD transferring to paper their vision of the company, what has to be done and how well they want it done over a two hour discussion. Or capturing the information can be as simple as having the management, in one four hour meeting, collectively agreeing what key actions or functions are required to run the business. Alternatively there could be a “walk through” when staff walks through the whole business and notes all the key actions that are carried out. This is analogous to the roof being taken off the building, a helicopter manoeuvred above the building to observe and note all the work that is actually done over a week. But that might be expensive.

In this process of determining the actions necessary to run the business or a segment of the business, it is practical to chop up the business into 125 bits and each of these become the focus and tool for communication and performance management. How do you eat an elephant? By taking a bite at a time. Displaying the 125 actions on one page leaves no room for misinterpretation. The business is transparent to all, no independent department's fiefdoms protecting their own turf. It is a functional and operational view of the business, telling what has to be done, not an organisational view.

These actions are sometimes called the "chart of accounts" of the non-financial actions in the business. More correctly the 125 actions become the "Business DNA" because they are the essential "code" to run the business. Each one must function in conjunction with all others for the output to be achieved. Missing or malfunctioning pieces of the code are defects and will mean that the expected result will not occur. The targets will not be met, including financial ones.

### **Transparency Focuses on Improving Performance**

What targets? Once the Business DNA is established it is also possible to determine and make apparent what the goal or target for each action is, and to make these targets transparent to all staff. As the actions are not financial transactions but the work "doing" statements, the targets are also frequently "doing" or non-financial benchmarks. Every action has a financial consequence but the action itself precedes the financial result. How many cubic metres can be loaded each day? How many customers will be visited each day? How many products will be made per hour? How many customers will come into the shop? There is a need to manage productivity as it will impact profitability.

Making performance transparent can be simply and quickly achieved by getting management to assign a risk rating to the business DNA i.e. each action. This asks management or an independent auditor to rate each action into three categories as to whether it is "putting the business at risk", or it "could work a lot better" or it "works well but could be improved". Colour code these three results, put it on the one page "Business DNA" and, hey presto, you have a tool to transparently communicate performance to all in the business. Then you can attack the "reds", those actions that have the highest priority because they are putting the business at risk, at the same time as all staff is working on their own areas. What could be simpler and quicker than that? Within two 4 hour sessions with management, the business has:

- A structured view of the company
- A risk assessment of the current performance of the business

### **Transparency Involves all Staff**

How do staffs know what they should be working on day in and day out? Make them accountable for an action! When management have the session to determine the "Business DNA" and its risk rating, just ask and agree on who is primarily accountable for each of the 125 actions. How simple is that? How transparent is that? Everyone can see who is accountable for the "Business DNA" actions.

Boards delegate accountability to MD's, MD's delegate accountability to Section Heads (usually 5-6) but this new process transfers accountability for 125 actions to many different staff. The cascading of transparency of accountability is the only way that performance can be controlled both going down the business and then reporting upwards.

Each staff member has their own statement of, say 25 actions, derived but expanded from the Business DNA, so they have their own personal accountability or personal review document. All staff can see these 25 actions and so everyone knows precisely what other staff, and or their team, are accountable for. These personal statements of what they are accountable for day in and day out, can include performance reports, and can be reviewed annually but each of the 25 actions could also be rated so they can be reviewed monthly, or quarterly if need be. This approach is much better than a job "specification" which is often general and not specific as the name suggests.

### **Transparency Kills Poor Business Performance.**

The first improvement in performance with the transparency method is that it converts the general and often loose statements in the Strategic Plan into an Execution Plan. The Business DNA has performance measures that are traceable and transparent. It is better than a business plan. It is inclusive of all the business but the performance measures put in place and that are linked to strategy are more specific.

All business actions are audited and worked on by all staff continuously and the performance from a business or individual point of view continuously reported and reviewed. The Business DNA can be used regularly to audit the management of the business and to realign it to customer requirements. The combination of the Business DNA and the individual staff accountability ensures that no stone remains unturned in driving the business for improved performance. It is a double edged sword.

All Business DNA actions are audited but those rated highest risk, "red", are given priority in being audited to improve performance.

### **Transparency Enhances Continual Improvement.**

After auditing an action, the "auditor" (i.e. the person accountable) is asked for a recommendation and because this recommendation is open for all to see, any staff member can make comment on these or provide ideas on how to improve any part of the business. These ideas are logged with the name of the originator so it is possible to include the outcome of the idea in the rewards given to any staff.

After analysis, the recommended enhancement is converted to an improvement project if it is bigger or requires additional expertise not available to the person who is accountable for the continual improvement. All projects are tightly managed by project management methods independently of the Business DNA because projects have a use-by date and the business doesn't. The progress of all projects, while reported directly to the MD, is also available to be viewed by all staff. This enhances and strengthens accountability.

## Report Incidents Transparently

Any action with a target to achieve zero errors should always be tracked by reporting all non-conformances. Such an "incident" and this can cover production, quality, OH&S, customer service, or many other issues. The transparency of the incident register and the direct allocation of an incident of non-conformance to an individual, ensures rapid and complete correction of the issue and allows tracking of all issues to see if there are patterns as to their origin by department or person.

## The Result

Seeing is believing. If the business is transparent, all staff can see what has to be done to continually improve customer satisfaction and business performance, especially financial performance. The more specific definition of their role in the business ensures greater bonding with the business and with the teams required to achieve the business objectives and particularly the performance visualised by the MD.

In their minds an MD can "visualise" how they would like the businesses to work and perform, but can they convey this "picture" to the staff? Can they engage the staff in what they want done? The Business DNA concept and the associated performance and individual accountabilities may be the only way the MD has to communicate the vision and make it real. This is a much better option than working long hours in the business and feeling frustrated that the staff just don't get it.

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