

# IMPLEMENTATION OF PERFORMANCE MANAGEMENT IN ENEFIT SOLUTIONS AS PRODUCTION DIVISION

## MASTER THESIS

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### Summary

This thesis main objective was to implement performance management in Enefit Solutions AS production department and through that activity improve Enefit Solutions AS financial results. Results were improved compared to previous two years, but the goals were not filled in full. Projects budgets and time schedules were fulfilled in three last quarters of the year, but due to low sales activity, the minimum turnover to cover overheads was not achieved.

The thesis consists of describing the current situation of production department in December 2016, setting the goals for 2017 and working out the action plan to achieve the set goals. Main part of the thesis describes the action plan execution process and last part analyses the results and sets goals for next fiscal year.

The author of this thesis is not satisfied with the result of production department overall performance in 2017, but is very satisfied with the change management and KPI's that were improved significantly, like lowering the labor cost 20% and overheads 10%, improving productivity by 20% and restructuring the manufacturing department. Cleaning up the production area and gaining additional 900 m<sup>2</sup> floor area for welding and assembly, due to that we are able to close up second welding hall with 2500 m<sup>2</sup>. Moving separate machining workshop from 1500 m<sup>2</sup> to 300m<sup>2</sup> space and closer to the customer. In this sense, we can say that the performance management was implemented and the objectives set, were achieved.

Most important goal that was achieved during execution of developed action plan is the shift in employee's minds. The fact that project managers are making decisions based on budgetary data, that production foreman are finding ways to manage their team with less costs is almost revolutionary in Enefit Solutions production department.

There is an investment plan in place for 2017 and 2018. Investment plan for 2017 is implemented, except for ERP system implementation, which is at the phase of conclusion of the contract.

The challenges that were faced in the beginning of 2017 with no production manager on duty, thousands of monetary liquidated damages waiting to come to life and hundreds of tons of delayed

production to be manufactured within very short period of time, with employees who have no motivation or knowledge how to support the core business goal of making money to the owner, I would say that the end result for production department in 2017 is average.

In the beginning of this thesis, the author stated that there is a need for changes in the sales department in order to succeed with the turnover and EBITDA goals, but also mentioned that the sales topic is not discussed in this thesis. When summarizing the results of this thesis, the author realized, that this should have been one core topic to enforce even harder. In Enefit Solutions AS, production department and sales department are not under same management, which is a big mistake. To support the financial goals set in the third paragraph of this thesis, the author should have stated the needed changes in sales and not to trust the department to work on its own. Sales goals should have been clearly stated, not only in monetary terms, but also in terms of product family and technology. Although these topics were discussed daily during the period under consideration (fiscal year 2017), they were not actually implemented or nothing was taken down about the topic. This should be the core action for production department in 2018.

What we do not measure we can not manage. In order to lead the renewed production department to success, we need to continue with the started changes in production and do the same in sales department and other supporting departments. We can not look the reasons for failure in old equipment or Estonian Republic as an owner. We need to face the mirror as managers and build a strong business case onto our strengths and advantages in the market that above all we ourselves believe in.