Moving Beyond the Improvement Tools

What can Department Managers Do?

Michael Bremer
President of the Cumberland Group
Executive Director Chicagoland Lean Enterprise Consortium
VP Manufacturing Excellence Awards - AME

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Objectives

- Learn why competitive position probably does not change
- Understand why your company is probably average in terms of improvement effectiveness
- Learn a few actions department managers can take to help their organization do a better job of improving

Definition of Insanity = Continue to do the same thing and expect a different outcome
Pain and Disappointment “Gap”

- Actual Reality For Most Companies
- Improvement Trend if Nothing New Done
- Temporary Learning Curve
- Performance Dream
- Missing Ingredients
Simple Average Assessment Test

1. Sustain and replicate gains from improvement projects?

2. Key business performance metrics shown significant improvement – *financials, margins, market share*....*not talking about savings*?

3. Employee engagement scores 2x above industry average – people actively engaged in improving the way the company operates?

   (-) Nope  ( + ) Inconsistent  ( ★ ) Consistent
Results of 3 Question Self Assessment

Count

Legend
- Not so good
+ Inconsistent
* Consistently

Pts. 0 3 6 7 9 10 13 14 17 21
What is Different?

Improvement Maturity is Relative to Competitors in Your Industry

What does the Elite Top 20% do differently?

Amount of Improvement

2 or more (-)  Combo of (-) (+) and up to 1(*)  2 or more (*)
Elite Performers

Five Levers Best in Class Leaders Use to Improve

1 Customer Value
2 Engage People
3 Key Metrics
4 Process Thinking
5 Leadership Mindset
Elite Performers

1. Customer Value

2. Engage People

3. Key Metrics

4. Process Thinking

5. Leadership Mindset
Customer Value – What gets missed?

10 executives – 10 variations
why customers buy from you
What are you trying to accomplish?

Resource Draining

Customer Profits

The Top 20% are 16 x more profitable than the bottom 50%

50% Customers

80/20 Rule
Leverage your strengths!

Key Point – Does the organization segment its customers? Do different strategies exist for high/low value customers?
What are you trying to accomplish?

There is over capacity in most industries today on a global basis. Strategies & Metrics must go **deeper** than a simple customer or product profitability report.

**80/20 Rule**

Leverage your strengths!
Customer Value Level 4 & 5

What factual information can be gathered to help others better see your most important customer value segments?

Ideally each person on the leadership team should represent 1 customer and know 5 things important to serve that customer better
Elite Performers

2 Engage People

1 Customer Value

3 Key Metrics

4 Process Thinking

5 Leadership Mindset

5 Leadership Mindset

5 Leadership Mindset
Engage People – What gets missed?

• Employees worry if they suggest something different, it will be held against them

• Employees work so hard to get changes made, they don’t have energy to do it a 2nd time

• ACTION: find a way to create a more open environment and develop more critical thinking skills...this is the ultimate respect for people

Highly & Very Highly Engaged <30%
What Is Your Primary Job as a Leader?

*To Create an environment where the people who work for you can do the best job possible*

If yes....can’t just focus on delivering results and holding people accountable...Level 4 & 5 thinking moves beyond this....

- Highly engaged employees work for highly engaged managers. Do you have the energy to do this?
- Put together a ‘simple’ self-assessment survey to check
Elite Performers

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Elite Performers

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How our metrics impact others

How their metrics impact us

Rating

Rating

Question #1

Question #3

Not so great……..Very Good
Do cross functional dept’s agree on what a WIN looks like?
Three Steps to Better Metrics

<table>
<thead>
<tr>
<th>Supplier Process Inputs</th>
<th>Process Operations (Inside It)</th>
<th>Process Outputs / Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defects Per Input Unit</strong></td>
<td><strong>Defects Per Unit Produced</strong> (Similar to Input Defects)</td>
<td><strong>Defects Per Unit Delivered</strong> (Similar to Input Defects)</td>
</tr>
<tr>
<td><strong>Documents NIGO</strong></td>
<td><strong>Thruput Yields, Scrap Amounts, Costs</strong></td>
<td><strong>Warranty Claims and Costs</strong></td>
</tr>
<tr>
<td><strong>Missing Information</strong></td>
<td><strong>Customer Satisfaction / Loyalty</strong></td>
<td><strong>Better, Exactly Meets Requirements and Expectations, Minimal Defects</strong></td>
</tr>
<tr>
<td><strong>Inaccurate Information</strong></td>
<td><strong>Ho-Hum Features (= Satisfaction)</strong></td>
<td><strong>Faster, Responsive, Quick, Agile, Flexible, On Time</strong></td>
</tr>
<tr>
<td><strong>Materials NIGO</strong></td>
<td><strong>Important Features (= Loyalty)</strong></td>
<td><strong>Cheaper, More Efficient, Minimal Wasted Time and Resources</strong></td>
</tr>
<tr>
<td><strong>Wrong Quantities</strong></td>
<td><strong>Turnaround Time on Orders</strong> (TAT, Lead Time)</td>
<td><strong>Non-Value Hours Per Unit of Output</strong></td>
</tr>
<tr>
<td><strong>Defects; Requirements Not Met</strong></td>
<td><strong>Response Time</strong></td>
<td><strong>Production Rate; Cycle Time (T/U)</strong></td>
</tr>
<tr>
<td><strong>On Time Delivery of Inputs</strong></td>
<td><strong>On Time Delivery of Product or Service</strong></td>
<td><strong>Hours of Staff Time Per Unit of Output</strong></td>
</tr>
<tr>
<td><strong>Delays Due To Rework</strong></td>
<td><strong>WIP Queue Quantities, Times, Costs</strong></td>
<td><strong>$ Cost Per Unit of Output</strong></td>
</tr>
<tr>
<td><strong>WIP Queue Quantities, Times, Costs</strong></td>
<td><strong>On Time Production</strong></td>
<td><strong>Unevenness of Customer Demand</strong> (Not Linear, Peaks and Valleys)</td>
</tr>
<tr>
<td><strong>Non-Value Time Expended</strong></td>
<td><strong>Motion, Transportation, Conveyance</strong></td>
<td><strong>(Not Linear, Peaks and Valleys)</strong></td>
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<tr>
<td><strong>Rework / Corrections</strong></td>
<td><strong>Over-Processing, Over-Production</strong></td>
<td><strong>(Between people in the process)</strong></td>
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<tr>
<td><strong>Waiting / Delays</strong></td>
<td><strong>Motion, Transportation, Conveyance</strong></td>
<td><strong>(Between people in the process)</strong></td>
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<tr>
<td><strong>Unevenness of Customer Demand</strong> (Not Linear, Peaks and Valleys)</td>
<td><strong>Workload Imbalances In Process</strong></td>
<td><strong>(Between people in the process)</strong></td>
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</tbody>
</table>
Check the Metrics You Use

1. Do any link to Business Strategies?
2. Are any of them leading indicators?
3. MOST IMPORTANTLY ......

<table>
<thead>
<tr>
<th>Functional Responsibility (Summary or Mission):</th>
</tr>
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<tbody>
<tr>
<td>Department/Group:</td>
</tr>
<tr>
<td>Contact for this Worksheet:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metric Classification(s)</th>
<th>Effectiveness</th>
<th>Timeliness</th>
<th>Quality</th>
<th>Productivity</th>
<th>Cycle Time</th>
<th>Employee Development</th>
<th>Cost</th>
<th>Risk</th>
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<tbody>
<tr>
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<td>Lead</td>
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</table>

<table>
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<tr>
<th>Medium Relationship:</th>
<th>High relationship:</th>
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</tbody>
</table>

1. Describe the primary responsibility or mission
2. Enter key metrics currently utilised
3. Determine if the metrics are leading or lagging indicators by category - some may belong to several classifications
4. Decide if your metrics are appropriately linked, a balance of views and a few early warning indicators

<table>
<thead>
<tr>
<th>Key Strategies (for example)</th>
<th>Metric Linkages</th>
<th>Key Goals (Hashini/Policy Deployment) for example</th>
<th>Target</th>
<th>Links</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase sales from products new to the world, or new to organization</td>
<td></td>
<td>% Revenues from Products New to Market.</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Launch new Governance Process</td>
<td></td>
<td>Governance Process fully deployed</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Focus Value Proposition on Key Customers</td>
<td></td>
<td>Increase sales penetration key customers</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Build a High Performance Organization</td>
<td></td>
<td>Reduce product portfolio 'C' items</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Double 'employee engagement' survey score by XX</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>
Performance Metrics Level 4 & 5

What actions could you take to make certain you do not optimize the performance of your department at the expense of other departments you serve?

Our Dep’t → Internal Customer → Their Customer

Assess the effectiveness of your performance metrics!
Elite Performers

1. Customer Value
2. Engage People
3. Key Metrics
4. Process Thinking
5. Leadership Mindset
5. Leadership Mindset
5. Leadership Mindset

“….all troubles in an organization are the result of the processes not the people working in the system”

W. Edwards Deming
The Typical Work Around

Yours also looks this ugly….you’re just missing a good picture of it
Most processes look like this....

And we do work arounds to deal with problems
Processes Awareness

Focus on Process capability vs. Goal accomplishment

How many of you have a metric like:
On-time product delivery?

or
Rate of Hospital Induced Infections?
Process Thinking Level 2 & 3

Try to hit aggressive ‘performance targets’
If we don’t hit the target fix the problem

Process Thinking Level 5

Understand current process capability, if don’t hit the target, why did process not work effectively?

It’s a different dialog and way of thinking, what conversation happens in your dep’t?
Elite Performers

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[Diagram showing the flow between the sections: Customer Value, Engage People, Key Metrics, Process Thinking, and Leadership Mindset.]
Much of what is important is not seen
Variable Day-to-Day Work

Work Arounods & Firefighting

Strategic Work

Improvement

Standard Work

TIME SPENT

Executives

Middle Managers

Operators/Line/Staff
Improvement Priority Sequence

- Support/Enabling Systems
  - Planning (Strategies)
  - Communications
  - Involvement, Training
  - Engagement/Accountability
  - Meaningful metrics
  - Recognition, Reward

- Value Creation Processes

- Outputs
  - Products & Services

- Customer Value
  - Level 4: 4%
  - Level 5: 15%
  - Elite Performers: 1%

- Governance
  - A. Clarify Requirements (Value)
  - B. Align Value Creation Engines
  - C. Support Value Creation

Small Customer Focus

Inputs - Matls, Info...
It’s a long run...not a sprint

- It takes courage and innovative thinking to do this....do you have what it takes?
- Respect your people, increase critical thinking skills....
- Don’t optimize metrics for a piece of the process...the only thing that counts is overall process performance make it visible
- Make a decision, then sell it, but keep an open mind for other ideas
See with New Eyes

Level 2 & 3
Eliminate Waste

Level 4 & 5
Create More Value
How can your company more effectively improve the way it improves?

Thank you for joining me today.

Michael Bremer
michael@cumberlandchicago.com
630-789-8262