Building Performance Management Systems: Sharing Lessons Learned

Presenter

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Global Perf Excellence Webinars
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A Special 2-part Series to launch the 2022 IISE Global Performance Excellence Webinar Season

• Part I: The Theory, Principles, Frameworks (today)
• Part II: Zoom in on Component Build out (18 Jan)

11 January 2022
**PURPOSE:**

*To share learnings from recent Performance Management System Development initiatives*

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
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| 11:30 | **What is a ‘Performance Management System’?**  
The Toyota Production System and beyond….  
The components of a typical Perf Management System (or Operational Excellence Program)  
Drill down on key components |
| 12:25 | Close out and Adjourn |
We want to help you avoid the Muddle in the Middle that most organizations live through....
What is a ‘System’?

A system is a group of interacting or interrelated elements that act according to a set of rules to form a unified whole. A system, surrounded and influenced by its environment, is described by its boundaries, structure and purpose and expressed in its functioning. Systems are the subjects of study of systems theory and other systems sciences.
The ‘nature’ of organizational systems is evolving…..

Much of this evolution is ‘driven’ by the ‘10 Laws of Technology’ (hyperconnectivity) that are altering how we work and relate and how value is created…
At a very high level, Organizational Performance Management Systems aim to optimize the integration of People, Strategy, Process, and Technology (incl. information).
Our approach to help you better understand this.

Integration, Synthesizing, Orchestration
Enterprise Wide Performance Management Systems require Systems Thinking to function optimally

In order to succeed with Operational Excellence (System Wide Performance Mgmt. Sys’s) Leadership will need to embrace, learn how to be systems thinkers.

Some Leaders/Managers do this naturally, many don’t. That’s the reality Change Agents live with.

In the absence of Leadership being aligned and attuned to Systems Thinking, that way of approaching Enterprise-wide Operational Excellence sustainable in impactful positive change is unlikely.
Dr. Deming expressed it this way...

"The system of profound knowledge provides a lens. It provides a new map of theory by which to understand and optimize our organizations."
(Deming, Out of the Crisis)

It provides an opportunity for dialogue and learning!
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12:25  Close out and Adjourn
Many Organizational Leaders have ‘Platforms’ and ‘Planks’ in their Strategy Platforms (Fronts)

<table>
<thead>
<tr>
<th>Business Performance Reviews</th>
<th>Process</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td>• Weekly EMT teleconferences</td>
<td>• Action oriented decision making</td>
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<td>• Monthly business reviews</td>
<td>• Tighter accountability</td>
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<td>• Disciplined annual plans</td>
<td>• Customer responsive</td>
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<thead>
<tr>
<th>Talent Management</th>
<th>Process</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td>• Biannual talent reviews</td>
<td>• Better understanding of “A” performers; enriched career path</td>
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<td>• New executive compensation plan</td>
<td>• Expansion of variable compensation opportunity</td>
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<td></td>
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<td>• Alignment of shareholder and management incentives</td>
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<thead>
<tr>
<th>Customer/Competition/Capital</th>
<th>Process</th>
<th>Outcomes</th>
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<tbody>
<tr>
<td>• Business unit/Corporate strategy</td>
<td>• Longer range growth agenda</td>
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<tr>
<td>• Detailed industry analysis</td>
<td>• Focused R&amp;D investments</td>
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<tr>
<td>• Customer value led process</td>
<td>• Capital matched to growth</td>
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<tr>
<th>Operational Excellence</th>
<th>Process</th>
<th>Outcomes</th>
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<tr>
<td>• Lean Sigma Roadmaps and Toolkit</td>
<td>• Standard approach across the Enterprise</td>
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<tr>
<td>• Compliance Programs (EHS, Quality, etc.)</td>
<td>• Building global quality competitiveness, productivity improvement, process and cost efficiency, compliance and assurance</td>
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<tr>
<td>• LeanSigma Practitioner Development</td>
<td>• Simplify processes</td>
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<tr>
<td>• Balanced Improvement Portfolios</td>
<td>• Customer responsive</td>
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20’s style Operational Excellence Programs are a product of well over 100 years of ‘design and development’

A BRIEF -HOWEVER COMPLEX- HISTORY OF LEAN
Several branches & trends influence its evolution

Evolution began with the founding of Industrial Engineering circa turn of 20th Century
Branches evolved in Lean and TQM then into Integrated LeanSigma and now into Integrated Systems Engineering:
Enterprise Wide Operational Excellence Programs
One core principle and requirement is ‘Learning’ Capability

Coupled with Systems Thinking come the other four components that reflect the disciplines of a Learning Organization.

Many of the Components of an Enterprise Performance Management System build from these Learning Organization Components.

Let’s look at a 20’s view of an Operational Management System.
Quality has been the focus of much Performance Improvement thought and effort

Here is an example of the Integrated Quality Management System

Think about this beyond just Quality:

- Effectiveness
- Efficiency
- Productivity
- Quality of Work Life
- Innovation/Learning
- Profitability
- Sustainability
And Don’t lose sight of the ‘end game’

Improve Positioning via:
- Geographic Coverage / Offerings Provided / Served Segments / Branding/ Imaging, etc.

Managing the Exchange of Value With Stakeholders
- Altering the Give/Get, Responding to unmet and unfulfilled needs, QFD, Innovation, Rebalancing Segment Investment

Improve Quality, Efficiency, Productivity, Innovation, Engagement, Quality of Work life, Sustainability
- Apply principles and methods of ISE and ILSS
Lean Sigma Foundations
To create a Great Operational Excellence System
you have to take a **Multi-Front** approach

**THE STRATEGY AND APPROACH**

- **Program Initialization**
- **Engage the ‘Right’ People**
- **Pick the Right Projects**
- **Best in Class Training**
- **Discipline around Methodology**
- **Celebrate Successes to get the ‘fly wheel’ spinning**

**Point of Departure**
- Isolated Process Improvement Initiatives
- Inconsistency in method and approach
- Low penetration across the business
- Not sustainable (starts and stops)

**CURRENT STATE**

**Infrastructure (Leadership Engagement)**

**Planning**

**Learning**

**Measurement**

**‘Technology’**

**Communication**

**Motivation**

**Political/Positioning**

**Point of Arrival**

Best-in-class Operational Excellence Program with Sustainable and Significant Impact:
- Best in class profitable growth
- Critical mass of seasoned and skilled Change Agents
- Way of doing business
- ‘Good kind of tired’

**FUTURE STATE**
Purpose and Agenda

PURPOSE:

To share learnings from recent Performance Management System Development initiatives

11:30  What is a ‘Performance Management System’?
       The Toyota Production System and beyond....  
       The components of a typical Perf Management System (or Operational Excellence Program)
       Drill down on key components

12:25  Close out and Adjourn
The Planning Component….
(Effectiveness)

Component 1—Planning (Effectiveness)


Next week we’ll zoom in on this

Hoshin Kanri
Yoji Akao, the 50’s
We’ll link you to previous webinars that support our key points today…

IIE PERFORMANCE EXCELLENCE WEBINARS

Boost your career. Add knowledge to your IIE toolkit. Select from any (or all) of the IIE Performance Excellence Webinar tracks below to hone your skillset to its maximum and improve your organization.

Performance Excellence topics include...

- Accelerating Benefits Realization
- Best Practice Case Studies
- Career and Leadership Development
- Change Leadership and Management
- Industry and Service Systems 4.0
- Integrated Lean and Six Sigma
- Operational Analytics
- Operational and Business Process Excellence
- Personal and Professional Mastery

Accelerating Benefits Realization
Dive into agile and other methodologies that speed up operational results and bottom line impact.

- Implementation Sciences and Benefits Realization Management
- Operational Analytics: How it Supports Business Cases, Evaluation Studies, Benefits Realization Confirmation
- Disruptive Innovation in Distribution: From Weeks to Days to Hours
- Agile Methodology to Enable Rapid Process Innovation and Improvement
- The Agile Scrum Process for Process and Product Improvement
- Rapid (AGILE) Deployment and Execution of Integrated Systems Engineering Principles and Methods in Times of Major Disruption

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The “Flow” Component…. (Efficiency)

Component 2—Lean (Efficiency, Productivity)

Toyota Production System
Developed between 1948 and 1975
Built from early IE foundations and from Ford and US Grocery Store Systems as ‘prototypes’
Component 3—Measurement (How do we know?)
The Employee Engagement Component.. (QWL, Culture, Climate, Full Potential Employee Perf.)

Tiered Huddles:

- Focus on data/fact based communication, coordination, and process improvement
- Catalyze Change (e.g. 2-second lean)
- Promote communication, coordination and critical ongoing mutual adjustments
- Not ‘regular’ meetings!!!
You can see the ‘system’ and ‘components’ in this view of Operational Excellence...
Another illustration we reviewed in a Webinar last year....


Sustainable Operations Excellence—The integration of CI, Op Ex, DMAIC and DfLSS
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       **The TPG Performance Management System**

12:25  Close out and Adjourn
The Equation for Success (Possibilities and Drivers)

Y (sustainable, best-in-class business results) = f(X (key driver variables))

- 2-3% of Total Enterprise Revenues in Hard Benefits Annually
- > $125,000 in Hard Benefits / Project
- Right Size the process improvement and business process improvement specialist pool over time to build capacity to support the required level of improvement in our business plans and objectives.
- 40% of our employees actively engaged in improvement of what we do and how we do it at any given moment in time

X1: Leadership & Management Alignment and Commitment
X2: Pick the right People (Who before What)
X3: Best-in-class training and development
X4: Pick the right projects
X5: Skillful, disciplined, sustainable execution of Integrated LeanSigma Methodology;
X6: Celebrate successes and use them as a catalyst for even more success

- X7-n......(e.g. infrastructure, communication front, etc.)
Key Success Factors—Early out

**KSF #1:** A Leader, CEO, MDS and David Poirier, President of MDS Enterprise Services at the time, who positioned ISE and BPI as a key component in the MDS Transformation.

**KSF #2:** The CEO was replaced by a young leader who had seen the benefits from an Op Ex Program driven with Integrated LeanSigma in another Life Sciences organization so sustained support was an important factor. Continuity of Leadership, Strategy, Vision…

**KSF #3:** Alignment between the CEO, President, and I around the Vision (intended Future State—3 years out), the current state and the migration strategy and plan.
Key Success Factors—Early out

KSF #4: Employing BMGi to help us **get the design right**. They saved us a year probably by ensuring we got first things first.
  - eHandbook
  - Roles and Accountabilities
  - Deployment launch learnings
  - White Belt Design and execution assistance early out
  - Picking right projects advice

KSF #5: Deciding to purchase an **Enterprise Program Management System** (Enterprise Track at the time)
  - tactical investment that paid off strategic dividends for us as we evolved

KSF #6: The development of an **Enterprise Design, Development, Deployment Team (DDT)**.
  - Senior Leaders/Manager from each of 12 units, my counterpart in the units—Deployment Leaders
Key Success Factors—Early out

KSF #7: The Infrastructure strategy being thought through and endorsed by the top 12 leaders to include the development of Value Stream Owners. I had a sense that VSO’s would be a critical role for success and discovered later just how important that was.

KSF #8: The early and rapid execution of White Belt Training Sessions for the top teams (12 teams roughly top 20 from each team = top 240) of every unit in MDS followed closely thereafter by another Strategy Session with the CEO and his top team. Then very closely after that another round of WB sessions in every unit resulting in a rapid blitz of socializing and alignment of Principles, Strategies, Plans. Within 6 months we had totally positioned the entire organization for what was to follow.
Key Success Factors—First & Second Year

**KSF #9:** Allowing Project Selection to emerge naturally in the first year for the process improvement specialists in training. Often was voice of employee driving—eliminate paint points.

- Taking a very broad view of ‘improvement’ to include DfLSS, DMAIC, Kaizen’s, A3, Continuous Improvement (e.g. quick wins, PDSA, etc.)
- Not forcing strategy and policy deployment, top down, too early, allowing this to be bottom up. The CEO referred to it as Controlled or Organized revolution from bottom up.
  - “Our strategy in year 1 was to bubble up the talent and the projects, leave a lot of local control and direction, get people using the tools, pick projects that people are ‘jazzed’ about”
  - “I suspect that our portfolio is focused on process pain points right now and light in areas that actually touch the customer and we have to focus on beefing up this dimension of the portfolio”

**KSF #10:** Picking the right candidates and optimizing the training.

- Picking the right people was a serious decision, not taken lightly. Like a company would pick someone for an Executive MBA.
- We started with a traditional ‘death by powerpoint’, standard belt training program but decisively and rapidly killed that in favor of a Blended Training Program with MoreSteam. One of our best decisions!!
The First Six Months was Benchmarking, Partnering, Socializing with the Senior Team, Readying to do White Belt Training to the top 250 leaders.
Leadership Alignment & Support
Infrastructure was a Critical Early Factor

1) Pick the right belts and 2) surround them with the support requirements they need to be successful.
This ‘house’ framework essentially is a representation of the frontal work that has to be done to build a PMS.

THE STRATEGY AND APPROACH

Point of Departure

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Infrastructure (Leadership Engagement)

Planning

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‘Technology’

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Point of Arrival

Best-in-class Operational Excellence Program with Sustainable and Significant Impact:

- x% (of Revenue) in Annual Benefits
- Critical mass of seasoned and skilled Change Agents
- Way of doing business
- ‘Good kind of tired’

FUTURE STATE
The Strategy and Method you use must yield these outcomes...

- **Communication**: Creating a shared understanding and the necessary conditions for alignment
- **Alignment**: Driving the synergy required to rapidly translate strategy into reality
- **Visibility**: Creating a clear link between plans, actions and results that drives accountability
- **Accountability**: Taking responsibility for the results I produce
- ** Discipline**: Having the perseverance to always follow through

- 65% of organizations have an agreed upon strategy
- 14% of employees understand their organizations strategy
- <10% of organizations successfully execute
Teams, as discussed, will be so critical to success of Op Ex
Most organizations are engaging employees at all levels in Process/Performance Improvement activities on top of their ‘day jobs’—Perhaps the most significant transformation component is as simple as Time Management.

- **A** = Administer (DO) our day jobs, accomplish our accountabilities
- **C** = Cater to Crises, Fight Fires, do the unexpected
- **D** = Do the Dumb, waste time, non-value add time and effort (right things, wrong way; wrong things, right way; wrong things, wrong way)
- **E** = Enjoy Life
- **B** = Build the Business (improve what we do and how we do things)

The Default Position for Most Organizations looks something like this (in general)—too much NVA, too many crises to cater too, not enough quality A time, and not enough quality B.

Employee Engagement in Huddles and Continuous Improvement and other “B” type of initiatives can cause this shift in how we spend our time.
Speed of Trust is another superordinate component
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11:00  What is a ‘Performance Management System’?
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11:50  Close out and overview next week’s Part II
   Drill down on key components
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A Special 2-part Series to launch the 2022 IIESE Global Performance Excellence Webinar Season

- Part I: The Theory, Principles, Frameworks (today)
- **Part II: Zoom in on Component Build out (18 Jan)**
  1. A Planning Process for Op Ex
  2. How to Build Balanced Scorecards (**Measurement**)
  3. Huddles 101 (**Employee Engagement**)

**Presenter**

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Adjunct Prof, Va Tech
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Team Lead, IIESE

18 January 2022
Over 50 recorded Webinars on a wide spectrum of Performance Excellence Topics are available to members of IISE by clicking on this link.

Please contact jswisher@iise.org if you have any difficulty locating a particular webinar.

2022 Webinar Topics under Development

- How to design and develop Balance Scorecard Systems (next week, 18 Jan, for light overview, later for more detail)
- IISE Performance/Operational Excellence Track at our Annual Conference Overview (8 Feb)
- Integrated LeanSigma Program Optimization (22 Feb)
- Best of Best ISE Capstone Sr Design Case Reviews (June)
- How to design, develop, deploy Operational Excellence Programs
- And more, 2 per month for 2022.

And don’t forget IISE’s new Operational Analytics Certification Program...
Customer and Member Satisfaction and Feedback Survey

Building Performance Management Systems: Sharing Lessons Learned

You can download the deck (handouts). You will receive an e-mail tomorrow with certificate and link to recording. You can go to this IISE link soon and get deck and recording. https://www.iise.org/details.aspx?id=46729
An Operational Analytics Certification will significantly enhance your foundational training

Overview

Organizations are swimming in data, colloquially they are data rich and information poor.

Migrating from Data to Information to Insights and Understanding to Decisions/Actions and ultimately to Business Benefits Realization is the end game.

Organizations are losing at this game today because they don’t have the right knowledge and skill sets to execute the right strategies to harness the power coming from More Data and the ability to move it faster.

Professionals, perhaps most importantly, students in ISE, that become proficient at Operational Analytics will have unprecedented career opportunities.

This program is focused on building your knowledge and skills in a tiered fashion—Understanding to Principles, Methods, Tools to Application Skill Development as the foundation. This comes from this initial blended training program.

Sitting on top of that base, we’ll support your migration to higher levels of Mastery (Analysis, Solution Creation, System Design and Development, Deployment) with the Certification portion of this program.

Investment Requirement

Certificate:
~ 3-6 mos. Elapsed time
~ 220 hours (e.g. equivalent to 1, 3 credit hour U/G level class
$450 for ISE Students (must be members of IISE)
$575 for Professional ISE members, $725 for professional, non IISE members

Certification:
$250 for Student IISE members
$950 for Professional IISE Members, $1250 for Professional Non-Members of IISE
Who was this designed for

We had several target audiences in mind when we designed and developed this course:

1. Industrial and Systems Engineering Undergrads (Seniors) and Grads who want to augment their BSISE degrees;

2. Young Professionals who want to expand Career possibilities, strengthen Resumes, Linkedin Profiles and have a strong appetite for Analytics;

3. Business Intelligence Professionals who sense that there is more to Analytics than just creating lots of Power BI Reports and realize the real Leaders and Managers are overwhelmed with Data and frustrated that they can’t get IT to support them, as customers, better.

Our Faculty Member, Ben Amaba, likes this slide!!
Course Modules and Learning Objectives

We have 10 Core Modules in the Course:

1. Course Overview and Guidance
2. Operational Analytics Perspectives and Points of View from Thought Leaders
3. Operational Analytics: The Data Management Role
4. Operational Analytics: The Analyst Role
5. Operational Analytics: The Data Scientist Role
6. Operational Analytics: Business Process Improvement and Integrated LeanSigma Role
7. Visible Measurement Systems, how to deploy to support Study-Adjust
8. Operational Analytics: The Management Systems Engineer Role
9. Operational Analytics: Case Studies
10. Operational Analytics Final Exam

Learning Objectives

• Understand the Fundamentals of Operational Analytics through the Voice of Thought Leaders in this field
• Understand and Practice with the Data Management Role—how to get data, store it, organize it, cleanse it, integrate it....
• Understand and Practice with the Data Analyst Role—how to understand the voice of the ‘customer’, how to understand the fundamental questions that need answered, how to convert data to usable information
• Understand Data Sciences—advanced data capture, data management, data analytics by building intelligence and learning into our ‘machines’
• Understand and Practice with the application of Op Analytics to Business Process Improvement and Integrated LeanSigma
• Understand and practice how to bring all this together in the form of Engineered Management Systems and to integrate in Visible Measurement Systems and effective Study-Adjust processes.
Recently pre-recorded webinar recordings in 60 minute digestible chunks provided by thought leaders and faculty in our program. On-Demand.

Best-in-class Case Studies

- Op Analytics embedded in Process Improvement Projects (6 practical, industry diverse tollgate decks to help you internalize how this works)
- Data Sets from real world projects to aid you in developing reduce to practice skills

The LearnUpon LMS is intuitive and easy to use and has a way for us to Track your Practice work and interact as appropriate.

Virtual Coaching Sessions by Module provided by Faculty

Community Q&A/Chat Boards.

Live, synchronous training sessions monthly.
Competency Development Model

- Take the course, pass the exam
- Reduction to Practice Skills (Certification)
- Foundational Principles, Methods, Tools (Certificate)
- Advanced Mastery Level (Advanced Certification)
- Successfully Complete an OA Project (prove you can reduce to practice)
- Complete the Mastery Level Program (In Development) Proof of breadth and depth
- Take the course, pass the exam
Special Offer to Webinar Participants today...

https://www.iise.org/TrainingCenter/CourseDetail/?EventCode=OAO

The 10% off Coupon Code is OpAnalytics10