

Making Improvement Work: Using Process Management to Transform Your Performance Improvement Initiative

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The Promise and Disappointment of Performance Improvement Efforts

Many performance improvement initiatives have come and gone over the last 20 years leaving executives feeling that these initiatives have not worked as well as they could have. Studies by A. T. Kearney, McKinsey, and Bain & Company show that 70% of executives stated their performance improvement initiatives did not achieve the predicted return on investment.

At the same time, there is a deep conviction, both among executives and the general public, that quality improvement has produced positive results. Over the past 30 years, process improvement has had a visible impact on the quality of products and services. Would you rather buy a car for every day use that was built in 1971 or one made yesterday? In car manufacturing, as in most other industries, quality improvement has resulted in better quality, quicker response, greater flexibility, and increased value.

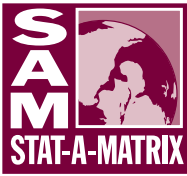
The question we need to answer is not therefore "What is wrong with process improvement?" but "How do we make process improvement 'work' better?"

The result of these conflicting factors is that organizations' attitudes toward quality improvement are a mixture of hope and frustration. On one hand, process improvement is still a critical priority for most companies. In a 2006 Gartner survey, *business process improvement* was stated as the most important business priority. On the other hand, articles regularly appear in popular and industry journals debating the value of the latest quality

improvement methodology, be it Total Quality Management, Business Process Reengineering, or Six Sigma. The typical tone of these articles is that businesses have spent a lot of money on the latest fads.

Our experience shows that the problem is not the methodologies themselves. During the last few years, as part of an internal voice of the customer study, we interviewed senior managers in a variety of industries who have implemented Lean or Six Sigma programs in their organizations. We found that a majority of the leaders were satisfied that their improvement programs gave them the right tools to improve their business. Their primary concerns were that the improvement initiatives were not completely focused on the activities needed to enhance performance, and that it was difficult to assess the sustainability of

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the program over time. Over and over, we were told that the greatest challenge facing the companies was effective execution of their process improvement program.

In the Gartner survey mentioned previously, *reducing expenses, attracting and growing customer relationships, and improving competitive advantage* ranked second, third, and fourth, respectively, among the critical business priorities. Our interviewees told us that while process improvement programs had helped with cost reduction, they had not helped their organizations make the leap to competitive advantage, nor had the programs enabled them to achieve the financial benefits the leaders anticipated at program launch.

The challenge is to understand the missing ingredients in process improvement initiatives that keep them from dependably delivering the quantum leaps in performance that everyone feels they are capable of. The question we need to answer is not therefore “*What is wrong with process improvement?*” but “*How do we make process improvement ‘work’ better?*”

Dr. Stephen Spear, a Harvard University professor who has extensively researched Toyota’s way of working said recently: “One of the underpinnings of the culture that Toyota has developed is their ability to tightly couple the work they do with how to do the work better.”

Table I—The Missing Ingredients

- 1. The wrong projects get worked on.** There is an endless list of things to improve, but only a handful that are meaningful at any given point in time. In many organizations, the result of projects that get worked on doesn’t make much difference to overall business performance.
- 2. Business metrics aren’t helpful.** Organizations have all sorts of metrics, but they don’t seem to produce the desired results for the overall enterprise. Some common complaints with metrics are:
 - a. Accountability is lacking.
 - b. Large savings get reported but there is no meaningful change in the P&L.
 - c. Gains in one area get offset by hidden inefficiencies elsewhere.
- 3. Improvement team practices are incomplete, unbalanced, and isolated.**
 - a. They are primarily focused on improvement tools instead of business processes.
 - b. Lean Six Sigma programs are implemented as sets of isolated projects instead of as a cohesive, coordinated program.
 - c. Improvement teams are teams in name only; they are not enabled for true collaboration and knowledge sharing across the organization.
 - d. Team practices are operational, task-focused, and not designed to produce overall culture change.
- 4. There is no comprehensive effort to sustain improvement.** Organizational support systems (performance management, rewards and recognition, collaborative decision making) do not exist for process improvement programs.
- 5. Leadership roles for the performance improvement initiatives are not clearly defined, aligned, and agreed upon.**
- 6. There is no governance structure to assess the ongoing health and quality of the improvement program.** There are no systematic reviews to assess what has been successful or ensure that organizational best practices related to process improvement are understood and being followed, and that the process improvements are resulting in quality gains.

In response to this challenge, we describe an approach we developed to help organizations “super charge” their process improvement programs. But first, it is helpful to understand the key organizational elements that get in the way of a successful process improvement program.

Why Improvement Doesn't Work—The Missing Ingredients

Table I shows the “missing ingredients” that typically sour the taste of an organization’s carefully planned improvement recipe. Reviewing the table it is clear that it is not the tools that are missing from process improvement programs, but the organizational infrastructure to support the effective use of the tools. Specifically, there are two sets of elements that need to be addressed. First, the management behaviors needed to ensure that the organization’s process improvement program is continually focused on competitive advantage and profitability must be strengthened. Second, the “support systems” (i.e., culture, organization, measurement systems, technology, and governance) needed to ensure program sustainability must be developed. Tools are an important but only if applied in concert with these elements.

This is what our process management approach seeks to do for all organizations. It helps them set up the infrastructure that will give them the ability to “improve the way they improve.” Our definition of process management is *the set of activities and behaviors that are needed to extract optimal value from an organization’s process improvement efforts, and to “super charge” improvement to achieve a competitive advantage through performance excellence.*

Our Process Management Approach

Our approach to process management is represented by the wheel shown below, with four quadrants and a stabilizing core. The wheel involves the following five elements, described in more detail below:

- Aligning the organization
- Designing the infrastructure
- Operating the system

- Improving the processes
- Sustaining process improvements

The wheel is intended to symbolize the fact that improvement activities have no defined beginning or end, but are an integral part of running the business. The wheel also indicates that there is no particular starting point for developing an organization’s process management infrastructure. If an organization already has a mature Lean Six Sigma or process improvement program, the elements of the process management wheel can be overlaid on the existing program to ensure better focus, alignment, and sustainability. If an organization is starting from scratch, the wheel serves as a road map for designing an effective process improvement program.

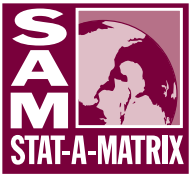


ALIGN

The Align core, most critical to the success of our approach, focuses on leadership behaviors and actions that ensure that the improvement activities are effectively contributing to the organizational bottom line. Like an axle, this core guides and controls the other elements of the process management wheel and makes necessary adjustments to ensure smooth functioning. If this element is working well, the steady hand of leadership will continue to reinforce the strategic importance of process improvement providing resources and direction to the elements that may not be performing in symphony.

DESIGN

While the Align core ensures that all the other components of the wheel work together smoothly, the four quadrants are no less important. The Design quadrant puts in place the infrastructure required for successful process management. Key



elements of the infrastructure that need to be designed are:

- *Process documentation* using common terminology and standards, with rules for modification and access.
- *Organizational roles* for process and subprocess owners and process management teams.
- *Enabling technology* to capture, store, access, analyze, and report process documentation and data.
- *Performance requirements* for key processes based on customer needs and business requirements.
- *Measurements* at critical process points to assess how the processes are performing on the key requirements.

Many performance improvement programs, especially those based on Six Sigma, have a strong project emphasis with a focus on completing as many projects as possible. Such programs do not take the time or effort to design the basics needed for process management, often viewing these efforts as a waste of time. It is this lack of process infrastructure that results in suboptimal returns from investment in improvement. It is like painting the walls of a house without building a roof—initial results may be satisfactory but they are not sustainable over time.

OPERATE

Designing the system for effective process management is a good first step, but intelligent decisions about where to focus improvement efforts for the greatest returns cannot be made unless the process management system operates regularly and efficiently. While the Design quadrant specifies the metrics needed to measure process performance, in Operate, tactical decisions are made about the data required for measurement, i.e., where it is found, how it is captured, stored, and analyzed, and what decisions are made based on the analysis. The activities of this stage include the creation of reports and dashboards that process owners and senior managers can use to make decisions about where to focus process improvement efforts. A key output of this stage is the selection of improvement projects, which involves three steps: determining areas of focus based on business issues, translating the areas of focus into specific improvement opportunities, and prioritizing the opportunities that will become projects.

IMPROVE

Improve should encompass both larger, project-based improvements using standard Lean Six Sigma methodologies and daily, local continual improvement. Toyota has been plugging away at daily improvement for more than 50 years, which is one of the reasons they are so difficult to copy. As mentioned previously, many organizations' Lean Six Sigma or other process improvement programs focus all their activities on this quadrant alone. As our model shows, this quadrant only represents a fifth of the elements that need to be in place for an organization to achieve financial and competitive success. It is not very surprising that many process improvement programs do not produce satisfactory results.

SUSTAIN

Activities in the Sustain quadrant address the development and maintenance of the support systems needed to sustain the improvement program over time. These systems include: documentation and knowledge-sharing practices that allow the organization to learn from its successes and failures, communication processes to ensure that the changes brought about by process improvements are transmitted across the organization, and reward and recognition processes to encourage adoption of changes brought about by process improvement efforts.

Living the Wheel—Transforming the Way We Improve

We began with management's dissatisfaction with improvement initiatives. In the customer satisfaction literature, satisfaction is defined as "the attitude toward a product or service based on a comparison of experienced performance with expectations." Transforming dissatisfaction to satisfaction requires a change in attitude, which can only be brought about by a change in experience. Business leaders are dissatisfied when their experience with the performance of their process improvement programs fails to meet their expectations. For their attitude to change, they need to have a different experience of process improvement in their organizations.

We should not underestimate the importance of experience. Think about the times we have been at highly rated restaurants where we felt that the "experience" wasn't quite right.

Maybe it wasn't individual components like the food or service, but the whole didn't come together well. In being able to influence experience, it is therefore vitally important to concentrate on the whole. In *The Fifth Discipline*, Peter Senge describes the lack of attention paid by leaders to the idea of the "primacy of the whole," which states that relationships are more important than individual components. He contends that management and leadership are conditioned to think of organizations as a collection of objects, rather than as patterns of interactions. They tend to fix individual problems leading to an "endless spiral" of local quick-fixes that do not achieve the intended results.

The process management approach and wheel have been designed for organizations to understand the whole. The elements of the wheel contain systematic activities that an organization can undertake to enhance the way they improve. The wheel itself provides an organizing structure to help conceptu-

alize and communicate the behaviors needed to ensure that the activities operate in a coordinated, integrated way. The operational and integrated views are both important. Just focusing on the concept of the wheel without making the effort to implement its components will clearly not help an organization improve. Similarly, just implementing the components, even with good Lean Six Sigma tools will only meet high expectations if vision and operational responsibility for maintaining the "primacy of the whole" is a management priority.

In some spiritual practices, the wheel is a symbol of transformation and rapid change. Some people associate the hub of the wheel with discipline, the spokes with wisdom, and the rim with concentration. "Living the wheel" is a metaphor for acquiring the discipline, wisdom, and concentration to embrace positive change. For the organizations that truly embrace process management, we would expect nothing less.



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