

# HOW WOULD YOU GRADE THESE PERFORMANCE IMPROVEMENT PROGRAMS?

To maximize returns from projects, companies need to improve all Three Levels of Performance:



- 1 The Organizational Level  where strategy is established
- 2 The Process Level  where workflows are streamlined
- 3 The Job/Performer Level  where individuals do the work

Typical improvement campaigns (i.e. customer focus, process redesign, TQM, cost reduction, cycle-time reduction, Lean, Six-Sigma) focus on only one level. As a result, these efforts do not optimize overall results. In fact, they can do more harm than good if the “fixes” in one area create unintended, negative side effects elsewhere.

Breakthroughs occur when leaders address all Three Levels of Performance and manage the whole system, not just tinker with a few of its parts.

With that in mind, how would you grade the following four performance improvement programs? (The names of the actual companies have been changed).

**Example 1 - ABC Electronics.** The president of ABC Electronics has been exposed to the “quality” religion and becomes a true believer. Realizing that quality is getting insufficient attention in his company, he:

- Arranges for a “fire and brimstone” quality speaker to deliver a one- or two-day session for all managers
- Directs the human resource development department to prepare each supervisor to conduct video-plus-discussion sessions with his or her subordinates
- Appoints a full-time quality director who will report directly to him
- Asks the quality director to produce a one-paragraph quality statement and circulate it to all employees
- Directs the employee communications department to manage a poster contest with an award going to the winning design
- Tells the personnel department to arrange for all employees to wear badge inserts that say “Quality—It’s as Basic as ABC”
- Provides additional funds to the human resource development department for the purchase or development of workshops in quality techniques

The ABC Electronics president has embraced much of the form and little of the substance of an effective quality effort. While his actions are nobly motivated and not necessarily dangerous, he gets an overall grade of “F” for doing nothing of lasting significance at the Organization, Process, or Job/Performer Level.

There is no evidence that he has articulated a quality strategy for the organization or designed the functional relationships through which he will carry it out. He hasn’t initiated any efforts to build quality into any strategically critical

business processes, and the company doesn’t appear to have built quality into the measurement, training, feedback, and reward systems of individual jobs. This scenario has all the trappings of a short lived, minimum-impact program.

As flawed as it is, the ABC quality program has one strength—the involvement of the president. We have found few examples of successful and sustained efforts in which senior management is not actively involved. However, in good programs, top managers do a lot more than just give their blessing and some money.

**GRADE: F**

### **Example 2 - Sleep Inns.**

The corporate quality director of the Sleep Inns hotel chain hires, at great expense, a top-notch consulting firm to reengineer the guest check-in and checkout systems. The consultants involve representatives of supervisory and nonsupervisory front-desk staff in the analysis and development of proposed changes. The recommended improvements are blessed, with only minor modifications, by the quality director. The improvements are implemented, along with a measurement/reward system that reinforces accurate and speedy check-in and checkout performance.

Sleep Inns has done a bit better than ABC Electronics. It has taken action to improve the performance of a business process (check-in and checkout). The people closest to the action have been involved in the analysis. The quality director gets high marks for seeing that the results of the Process Improvement effort are built into the support systems at the Job/Performer Level. What’s missing is attention to the Organization Level. Is check-in/check-out the most strategically significant process? Where is speedy checkout in customers’ priorities? Is the chain attempting to match the competition or establish a competitive edge? Having selected that process, why limit the involvement in the project to the front-desk function? (Doesn’t the check-in/checkout process involve the reservations, bell, and accounting staffs as well?) And where is top management? With all due respect to the quality director, what signal does top management’s absence in this project send to the organization?

**GRADE: D**

### Example 3 - Cars R Us.

After extensive market research and competitive assessment, the top management team at the Cars R Us automotive parts company decides that it is going to build a competitive advantage by shortening order processing cycle time—the time that elapses between the customer’s placement of an order and the customer’s receipt of the correct part. A group of analysts is assigned to examine and recommend ways of reducing the time it takes to execute each of the three processes that affect order processing cycle time and order entry, manufacturing and assembly, and distribution. In three weeks, the analysts have developed systems that, without sacrificing quality or increasing cost, can shorten the cycle time from the



current twenty-eight days to eleven days, the best time in the industry. The systems are implemented as recommended.

Cars R Us has addressed the strategic dimension of the Organization Level. Order processing cycle time has been designated as a potential competitive advantage. Our question at the Organization Level is this: have the functions been aligned (in terms of customer-supplier relationships) to achieve the strategic goal? A critical process has been selected and studied. Unfortunately, we can’t give this company high marks at the Process Level because the process analysis was carried out by analysts, rather than by key players in the order process. Involving them would have strengthened their cross-functional relationships and increased their commitment to the changes.

However, the major weakness, is at the Job/Performer Level. Here, we have a sin of omission. A clear strategy and a well-structured process are worthless if they do not drive the performance of people. Nothing appears to have been done to incorporate the cycle-time strategy and process improvements into the jobs of people who work in the order processing system.

**GRADE: D**

## Example 4 - Universal Telephone Company.

As part of its planning for an increasingly deregulated (competitive) environment, the Universal Telephone Company establishes a strategic objective: to improve, by 10 percent, the ratings on the repair questions that are part of the quarterly customer satisfaction surveys. The policy committee clearly communicates this strategic goal and increases the repair department's headcount ceiling and budget allocation for trucks and tools. The human resource development department is told to extend and enhance repairers' and repair supervisors' training programs. In each section within the repair department, quality teams are formed. Under the guidance of a skilled facilitator, the teams meet once a week to solve problems in their areas.

Universal Telephone has established an Organization Level objective to improve performance. The objective is strategic because it addresses customer and competitive concerns. Furthermore, the company has ensured that organization-wide communication and sufficient resource allocation support the objective. The only fly in the Organization Level ointment is the top team's apparent failure to see repair as an area that most likely involves more than just the repair department. Training and team problem solving are ensuring that the Job/Performer Level is adequately addressed. (Perhaps it is being addressed too adequately; there's no evidence of a Skills and Knowledge deficiency that warrants the investment in training.) The policy committee wisely realizes that the men and women closest to repair are best equipped to develop the most effective improvements. However, the repair process undoubtedly involves handoffs (interfaces) among functions inside and outside repair. As a result, the functional (section-by-section) approach to the quality team's structure is a bit troublesome. We also wonder whether the improvements that come out of the teams will be adequately supported by the measurement and reward systems.

The major flaw in Universal Telephone's approach is the absence of the link we most frequently find missing—the Process Level. There is no indication that the repair process is being systematically and holistically addressed. The potential shortcomings in measurement and the likely survival of “white space” issues considerably lower the odds of success in this effort. The Organization Level goal is unlikely to be achieved without the creation of an effective repair process. The team recommendations at the Job/Performer Level are liable to be constrained by any weaknesses in the repair process as a whole, which is beyond the charter of any one sectional team.

GRADE: **D**



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# ORGANIZATION-WIDE PERFORMANCE IMPROVEMENT

Our critique of the four attempted performance improvement programs underscores our belief that any effort that does not address all Three Levels of Performance is liable to produce only piecemeal, incremental results.

Programs that follow the Three Levels approach and take the following nine steps, which mirror the following Nine Performance Variables, are more likely to produce sustainable, comprehensive improvements.

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## ORGANIZATION LEVEL

- 1. Goals:** Develop a set of company-wide, customer-driven performance improvement goals linked to the competitive advantages and/or gaps outlined in the company strategy.
  - 2. Design:** Design an organization in which functional customer-supplier relationships support the strategy.
  - 3. Management:** Allocate resources so that the goals can be achieved and establish a system for tracking and improving performance.
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## PROCESS LEVEL

- 4. Goals:** Identify the processes that are most critical to the strategy and establish goals that describe the performance required of those processes.
  - 5. Design:** Charter cross-functional teams to find the disconnects in the current processes and to design processes to eliminate the disconnects.
  - 6. Management:** Establish goals at critical junctures in the process and continuously monitor and improve process performance.
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## JOB/PERFORMER LEVEL

- 7. Goals:** Identify the jobs that are critical to the success of the process and establish goals for the outputs of those jobs.
  - 8. Design:** Design and organize the jobs so that they can efficiently and effectively achieve the goals.
  - 9. Management:** Create a job environment in which capable, adequately trained people have clear statements of, regular feedback on, positive consequences for, and few barriers to goal achievement.
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Concepts in this paper are from  
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