

Business Essentials: Measurement

***When it comes to tracking your progress,
how does your company measure up?***

by Fred Heintz

What gets measured gets done! This is a popular truism in business, and we at Sixth Floor Consulting Group believe it. All businesses need a set of measurements to see where they are and where they're going.

If we believe the opening statement, then we should measure everything. In the infamous words of Queen (made popular lately by Citi card), "I want it all." If what is measured gets done, then let's measure everything and get everything done. Unfortunately, there is a limit to what can be effectively measured. Most experts agree that measurements need to be limited to three to seven to keep the individual and the business focused. With too many measurements, people tend to lose track of what the *real* objectives are.

Can we use one measurement? Many would argue that the only measurement needed is Corporate Profit. As long as the company makes money, life is good. While all measurements should point toward increasing

profits, whether directly through increased sales or decreased costs, or indirectly through better customer satisfaction, boosting employee morale, etc., most measurements are used to demonstrate to management that the company is moving in the direction needed to meet corporate goals.

This last point is key. All measurements need to be against a goal or objective that has been set to better the company. It does no good to measure on-time shipments if there is no goal to be obtained. It is only with clear, well thought out objectives that measurements can really drive improvements, and making improvements is the only reason to bother with the expense of measuring.

One of the best tools for setting objectives is a simple acronym SMART. Refer to the May 2008 Sixth Floor Consulting Group newsletter for more information about what SMART (Specific, Measurable, Achievable, Realistic, and Timely) objectives are and how you can use them.

So now that we know how to build a set of objectives, which ones should be used? There is no set, easy answer. Objectives and measurements need to cascade down the organization. Senior management needs to set the long-term corporate goals. While these may look over years rather than

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For professional growth, never stop learning

by Tom Dzialo

Employee empowerment and human development make up the center pillar of most companies' *TPS House* or *Lean House*, modeled after the Toyota Production System.

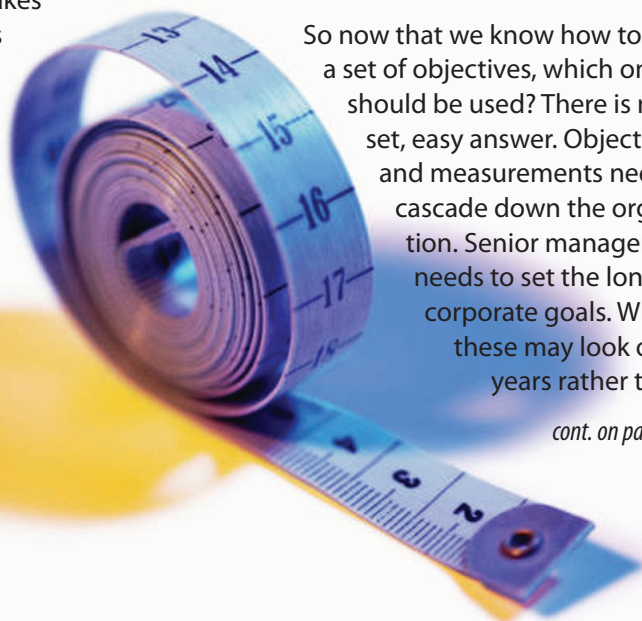
"People are our most valuable asset." That's a cliché that is heard often, and it is one with which few management team members would disagree. Yet the reality for many organizations is that their people perform well below their true capability. Many are poorly motivated, feeling under utilized and under valued.

Professional development can bring about more than just the impressive look of an office with certificates hanging on the walls. It can help individuals develop their potential and bring additional value to the company. With the uncertain economy, ongoing education is key. Companies need educated professionals to put new ideas and technologies into operation.

Companies that invest in professional development for their employees will have a better chance of being successful than those companies that don't. Bringing on new staff can be time consuming and disruptive to existing employees, not to mention that the market place for talented, skilled people is very competitive and expensive in many areas of the country.

To remain competitive, companies must be able to absorb and manage change at an increasingly faster rate. Tenured employees possess Tribal knowledge gained

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from years of product, process, and organizational experience. Ongoing professional development keeps experienced employees abreast of current developments and trends.

There are Professional associations, organizations, and societies of every description available to assist in development needs. They include

production, inventory control, supply chain management, human resource management, Lean, quality, training and development, and more.

Professional Development meeting formats are just as diverse. Individuals and panels of speakers present materials at events morning, noon, and night. Event duration can be an hour to several days or more. Plant tours provide the opportunity to actually

go see what "good" looks like. Online webinars are another option, allowing for team learning without leaving the shop.

As an example, APICS is an organization that describes itself as "the global leader and premier source of the body of knowledge in operations management, including production, inventory, supply chain management, materials management, purchasing and logistics." APICS is an international organization with more than 250 district chapters that cover North America. They offer many courses of study with flexible schedules to meet everyone's needs.

Professional organizations like APICS offer certification courses and exams that assist individuals and companies

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The goal of Sixth Floor Consulting Group is to create best-in-class processes, allowing each of our clients to take their businesses to a higher level of quality, profitability, and Lean operation.

Contact us today to put us to work on your team.

Examples of National/International associations/societies:

AME (www.ame.org)

The Association for Manufacturing Excellence is an organization for the exchange of knowledge in Organizational Excellence through the implementation of techniques such as Lean Tools, Leadership, Lean Product Development, Lean Supply Chain and Lean Accounting.

APICS (www.apics.org)

The Association for Operations Management (National) builds knowledge and skills in operation management to enhance and validate abilities and accelerate careers. It helps companies successfully compete and build a stronger global economy.

ASQ (www.asq.org)

American Society for Quality is a membership organization devoted to quality, networking, and sharing ideas with peers.

ASTD (www.astd.org)

American Society for Training & Development is the world's largest association dedicated to workplace learning and performance professionals

NAM (www.nam.org)

The National Association of Manufacturers is the voice for manufacturers in the United States. Their clout stems from the active involvement of membership – a powerful segment of the U.S. economy that includes multinational firms, small and medium manufacturers, and 350 allied associations.

SHRM (www.shrm.org)

The Society for Human Resource Management is the world's largest professional association devoted to human resource management.

SME (www.sme.org)

The Society of Manufacturing Engineers is a professional society advancing manufacturing knowledge and influencing manufacturing practitioners.

Examples of professional organizations in Connecticut:

Most national organizations offer regional or local chapters or sections that regularly present their respective bodies of knowledge to members and the community at large. Industry groups provide specialized knowledge to companies and supply chain partners focused on specialty markets such as aerospace.

ACM (www.aerospacecomponents.org)

Aerospace Component Manufacturers is a network of independent Connecticut-based aerospace companies. It is a non-profit partnership that is part of Connecticut's Industry Cluster Initiative.

APICS Hartford County Chapter #6 Inc. (www.apics-hartford.org)

Serves APICS members in the Greater Hartford area and beyond.

CBIA (www.cbia.com)

The Connecticut Business and Industry Association is a professional service orga-

nization, recognized as the most effective advocate for business in the state.

CCAT (www.ccat.us)

The Connecticut Center for Advanced Technology provides services and resources to entrepreneurs and businesses, and through collaboration with industry, academia, and government, helps companies innovate and compete, thereby strengthening our nation in the global market.

MAC (www.mact.org)

The Manufacturing Alliance of Connecticut is dedicated to serving Connecticut's manufacturing community.

NALI (www.usnali.org)

The National Aerospace Leadership Initiative was created to respond to the critical needs of the U. S. aerospace manufacturing supply chain.

NHMA (www.newhavenmanufacturers.com)

The New Haven Manufacturing Association provides forums for manufacturers to exchange ideas, to educate, to bring critical issues to the State Legislature, and to promote manufacturing growth.

SMA (www.sma-ct.com)

Founded in 1949, the Smaller Manufacturers Association of Connecticut, Inc., serves to promote the cause of small manufacturing firms in all facets of their business organizations. In today's economy, the SMA provides resources to help Connecticut's smaller manufacturers thrive.



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months, they still need to be SMART objectives with definitive mileposts and review points. These should be known throughout the corporation, and all department goals need to support this business strategy. This corporate strategy is not a mission statement (which is very general), but instead it must consist of SMART objectives.

These long-term corporate goals then need to become the building blocks for all the departments within the corporation. If the corporate strategy is to beat the competition to market with new innovative products, it doesn't make sense for R&D to have an objective to cut costs by 25 percent. Their goal needs to be how to get more products to the market quicker than the competition. Likewise, all other departments need to align on these strategies. For example, Engineering could "simplify and expedite new tooling needed in product introductions." Marketing could "devote 50 percent of advertising dollars spent to new products," and so on.

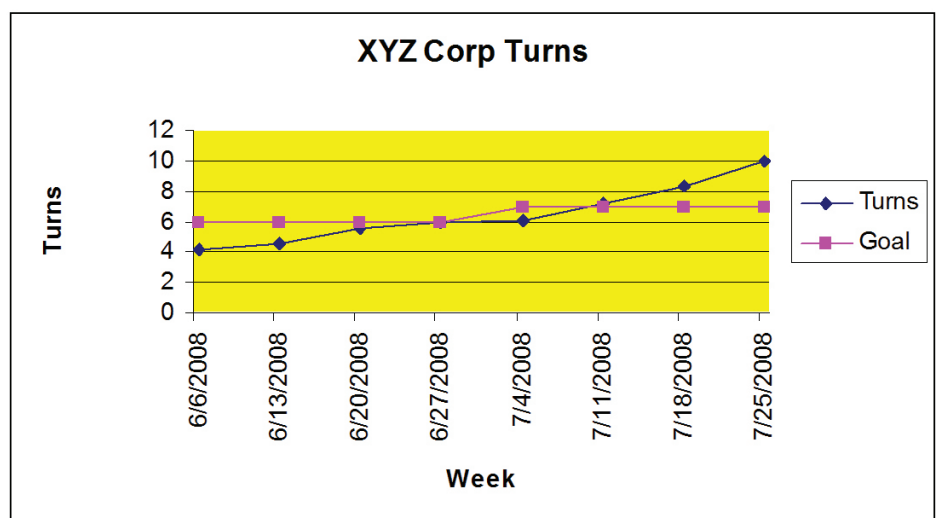
With all these measures we're discussing, won't we go over the three-to-seven measures people say is the optimum? Yes and no. While a corporation might have a multitude of measures, any one individual should really only be worried about three to seven. These should include the corporate goals (which should be the only driver of rewards) plus the individual objectives of a person's department to meet the corporate goal(s).

If the department doesn't know what measure to use, good sources abound. Consulting with various professional development organizations, such as APICS, SMA, ASQ, etc., will show there are multiple measurements for various objectives. So if inventory reduction is a goal, you can measure Inventory Turns, Days Supply, Inventory Value as a Percent of

Sales, etc. You should select one based on what is the quickest, easiest measure in your situation.

The other key point to these measures is they must be acted upon. It does no good to measure something if no one reacts when the department does not hit the target. The action must be taken as soon as possible. Everyone has seen a set of measures that are created for the preceding month then disseminated two weeks into the next month. By this stage, people may not be able to correct whatever is causing the goal to be missed. Perhaps the "S" in SMART should also stand for Simple. Make your measurements easy to compile and observe on a daily and/or weekly basis. The sooner the business can react to trends, the better the chance of meeting the goal.

Graphical representations work better than numbers. People need to see trends rather than a list of numbers. So this:



carries more impact than ...

| Date | Inv \$ | Sales | Turns |
|-----------|-----------|---------|--------|
| 6/6/2008 | 1,200,000 | 5000000 | 4.167 |
| 6/13/2008 | 1,100,000 | 5000000 | 4.545 |
| 6/20/2008 | 900,000 | 5000000 | 5.556 |
| 6/27/2008 | 850,000 | 5000000 | 5.882 |
| 7/4/2008 | 825,000 | 5000000 | 6.061 |
| 7/11/2008 | 700,000 | 5000000 | 7.143 |
| 7/18/2008 | 600,000 | 5000000 | 8.333 |
| 7/25/2008 | 500,000 | 5000000 | 10.000 |

... even though both say the same thing.

By creating SMART, Aligned, Actionable objectives, the corporation can have a powerful tool to drive improved performance. These measures can then be used to make sure everyone is working toward the common corporate goals. ■



Companies with proactive professional development ensure the creation of a “learning culture” in the workplace, increasing individual and team competence, confidence, and morale.

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with measuring, benchmarking, and tracking their professional development.

In addition to having access to education that matches your company’s needs, there are other advantages to joining professional groups. Some organizations such as the NHMA (New Haven Manufacturing Association) promotes networking by providing a forum where area manufacturers can get together to exchange information and issues. They also provide speakers at each meeting to educate and provide information to members. Industry groups allow learning from like organizations from within the same industry, negating the need to reinvent the wheel.

Companies with proactive professional development ensure the creation of a “learning culture” in the workplace, increasing individual and team competence, confidence, and morale. This makes for the proverbial “win-win” scenario, where the company, employees, and the community all win. Success begets success, as winning teams attract winners. ■

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