

The process starts
with education and
measuring performance

Measuring for Performance: Finding the Right Strategy for your Organization

OVERVIEW

Performance management is becoming common language in today's business culture. Measuring results and managing by definitive facts enables previous command-and-control style corporations to evolve into a culture of individual accountability where the average employee is expected to make sound business decisions. In prior cultures, the management team would instruct employees and explicitly define how to handle different situations. As complexities evolve, this style becomes hard, if not impossible, to maintain.

If nothing more, the value placed on the average employee has increased. Today's corporate executives recognize that the net effect of all employees making better decisions is exponentially more valuable than only a few managers dictating how to perform daily tasks. It is a case of the sum of the individual parts far exceeding the sum of the collective whole. As long as individuals can rely on basic assumptions that others will respond similarly given a set of conditions, this tends to hold true as individuals make daily decisions. When this assumption is applied, an individual's gut-feel analysis becomes a disease as it violates the expectations that others know how one would respond in given situations.

Dealing with these challenges and following this trend, many methodologies have been developed to help organizations measure performance and manage by the principles of performance management. From six sigma to total quality management (TQM) to balanced scorecards, there are similarities and differences that may benefit your industry, your corporation, or your competitive advantage. All have their merits, but all might not be right for your organization.

SIX SIGMA

First made famous by GE, Six Sigma is a renowned methodology employing Black Belts and Green Belts to execute projects for continuous improvement and new process development with a single underlying statistical calculation. Six Sigma refers to the quantitative results of a process. To achieve Six Sigma, a given process must produce no more than 3.4 defects per million opportunities.

Supporting this process and the calculations associated are two sub-methodologies known as DMAIC and DMADV. DMAIC (define, measure, analyze, improve, control) is an improvement system appropriate for incremental opportunities of existing processes. DMADV (define, measure, analyze, design, verify) is a method used to develop new processes at Six Sigma quality levels. In both methods, measurement and analysis is the basis for management and

decision making.

With the formulation of the Six Sigma Academy, there are well documented and universally accepted principles that make up the foundation of Six Sigma. While every implementation may vary slightly in its methods, the foundation is much the same. It is estimated that Six Sigma Black Belts save companies approximately \$230,000 per project and can complete four to 6 projects per year. To achieve this level of mastery, there is a rigorous training and mentoring curriculum that must be strictly maintained. Without it, the foundation of the methodology is invalidated. The extra time spent performing the analysis for Six Sigma may result in fruitless outcomes if the process is not adequately supported with the time, resources, and dedication for completeness.

TOTAL QUALITY MANAGEMENT

W. Edwards Deming established the concept of Total Quality Management (TQM) after World War II to improve the quality of goods produced. While ignored by most Americans, the Japanese leveraged TQM in 1950 as a means to dominate the world market by 1980. Supported by four fundamental principles, TQM is about Synergistic Relationships, Continuous Improvement and Self Evaluation, A System of Ongoing Process, and Leadership.

The guiding principles of TQM reduce individual accountability and place responsibility on top management to provide the context for others to be successful. The individuals throughout the organization are not to blame if the enterprise (a system of processes) is not working properly.

BALANCED SCORECARD

Developed in the early 1990's by Drs. Robert Kaplan and David Norton as a management system, the balanced scorecard is founded on the principles of cause-and-effect relationships. If an organization can be divided into 4 supporting perspectives: The Learning and Growth Perspective, The Business Process Perspective, The Customer Perspective, and The Financial Perspective, there are multiple cause-and-effect relationships that need to be tended to in order to support any given strategy. Without education and growth, there won't be the skills necessary to support the increasing demands of the business processes. Without sound business process, customers may be confused, disappointed, and dissatisfied with the organization resulting in poor financial performance.

In this regard, the balance scorecard methodology teaches that some measures are simply the net effect of other causes and that a heavier emphasis should be placed on the causal measurements that produce these effects. In many situations, this leads to management based on the measures of processes prior to the resulting financial outcomes.

CONCLUSION

While all three methodologies have their merits, there are strong dependencies between corporate culture, individual empowerment, and accountability that should dictate the appropriate methodology.

- Six Sigma has proven itself to be a sound methodology for larger organizations, typically in the manufacturing space.
- Total Quality Management lends itself to areas of academia where superintendents and department heads dictate the process or curriculum to be followed by teachers and students.
- The Balanced Scorecard is a universal methodology for organizations that support empowerment and the dissemination of information to all levels of the organization.

Regardless of the methodology that is right for your organization and its strategy, you will find that the process starts with education and measuring performance.

ABOUT STRATEGIS

Founded in 2006, Strategis Consulting is a boutique technology consulting firm specializing in building strategic information solutions. Our range of services include advanced analytics, business process management, data warehousing, portals, reporting, workflows, mobile apps, integration, custom solutions, and training.