Total Performance Scorecard (TPS)

- Sangeeta Mathur

-Source: "Total Performance Scorecard" by
Dr Hubert K. Rampersad

Contents

S. No.	Topic	Page
6.	Communicating & Linking the OBSC	88
7.	Improvement	96
8.	Developing	140
9.	Reviewing & learning	148

TPS - Definition

"A systematic process of continuous, gradual & routine improvement, development & learning that is focused on a sustainable increase of personal & organizational performances"

2 Parts of TPS

1. Organizational Balanced Scorecard (OBSC)

2. Personal Balanced Scorecard (PBSC)

The 4 perspectives or areas of OBSC

1. <u>Financial Soundness</u>:

- How do shareholders see the company ?

2. <u>Customer satisfaction</u>:

- How do customers see the company ?

- Changes in customer needs are systematically collected & improved upon

- "Prevention rather than cure" is the goal

3. Internal Processes:

- Business process control & excellence to continuously create value & satisfaction for customers

- In which processes do we have to excel?

- Errors regarded as an opportunity for improvement

- Organizational environment is characterized by employee self-confidence, passion, enjoyment, motivation, commitment, inspiration & enthusiasm

- Fear & distrust has been chased out; teamwork, open communication, employee empowerment & mutual trust are valued

- Entrepreneurship & leadership is encouraged in all business units

- Investment in people (training) is emphasized

- People are open to changes, improvements & receiving feedback

4. <u>Knowledge & Learning:</u>

- Knowledge is constantly incorporated in new products, services & processes

- Employees improve themselves (competencies) & their work & help others improve themselves & the organization

- Top Management is committed to change & improvement

Elements of OBSC

1. Organizational Mission, Vision & Core Values

2. Organizational Critical Success Factors

3. Organizational Objectives

4. Organizational Performance Measures & Targets

5. Organizational Improvement Actions

Organizational Mission

1. Why & for whom do we exist?
2. Who are we & what do we do ?
3. What is our primary function?
4. What is our main objective?
5. What unique value do we give to our customers?
6. Organizational Mission is timeless

Mission of Business Jet

"We are a safe & reliable airline company for business people"

- Should be short, simple & realistic
- Understandable to all employees
- Should be inspiring & goal - oriented

Organizational Vision

1. What is the long term dream of our organization ?

2. What route do we have to take to fulfill our dream ?

3. Linked to a time horizon; could be revised every 10 yrs

4. Linked to the 4 perspectives of OBSC

Vision of Business Jet

"We want to be a professional organization & the customers' first choice in business travel"

How? :

1. Achieving excellent financial results & growing profitably
2. Introducing innovative products & services
3. Offering high quality service
4. Timely departure & arrival of airplanes
5. Promoting team spirit, open communication & process thinking
6. Continuously developing employee potential; acquire competitive advantage

Vision & Perspectives

- 1 – Financial Perspective
- 2 & 4 – Internal Process Perspective
- 3 – Customer Perspective
- 5 & 6 – Knowledge & learning, internal process perspective

Organizational Vision & Mission

- Unique; soul & collective ambition of the organization

- Organization's compass & road map; creates unity in the behavior of employees

- Increases personal ambition, creativity & pride of employees - they know the worthwhile strategic objectives to work for

- Eliminates unproductive activities & ad-hoc decisions

Core Values

- The unchanging guiding principles & values to realize the vision

- Determine the organizational culture

- If they match with personal values, they contribute to employee loyalty & devotion

Core Values of Business Jet

1. <u>Integrity</u> – No compromise

2. <u>Enjoyment & Passion</u>

– Working with devoted & passionate people who enjoy their work & want to achieve superior performance

- Employee involvement is our way of life

3. <u>Customer Orientation</u>

- Listening continuously to our customers to discover their expectations & keep them satisfied

4. <u>Safe & Reliable</u>

Organizational Critical Success Factors (CSF)

1. Identified from the vision
2. "In which the organization has to excel in order to survive"
3. Indicates the organization's strategy
4. What are our core competencies / uniqueness / competitive advantage ?
5. Linked to the 4 OBSC perspectives

Organizational Objectives

1. Expected results to be achieved in the short-run so as to realize the long term organizational vision

2. Realistic Milestones

3. Derived directly from critical success factors

4. Related to the 4 BSC perspectives

Organizational Performance Measures & Targets

1. Measures:

• Checks the progress of the objectives

• Signals management to take appropriate action

2. Target –indicates the quantitative value to be met

Organizational Improvement Actions

1. Strategies undertaken to realize organizational mission, vision & objectives

2. The actions providing the largest contribution to CSF are implemented

OBSC = organizational mission + vision + core values + critical success factors + objectives + performance measures + targets + improvement actions

OBSC of Business Jet

FINANCIAL				
Critical Success Factors	Strategic Objectives	Performance Measures	Targets	Improvement Actions
• Good financial results & growing profitability	• Maximizing shareholders' value •Higher returns •Higher positive cash flow	• Sales Growth •Occupancy Rate of airplanes •Cost reduction due to lower maintenance inventory	• 10% in 3 years •Increase of 30% in 3 yrs •$3m in coming 3 yrs	• Increase business class airline ticket prices by 5% on transatlantic routes •Intensify promotions campaign •Introduce discount system •Close down unprofitable businesses such as car rentals •Decrease cost price for airline tickets •Outsourcing catering activities

OBSC of Business Jet

CUSTOMERS				
Critical Success Factors	Strategic Objectives	Performance Measures	Targets	Improvement Actions
• Dominant share in global market	• More insight in global market regarding business travel •Greater market share	• Potential incomes •Market Share	• 20% increase in 5 yrs • 10% increase in 3 yrs	• Set up a database including characteristics of potential customers •Build strategic partnership with regional airlines •Communicate with customers through e-business tools

Total Performance Scorecard

25

CSF	Objectives	PM	Targets	IA
• First choice of customers for business travel	• Improved customer satisfaction regarding products, services & employees	•Number of customer surveys •Degree of customer satisfaction	• Atleast 10 per year • Atleast 75% in 3 yrs	• Map travel habits of business people •Set up a customers' help desk •Develop guidelines for optimal customer satisfaction

CSF	Objectives	PM	Targets	IA
• High Quality Services	• Greater degree of trust from our customers in the services we provide	•Number of customer complaints •Degree of customer loyalty	• Decrease of atleast 30% per year •Increase of 40% in 4 yrs	•Give extra rewards to customer oriented employees •Develop a plan for increasing customer trust & loyalty
•Image	•Improved degree of familiarity with the public as a safe & reliable airline company	•Familiarity level as a safe & reliable airline	•Atleast 70% in 4 yrs	•Conduct image study •Benchmarking

OBSC of Business Jet

INTERNAL PROCESSES				
Critical Success Factors	Strategic Objectives	Performance Measures	Targets	Improvement Actions
• Safe & Reliable •On time departure & arrival	• Safe & Reliable •On time Departure & arrival	•Optimal safety & reliability •Reduced departure & arrival delays	•investment in safety-maintenance of airplanes •% of safety incidents •Check in time •Loading & unloading time of airplanes	•To be determined •Reduction by atleast 70% in 2 yrs •Shorten by 20% within 3 years •Shorten by 15% within 3 years

Total Performance Scorecard

28

CSF	Objectives	PM	Targets	IA
•Team Spirit	•Managers act as Coaches •Effective team work	•% of employees who find that they are working under effective leadership •Labor productivity of teams •% of sick leave	•85% in 3 yrs •Increase by 25% in 3 yrs •Less than 2% in 2 yrs	•Provide training for effective team coaching •Employee satisfaction surveys •Improve working conditions
•Successful introduction of innovative products & Services	•Newly developed products & services	•% of sales from new products & services •Time needed to launch new product in market Total Performance Scorecard	•Increase of 5% per year •Shortened by 15% in 3 yrs	•Offering internet & email on air •Arrange development organization more 29 efficiently

OBSC of Business Jet

Knowledge & Learning				
Critical Success Factors	Strategic Objectives	Performance Measures	Targets	Improvement Actions
• Continuous development of human potential • Open Communication	• Higher labor productivity •Improved access to strategic information •Openness & honesty when exchanging information	• Labor productivity •Availability of strategic information •Experience of employees regarding information exchange	•25% increase in 3 yrs •30% increase in 3 yrs •85% in 3 yrs	•Make individual competence profiles, performance & career development plans for all employees •Introduce intranet & MIS

Personal Balanced Scorecard (PBSC)

The 4 perspectives of PBSC

1. Financial Stability :

- Ability to fulfill your financial needs

2. Customers :

- Relations with your family, friends, employer & colleagues

- How do they see you ?

3. Internal Processes:

-   Your physical health & mental state
-   How can you control these to create value for yourself?

4. Knowledge & Learning:

-   Skills & learning ability
-   How can you remain successful in the future?

    These 4 perspectives are essential for self development, success & well – being personally & professionally

Elements of PBSC

1. Personal Mission, Vision & Key Roles
2. Personal Critical Success Factors
3. Personal Objectives
4. Personal Performance Measures & Targets
5. Personal Improvement Actions

Personal Mission

- <u>Self - Knowledge</u>:

1. What is my philosophy of life ?
2. What are my overall life objectives ?
3. What are my deepest aspirations ?

Personal Vision & Key Roles

- <u>Where am I going</u>:

1. What stimulating roles do I want to fulfill ?

2. What is my ideal job situation & living environment ?

3. What values & ideals lead me to this path ?

4. What type of relations would I like to have with colleagues, friends & family ?

Personal Ambition

- Personal Mission, Vision & Key Roles constitute the Personal Ambition

- Personal Ambition is the personal constitution on which your life, behavior & decisions are based in the long term

Henry Ford

- The 1st person to introduce the assembly line in 1914

- The 1st person to mass produce cars; the prices of cars dropped, making them accessible to the general public

- Until 1920, Ford had the largest & the fastest factory in the world

Personal Ambition of Henry Ford

"I will build a motor car for the great multitude…constructed of the best materials, by the best men to be hired, after the simplest designs that modern engineering can devise…so low in price that no man making a good salary will be unable to own one – and enjoy with his family the blessing of hours of pleasure in God's great open places"

Personal Ambition of Frank Jansen, Manager, Business Jet

A.   Personal Mission

- To live with integrity & mean something to others

B.   Personal Vision:

To fulfill the mission in the following way:

- Be honest & helpful to others
- Work harmoniously with others
- Inspire others & share knowledge
- Do things to make a difference in the lives of others
- Take initiative, learn from mistakes
- Strive for physical, mental & financial health
- Have respect & appreciation for others; be appreciated by family, friends & employers
- Deliver high quality work so that the employer is continuously satisfied

C. Key Roles:

To fulfill my mission, the following key roles have top priority:

- *Husband* – My wife is the most important person in my life
- *Father* – To promote the capabilities & creativity of my children & to help them reach a happy existence
- *Christian* – God can count on me to keep my duty towards others
- *Manager* – Help my organization become successful & by doing this serve society
- *Student* – I want to learn something new everyday, I will always be a scholar

Personal Critical Success Factors (PCSF)

1. What makes me unique ?

2. What determines my personal success?

3. What are my most important competencies?

CSF of Frank Jansen

Financial Perspective

- Financial Health

Internal Perspective

- Physical & Mental Health
- Working together harmoniously, sharing knowledge, helping & inspiring others

External Perspective

- Be appreciated by family, friends, colleagues & employer
- Deliver high quality work

Knowledge & Learning Perspective

- Take initiative, learn from mistakes, continuously improve & develop oneself
- Learn something new everyday

Personal Objectives

- The short term goal that you want to achieve to realize your personal vision

Personal Performance Measures & Targets

1. Make the personal objectives measurable

2. Your thinking & acting can be judged

3. The targets are the value to be obtained; they depend on your level of ambition

Personal Improvement Actions

- How do you want to realize your personal mission, vision & objectives?

- Continuous improvement of competencies, skills & behavior

PBSC = personal mission + vision + key roles + critical success factors + objectives + performance measures + targets + improvement actions

Functions of PBSC

1. To effectively listen to your inner voice allowing you to know your strengths & give direction to your life

2. To focus on maximum individual development, positive thinking & success in society

Formulating the PBSC

1a. Formulating the Personal Ambition:

• Personal ambition is a translation of your inner longings

• Loving what you do gives you the strength to weather personal setbacks, overcome adversity & work the long hours typically needed to reach your full potential

• Get to know yourselves better by focusing inwards

• Ask the 3 primary questions:

a) Who are you?

b) Why are you here on this earth ?

c) Where are you going ?

- Taking a very personal look at how *you* define success in your heart of hearts & then finding "your" path to get there

- Hear, trust & obey your own "I" or "inner voice"; it tells you what is best for you & how to control your inner processes; this leads to actions with conviction

- Distance yourself from your rusty mind-sets & the interrupting voice of others – creates a true sense of professional satisfaction & fulfillment

- Ask for specific feedback about your strengths, weaknesses from a wide variety of people

- Create a positive image of yourself & others

- Let your creativity, talents & personal goals emerge

- The formulated mission should be unique to each person: short, clear, simple & inspiring

1b. Balancing Personal Ambition & Personal Behavior

- Inner Motives
- Self Image

- Energy
- Credibility
- Inner Peace
- Charisma
- Efficiency

- Visible Behavior Patterns
- What we do & say
- How others view us

Personal Ambition

Personal Behavior

Personal Ambition
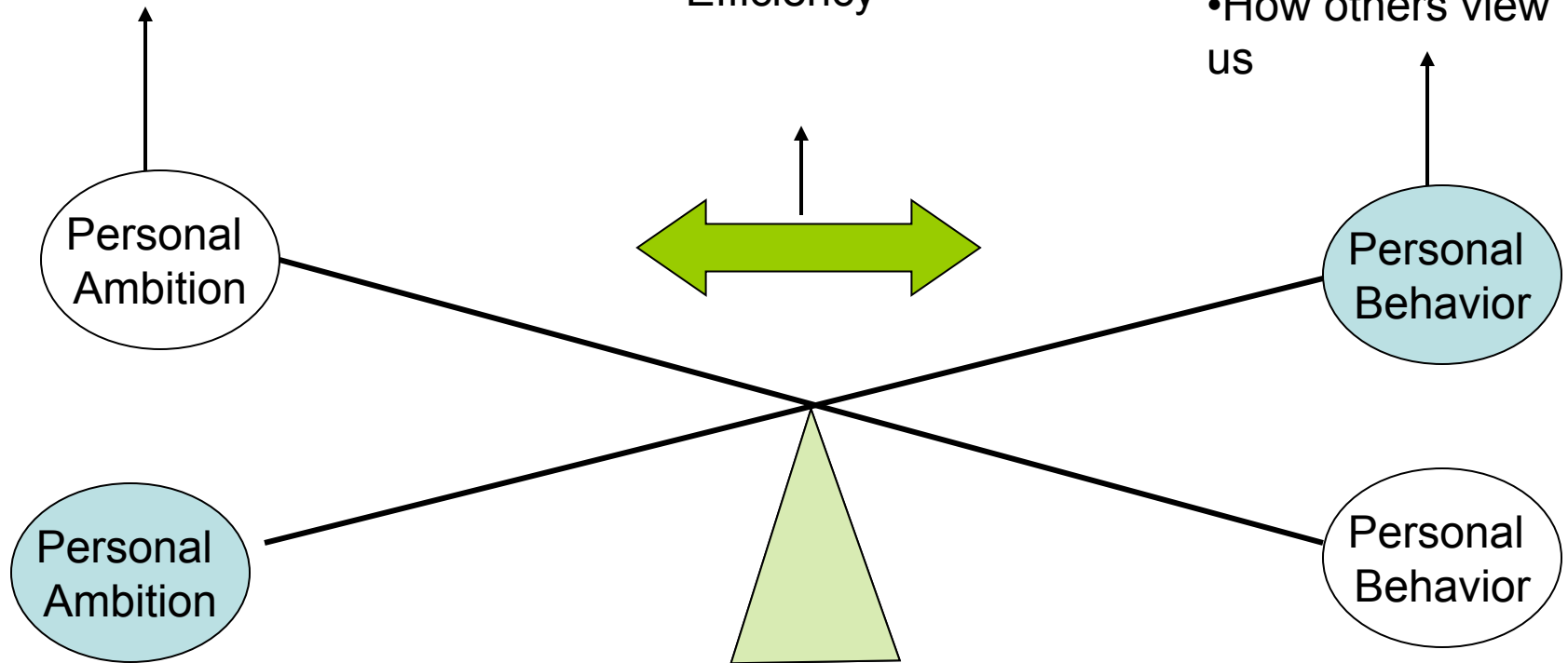
Personal Behavior

2. Defining the PCSF

- Which factors fulfill your financial, external, internal & knowledge & learning perspective ?

3. Formulating the Personal Objectives

They could be:

- Having more free time
- Status; Being appreciated by others
- Prestigious job
- More responsibility
- Situation at home & work
- Enthusiasm
- Tolerance / Self - Control
- Creativity
- Health
- Talent / Intelligence
- Being goal oriented

A study by the Dutch magazine "Intermediar" showed that Dutch managers want to have time to:

- Think more (69.2% of managers)
- Take more courses (69.9%)
- Take better care of their children (44.2%)
- Spend less time at office (65.3%)
- Participate more in sports (75.1%)
- Have more time for social contacts (71.9%)
- 33.6% would like to sleep more; for an average 7.5hrs than the current 6.8 hrs
- Be on a sabbatical (38.8%)
- Have more time to spend on email (60%)

4. Defining Personal Measures & Targets

They should fulfill the SMART criteria:

- **_S_**pecific

- **_M_**easurable:

- **_A_**chievable:

- **_R_**esult Oriented:

- **_Time Specific_**:

5. Formulating Personal Improvement Actions

- Give highest priority to implementing those actions that will make the greatest contribution to the most important CSF

- Discuss the actions with a person you trust – who questions you & gives you feedback; learn from feedback

- The actions should be acceptable to others

- One of the most important improvement actions for Frank Jansen was: "Decreasing Stress" by regular exercise & translating negative feelings into positive ones

Formulating the OBSC

1)   Mission – Vision (Shared Ambition) development process

Step 1:   Conceptually formulated by the management team based on their insight, ideals & creativity

Step 2:   Sharing the same with a group of senior managers through conferences; discussions on implementation strategy

Step 3:   Adjustments are made to finalize the mission – vision statement, to which all relate to

Step 4:   Based on the finalized statement, each business unit formulates its own vision

Step 5:   Each team formulates its own vision

2) Developing Core Values:

- The shared ambition should be inspired by Ethics

- The behavior of all employees should be based on high moral standards

- "Measuring is knowing"; work should be based on facts & data that is purposefully gathered & correctly interpreted

- The ethical duty is directed towards its stakeholders:

a) <u>Shareholders</u> (Invested money): The organization must strive for profitability

b) <u>Employees</u> (Investing energy): The organization must provide its employees:

- A safe & healthy workplace
- Respect for their dignity & privacy
- Job security
- Career growth
- Competence assessment & development

c) <u>Customers</u>: The organization must provide:

- Reliable products & services at fair prices, that are delivered on time

- The pricing should be based on regulations

- Protection to customers by informing them of the ingredients & any potential harmful effects

- Withdrawal of products with defective designs

d) <u>Suppliers</u>:

- Avoid suppliers that employ child labor, pay low wages or have poor working conditions

e) Community: As a member of society, be a good citizen by:

- Paying Taxes
- Being Eco - Conscious
- Supporting Community Activities
- Creating job opportunities
- Acting responsibly

Maintaining Business Ethics

1. <u>Writing a code of ethics:</u>

- Makes clear to employees that they are expected to recognize the ethical dimensions of the company's policies & actions

2. <u>Commitment of top management</u>

- Top management must provide leadership in tending & renewing the values of the organization

3. <u>Paying special attention to values & ethics in recruiting</u>

4. <u>Executing ethical audits: giving recognition & rewards for outstanding ethical performances</u>

5. <u>Establishing "hotlines" for comments & complaints regarding unethical acts :</u>

- Employees should feel it is their duty to report violations

- Enforcing discipline: dismissal for violations

6. <u>Conducting In – House & External Ethics Seminars</u>

- Informing & motivating employees on how to act in various situations

- Enlightening customers, suppliers, shareholders & the general public

3)   Balancing Personal Ambition with Shared Organizational Ambition

Necessary at all levels of the organization

- What specific inner needs are behind the behavior of the employees?

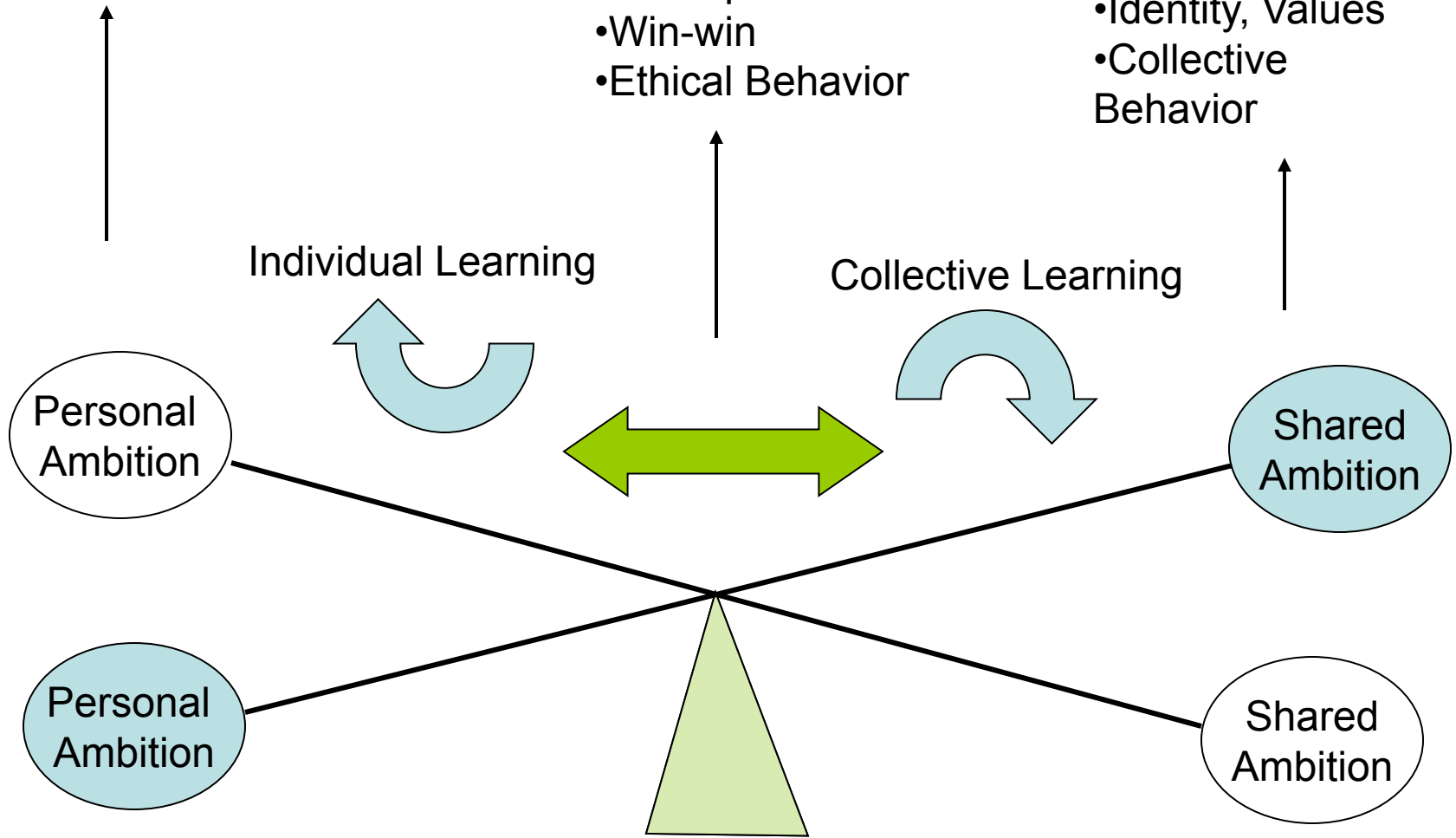- What motivates them to remain within the organization or to leave it?

Balance from the employee point of view:

- Do your personal values & principles match the organizational vision & core values?

- If they conflict, is leaving the best answer?

- Does your level of ambition have to be lowered?

- What skills need to be improved?

- Are your developmental expectations in tune with those of the organization?

- Do you have ethical problems on your job?

•Invisible Behavior Patterns
•Inner Motives, Values
•Self Image

•Motivation, Energy
•Self-guidance
•Enjoyment
•Participation
•Win-win
•Ethical Behavior

•Organization's reason for existence
•Identity, Values
•Collective Behavior

Individual Learning

Collective Learning

Personal Ambition

Shared Ambition

Personal Ambition

Shared Ambition

Total Performance Scorecard   67

Necessary to interpret employee motives correctly

"A large software company had problems retaining some of its talented young programmers. It invested a lot of time in their *education*, but after 1 or 2 yrs, they left to go to other companies. The company paid these employees *top salaries,* provided an *attractive working environment,* offered better than average *secondary benefits.* Still they kept leaving…

…The error the CEO made was to assume that those particular employees were primarily motivated by material needs. When they started to investigate what the real needs were, they found a great need for *personal autonomy, creativity & self-development.* Because of the size & complexity of their usual projects, the teams consisted of at least 10 persons.

….This meant that there was little opportunity to satisfy their personal needs. In the majority of the companies where the young programmers went to work, the projects were smaller & the working atmosphere was more personal. Therefore, they could develop their creativity better" (Evans & Russell, 1991)

Motivation: Employees versus Supervisors

Actual worker rankings

1. Interesting work
2. Full appreciation of work done
3. Feeling of being involved
4. Job Security
5. Good wages

Supervisor perceptions

1. Good wages
2. Job Security
3. Promotion & growth
4. Good working conditions
5. Interesting work

Actual Worker Rankings

6. Promotion & growth
7. Good working conditions
8. Personal loyalty
9. Tactful discipline
10. Sympathetic help with personal problems

Supervisor perceptions of worker rankings

6. Personal loyalty
7. Tactful discipline
8. Full appreciation of work done
9. Sympathetic help with personal problems
10. Feeling of being involved

(Source: Kovach, 1987)

4) Defining Organizational CSF

- Documented by means of brainstorming among employees & managers

- Some central questions (related to the 4 perspectives) to formulate CSF:

1. On what is our competitive advantage based?

2. With what do we generate profit?

3. Which skills & capabilities make us unique?

4. How can we stay successful in the future?

5) Formulating Organizational Objectives

- All stakeholders should be considered:

1. **Shareholders:** What do they expect?
2. **Employees:** How to:

- improve the quality of work / working environment / well-being of employees (decrease absence due to illness)

- continuously provide challenges to motivate the employees

3. **Customers:** Customer Satisfaction

4. **Suppliers:** How to increase value - add:

- Having effective partnership to increase quality of input

- Decreasing purchasing expenditures

5. **Community:** How to operate responsibly:

- Paying attention to public trust

- Creating job opportunities

- Being eco-conscious

- A maximum of 25 is usually enough to keep the focus

- Measurable

- Open to influences

- Acceptable to different employee groups

- Aligned to the knowledge & skills available

6)   Defining Performance Measures & Targets

Based on:

- Expectations of the management

- Customer Needs

- Result of benchmark studies

7) Formulating Organizational Improvement Actions

These should be:

- Specific; Solid; Feasible; Realizable; Acceptable
- Related to performance measures & targets
- Implemented in stages, allow for follow-up
- Start with the simplest action providing the quickest result
- Consider the cost – revenue ratio & the time needed for implementation

Example: For increasing competitive power

1. **Smaller**
- Restructuring
- Shrinking Manpower
- Downsizing
- Outsourcing

2. **Cheaper**

- Strive for Cost – Effective Leadership
- Controllability of Purchasing Process
- Standardization & Modular Product Design
- Computerization, E-Business
- Move to low-wage countries

3. Faster

- Computerization
- Business Process Reengineering

4. Better

- TQM
- Business Process Reengineering
- Cultural Improvement
- Competence Development of Employees

5. Different

- Radical Innovations

- Create new markets

- Maximum product & service customization to suit customer needs

- Leadership in core competencies

8)   Giving Priority to Improvement Actions

- The improvement actions making the biggest contribution to the most important CSF receive the highest priority

- Giving a weight (W1) to the particular CSF

- Giving a weight (W2) to the contribution of the improvement action to the CSF

- Priority Score, P = W1 * W2

- Improvement actions with the highest P-factor received priority to be implemented first

W1 & W2 Factors

The W1 factors were scaled as follows: 1 = unimportant 2 = somewhat unimportant 3 = less unimportant 4 = important 5 = very important	The W2 factors were scaled as follows: 1 = no contribution 2 = hardly any contribution 3 = average contribution 4 = high contribution 5 = very high contribution

Priority number of each IA regarding customer perspective

IA	CSF	Weight of CSF (W1)	Contribution of IA to CSF (W2)	priority number of IA; P = W1*W2
Communicate with customers through e-business tools	Dominant share in global market	4	5	20
Develop a plan for direct marketing	Dominant share in global market	4	2	8
Develop a plan for entrance in Asia	Dominant share in global market	4	3	12

Priority number of each IA regarding customer perspective

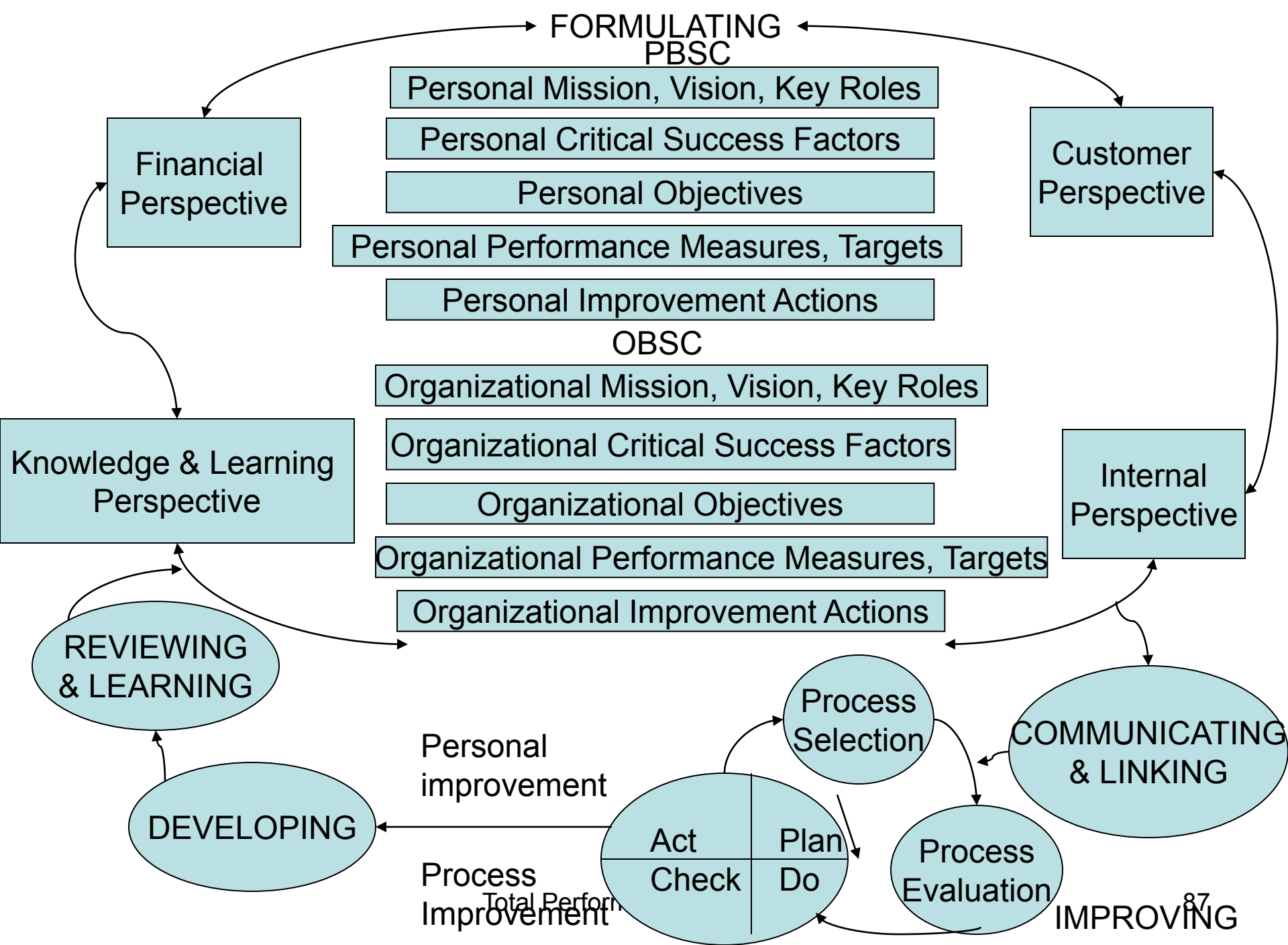| IA	CSF	Weight of CSF (W1)	Contribution of IA to CSF (W2)	priority number of IA; P = W1*W2
Give extra rewards to customer oriented employees	High Quality Services	5	3	15
Benchmark with regard to customer loyalty	High Quality Services	5	2	10
Develop & implement a plan to improve customer trust & loyalty	High Quality Services	5	4	20

Total Performance Scorecard

Formulating TPS

Off-site workshop to formulate PBSC & OBSC at the highest organizational level (board of directors, top managers)

Individuals at the off-site develop their personal ambition & discuss it with others; how their ambitions can be aligned to their behaviors

This provides inputs for the OBSC; balancing personal & shared ambition

Scorecards of business units & teams

Link with employee performance plans

FORMULATING

PBSC

| Personal Mission, Vision, Key Roles |
| Personal Critical Success Factors |
| Personal Objectives |
| Personal Performance Measures, Targets |
| Personal Improvement Actions |

OBSC

| Organizational Mission, Vision, Key Roles |
| Organizational Critical Success Factors |
| Organizational Objectives |
| Organizational Performance Measures, Targets |
| Organizational Improvement Actions |

Financial Perspective

Customer Perspective

Knowledge & Learning Perspective

Internal Perspective

REVIEWING & LEARNING

DEVELOPING

Personal improvement

Process Improvement

Total Perform

Process Selection

COMMUNICATING & LINKING

| Act | Plan |
| Check | Do |

Process Evaluation

IMPROVING

87

Communicating the OBSC

- Necessary to create organizational buy-in & commitment

- Stakeholders should be convinced of the need for improvement by:

- Comparisons with successful competitors
- Bringing out the dissatisfaction of customers
- Emphasizing the declining performance measures
- Emphasizing how the gap between actual & prospective situation can be closed; concrete, improved result can be promised

Communication Process

- Conferences, office parties, staff / shareholder meetings & other gatherings

- Brochures, Posters, Monthly newsletters / reports, e-mail, electronic bulletin boards

- Developing & distributing a pocket-size Organizational TPS booklet

Linking the Balanced Scorecard

- To put the strategic vision into action, necessary to link the corporate scorecard to business units, teams & individual performance plans

- Local efforts get aligned with the overall organizational strategy

- Each business unit selects those objectives & performance measures from the OBSC that it influences

- Objectives with the biggest contribution to the most important CSF receive the highest priority

Rollout of Business Jet OBSC to Safety Business unit, security team & individual performance plan of team member (John)

FINANCIAL			
Unit	Objectives	PM	Targets
Safety Department	• Cost Control	•Operational costs •% of deviation from dept budget	•Less by 13% by end of 2008 •Max 10% per year
Security Team	•Lower Labor cost •Lower Housing cost	•Labor cost •Cost per m²	•Less by 10% in 2 yrs •Less by 10% in 3mths
Individual (John)	•Working more cost consciously •Implement cost saving measures	•Efficiency •No. of implemented measures	•Increase of 10% in 2009 •At least 2 per quarter

CUSTOMERS			
Unit	Objectives	PM	Targets
Safety Department	• Improved level of familiarity among the public as a safe & reliable airline company	•Familiarity score as safe & reliable	•At least 75% in 15 months
Security Team	•Improved passenger satisfaction regarding flight security	•Satisfaction scores at airport	•Atleast 70% at end of 2008
Individual (John)	•Customer friendly behavior while executing security tasks	•No. of complaints from passengers	•Decrease by atleast 50% this year

Internal Processes			
Unit	Objectives	PM	Targets
Safety Department	• Optimal Safety	•% of safety incidents	•Decrease by at least 75% in 2yrs
Security Team	•Conducted risk analysis •Optimal labor conditions	•No. of developed & implemented safety suggestions •% of sick leave	•Increase of 30% per year •Decrease by 75% in 2yrs
Individual (John)	•Develop safety procedures •Effective coaching of team members	•No. of developed/updated safety procedures •Team satisfaction	•8 in 2009 •75% in 2009

Knowledge & Learning			
Unit	Objectives	PM	Targets
Safety Department	• Improved competence of employees with respect to safety	•% of employees with safety skills •Training Costs	•Increase of 45% in 1.5yrs •$315,000 per year
Security Team	•Improved skills •Safety oriented business culture	•No. of different safety tasks a team member can do well •Degree of satisfaction of internal & external customers	•Increase of 40% in 15mnths •75% in 2yrs
Individual (John)	•Active participation in improvement teams	•No. of solved safety problems	•Increase of 30% by 2009

Improvement

"To improve is to change; to be perfect is to change often"

Sir Winston Churchill

Improvement

The systematic execution of organizational & personal improvement actions:

a) At the organizational level it targets business processes – efficiency / doing things right

b) At the personal level it targets skills, behavior, health & financial stability – the foundations of individual development, personal success & well-being

Organizational Improvement

Process Selection

Process Improvement
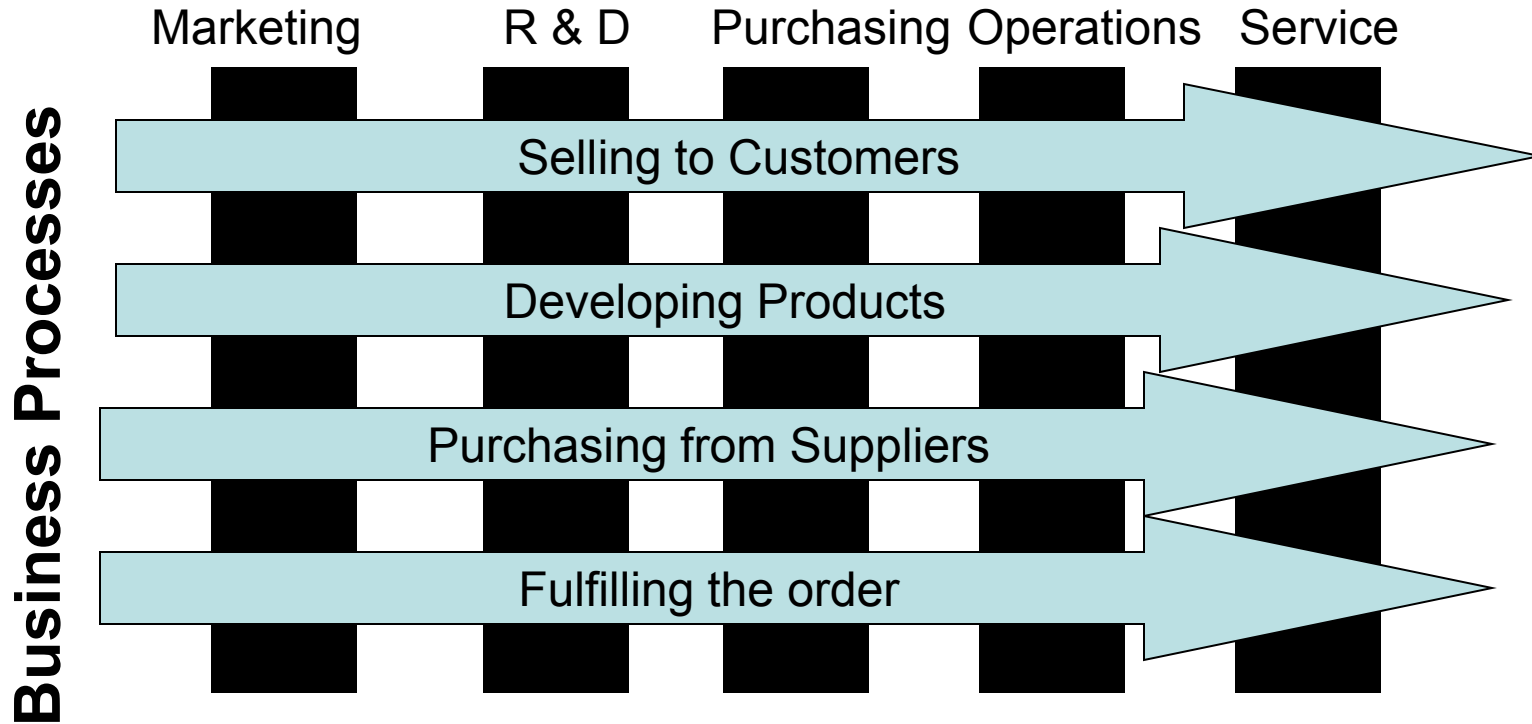(Plan – Do – Check – Act)

Process Evaluation
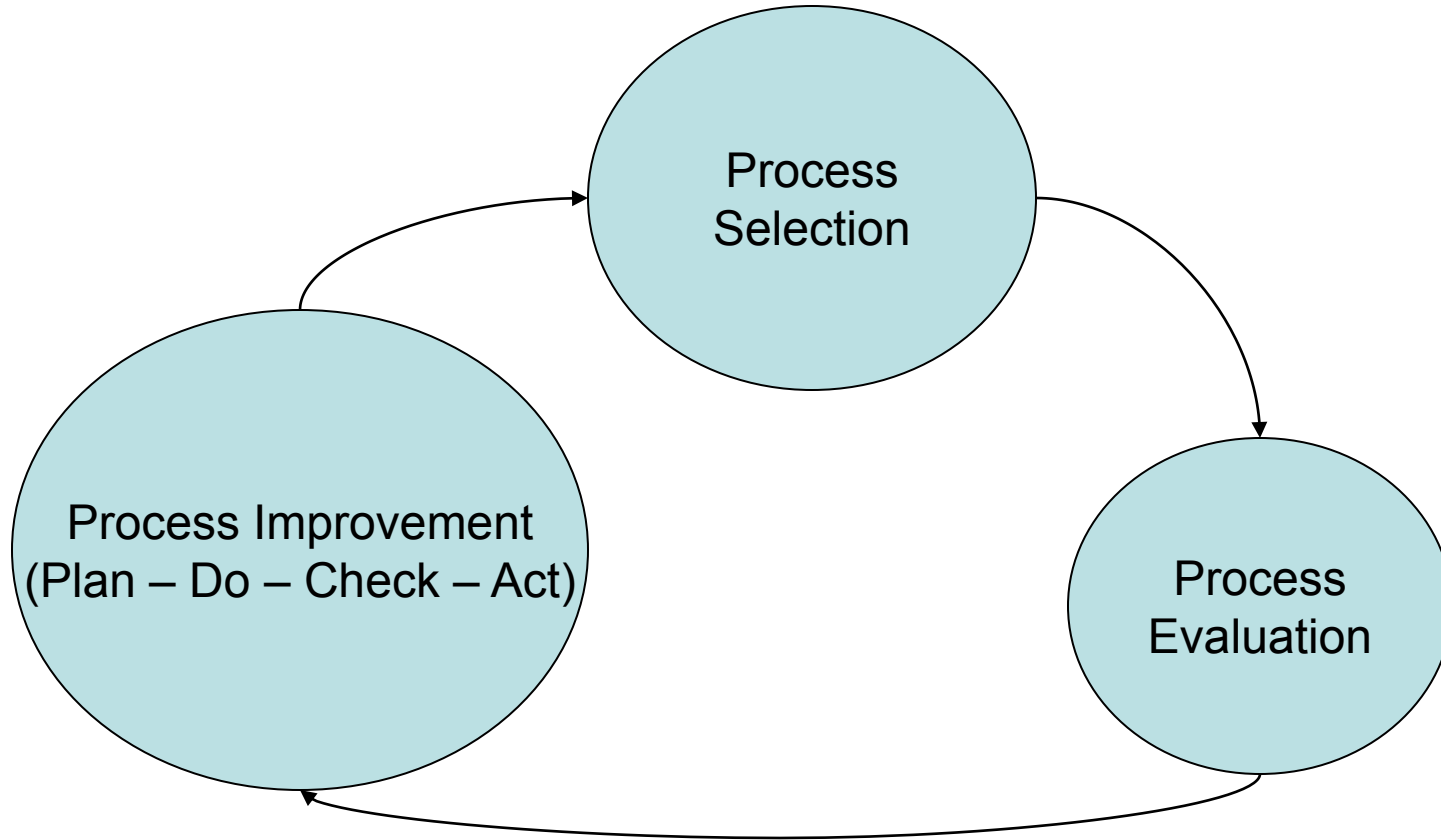
1. <u>Process Selection</u>

A Business Process is characterized by:

- *An Input:* personnel, capital, materials, resources etc
- *A delineated process:* which deals with a set of interconnected activities
- *An output:* products & services
- *The possession of internal / external customers & suppliers:* a process without customers is unimportant

Business Processes of Jet Interior

Departments

	Marketing	R & D	Purchasing	Operations	Service

Business Processes

Selling to Customers

Developing Products

Purchasing from Suppliers

Fulfilling the order

Business Processes of Jet Interior

- **Selling to customers:**

- Sales planning, making acquisitions, managing business relations, visiting customers, making offers, processing sales orders, invoicing orders, receiving payments & matching these with unpaid claims
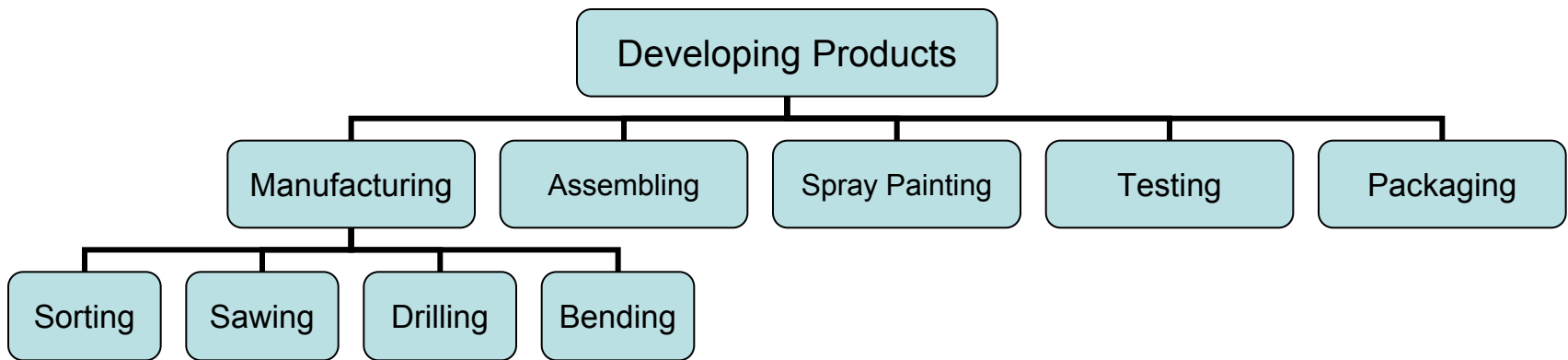
Business Processes of Jet Interior

- • <u>Developing Products</u>:

- - Communicating with customers, determining customer needs, product design, process design & tuning service process to customer needs

Business Processes of Jet Interior

- Purchasing from suppliers:

- Selection of suppliers, negotiating, closing purchase contracts, placing orders, receiving purchase invoices, receiving goods, reconciling payments

- Fulfilling the order:

- Receiving the order, processing the order, planning production & handling distribution

- Distinguish between critical & supporting processes

- Critical processes start & end with customer; focus is on adding value to customer

- Supporting processes can better be outsourced

Division into Sub Processes:

Developing Products

- Manufacturing
- Assembling
- Spray Painting
- Testing
- Packaging

Manufacturing:
- Sorting
- Sawing
- Drilling
- Bending

Determine which operational processes are relevant from the CSF standpoint

Business Processes

Critical Success Factors

1. Selling	Motivated employees	Customer orientation	Product quality	Cost control
1.1 order acquisition	*	*	*	*
1.2 order processing		*		
2. Purchasing				
2.1 Selecting suppliers	*	*	*	*
2.2 Closing purchase contract	*		*	*
2.3 Placing purchase order			*	*
2.4 Receiving goods	*		*	*
2.5 Paying purchase invoices	*			*

- Non essential processes (few marks in the matrix) are better outsourced

- Processes creating a high value addition to the customer are most eligible for continuous improvement

- Define PM for each process-CSF combination:
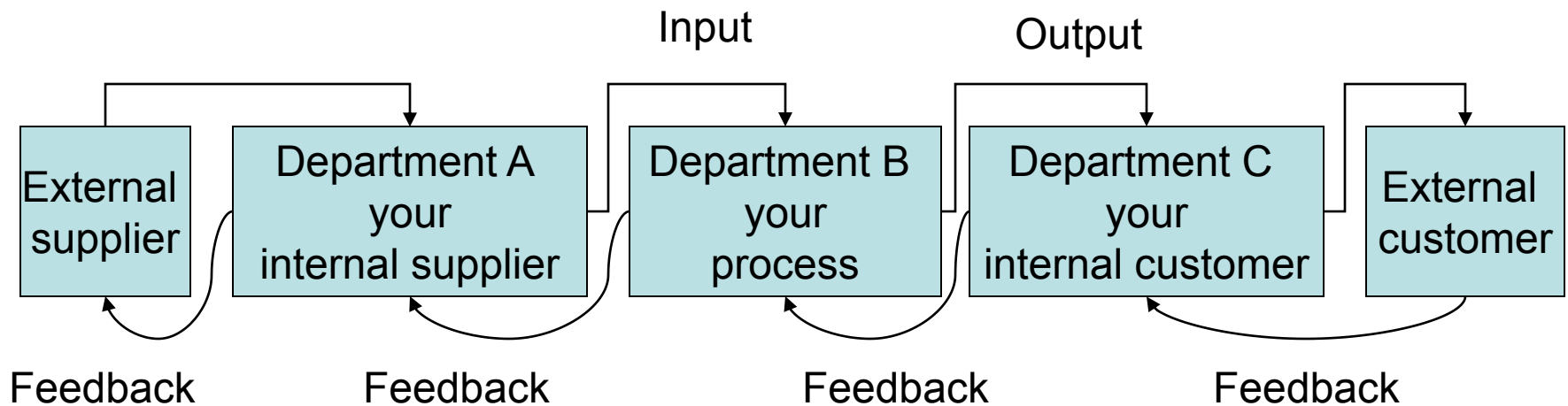
Business Process/CSF & PM matrix for Jet Interior

Processes   **Critical Success Factors**

1. Selling	Motivated employees	Customer orientation	Product quality	Cost control
1.1 order acquisition	% of sales per sales person	Accessibility of sales department	No. of customer complaints regarding product quality	Marketing costs
2. purchasing	Level of satisfaction of team	Delivery Speed	% of approved materials	Purchase vs. market price

Identifying failure

- Monitor customer data & inventory of complaints

- "Your most unhappy customers are your greatest source of learning" *- Bill Gates*

- Understand what motivates them to keep buying your product

- Examine each internal & external customer need separately & the extent to which it is satisfied by your product

- Define improvement actions as part of the customer perspective of the OBSC

- Bring individual employees together as "suppliers" & "customers" to break the traditional barriers between business units & improve quality of service to the external customer

Input   Output

| External supplier | Department A your internal supplier | Department B your process | Department C your internal customer | External customer |

Feedback   Feedback   Feedback   Feedback
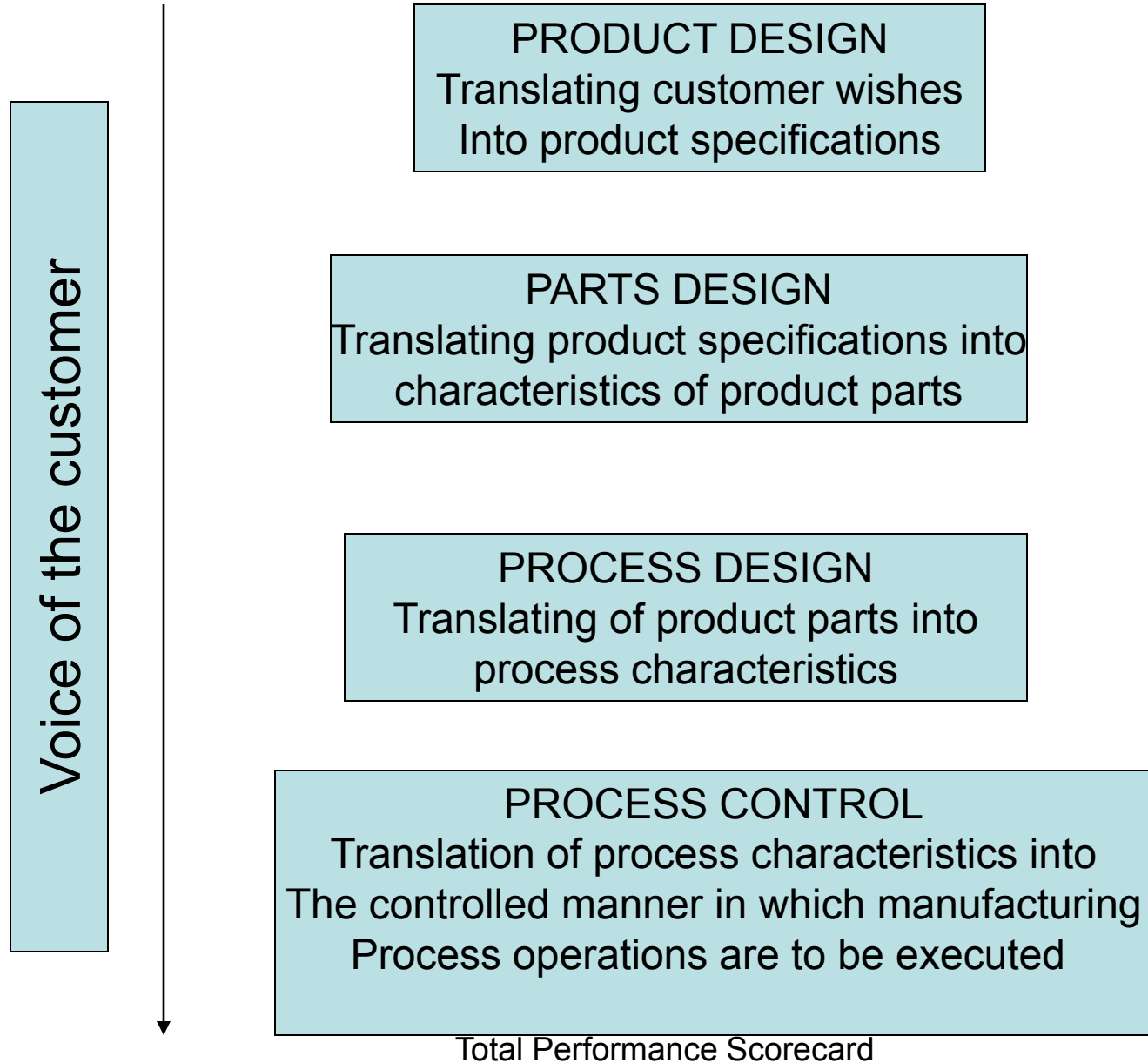
A cardinal principle of Total Quality escapes too many managers: you cannot continuously improve interdependent systems & processes until you progressively perfect interdependent, interpersonal relationships.

Stephen R. Covey

Quality function Deployment

- Originated in Japan
- Systematically convert customer wishes into critical product & process aspects
- Achieves stable & acceptable product quality
- Compare with competition
- Complies with *"do it right the first time"* principle
- Need top management commitment

Steps within the QFD

Voice of the customer

PRODUCT DESIGN
Translating customer wishes
Into product specifications

PARTS DESIGN
Translating product specifications into
characteristics of product parts

PROCESS DESIGN
Translating of product parts into
process characteristics

PROCESS CONTROL
Translation of process characteristics into
The controlled manner in which manufacturing
Process operations are to be executed

Total Performance Scorecard

2. Process Evaluation

- Verify Process understanding & its ability to satisfy customer needs

- Make process adjustments

- Control & manage process variations

- Communicate procedures & instructions to employees; provide training

Risk Management

"A preventive approach for systematically mapping the causes, effects & possible actions regarding observed bottlenecks"

Risk Factor

Risk Factor (R) =

Probability of Occurrence (P) * Severity of Failure (S)

Factor P	Factor S
0 = Impossible / hardly ever	0 = Not a problem
1 = Very Low	1 = Very Low / hardly a problem
2 = Low	2 = Low
3 = Not as Low	3 = Less Serious
4 = Less than average	4 = Less than average
5 = Average	5 = Average
6 = Above Average	6 = Above Average
7 = Rather high	7 = Rather serious
8 = High	8 = High
9 = Very High	9 = Very High
10 = Certain	10 = Catastrophic

- Failures with highest R factors have the highest priority

- Form a multidisciplinary team

- Define action plans & responsibilities

- Judge Results & planning

Organizing Continuous Improvement

- Select improvement actions with the highest priority number

- Improvement teams or Improvement circles ?

- Depends on business size & complexity of the improvement needed

Improvement Teams For Complex Problems at a Corporate Level

```
                    ┌─────────────────────┐
                    │   Steering Group    │
                    └─────────────────────┘
      ┌─────────────────────┐
      │    TPS Manager      │
      └─────────────────────┘
┌──────────────────┐ ┌──────────────────┐ ┌──────────────────┐
│ Improvement Team 1│ │ Improvement Team 2│ │ Improvement Team 3│
└──────────────────┘ └──────────────────┘ └──────────────────┘
```
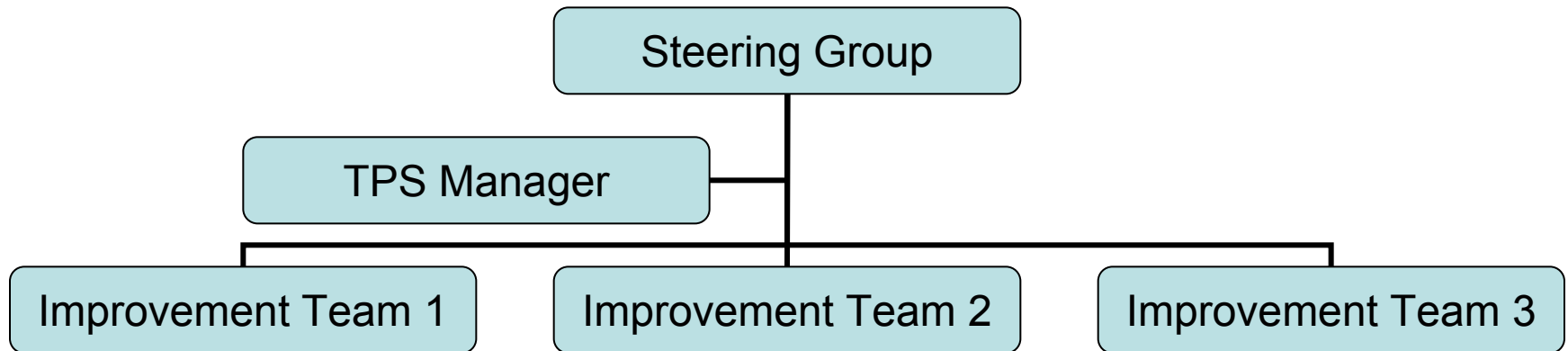
Steering group

- Composed of:

a) Chairperson: General Manager; to support, coach & guide

b) Secretary: TPS Manager

c) Participants: Business Unit Managers & external advisor

Steering group

- Creates Management Buy-in

- In larger organizations, several steering groups are appointed

- The Steering group meets once a month for an hour during regular working hours to discuss progress

TPS Manager

- An expert in the field of TPS Approach
- Provides TPS Training

Improvement Team

- A group of subject experts from different disciplines with knowledge & expertise regarding the problem area

- Put together by the steering group for addressing a certain problem (beyond the scope of business units)

- The team meets once or twice a week for 1-1.5 hrs

Improvement Team

- The team is dissolved after improvement action implementation

- Consists of a Team Leader + Team Members + TPS facilitator

Concluding the process

- Steering Group Certifies the process

- Final Presentation of Improvement Actions is made

- In order to create a learning organization, it is recommended that every employee participate in atleast one improvement team
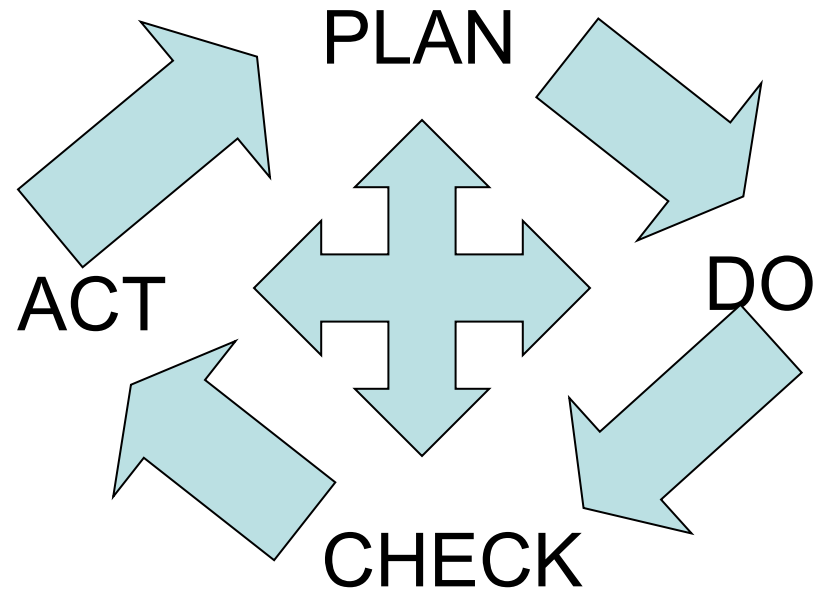
Improvement Circles

Business Unit Manager / Supervisor

Improvement Circle 1	Improvement Circle 2	Improvement Circle 3
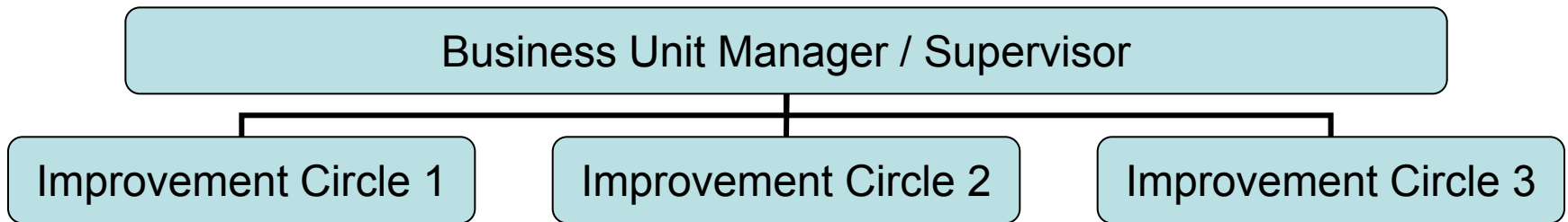
Improvement Circles

- Originates from the Japanese concept of "Quality Circles"

- Works for lower organizational level process problems

- Voluntary participants - peers from the same business unit who identify the problems in their daily jobs

Improvement Circles

- In certain cases, specialists from other disciplines could be involved

- It is a form of participative management

- Solutions are recommended to management & implemented by the circle

- Knowledge gained is intensively shared by others in the organization

Process Improvement

Based on Deming's PDCA Learning Cycle

PLAN

ACT

DO

CHECK

PDCA Learning Cycle

Step 1 – Develop an improvement plan

- Appoint an improvement team which defines the problem precisely (avoids ineffective solutions)
- Formulate the CSF
- Select the improvement actions with the highest priority number
- Formulate objectives keeping in mind the OBSC
- Define performance measures & targets
- Define the expected results, time & money needed

Step 2 – Implement the improvement plan on a limited scale

- Train team members in using the improvement methods & techniques
- Test the selected solutions

Step 3 – Check if it works

• Review the results of the improvement actions based on performance measures

• How many improvement objectives have been realized?

• What have we learned?

• If necessary, start over

Step 4 – Implement the verified improvements

- Adjust or replace the existing work processes

- Standardize the improved processes

- Training / convincing employees on the changed processes

- Continuously monitor the process & keep improving

Work through the PDCA cycle repeatedly:

- Keep track of significant issues coming up in the critical processes

- Select the critical process to be improved next

- The organization comes to know itself better

Personal Improvement

"Don't bother to be better than your contemporaries or predecessors. Try to be better than yourself"

- William Faulkner

PDCA Learning Cycle for personal improvement

Step 1 – Plan

- Identify personal objectives to improve – the things you are not good at, the habits that limit you, have an unfavorable influence on your life & deliver poor results

- Select the personal objective with the highest priority number

- Match its performance measures, targets & improvement actions from your PBSC

- Share your good intentions with a trusted person - life companion, friend, colleague or supervisor; request feedback

Step 2 – Do

- Implement your personal improvement actions on a limited scale

Step 3 – Check

- Review the results of the improvement actions based on performance measures & targets

- To what extent have you realized your objectives?

- Adjust your PBSC if needed

Step 4 – Act

- Implement the proven personal improvement i.e. behavioral changes

- Assess the personal results, document the lessons learnt

- Continuously monitor & improve your actions & thinking

DEVELOPING

PBSC

OBSC

SBU SC

Team SC

PA PB
PA PB

PA SA
PA SA
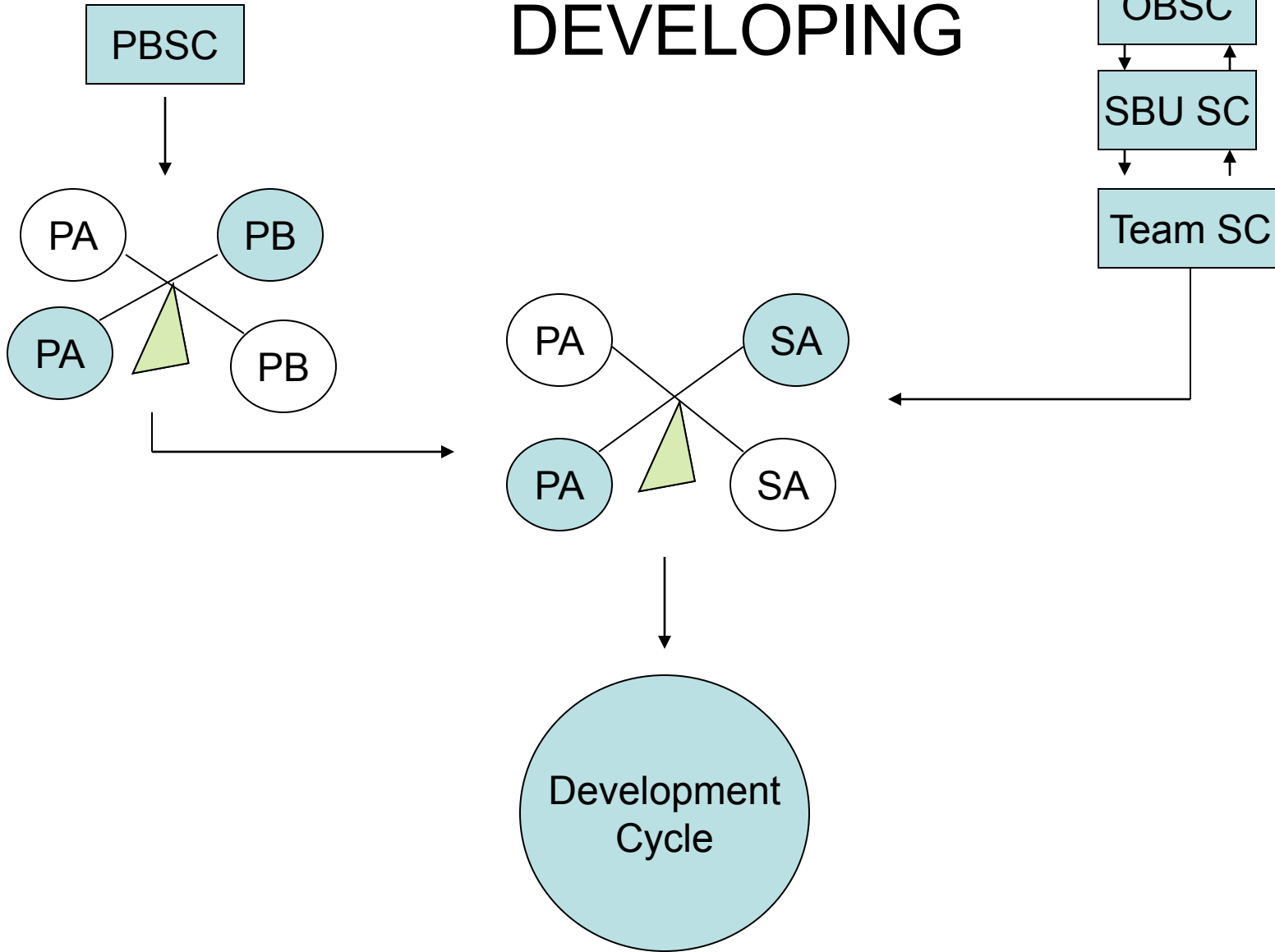
Development Cycle

Stages in the Development Cycle

Stage 1:   Result Planning

Stage 2:   Coaching

Stage 3:   Appraisal

Stage 4:   Job Oriented Competence
            Development

1. Result Planning

- The organizational CSF are translated into personal objectives, measures & targets to be obtained by employees

- The objectives should be challenging & feasible; they can be prioritized

- The result areas spread across the financial, customer, internal processes, knowledge & learning perspectives

- The joint preparation of the plan between manager & employee promotes employee motivation & self-guidance

- The employee highlights what he/she will need to achieve the results & what the possible barriers may be

- A set of job oriented competencies necessary to realize the SA is highlighted (Eg. Delegating, coaching, working independently, customer orientation, vision, interpersonal skills, process orientation, persuasion)

2. Coaching

- The manager helps the employee achieve the agreed upon results & develop the agreed upon competencies

- Progress is evaluated - what is going well, what can be done better & how, what are the obstacles? What are the learnings?

- Adjustments are made if necessary

- Coaching helps to have a positive effect on the employee's motivation

3. Appraisal

- Regular coaching & feedback sessions throughout the year help the employee accept the appraisal positively & prevent surprises

- The annual 360 feedback tool is used more & more often to obtain a more reliable behavior image

- Development needs (education / training) for improving employee performance & competency development are identified

- Employee work for the coming year is planned

4. Job-Oriented Competence Development

- We know by now which job-oriented competencies need to be developed further to fulfill the job adequately

- Knowledge & skill competencies can be acquired more easily

- Behavioral competencies are more difficult to learn but in most cases can be developed through individual coaching

- **Instruments for Competence Development**

- Courses, workshops, conferences, on-the-job training

- Creation of practice situations

- Individual guidance & coaching at work

- Accompanying experienced colleagues

- Customer feedback meetings

- Benchmarking

- Having the employee to do a work study in other business units

- Talent development programs

Reviewing & Learning

"Anyone who stops learning is old, whether at 20 or 80. The greatest thing in life is to keep your mind young"

- Henry Ford

"Where there is enjoyment, there is learning, & where fear dominates, learning stops"

"He who learns but does not think, is lost ! He who thinks but does not learn is in great danger"

- Confucius

Reviewing

- Feedback from employees form an important means of testing organizational assumptions

- On the basis of performance measures, have the improvement actions worked ?

- How many formulated objectives have been realized?

- Deviations from objectives seen as opportunities to learn

- Review, improve & update scorecards & performance plans; adjust competence profiles

- Corporate scorecard review is done annually

- Business unit & team scorecard reviews are done monthly or quarterly

- Align scorecards to environment

- Organization & Individuals understand themselves & the environment better on an ongoing basis

Learning

"The only sustainable competitive advantage is the ability to learn faster than competition"

- Arie de Geus (Shell)

What is learning?

A cyclic & cumulative process of continually updating your knowledge by adding new things to your knowledge repertory

Characteristics of learning

- A process of continuous personal transformation

- Learning changes your behavior, on the basis of which you can function better

Types of Learning

1) <u>Conscious Learning</u>

- Learning through education

- Can guide & control

- Higher capacity

- Necessary to have insight into your personal ambition to learn better

2) <u>Unconscious Learning</u>

- Learning through experience / doing
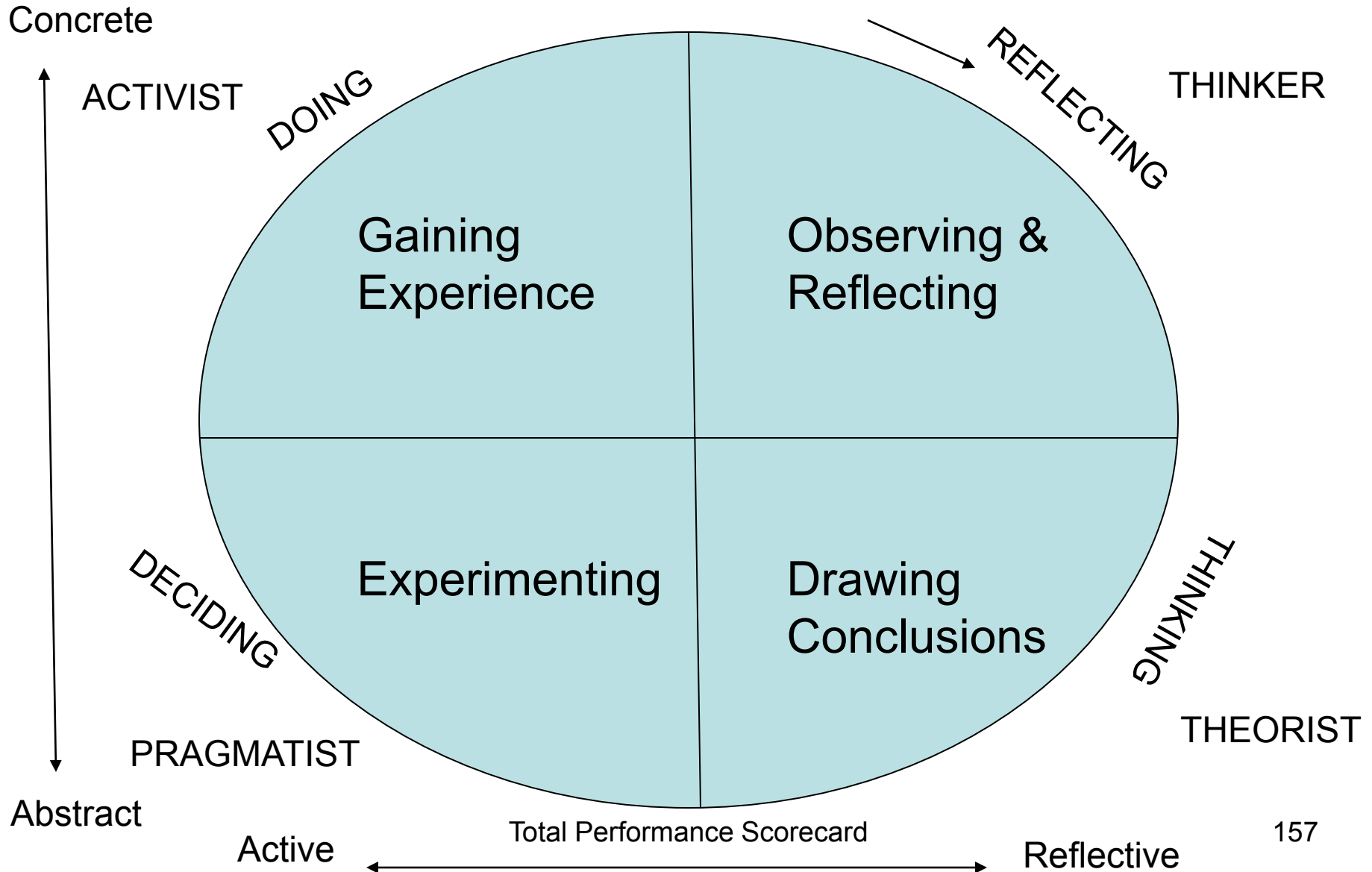
- Repetitive

Importance of Unconscious Learning

- After *reading* something, 10% is remembered
- After *hearing* something, 20% is remembered
- After *seeing* something, 30% is remembered
- After *seeing* & *hearing* something, 50% is remembered
- After *doing* something yourself, 90% is remembered

Types of Experience Based Learning

1) <u>Individual Learning</u>

- Employees learn on their own & experience a behavioral change

Kolb's learning cycle

Concrete

Abstract

Active — Reflective

ACTIVIST

THINKER

PRAGMATIST

THEORIST

DOING

REFLECTING

DECIDING

THINKING

Gaining Experience

Observing & Reflecting

Experimenting

Drawing Conclusions

Total Performance Scorecard

157

Kolb's learning cycle

Continuous process consisting of the following 4 phases:

1. <u>Gaining Experience:</u> By doing we experience

2. <u>Observing & Reflecting:</u> Review & assessment of past appearances:

a) How did it go ?

b) What went wrong ?

c) How do we look upon it now ?

3. <u>Drawing Conclusions:</u>

a) Understanding the experience through analysis

b) Making connections & generalizations: Converting gained impressions into experience, rules, hypothesis, models & theories

c) Helps draw conclusions from similar experiences

d) What new insights do we have now

4. Experimenting:

a) Testing these ideas in experiments

b) Trying out actions in new situations

c) Deciding what measures to take

d) Results in new behavior & new experiences

Kolb's learning cycle

Learning is a cyclic process of the following skills:

- Doing
- Reflecting
- Thinking
- Deciding

Kolb's learning cycle

Attitudes & Behavior of employees (PBSC) determines which form of learning they prefer. Some key questions:

- Do I open myself for learning ?

- Do I want to be influenced ?

- Do I really try to understand others' views?

- Do I explain my assertions ?

The 4 learning styles in relation to Kolb's cycle

1. Activist:

- Broad-minded & enthusiastic about everything new

- Acts first, thinks of consequences later

- As soon as the initial excitement of the activity fades away, he is looking for something new

- Implementation & consolidation quickly bore him

- He is constantly relating to others, while ensuring that he remains the centre of activity

2. <u>Thinker:</u>

- Distances himself & gathers data from events & experiences

- Thoroughly thinks things through different angles & consequences

- Delays drawing a definitive conclusion as long as possible

- Prefers to remain in the background during meetings & discussions; enjoys watching other people work

- Is distant, tolerant & inconspicuous in a group

3. <u>Theorist:</u>

- Adjusts his observations & combines them into logical theory - step-by-step

- Likes to analyze & think systematically

- FAQ: "How does this match with that?"; "From what do you determine this?"

- Dislikes subjectivity & ambiguity; prefers highest possible certainty

- Orderly & a perfectionist

4. <u>Pragmatist:</u>

- Practical & sensible; opposite of theorist

- Likes to check if the ideas & theories work in practice

- Endless discussions make him nervous; likes to make decisions

- Sees problems as a challenge & likes to solve them

- Learn from activities that have practical advantages & little theory

Importance of understanding your learning style

- This self – knowledge is necessary to increase our learning capacity

- While coaching or training teams, the coach has to ensure that the team activities are adequately connected to their particular learning style

- An effective team learning process requires the presence of a balance of different learning styles

- Team members need to understand how to benefit from each others' qualities to increase team performance

Fulfilling the 4 learning styles needs

| *Activist*	*Thinker*
Support his enthusiasm, but encourage him to plan ahead. Offer him a variety of interesting tasks	Allow him time to prepare himself, absorb things & study the alternatives
Theorist	*Pragmatist*
Give him time to study everything & draw conclusions. Give him enough opportunities to ask questions. Give him clear objectives & complex ideas to work on	Give him the chance to work out implementations, give opportunities to practice. Provide him the required information & techniques

2) <u>Collective/Team/Organizational Learning</u>

- Without individual learning, organizational learning cannot exist

- The individual employee's knowledge should be available & accessible to the entire organization

- Employees know one another thoroughly

- Learning is based on experience

- Employees learn together & from each other creating a "learning organization"

- Team work increases organizational learning capacity
- Teams think & act in co-ordination & a feeling of unity
- Learning Organizations facilitate this process in all their divisions
- Learning organizations keep transforming themselves & undergo a shared behavioral change
- The collective learning is more than the sum of individual learnings
- Team learning is more far reaching than individual learning

Individual & Team Learning
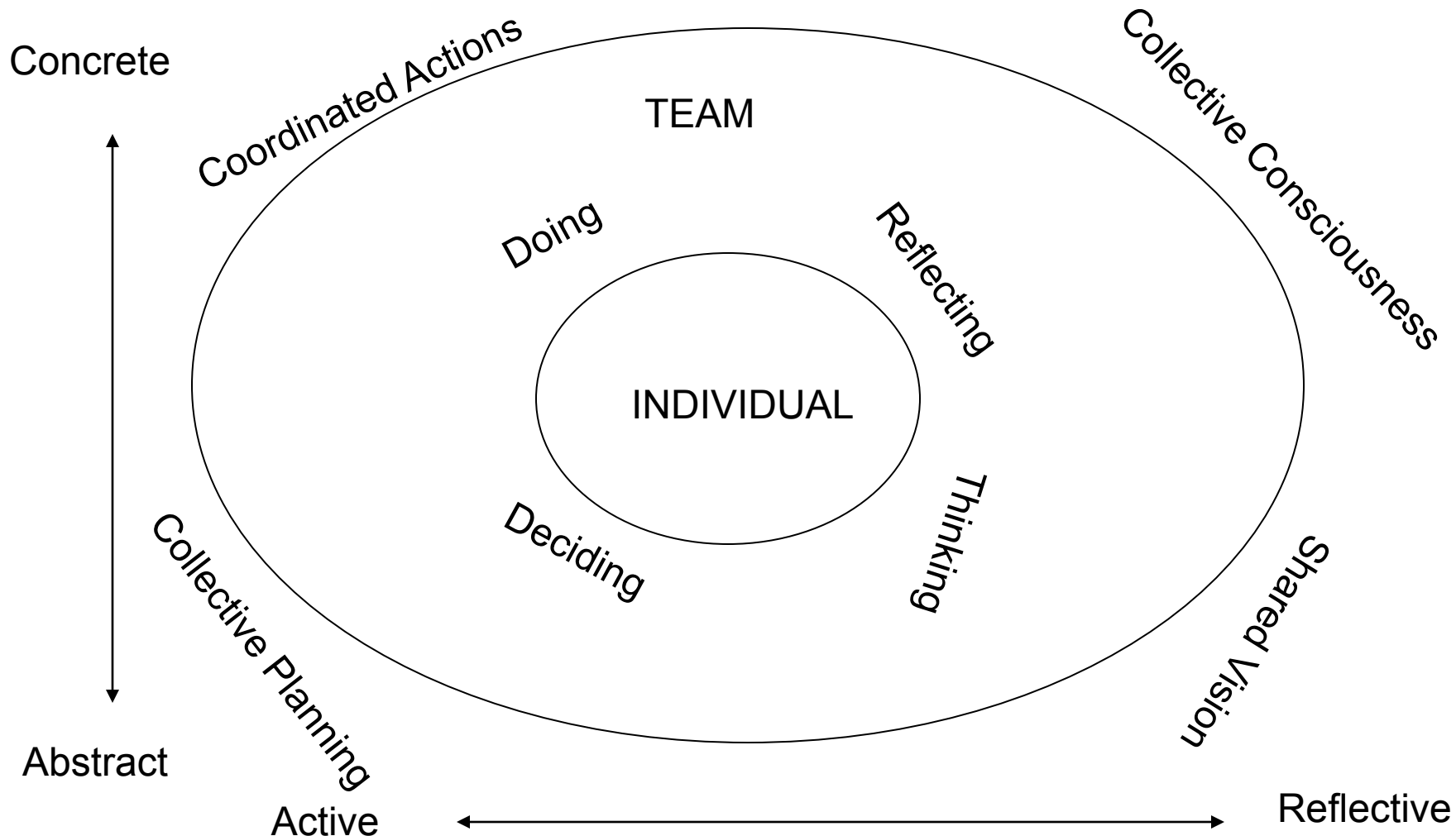
2 types of collective learning

1. Single – loop learning:

- Solving problems
- Identifying & correcting deviations
- Organizational norms & practices are not adapted or modified

2. <u>Double – loop learning</u>:

Organizational norms & practices are adapted & modified:

- The organization critically analyzes its own actions

- Problems are more widely tackled

- Employees change their mind-sets & their way of thinking & acting

- This type of learning is central to the TPS concept

Prerequisites of a learning organization

- Creating conditions where people are willing to apply their knowledge & share it with each other

- Employees are able to experiment, take risks, openly review results

- Allowing mistakes – without mistakes, there is no learning

- Encouraging teamwork

- Establishing teams in which a balance of personalities, skills & learning styles are present

- Having leaders who coach, help, inspire & motivate

Prerequisites of a learning organization

- Stimulating informal employee contacts - Research indicates that 70% of learning at work occurs in an informal manner

- Systematically working with problem solving methods – brainstorming, risk management

- Education & Training

- Offering a variety of challenging work – create generalists rather than specialists

- Encouraging task rotations

- Organizational knowledge overlap to facilitate mutual communication & knowledge exchange between employees

Prerequisites of a learning organization

- Developing a vigorous shared organization ambition

- Letting employees reflect on the balance between their PA & SA

- Giving attention to subjective insights & intuitions

- Establishing a knowledge infrastructure - internet, intranet, library, conference rooms

- The middle management should form a bridge between top management's abstract & externally focused vision & the employees' practical & internally focused vision

Why TPS?

- TPS enables organizations clarify their vision and strategy and translate them into action.

- It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.

- The Golden Rules says " What can't be measured can't be managed"; TPS helps the organization become more objective in its approach

- It provides a platform for planning and communication of planning activities

Why TPS?

- It provides a fast and comprehensive view of the business as whole

- It allows the organization to benchmark its progress against best practices outside and inside the organization, and over time

- It provides a diagnostic framework for tracking relationships and impact of strategies

- It sets clear expectations and helps identify where we are as an organization, as a SBU and eventually as an individual.