

The Mother of All Processes: PART ONE

Managing Fundamentals

BY JOHN BERNARD

We live in a complex world and we work in complex organizations. Whether your organization is small, medium, large or huge, understanding how it all works is no small task. Regardless of its size, the simple reality is the performance of any organization is largely driven by its management system. Ironically, it is rare to see an organization even acknowledge it has a management system. However, this is the “mother of all processes” and until an organization takes conscious control of that system, it will have little control over its performance.

A management system is a collection of processes understood by every employee that focuses the organization and drives it to achieve specific desired results. It creates the priorities, establishes targets, clarifies accountability, allocates and aligns all

resources, reviews progress, initiates adjustments and interventions when performance is below target, and drives improvement in all routine work. An effective and disciplined management system ensures the routine work of the organization is delivered with increasing quality and decreasing costs, and that strategic initiatives are effectively executed so they deliver the expected results.

The fact is, EVERY organization is run by some form of a management system, whether its existence is consciously recognized or not. But most organizations operate under an informal, evolved-over-time, momentum-driven management system that few, if anyone, in the organization really understand. In fact, there are most often multiple systems in a given organization, which ultimately creates the fractures that lead to



disengagement, the biggest enemy to individual and corporate performance.

And whose job is it to determine the organization's management system?

The top executive.

The Management System MapSM is designed to help organizations take conscious control of the reins of their businesses. This is the first step in creating extraordinary performance. It also forms the essential architecture needed to engage employees by providing a direct line-of-sight between the organization's goals and the individual's contribution. The process of creating the map facilitates agreement by an organization's management team as to exactly how they will run their business.

Most of us do not think of the means by which we manage our business as a system--in no small part because the complexity of running a business is hard to wrap our minds around. Management has often been narrowly defined as the interpersonal/coaching interactions between a manager and a subordinate—that is what most of us see as “managing.” But the reality is management entails a much further-reaching set of activities that must create focus, devise strategies, develop plans, allocate resources, assign work, measure progress and cause continual effective adjustments to ensure success.

An effectively designed system of management is foundational to the engagement of employees because it enables access to the motivations and talents of people--essential to achieving the highest levels of organizational performance. If the way the business is run does NOT make sense to people, they will be reluctant to engage because they can't understand how things work. When employees don't understand how things work, they don't feel safe engaging

ORIGINS

A Widely Applicable Tool

Early in my consulting years (1990) I was working with a wonderful regional bank in Walla Walla, Washington. Baker Boyer Bank was and still is a family owned bank committed to serving its customers well. A young up and coming family member Megan Clubb (now CEO) and I were working closely on improving the bank's performance, a true good-to-great venture.

The bank was interested in process improvement and I was trying to help them figure out where to deploy their energies to get the biggest success. The temptation many organizations face upon committing to process work is that they want to start process mapping everything. Of course the danger in that strategy is that the lack of focus will likely not deliver a credible return on investment. If the ROI is low, organizations frequently lose interest in because it appears to not deliver on its great promise.

Diffused improvement efforts are always disappointing and eventually lose steam.

So, one night in my Walla Walla motel room I sketched out what would eventually become the Management System MapSM. My intent was to help the bank understand the performance of all aspects of the business well enough to SEE clearly where process improvement efforts would have the most immediate impact on its goals.

The map made it clear, and little did I know the sketch on my note pad that night would result in a tool that was so broadly applicable helping organizations grasp the complexity of the system they are tasked to manage for results.

A Management System MapSM is useful for virtually any organization, large or small, private or public, start-ups or turnarounds.

--John Bernard

beyond the work they've been given to do, and most people will not risk getting involved beyond what they have been asked to do. When an employee has an improvement idea but it is unclear how to put that idea into action, the natural tendency is to hold back



proposing the idea. If you have ever walked up to a craps table in Las Vegas and thought that it looked fun, but just watched instead of playing because you did not understand the game, you know what it's like to sit on the sidelines because the risk of entry is too high.

No purpose is more vital for a system of management than to ensure everyone understands the organization's core purpose and processes, and ultimately, his or her part in that work. An effective system clarifies what the organization must get done, ensures everyone knows their part and it drives engagement by making sure each contributor has what they need to

effectively do his or her work and contribute new ideas.

In addition to connecting every single employee and setting in motion their parts of the work, an effective management system must also be capable of continual adjustment in the face of the complex reality of execution; in the real world, not all things go

exactly as planned. One of the great failings in organizational execution lies in the capability, or lack thereof, to monitor reality and adjust to it. The Management System MapSM sets in motion the transparency needed to see the issues, to reveal them in a non-judgmental way, and to quickly make conscious decisions about how to resolve them.

The Decision to Map

Deciding to map your system of management is more than a decision to participate in some esoteric exercise. It signifies a decision to intentionally cut through the complexity and bring comprehension of your business with an

The measure of a management system's effectiveness is its ability to predictably deliver on the organization's goals--no matter how challenging they might be

easy-to-grasp picture. Mapping is the first step in beginning to control your management system, rather than being controlled by it. It's a decision to map how your business actually works and how you want it to work. You also come to understand how to increase the organization's capability to consistently and effectively deliver on its goals. A capable management system increases the effectiveness and efficiency of execution—that is its most important job.

The reality is our organizations are incredibly complex. Few of us can get our arms around the mechanisms that actually make them work. Yet, if you ask leaders of organizations, "What is your system of management?" the question itself usually causes most to stop and ponder. Leaders ponder because management of an organization is rarely thought of as a collection of inter-connected processes (the definition of a system). In reality, not only is it a system, it is quite literally "the mother of all processes" because everything that the organization does or does not achieve emanates from it. As the mother of all processes, the management system's effectiveness sets the stage for the performance (or lack of it) of all other processes within the organization. If the management system is humming, the organization hums; if not, performance is inconsistent and often falls well short of goals.

That's why the system **MUST** be effective for the organization to be effective.

As leaders ponder, "What is your management system?", they often point to their strategic plan, budgets, department goals and maybe they will add the old faithful annual performance reviews. But is that the management system? The answer for most is "yes." Is it a complete system? Is it all integrated and effective? Does the system consistently deliver on the organization's goals in effective and efficient ways? Simply: does the organization execute well whatever it sets out to do?

Many executives will tell you quite honestly that the effectiveness question deserves a painful "no" answer. And the truth is they are correct. Since management is not typically thought of as a system (a collection of inter-dependent processes), we don't apply process thinking, tools and improvement methods to the most important process of all--management.

The great process improvement work that has moved through the business world in the past 30 years somehow never got applied to the mother of all processes. The harsh truth is that more process work has been conducted to determine how customer calls to the service hotline are handled, than into the system used to run the business.

Time for a change.

Aligning the Management Team

Management teams often struggle with alignment at many levels, partially because each member of the team has a unique management philosophy and way of running things. We learn and develop our approaches to management by through formal education and reading, by watching others, and by trial and error. Some approaches are very effective and others are not, a driving reason why some executives consistently outperform others: They have found a system that works.

Most managers develop a set of activities they use again and again to drive the work their department needs to accomplish. And still others ignore disciplines of management and try to rely solely on their inspirational leadership to cause employees to do the right



thing.

The system of management an organization uses is one of the most influential levers of organizational and individual performance. However, the “how’s” of management are usually left to the individual manager to define.

Leaving this decision to each manager prevents cohesive management of the business, largely because the essential work of any organization crosses from one department to the next and varying management approaches end up disconnected, incongruous and confusing. There are far too many process interdependencies for a collection of ad hoc management approaches to be efficient.

This is not to say each manager should not have his or her own “style”—but it does mean the system should be common. Each manager brings a unique set of talents and

Organizations have far too many interdependencies for a collection of ad hoc management approaches to be efficient

experiences that range from great people skills to deep technical expertise. The management system does not stifle those unique differences; in fact, it gives them leverage by working within a common language and set of processes to understand the work and improve the effectiveness with which it is executed.

Many executives find it a bit odd to have to decide which system of management it will use. This is simply because they have never considered management to be a system. But

the decision has huge impacts on organizational performance, culture and values--so the right decision is vital.

The decision as to what management system an organization will use must be made by the chief executive officer, the chief operating officer, the general manager, the executive director, the superintendent—whoever is the most senior operating executive. This person must “own” the system and visibly drive its application for the organization to perform effectively. He or she must select a system that matches their values and aligns with the organization’s mission, vision and goals.

The Mass Ingenuity System provides a set of interwoven processes driven by some overarching concepts, but the details of it are built out by the top executive working closely with his or her leadership team. The process of building the system brings a powerful shared comprehension of the business and works to create a powerful alignment around how the business will be seen and run. It makes clear what’s important and removes any ambiguity about how things work, who owns what, what must be accomplished, how success will be measured and how the organization will respond when things are not going as planned.

Building the Management System MapSM is a very healthy process for leadership teams, because it provides a structured forum and process for dealing with many sacred cows and bringing gently to light unspoken executive concerns over how the business is run. It surfaces for safe and open discussion truths about how all outcomes and processes will be measured. The mapping process is consensus-based, with the top executive having the authority to exercise veto power when needed. In the end, mapping the management system aligns the leadership of

an organization around a common vision of how it wants to run the business, who owns what, and what success looks like in measurable terms.

Once the top executive decides how the business will be run, the harsh reality is participation in it cannot be optional. Senior executives who resist or rebel against the system become obstacles to its success, which makes them obstacles to the business's success.

MANAGEMENT SYSTEM MAPSSM

USED BY MANY ORGANIZATIONS

Over the years Management System MapsSM have been used in a surprisingly wide range of organizations including:

- Insurance Company
- Commercial Brokerage
- Utility
- City Government
- Private High School
- Public School District
- University Nursing School
- High-Tech Manufacturing
- Office Furnishings
- Consulting Practice
- State Agencies
- Cities
- School Districts
- Software Development Companies
- Heavy Manufacturing
- Health Care Delivery System
- Window Covering Manufacturer
- Bank
- Faith-Based Mission
- Trade Association

While the vast majority of organizations are set up by specialized functions (engineering, sales, marketing, accounting, service, etc.), work actually gets done through processes that have no regard whatsoever for departments. Customers could care less if "accounting" has delayed their order or if "service" is running behind schedule and can't immediately solve their problem.

In their book, *Improving Performance: How to Manage the Whitespace in the Organization Chart*, Geary Rummler and Alan Brache, were instrumental in helping the world of business understand that the work we do is not black magic. Instead, all routine work can be readily understood as a process, a collection of activities intended to add value to the customer.

Actually, most work can be "mapped" in such a way that it can be understood by almost anyone. Process maps" become hugely valuable in understanding why a given process breaks down, why it takes as much time as it takes, where the waste is and why it costs as much as it does to run. Process maps are a fundamental tool in process improvement.

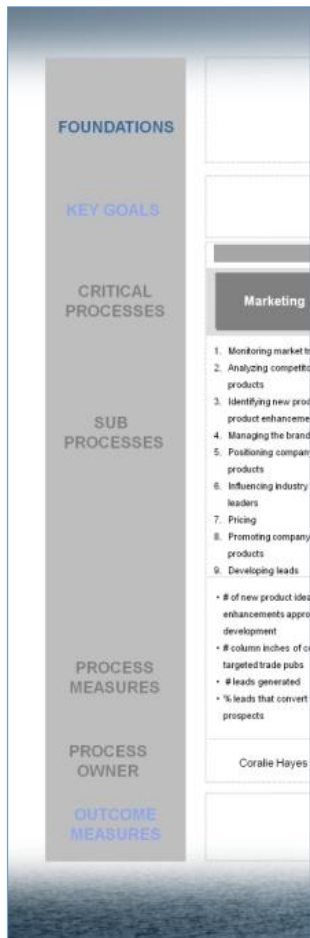
Don't be confused: just because a process can be readily understood does not mean anyone can perform that process. All processes require skill, and some processes require highly developed skill based on deep knowledge and, frequently, a good deal of talent for a given task. Yes, the process of removing a tumor from a human's brain can be mapped and many of the possible variables reflected in the map. But that does not mean anyone can perform brain surgery.

The value of a process being understood is that it facilitates the accumulation of knowledge, it teaches people what variables they are likely to encounter and what to do about them, and it provides a foundation for

Becoming Process-Centric

us to explore waste (steps that add no value in the eyes of the customer), inefficiencies, delays and quality problems.

Process maps allow us to get our arms around process improvement. Plus, tools and methods such as “lean” and “Six Sigma” give us the ability to reduce process breakdowns, drive down process costs and speed the delivery of everything an organization must



get done.

Truth is, from a management system perspective, all organizations consist of a collection of critical processes that drive the delivery of the organization’s outcomes. In Management System MappingSM, these **core processes** are identified along with their major **sub-processes/key activities**. Next, process owners are assigned, measures of their

effectiveness are determined and scorecards are created to monitor performance. Both the **operating processes** (those that create and produce the products/services and take them to the market) are identified as well as the **supporting processes** (those that are essential to enabling the **core processes**).

For a manufacturing company, the critical operating processes would typically include:

Developing products, marketing, selling, acquiring materials, building product, shipping, and servicing. For a services company such as an insurance company it would include: Assessing market needs, designing insurance products, underwriting, selling, issuing policies, servicing policies and paying claims. For a city governmental agency, the critical processes would likely include such things as maintaining roads, creating ordinances, ensuring compliance, managing residential and commercial building, and so on.

Supporting processes include the activities necessary for the operating processes to function: recruiting and hiring people, managing payables, managing receivables, planning, budgeting, ensuring legal compliance, etc.

Giving visibility to critical processes has many benefits. First, it pushes the organization to begin to consciously see and manage them as processes, though many of them may not have historically been managed as such. Yes, we manage our departments, but processes cross over multiple departments and no one seems to own them. And often, they function in a manner that is far less than acceptable.

As the organization begins to understand how its most important work gets done, it focuses attention on where the breakdowns occur and where the waste resides. It also provides the essential foundation for ensuring someone is truly managing the critical processes.

Establishing Process Ownership

Process ownership brings a dimension of management that has a huge impact on costs and on meeting internal and external customer needs. Since most processes move across the whitespaces of the organization,

any inefficient handoffs are the source of a ton of waste, rework, rush costs, customer frustration and employee disengagement.

If a company has a commitment to ship any order it receives within 24 hours, and no one is managing the process end-to-end, each department can complete its work in the time they are allowed and the product could still be shipped late. If shipping has four hours from time-of-receipt to time-out-the-door, but they get the product 23 hours after it was ordered, are they performing poorly if they don't ship it within an hour? Obviously, the further down the process a department is in the value-creation stream, the more likely it is to be blamed for performance problems. If the average time from order to shipment is 28 hours, shouldn't we put the heat on shipping?

Process owners monitor the process end-to-end, identify issues, advocate for problem solving (which requires resources) and, ultimately, make sure the performance of the total process is meeting company and customer needs. More and more organizations are using the process owner role to drive process management. In large organizations, it is often a full-time task, but in many smaller organizations, it is a dimension of responsibility added to an executive's or manager's role.

The vast majority of organizations retain their traditional functional structure as they add the process management perspective. Functional structures have their advantages primarily in the development of expertise and their sharing of common sub-processes. A marketing person needs to stay connected to

	Servicing Products	Ensuring Compliance
1. Developing service plans	2. Selling service contracts	3. Handling in-coming calls
4. Escalating problems to engineering	5. Tracking bugs	6. Administering new releases to existing customers
7. Tracking customer release data		
		1. Monitoring agencies' expectations
		2. Third-party audits
		3. Coordinating information
		4. Coordinating information
		5. Calibrating
		6. Filing compliance
		7. Ensuring key metrics maintained
	<ul style="list-style-type: none"> • % calls with first-call resolution • % customer calls escalated to engineering • # of known, active bugs • Time to resolve known bugs 	<ul style="list-style-type: none"> • ISO level of compliance • % key control points • % of key control points • On-time calibration • On-time compliance filing
	Raj Rajahasan	Brent

other marketing people even if he or she is the sole marketing member of a product or service offering team.

Process owners are responsible for driving collaboration across all functions that touch their process. They seek to drive down the cost of the process, to increase the quality of its output and to increase on-time delivery. While the process owner is responsible for the process measures, all departments that feed into the process play a critical and visible role in performance of the

process.

One essential element of the management system is the process of conducting business reviews, or what are known in the Mass Ingenuity System of Management as Target Reviews. In this forum, the organization's leaders—including all process owners—take the time to check in on the scorecards of all critical processes to see if things are on plan or not. When a process is not delivering the results the organization needs from it, the process owner is the one who leads action to get things back on track through a corrective action process.

Processes that are not owned in the end become processes that are not managed; that's why the role of the process owner has emerged as a new critical role.

Measurement provides the foundation for managing the organization and for managing the organization's processes. To determine a process's effectiveness, a process owner need only look to his or her scorecards.

Outcome & Process Scorecards

Measures tell us how well we are doing the things we have decided matter the most, and so they are foundational to any system of management. The effectiveness of all the work we do as organizations, departments and individuals is in the end determined by measuring performance against agreed-upon measures. A basketball team is simply unable to tell how well it played the game of basketball without one final glance at the scoreboard. The advantage a basketball team

in the process of playing a game has is that it gets to see the running score (call it metrics, they call it a scoreboard) in real time. This is a supreme driver and increases the motivation to win. Imagine if your business had something similar: access to real-time information with which you could make accurate decisions and motivate action affecting your business.

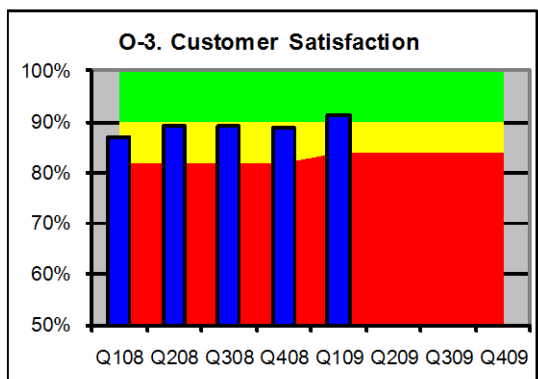
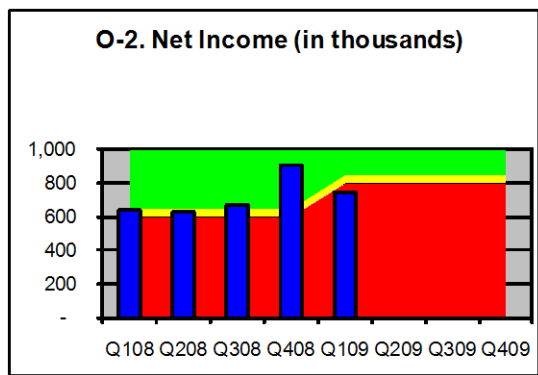
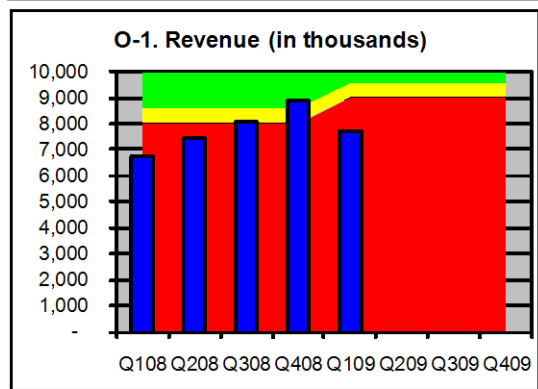
While most organizations have goals, often even enduring goals, the establishment of Outcome Measures is an agreement by the leaders as to what will be on the organization's ultimate scoreboard. Outcome measures not only provide essential focus, but they also give the organization the feedback it needs to decide whether its efforts are paying off.

A few examples of classic business outcome measures are revenue, profit (often measured as EBITDA—earnings before income taxes, depreciation and amortization), customer satisfaction, net-cash usage, employee satisfaction, inventory turns, market shares, and so on. For governmental agencies, indicators such as performance to budget, customer satisfaction, on-time delivery, cost savings and many others are common.

Outcome measures can also monitor progress toward vital goals tied to mission, vision or values: Charitable contributions, energy savings, paper usage, etc. A business whose lifeblood is continual development of new products might measure "revenue from products introduced in the past 18 months." Most outcome measures are such common sense they endure the test of time, but some are intended to drive areas of new focus.

A measure of employee engagement such as "ideas implemented per employee" or "savings per idea implemented" would signal to the organization that it has new priorities.

OUTCOME MEASURES

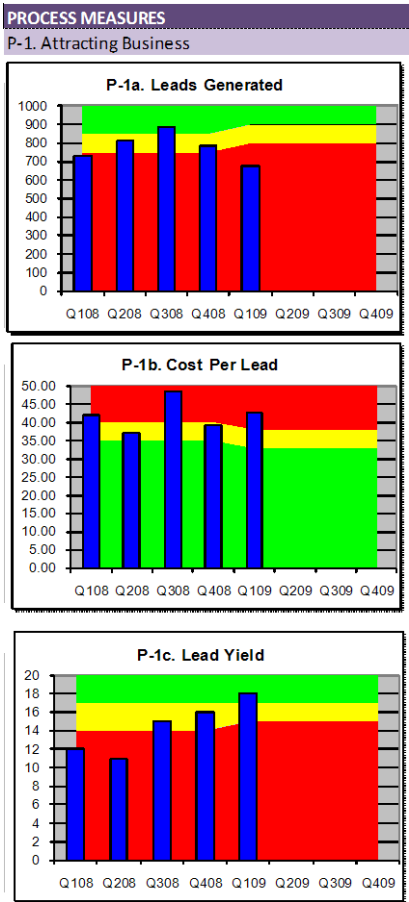


But overall employee engagement can be measured providing data to inform organizational responses. (Mass Ingenuity uses a simple 10-question survey to measure the 10 dimensions of engagement).

Productivity measures can also be useful, although some organizations hesitate to use them. Ultimately, an effective management system will drive “revenue per employee” and “profit per employee” over time, as these are clear indicators of how productive an organization has become.

Establishing outcome measures that are agreed upon by management and communicated to the organization establishes the essential foundation for a well-run, execution-oriented organization. While outcome measures are essential indicators of success, by their very nature they provide after-the-fact rearview mirror feedback (lagging indicators). After-the-fact feedback can be frustrating because when we encounter a disappointing result, the best we can do is to try to do it better next time. Shortfalls in outcome measures often fuel organizational drama and misplaced efforts to figure out who to blame. These kinds of activities inject destructive fear into the organization and send many scrambling for cover.

Process Measures, on the other hand, are indicators of how things are going (leading indicators) and, like an airplane instrument panel, they are designed to let us know very quickly when we need to intervene. While



outcome measures tell us how things turned out, process measures tell us how things are going—and when they are not going as planned, process measures stimulate action.

Revenue is a classic outcome measure. But what processes feed that outcome? Understanding the relationship is key because it gives the organization much greater control over its outcomes. When a process falls short, intervention is triggered. In the Mass Ingenuity System of Management, process intervention is built into an organization’s way of managing.

Understanding the processes that feed an outcome gives management and the people who perform the processes, the opportunity to influence or even fully control the result. So, for example, rather than asking managers and employees to accept a revenue shortfall as a *fait accompli*, they are actively engaged in resolving the problem at the earliest possible moment.

Let’s say it takes 1,000 sales leads to get 100 good sales prospects to ensure 10 complete sales, which will allow us to meet our revenue target. Now say the sales leads drop to 850. The path to getting sales back on track is clear—get to work on generating more leads, NOW! If the organization does that early enough, it has a good chance of preventing a disappointing revenue result.

An effective set of process measures considers the three primary dynamics of a

Not My Problem

I was chatting with an internal process consultant of a large company one day after work, and he told me an interesting story.

His organization produced shoes that were sold through many retail outlets including some of his company's own stores. Size and color inventory accuracy was running 14% -- that meant the difference between what their computer system said was on hand in the stores and the reality of what was on the shelf in the store was night and day. Bottom line was no one had any idea what shoes were available to sell.

It would be easy to conclude they weren't managing accuracy from the factory to the store, but that's where the story gets interesting. As the project team gathered data they discovered an interesting reality: red/yellow/green inventory accuracy scorecards were in place and virtually every department involved in the process of getting the products to the stores – and EVERY scorecard was in green!

Having scorecards in green all the way to 14% accuracy where it mattered, in the store, speaks to interesting issues including: 1) The company's failure to look at the system end-to-end; 2) The likelihood that each group had set its own metrics, and they all had decided to only measure the things they could control, and 3) There was plenty of fear around driving everyone to make sure they looked good.

Measuring only that which we can control has some interesting results. One, you never have to resolve any issues between departments because each only does what it can control. Two, as you stack all the tolerances for inaccuracy across a number of departments, you can get surprisingly bad numbers (if each of 10 departments sets its green target at 92% or better, the 8% inaccuracy adds up again and again.)

When we look at processes as a collection of department-crossing steps, and start to work on the issues between departments and across the system, is when we'll have processes that perform to their maximum capability.

--John Bernard

process, or some minor variation on them. These include:

COST: measures that address what a given process costs to complete, which can include unit cost (cost per unit produced), budgeted cost, the spoilage or scrap costs, rework costs, and the cost of value-added steps (the total cost based on time for the steps that actually add value).

QUALITY: measures conformance to what was expected including such things as yield or first-pass yield, scrap rate, error rate, percent rework, etc.

TIME: measures the most critical dimension of time for the given process such as delivery time (was it on time?), cycle time (how much time did it take from start to finish?) and value-added time (how much time did it take to do the work—excluding waiting, staging, looking for things, etc.?).

Real-time process measures tell us how well a process is doing compared to what we are expecting of it, and we get that information much more frequently than outcome information. The ideal process measure is one where we get continual "live" feedback so we know as soon as something is not happening as expected. This enables us to take corrective action as early as possible. More commonly than live is daily or weekly feedback—and sometimes monthly is the best our systems will support. The more frequently it is available, the more it enables us to take the action necessary to get the process back to delivering at a level we expect of it.

As ownership is established for all outcome and process measures, the foundation for accountability is established. Measure owners are in effect the "advocates-in-chief" for their assigned outcome or process, but that does not mean they are the



people who get blamed when the measure is less than desired or expected.

Foundation for Accountability

Without outcome and process measures in place, how does an organization create an environment of accountability? And without process owners, how do we know on whom we are counting to keep an eye on of a particular aspect of our organization?

The nature of ownership is different in high-engagement organizations than it is in more traditional top-down organizations. Traditionally, owners are the ones who get blamed or “take the hit” when things go poorly. In this environment, it is no wonder that with the mere rumor of new measurements coming, so rise the predictable waves of resistance. Organizations are highly complex, and measures (especially outcome measures) usually reflect the outcome of

many people’s efforts and usually involve multiple processes. So when measures are used to figure out who should get blamed for poor results, no one wants to be measured. Why should they?

Instead, constructive use of measures reveals problems or opportunities and is most valuable when used as a call to action. The owner is accountable for driving this action and the key for them is to recognize when intervention is necessary to get things back on track.

When a shortfall is identified within an outcome or process, problem solving is set in motion. Then, it is just a matter of time before data gathering and root-cause analysis will bring the real source of the problem into plain view. This data-driven transparency will reveal where the cause of the shortfall rests, and where action needs to be taken. Then, it’s the process owner’s job to help isolate the problem and ensure that the department, team or individual who owns the process

where the breakdown is occurring has the resources needed to get things back on track.

Using blame in this or any other situation will only reduce the ability to identify and quickly get to a resolution. So measurement owners need to be skilled in working across traditional lines by creating a constructive and resolution-focused environment. If a person is having problems with a process and they are afraid to seek help, it's very tempting for them to simply try and conceal the problem. This only compounds the issue and in the end results in far more harm than good.

Accountability is focused on doing the work it takes to get desired results, taking the appropriate corrective action, getting the resources needed, solving the problem—it is not focused on blame. In the real world it seems things rarely go exactly as planned. Therefore, the key to accountability in a high-engagement environment is that people take quick, appropriate corrective action as soon as they know there is a need for it.

Sure, organizations must get results, and in the end senior executives are held accountable by boards, shareholders or others such as voters or legislators in the case of government.

High-engagement organizations have a high degree of accountability. The accountability is much more focused on quickly surfacing and solving the problems that come up than on pretending we live in a world of consistently perfect performance.

Getting Every Employee Connected

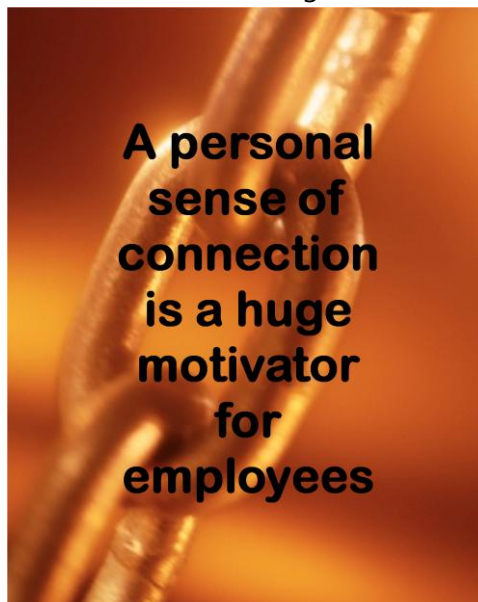
Management System MapsSM and the scorecards created from them, connect every single employee to the part of the organization's work for which they are accountable, as in a downward cascade. Once this occurs, many employees will see for the first time in their lives how the work they do affects the organization. Then they are empowered to comprehend their role and ultimately grasp the value their hard work makes.

A personal "sense of connection" to the organization's mission is a huge motivator for

employees because humans crave being part of something bigger than them. When employees can see how what they do impacts the organization, and by extension everyone in it, they can readily understand the importance of their work; that's a big motivator.

This knowledge allows us, social creatures that we are, to gain a sense of importance. This is very different than when we

have no idea what happens to the work we do—when it just seems to disappear into the confusing mass of the organization. Or, when no one counts on us, when no one notices whether we're doing our job well or just sliding by on the minimum, and when we don't complete something just because it seems like a waste of time. When we recognize our place in the big picture all of this changes.



Here's How We Run Our Company

When a Fortune 100 executive was considering MEI of Tualatin, Oregon as a future supplier, the potential customer asked MEI's General Manager, Marti Lundy, how she ran her company, both of them were in for a pleasant surprise. Instinctively, Marti reached into her briefcase and pulled out her company's Management System MapSM.

The customer gained unexpected insight into this potential supplier's company—and, much to their mutual delight, he was blown away by what

Using Your Map to Talk to Customers, Investors, Bankers, and Boards

he learned. After Marti walked him through the map and explained how she ran the company, the executive admitted he had never seen more convincing evidence of a well-run company.

Marti's surprise was learning that her Management System MapSM was her best sales tool, because it convinced existing and potential clients that they could count on MEI to do good work.

Management System MapsSM and their resulting scorecards are powerful tools for interesting others in what your organization does, how it does it and how well it does it. It gives Boards and Oversight Committees the foundation of comprehension they need to help them do their job. It also serves as valuable information for investors, buyers and bankers in doing their due diligence.

One impact this sense of belonging has on high-engagement organizations is that employees begin to form deeper and more lasting friendships. For many, knowing they are finally part of something that matters connects them practically and thus emotionally to the organizational vision, to its mission, to its goals and even its values. This sense of self worth opens people up because they feel safer and more connected knowing that what they do is important and is valued within the organization. That sense of safety, value and connection encourages people to open themselves up to get involved and get to know the people they work with.

The **"line-of-sight"** created between the work of every individual contributor and the company is a direct means of connection to the whole. That sense of belonging lets us know everyone is counting on us, and it makes us feel important. Our expertise, our performance, our contributions, our improvements and our engagement make the organization and everyone in it a little better off.

Say you are the janitor in a factory, and you work at night when no one else is around. It sounds like lonely thankless work, right? But what if you knew that the area you clean is used to package drugs that help cancer patients through their chemotherapy? It would put your work in perspective to know that a clean work environment is essential for the department to do its work and to meet the requirements of the FDA.

Understanding his or her connection to the whole also helps a person to begin to grasp the upstream and downstream realities of work; our work comes from other's work and then it moves on to still others to do their work. Seeing the broader impact of our work is critical as employees move into problem solving and process improvement. Process-

literate organizations think about upstream and downstream impacts of process change, and also begin to formalize their communication to both those who do work before them and to those who continue the work beyond them.

Target Reviews

Visible business reviews, in which the organization stops to check in on all the outcome and process measures, are a critical part of a high-execution organization. Target Reviews are essential to the development of accountability and the rigorous discipline needed to take action when things are off course.

Most organizations don't do formal, stand-up business reviews. If your organization is a public company, then the quarterly earnings report is a measure but it is a lagging indicator. Reviewing individual performance

is relegated to the annual performance review, which for most people is a disappointing experience. Can you imagine what it would be like if you played hard on a basketball team and instead of seeing the score at the end of each game, you had to wait for your annual performance review? Waiting a year to get your coach's view of the work you and the team did seems absurd, yet that in effect is what most organizations do. No wonder annual performance reviews seem so awkward and are often de-motivational; the high stakes of such reviews relegated to a one-hour-a-year conversation seems destined to be a disappointment. Not only is it impossible to give a year's worth of work justice in 60 minutes, but if our manager is not pleased with some aspect of our work wouldn't it be smarter to have been talking about it along the way?

Certainly, most managers give feedback

FUNDAMENTALS				BREAKTHROUGHS			
OUTCOME MEASURES		STATUS	TREND	STRATEGIC		STATUS	TREND
O-1	Revenue	Yellow	→	S1	Fundamentals Disciplines Routine	Green	→
O-2	Total Return to Shareholders	Red	→	S2	Employees Implement Their Ideas	Yellow	↓
O-3	Top Quartile EBITDA	Yellow	↓	S3	New Product Development Delivers on Promises	Red	↑
O-4	Cash on Hand	Green	→	S4			
O-5	Ideas Implemented Per EE	Yellow	→				
O-6	Customer Retention	Yellow	→				
O-7	Customer Referrals	Green	→				
O-8	New Product Revenue	Red	→				
O-9	Volunteer Hours	Green	→				
O-10	Dollars Contributed	Green	→				
O-11	Turnover	Yellow	→				
O-12	Engaged Workforce	Green	↑				
PROCESS MEASURES		STATUS	TREND	TACTICAL		STATUS	TREND
OP1 MARKETING				T1	Cross Selling Adds Revenue	Yellow	→
1.1	New Product Ideas Approved	Red	↓	T2	Sales Proposals Effective	Yellow	→
1.2	Column Inches Coverage	Red	↑	T3	Key Financial Controls Validated	Green	→
1.3	Leads Generated	Yellow	↑				
1.4	Leads Converting to Prospects	Green	→				
OP2 SELLING							
2.1	Prospects in the Funnel	Red	↑				
2.2	Qualified Leads	Yellow	→				
2.3	Proposals Presented	Red	↑				

along the way. But Target Reviews are a key part of moving problems from personal performance issues and private conversations to process capability and problem solving discussions. The reality is the vast majority of performance

problems are not due to poorly performing employees; they are problems within the process. Target Reviews surface these issues and draw attention to them with the goal of applying the right resources to solve the problem—not wasting time trying to find someone to serve as the scapegoat.

Traditional performance reviews are often little more than a perfunctory completion of a required and often late activity—in most organizations. But even in well-run organizations, the nature of any annual process is at best uninspiring because the feedback is all after-the-fact and usually anecdotal instead of fact-based.

In many organizations, the annual review is preceded by regular one-on-one sessions with your manager during the year. It might even be as often as weekly, but it is a time when you sit down for a few minutes and talk about how things are going. These sessions can be valuable, and an effective manager can use them to coach, to teach and to inspire. But most managers are not particularly effective at using these sessions well.

In addition, research shows that the most effective motivation comes from the recognition we get from our peers, not from



our managers. Formal Target Reviews set up the opportunity for each person to stand up in front of their peers and talk openly about how they are doing, focusing on facts. The purpose of the reviews is to celebrate success and, when needed,

to shed light on the problem areas, to talk about root causes and to drive corrective action so that the outcome or process can be set back on the track we need it to follow to achieve our goals.

Target reviews are an essential part of a plan/do/check/adjust closed-loop management system. They are an open forum in which we check to see how things are going so we can adjust our plans in order to give us the best possible chance of meeting or exceeding our goals.

The tone set by senior executives in these reviews is a key signal to the organization of how management views performance. As the transition from low-accountability/low-engagement management systems to high-accountability/high-engagement begins, many people will be nervous. This is because much of what they have come to expect is that blame is the name of the game. Leaders need to thoughtfully engage those whose outcomes or processes are struggling, sending signals that problem visibility is a safe and positive thing. In addition, owners need to understand the facts associated with the challenges they face, and that above all it is OK to ask for help.

Operating Plan

Once the management system is in place, the annual operating plan becomes very straightforward to update. Since the map and rolling out the management system unveils outcome and process measures that will likely stay in place overtime because they are core to the business, that work does not need to be repeated each year. This saves an enormous amount of time in creating the annual plan for fundamentals, the routine work of the organization.

Updating the outcome measure ranges and targets, and doing the same for all processes, is essentially the work of creating the operating plan, assuming all the right measures are in place. Each year, some measures will be eliminated and replaced by more relevant measures, and others will be added because of new organizational

capabilities.

Generally speaking, red/yellow/green ranges are tightened over time to drive better and more reliable results. Of course, the more likely a process is to deliver on its planned results, the less costly it is to operate.

Managers and their team review red/yellow/green ranges and targets each year. Then they negotiate what's expected for the coming year and then update their scorecards accordingly.

Revealing the Constraints

The Management System MapSM reveals the organization's core work in process terms and the scorecards translate needed performance into specific ranges. Now it is very clear what process constraints exist because the scorecards in the red and yellow ranges draw attention as to what processes

FUNDAMENTALS				BREAKTHROUGHS		
OUTCOME MEASURES		2009	TARGET	STRATEGIC		TARGET
O-1	Revenue	\$92.6M	\$100.8M	S1	Fundamentals Disciplines Routine	QTR's Held On Time; >80% of Fundamentals in Place
O-2	Total Return to Shareholders	5.6%	7.0%	S2	Employees Implement Their Ideas	Ideas implemented per employee total ≥25 for the year
O-3	Top Quartile EBITDA	9.6%	10.9%	S3	New Product Development Delivers on Promises	2010 Projects +/- 10% of initial project targets for specs, time & cost
O-4	Cash on Hand	\$9.6	\$14.0M	S4		
O-5	Ideas Implemented Per EE	8	25			
O-6	Customer Retention	88%	88%			
O-7	Customer Referrals	6.2%	10.0%			
O-8	New Product Revenue	\$9.9M	\$14.0M			
O-9	Volunteer Hours	1,188	1,300			
O-10	Dollars Contributed	\$280k	\$300k			
O-11	Turnover	9.9%	8.0%			
O-12	Engaged Workforce	83	86			
PROCESS MEASURES		2009	TARGET	TACTICAL		TARGET
OP1 MARKETING				T1	Cross Selling Adds Revenue	≥\$1.0 in cross-segment revenue; \$20k bonus paid to top cross-selling rep
1.1	New Product Ideas Approved	5	18	T2	Sales Proposals Effective	Win/Loss ratio improves to ≥50%
1.2	Column Inches Coverage	120	300	T3	Key Financial Controls Validated	≥95% of Key Controls Pass Validation Test by end of Q3
1.3	Leads Generated	67,800	80,000			
1.4	Leads Converting to Prospects	11.1%	13.0%			
OP2 SELLING						
2.1	Prospects in the Funnel	6,658	10,400			
2.2	Qualified Leads	690	1,040			
2.3	Proposals Presented	520	850			

are constraining the organization from achieving its goals. Process owners now know where resources must be deployed otherwise the problems will not go away. Solving problems begins with understanding

organizations run into. One exists when, for some reason, something that used to work is not working now—something has happened (there’s a problem). The other type of constraint is a capability problem. These

where they are, and then ultimately getting to their causes.

occur when a process is simply unable to achieve the level of performance we need from it.

There are two kinds of constraints

7 Deadly Sins of Management Waste			MANAGEMENT SYSTEM MAPSM
	SIN	PROBLEM	SOLUTION
1	Unclear Direction	If people can't see where the organization is going, how can they possibly help it get there?	Where the organization is going is clear, specific and translated into concrete deliverables in the form of measures.
2	No Line-of-Sight	If I cannot see my part in the goals of the organization, how can I understand the why behind what I need to do?	Once cascaded down to every employee, their part--and how that fits with other critical parts is crystal clear.
3	Unclear Accountability	If it is unclear who is being counted on to get something done, how can we know it will get done?	Every process is owned and measured. There is no doubt who is responsible for what and how things are going is "counted" with outcome and process measures.
4	Inconsistent Language	If we lack of foundational language to talk about performance, how can we effectively learn from each other?	As the Fundamentals and Breakthrough work is cascaded to every individual, a common language is established for organizational and individual performance.
5	Poor Issue Transparency	If our issues are not out in the open, how can we address them effectively and resolve them?	Routine tracking, issue escalation and regular Business Reviews put shortfalls in Fundamentals and Breakthroughs on the table for resolution action.
6	Inappropriate Resources	If we need someone or something to get our work done, but we don't have it, how can we be expected to deliver?	Issue transparency reveals where the resources assigned are not sufficient to achieve the needed outcome so resources can be adjusted.
7	Inadequate Tools/Skills	If I don't know how to do my work or I lack the tools I need to do it well, how can I deliver what is expected of me?	Issue transparency reveals areas where tool and skills are not sufficient to achieve the needed outcome so an intervention can be made.



Elijah Goldratt popularized the Theory of Constraints in his business bestseller, The Goal. The essence of the theory is that an organization is no more capable than its weakest link. This means the secret to driving organizational performance is to successively improve the performance of the weakest link; fix the weakest core process, and then when that is no longer the weakest one, fix the next weakest process and so on and so on. This is a very simple view of creating organizational excellence.

The Management System MapSM and the resulting scorecards provide ideal clarity for seeing exactly what is holding the organization back.▲

John Bernard is Chairman and CEO of Mass Ingenuity based in Portland, Oregon. The company helps leaders transform business performance through the implementation of an integrated system of management that connects and enables every part of the organization to act in the NOW.

Every Opportunity, Every Employee, Every TimeSM

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