

Thought Leadership in Print

Toward *The Integrated Enterprise Excellence System*

By Forrest W. Breyfogle III



In his new book, *“The Integrated Enterprise Excellence System: An Enhanced, Unified Approach to Balanced Scorecards, Strategic Planning, and Business Improvement,”* Forrest W. Breyfogle III seeks to take Lean Six Sigma and the balanced scorecard to the “next level” in the pursuit of excellence in the enterprise. Breyfogle, founder and CEO of Smarter Solutions, Inc. (www.SmarterSolutions.com), presents *Integrated Enterprise Excellence* as an enhanced methodology that can improve organizational efficiency and effectiveness. He documents a set of best practices derived from the strengths of past systems, illustrating the basics of structuring IEE metrics and a no-nonsense roadmap to initiate process improvement and achieve substantial benefits. In this exclusive excerpt, Breyfogle discusses the challenges facing executives and offers insights into the dangers of focusing on the wrong metrics – problems that he believes can be addressed through the application of IEE.

Challenges Facing Leaders – An Integrated Enterprise Excellence Resolution

The complexity of business is growing exponentially as data becomes more readily available, creating still more challenges. Senior management can feel a lack of control — vulnerable to being manipulated, unaware of the improper and even illegal movement of resources from one entity to another. Employees can be avoiding responsibility, playing the blame game, and using metrics to hide productivity shortfalls rather than monitor them. Without the proper enterprise management system these common issues will be uncontrollable.

Providing some relief, programs such as Lean Six Sigma have helped many businesses make performance improvements. Usually, the results of the first few implementations are impressive because the goals were easily achievable, but the system is difficult to sustain. Though management may be satisfied with project execution, there is a nagging doubt about whether enterprise issues are being addressed. Quite often Lean Six Sigma projects as well as strategy statements

show no direct alignment or specific direction in achieving corporate financial goals.

Many senior executives admit that there are significant gaps between what they should know about operations and what they do know. They cannot determine with certainty whether there are inherent flaws in critical operational processes. When asked to describe the progress their business is making, many will recite metrics but are not certain how they got to that point or if they can repeat the behavior. They may offer a snapshot of the company’s status, while the real need is a continuous picture describing key outputs over time, along with the key inputs that contributed to the success/failure of the organization. In too many organizations, accurate forecasting has become a guessing game.

Management needs a measurement and improvement system that makes possible the orchestration of day-to-day activities so there is true business-needs alignment – a system that not only monitors operations for management but also provides the entire workforce with information that can be used down the line to make sure everyone’s performance directly supports corporate goals or else becomes the target for corrective action. For any business to succeed, it must follow the three Rs of business: Everyone is doing the Right things and doing them Right at the Right time. As always, management’s ultimate goal is to provide maximum, measurable, predictable, and sustainable bottom-line results for the entire, integrated enterprise. Emergence of the process called Integrated Enterprise Excellence (IEE) makes all of these possible.

Business Systems Can Stimulate the Wrong Behavior

It is said that what we measure is what we get. However, we need to be careful of what we ask for. Some questions for thought:

1. Do your metrics promote the right kind of behavior?
2. Do your presentation and the reward plan that surrounds your

metrics lead to the right kind of behavior?

First, we obviously would like to create metrics that lead to the right kind of behavior. To illustrate this, consider a call center's duration-of-hold-time metric. This metric makes good sense relative to assessing

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customer satisfaction; that is, long hold times would probably correlate to customer dissatisfaction. However, in isolation, this metric can drive the wrong behaviors unless safeguards are implemented to prevent abuse. Consider the focus that operators will give to achieve the targeted metric objective during understaffed peak call periods. Operators might simply answer the phone

within the allotted time period, ask, "Can you hold, please?" and then quickly place the caller on hold for a much longer period. It is not bad that the operator answered the phone and responded, asking that the caller wait; however, this type of action should not be simply the result of wanting to make the overall duration-of-hold-time metric look good. Relative to recording the actual hold time for future customer

satisfaction analyses, it would be better to capture the total hold time from initial connection until the incoming caller is connected to the appropriate person.

Second, we need data presentation and assessment formats that lead to the right kind of behavior, with appropriate reward systems in place to encourage this behavior. If an organization is measured solely on the meeting of goals, which might be arbitrary, bad things can occur. For example, Krispy Kreme shipped doughnuts that executives knew would be returned so that they would meet quarterly targeted objectives. Additionally Enron and, more recently, Dell made some decisions that enabled them to meet quarterly objectives but were poor in the long run. According to press reports, the senior management of Dell regularly falsified quarterly returns from 2003 through 2006 to create the appearance that the company had met their goals.

Characteristics of a Good Metric

We have all heard the clichés:

- You get what you measure.
- What you measure is what you get.
- If you don't measure it, you can't manage it.
- Tell me how I'm going to be measured and I'll tell you how I'll perform.
- You cannot improve what you can't measure.
- Garbage in, garbage out.
- If you don't measure it, it's just a hobby.

These clichés are true! Measurements need to be the processes' eyes, which stimulate the most appropriate behavior. Measurements need to provide an unbiased process performance assessment. When process output performance is not accurately seen and reported relative to a desired result, there is not much hope for making improvements. Generic measures for any process are quality, cost and delivery. Most processes need a balance measurement set to prevent optimizing one metric at the expense of overall process health. Metrics can also drive the wrong behavior if conducted in isolation from the overall enterprise needs. When appropriate, the addition of a people measure assures balance between task and people management.

As an illustration, consider the last customer satisfaction survey form that you received. Do you think that a summary of responses from this survey truly provides an accurate assessment of what you experienced in your purchase process? My guess is that your response is no. It seems that often surveys are conducted so that the responses will be satisfactory but don't truly provide insight into what actually happens in a process.

Writing an effective survey and then evaluating the responses is not easy. What we would like to receive from a survey is an honest picture of what is currently happening in the process, along with providing improvement direction. A comment section in a hotel guest survey might provide insight to a specific actionable issue or improvement possibility.

Good metrics provide decision-making insight that leads into the most appropriate conclusion and action or non-action. The objective is the creation of an entity that is measurable, auditable, sustainable and consistent. Effective and reliable metrics require the following characteristics:

- **Business alignment:** Metrics consume resources for both data collection and analyses. Metrics need to provide insight to business performance, its issues and its needs. Metrics surrounding your



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business alignment can be found by looking at your value chain.

- **Honest assessment:** Creating metrics so that the performance of someone or an organization will appear good has no value and can be detrimental to the organization. Metrics need to be able to provide an honest assessment, whether good, bad or ugly.
- **Consistency:** Identified components in any metric need to be defined at the outset and remain constant. Criteria and calculations need to be consistent with respect to time.
- **Repeatability and reproducibility:** Measurements should have little or no subjectivity. We would like for a recorded measurement response to have little or no dependence on who recorded the response and when the response was recorded.
- **Actionability:** Often measures are created for the sake of measuring, without any thought as to what would be done if the metric were lower or higher. Include only those metrics that you will act on; that is, either remove a degradation problem or hold the gain. When the metrics response is unsatisfactory, organizations need to be prepared to conduct root-cause analysis and corrective or preventive actions.
- **Time-series tracking:** Metrics should be captured in time-series format, not as a snapshot of a point-in-time activity. Time-series tracking can describe trends and separate special-cause from common-cause variability in predictable processes.
- **Predictability:** A predictability statement should be made when time-series tracking indicates that a process is predictable.
- **Peer comparability:** In addition to internal performance measurements, benefits are achieved when comparisons can be made between peer groups in another business or company. A good peer comparison provides additional analysis opportunities, which can identify improvement possibilities.

Metric utilization requires commitment and resource allotments; hence, it is important to do it right. When organizations strive to become more metric driven, it is important to avoid metric-design and metric-usage errors. Common mistakes include the following:

- Creating metrics for the sake of metrics. Lloyd S. Nelson, director of Statistical Methods for the Nashua Corporation,

stated, "The most important figures needed for management of any organization are unknown or unknowable."

- Formulating too many metrics, resulting in no actions.
- Lacking metric follow-up.
- Describing metrics that do not result in the intended action.
- Creating metrics that can have subjective manipulation.

If not exercised effectively, metrics can become a dark force where good energy is absorbed by bad stuff – a black hole where

good resources are lost.

Editor's Note: Breyfogle also has written a basic introduction to IEE in the form of a novel. It tells us about four friends who share their business experiences while playing golf. The friends learn how they can improve their games in both business and golf by using IEE. Titled "Integrated Enterprise excellence Volume 1 – The Basics: Golfing Buddies Go Beyond Lean Six Sigma and the Balanced Scorecard," it is the first of a three-volume series that presents ever more detailed information about IEE. 

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About the Author
Forrest Breyfogle, III
Integrated Enterprise Excellence



In a professional career spanning over a quarter century, Forrest Breyfogle has established himself as a leading edge thinker, a prolific author, an innovative consultant, a world-class educator, and a successful business executive. His work is documented in eleven books and over ninety articles on the topic of quality improvement.

A professional engineer, Forrest is also a member of the board of advisors for the University of Texas Center for Performance Excellence. He is the founder and CEO of Smarter Solutions, Inc., an Austin, Texas based consulting firm offering business measurement and improvement consultation and education to a distinguished list of clients worldwide, including BAMA, CIGNA, Dell, HP, IBM, Oracle Packaging, Sherwin Williams, Cameron, TIMET, and TATA. He served his country on active duty in the US Army for 2 years, and has played an active leadership role in professional and educational organizations. Forrest received the prestigious Crosby Medal from the American Society for Quality (ASQ) in 2004 for his book, *Implementing Six Sigma* (second edition). This award is presented annually by the American Society for Quality to the individual who has authored a distinguished book contributing significantly to the extension of the philosophy and application of the principles, methods, or techniques of quality management

He is a widely recognized authority in the field of management improvement and is a frequent speaker before professional associations and businesses. His earlier work in the field of management science has been widely acclaimed. A previous book, *Implementing Six Sigma*, sold over 40,000 copies and still ranks among the top Amazon books in Applied Mathematics/Engineering Statistics and Industrial Engineering /Quality Control.

He founded Smarter Solutions in 1992 after a 24-year career at IBM. The associates of Smarter Solutions specialize in helping companies throughout the world improve their bottom line and customer satisfaction through the implementation of techniques that are beyond traditional Lean Six Sigma and the balanced scorecard methodologies. His latest and most extensive work has been in the documentation of a new system of enterprise management, the Integrated Enterprise Excellence (IEE) system, in a series of four books. IEE provides a detailed roadmap that builds on and integrates the best practices of earlier disciplines like Six Sigma, Lean, TQM, PDCA, DOE, and TPS combined with innovative analytical tools to produce improvements at the highest level of an enterprise.

In addition to assisting hundreds of major clients in the wise implementation of improvement systems worldwide, Forrest has also developed over 300 hours of classroom instruction used to train executives, managers, and Black Belt practitioners to plan for, implement, and manage IEE systems. He also leads formal seminars and workshops worldwide.

Forrest Breyfogle
forrest@smartersolutions.com
512-918-0280 x401
www.smartersolutions.com