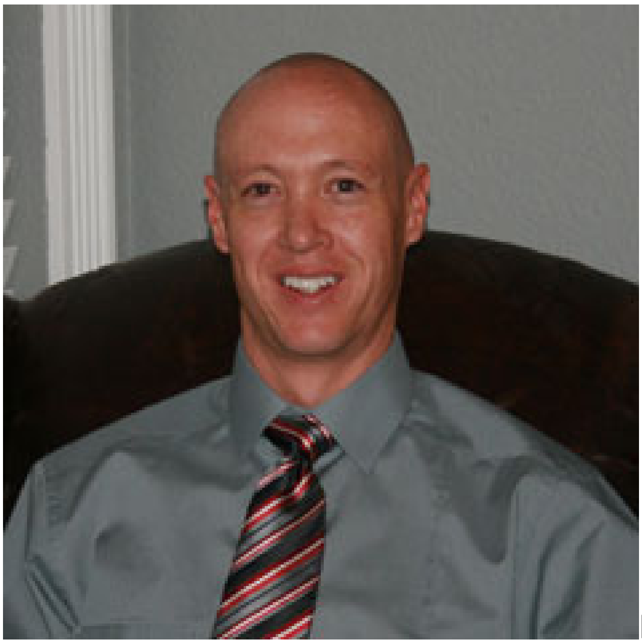
Big Trouble in Continuous Improvement Town

By ALAN NICOL, Executive Member, AlanNicolSolutions, LLC

History is filled with tales of good ideas gone too far. In fact, some of our most discouraging and disturbing historical lessons involve religions or governments with the best intentions and track records of bona fide improvement that take their efforts so far they create disaster.

By way of example, consider the elimination of Rome's corrupt senate to be replaced by an emperor, a solution that considerably strengthened Rome in the sort term, but a seat that later became both corrupt and tyrannical. Also, take your pick of Middle Eastern, European or ancient Mediterranean nations that have struggled to unify their cultures by dictating a single national religion, but drove persecution, oppression and open war as a result.

Our process improvement, continuous improvement, business improvement, Lean, Six Sigma, kaizen, and every other name for our improvement programs are also susceptible to the same phenomenon. Sometimes our improvement programs can do more harm than good. In fact, I have seen it, and been approached by colleagues trapped in it, often.

To prevent the phenomenon, or to get out of it if it has already struck, we must understand two things. We must know how and when to recognize it. We must understand what causes it.

The best way to know if your improvement program is getting out of control is to compare the story your program tells with that of your basic business metrics. The business metrics I like to look at are on-time delivery, profit, and yield. If any of these numbers is going down while your improvement program is boasting significant savings for the business, it’s time to dig into the divergence of tales.

While it is theoretically possible for a market or industry to be having a downturn, and therefore your revenues and profits might lessen while your improvement program is indeed providing benefits, I’ve not encountered a scenario where that also explains lower yield or on-time delivery numbers. The latter should improve when demand is less than capacity.

If your business performance metrics are showing a turn in the wrong direction, but your improvement program is boasting major improvements to the business, then chances are your improvement program is out of control. More specifically, it has probably lost its vision.

A good, purposeful improvement program should always be resulting in monetary improvement to the bottom line. Lots of little challenges can cause a divergence from this objective such as compelling everyone to participate or prioritizing efforts, but it’s when we start making improvements in the office that his objective is most at risk.

When we start making process improvements for processes involving indirect labor and professional or leadership levels of the employee base, it becomes much more difficult for us to show how reducing the time it takes to do some recurring task from three days to three hours affects the bottom line. We know it’s a big improvement, but because we didn’t cut any personnel, we didn’t reduce any taxable assets, and we can’t prove that production happens more efficiently, it doesn’t show on the balance sheet.

I could write a whole book on a variety of ways to address the “transactional” or “indirect benefit” metrics for process improvement. Obviously we can’t do that here, but I brought it up because somehow, we all run into this problem, and we all solve it in some way. The result is that we allow that indirect-improvement project to go forward because we know it is a meaningful improvement even if our accountant can’t show it.

Once we make that precedent, then all future improvement efforts might now also utilize that precedent and it can be corrupted to the point that improvement efforts that really do not provide much meaningful benefit are sucking up valuable resources and time without producing real productivity. It opens the door for the mission of improving the business bottom line to become compromised.

I’m not suggesting that we avoid doing indirect benefit or transactional improvement efforts. I’m a big defender of such efforts. I just want to point out the danger that comes with the venture.

Returning to the idea of identifying an out-of-control program, if you are not one of the executives and do not have ready access to the business metrics when you want them, there are other symptoms that indicate an improvement program has lost its way. Here is a short list:

1. Improvement “events” involve a lot of people, but are focused on small issues (Example: A whole room full of people spend a week developing a new template for engineers to fill out)[Yes, this happens].

2. Improvements don’t take place unless an event is scheduled.

3. People don’t discuss the business impact, in terms of money or don’t explain in detail how the improvement value is calculated.

4. People do improvements to satisfy metric expectations, not because they see a better way and take the initiative to make it happen.

5. A process is changed so often that no-one learns how to follow one way before the next new way is introduced.

6. Improvement events are focused on what is easy to change, rather than on the true issues that everyone knows need to be tackled.

7. People begin looking for activities to re-label as improvement actions (Example: someone cleans out a store room because it needs it and the manager declares it a “5S activity” and checks off a metric).

8. “This is an indirect (also. “This is a transactional”) improvement, so we don’t need to calculate the impact or value to the business.”

9. People attend “improvement events” because they need to attend one, not because the want to solve the problem.

You must be honest with yourself and objective with your colleagues to observe the behaviors and identify them as belonging to the group listed above. Any of these, or anything that looks like it belongs with these behaviors on the list, might be indicators that your improvement program is out of control.

If you witness these behaviors, investigate deeper to confirm your suspicions. Simply ask people, in confidence, what they believe the business bottom-line benefit is or why they participated. If they can’t vehemently defend the effort, or at least explain it, you have a problem.

You will notice that all the indicators have one behavior in common. They all indicate that improvements are sought or conducted for the wrong reasons, for personal reasons. They aren’t done with the total business in perspective.

When this starts to take place, business improvement becomes very dangerous. Even if practitioners of process improvement within the business have been properly trained to visualize the entire value stream and calculate the benefits for the bigger picture, the small picture and personal focus will prevail.

People who improve only their own process or who make improvements because they need to, but don’t explore the entire profitability contribution, will naturally bound their problem to a small notional space, such as a single group or cell. The down side is that what might be good for that small group, might be harmful elsewhere. Either the problem becomes transferred, or the solution creates a problem for someone else.

In production, if a single cell increases its efficiency, the downstream process step might suddenly end up with more input than it can handle and inventory of work-in-process might begin to pile up. Also, if value streams share common equipment (i.e. commercial and residential products use the same production equipment) what solves a bottleneck problem for one value stream might create a problem for the other. In the office, a change that makes things easier for the engineers might make things infinitely more difficult for document control or bill-of-materials management.

When improvements cause problems elsewhere, they aren’t true improvements. They are changes for sure, and every change consumes resources and energy. But when those changes just create the need for more changes, we have a self-perpetuating cycle of change without benefit and it is all waste.

Now we get to discuss the cause of the phenomenon. Here is also the part where I get into trouble for criticizing a very common practice, one that many of my peers in the process improvement profession actively endorse. Let me make my case before you quit reading.

To get to the root cause of the phenomenon of doing improvements for the wrong reason, we can employ the simple root cause analysis technique of asking “why” five times.

Question: “Why did you participate or lead that particular process improvement?”

Answer: “I was told to.” (Your alarm should already be triggered)

Question: “Why were you told to?”

Answer: “We are expected to make a certain number of improvements every year.”

Question: “Why are you expected to make a certain number of improvements?”

Answer: “To improve the business performance.”

Question: “Why did your improvement make business better?”

Answer: “I don’t know,” or “I assumed that it should since I was told to do it.”

Question: “Why don’t you know if your change made the business better?”

Answer: “We didn’t try to determine if it did.”

If you don’t think that the above question and answer scenario is realistic, try it out in your own business. I’ve experienced the same conversation, in so many words, even in businesses with healthy and meaningful improvement programs.

To make my point, however, let me give you an alternate question and answer scenario. Consider the following.

Question: “Why did you participate or lead that particular process improvement?”

Answer: “I was able to contribute to saving the business more than $400,000 in annual operating costs.”

Wouldn’t you agree that, “I was able to contribute to saving the business money,” is a much better answer to the question than, “I was told to?” I’ll bet you can see already the practice that I say is a cause of failure instead of a cause for successful, meaningful improvement. Don’t make or chase an improvement event quota!

Metrics can be the devil. The practice of creating quotas for improvements is like disbanding the senate and assigning an emperor. It’s a-lot easier than trying to figure out the business benefits to the bottom line and preventing the effort of doing so from becoming corrupt, but in the end, it results in a loss of focus on the entire business and drives a focus on achieving an expectation that only applies to the self.

We all know that metrics drive behavior. When the metric is for each individual to participate on, or lead, a certain number of events, that is exactly what we get. We get events. We create a culture of people worried about conducting an action to check a box to stay out of trouble.

We create the events quota metric because it is easier than saying that every individual must participate on or lead a certain dollar value of improvement changes. Doing so sometimes sets individuals up for failure because they may not operate in an environment or understand processes where such improvements to the bottom line can be proven – we’re back to that part of our earlier discussion about “transactional” or “indirect labor” environments and improvements.

Either way, the metrics, even those that drive a focus on the bottom-line, drive the wrong behavior. They drive change for the sake of making change, not because the end result is better for everyone.

Think of it this way. The terms “kaizen event” and “continuous improvement event” are each an oxymoron. In the English language, continuous and event do not belong in the same title, they mean opposite things. Similarly, kaizen is a Japanese term that means frequent, incremental improvement. It is conceptually opposed to the idea of an event.

If you want to drive improvement with a metric, then dangle the goal out there, challenge your leaders to make sure it is achieved and, along the way, recognize and reward those people who contribute to it. Make it a good and enticing prospect to contribute, but don’t make it an event quota. You want improvement, not events.

Healthy process and business improvement begins and ends with the business’s profitability, growth, or cash flow. Problems should be defined in terms of money and productivity, and they should be solved with proof that the business is better for the solution. Your improvement motto should be as simple as that and your metrics and behaviors should reflect that understanding.

I feel like I’ve opened a can of worms with this post. I’ve touched a number of problems and phenomenon from metrics, and root cause analysis, to wasted energy and the challenges of managing change. It’s enough to write an entire book big enough and complicated enough that few would ever read it.

I want to make sure that as I wrap up, we collect the points into a concise message we can take back to our peers and our leaders. Here is an example from my own experience that I think will both exemplify the indicators that an improvement program is losing its vision, and help consolidate the points to address the problem.

One afternoon my local human resources office contacted me with a request that I would help them plan a kaizen event they were going to conduct. (There’s that oxymoron I mentioned) I thought to myself, “a process improvement for the HR function? I wonder what they have in mind.”

The problem to be addressed was the practice of bringing new employees on board and making sure they had the information, training, and equipment necessary to work effectively, as quickly as possible. It was a good problem and it would affect a large number of people, and with a little work, we were able to begin painting a meaningful picture of the business impact.

As I began helping with the planning of the event I learned just how big a deal this was going to be and why I was called upon to help. In the end, I was asked to facilitate the event and we had 27 people from our own business sector and from others all participating for a full week. Many had to travel for the event and we included perspectives from the VP level, HR, managers, information technologies (to provide digital system expertise and advice) and new recruits to provide direct customer-of-the-process feedback.

In the end, the event was fairly successful. I felt good about having effectively facilitated a very difficult problem and group of people toward a meaningful improvement with some real benefit predicted and a plan to measure and prove it. The HR leaders were able to showcase a meaningful event, we proved that benefits to the business can come even from HR processes, and the local host HR office was relieved that the event didn’t turn into a fiasco.

However, in the back of my mind I knew that a good facilitator could have worked individually or in small meetings with a portion of the attending personnel and arrived at a similar and equally effective solution with a much less disruptive investment in manpower. So how did such an event get such attention?

The metrics made it happen. The corporation had instituted an expectation that everyone, at every level, lead and/or participate on a “kaizen” that year. The corporate directive to drive “kaizens” combined with other incentives to cross-pollinate ideas across sectors enabled the participants to attend that event, especially those from other sectors.

Some of the managers were there because they needed an event to attend; the same with some of the new recruits. The HR focus was certainly a result of an effort to fulfill the quota of events within that function.

It was a very positive exchange and it demonstrated some very successful and powerful behaviors, and we didn’t allow it to turn into an example of how to waste everyone’s time with an event that couldn’t prove any benefit, which is what the leaders feared. The quota did some good things.

However, in the end, I’m not sure that anyone followed up on the measurement and proof plan to show the improvement took place, and I don’t believe that all of the practices we set in motion stuck. The incentive was to do the event. There was no reward for making the change stick, but all of the real work takes place after the event establishes a plan. Without an incentive to follow through, the real change often fails to finish.

Here’s the real evidence that we lost our vision. At the same time that I helped the HR event described, I had identified a process that cost the business between $500,000 and $1,000,000 each year in wasted transportation and processing of returned products that could have been eliminated if I could have just received a little cooperation to change policy. Unfortunately, no one wanted to touch it and I got zero cooperation and even less interest.

The benefits to the business from the HR event couldn’t come close to touching those numbers and we had participants from all over our own sector and from several others in attendance. If there had been incentives to save money instead of attend events, a week’s worth of effort with much less manpower could have made a much greater contribution to the business and it would have been long-lasting instead of temporary or imaginary. Unfortunately, there were easier “kaizens” to attend.

Our improvement programs lose their vision when we begin to make changes because we are told to change things or make events instead of changing things because we perceive the importance and the benefit. We can see this phenomenon taking shape when our business metrics are not improving, but our improvement metrics are boasting that improvements are occurring.

We can observe the symptoms when the answer to the question, “Why did you do that,” is anything other than, “we saved the business $X.” When the reason for the improvement isn’t about the betterment of the business then we start to make changes without knowing for certain that the improvement is real.

Every time we hold an event, the participants cease productivity for the duration. During the process of executing changes proposed by events, productivity is disrupted. If those changes drive more changes to address new problems created elsewhere, then the process of change itself has become a cause of waste, not a cure. In such a case, the CI program has become a demon haunting your business instead of the cure it was intended to be. When this happens it’s time to simply stop.

Take a good look at your own improvement program and practices this week. Look at your business metrics compared with your improvement metrics. Ask some of your colleagues some simple “why” questions. If your program is getting out of control, exercise your full influence to bring it to a stop before any further damage is done.

Stay wise, friends.

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