

**Volume 12, Issue 09 □ February 28, 2005**

*Important Dates to add to your calendar...*

- **Underway:** a full schedule of HPM-to-HPM Employee visits – or Leveraging Tours – on the 2<sup>nd</sup> & 4<sup>th</sup> Tuesday of each month.
- **Mar 08<sup>th</sup>, HPM Employee Leveraging Tour:** Host: Canada Post, Toronto. Register via Nicole
- **Mar 29<sup>th</sup>, HPM Employee Leveraging Tour:** Host: Hammond Power Solutions Guelph **FULL FULL FULL**
- **Apr 13<sup>th</sup>, HPM Open House,** An open session on Consortiums, what they are, what they are not... information to help determine if a consortium makes sense in your future.
- **Apr 20<sup>th</sup>, 12:00-4 pm HPM GMT Meeting,** all HPM Directors or Alternates invited. Host: GE Rep. & Insp.
- **April 21, Value Stream Mapping Forum** – A Clinic for VSM in Non-Production Arenas... Re-scheduled from last fall. Details coming
- **May 18<sup>th</sup>, 11:30-5 pm, HPM Board Meeting** Host: Canada Post
- **Jun 6-10<sup>th</sup>: “Implementing & Sustaining Lean Thinking Everywhere”** An AME Canadian Region & CME Western Division, practical Lean Conference in Edmonton, Alberta. [www.measureupforsuccess.com](http://www.measureupforsuccess.com)
- **Aug 24<sup>th</sup>, HPM Board Meeting** Host: Tempress

**HOT~HOT: Canada’s First Regional Lean Conference has 161 paid registrations...**

*To put this in perspective, this number is ahead of this year’s “America’s Best Plants Conference” in May... the forerunner to the late October AME Boston Conference.*

If you’re in an **HPM Consortium company** and want to send one person to the AME CDN Regional Conference – you can get **20% off the Member Registration fee** by finding 4 others **from other HPM companies** to reach the ‘magic number of 5 folks.

**Here’s how:** You can do this by sending your fee(s) along with the fully completed registration form (on the new flyer which you can download from the website [www.measureupforsuccess.com](http://www.measureupforsuccess.com)) and sending it on to the HPM Office.

HPM is setting up a process where, **if you are sending less than 5 people**, you can ‘pool’ with other HPM’ers for a 20% reduction in registration price for everyone – **as long as 5 folks are included.**

This means sending your registration AND fee (less 20%) to Nicole. When a quantity of 5 registrations is reached, she will quickly send one cheque with the 5 completed registrations to AME.

To get the discount, all 5 have to be in the same cheque – with **each registrant having completed fully the registration form** from the web’s download of the new flyer. You can send in your registrations now!

**Free HPM Employee Leveraging Tours Continue****Canada Post****March 8<sup>th</sup> ~ 9-11am****“Practical Employee Learning Exchanges”**

Open to any HPM member company employee  
Monthly: 2<sup>nd</sup> & 4<sup>th</sup> week from 9-11 am.

**Each Tour site will show:**

- A) A ‘Best Practice’ they’d like to make even better
- B) An area where ‘Suggestions are Welcome’

**To Register:** Call Nicole before preceding Friday for security clearance. Names, titles, phone, email - to [info@hpmconsortium.com](mailto:info@hpmconsortium.com) 519-893-6260

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**TOUR #8: Mar. 8<sup>th</sup> : 9 am to 11 am.**

Canada Post’s application of Lean Thinking – and especially their use of Value Stream Maps has put them very near the top of organizations in the world when it comes to driving out waste. There is so much manufacturers can learn. Their staff right across Canada are part of Mfg consortiums from NFLD to Vancouver. Don’t miss this one – you will be impressed!

**Choosing to be a Participant – Rather than a Spectator... in the Healthcare challenges ahead**

**HPM’ers** are probably part of the longest running consortium of its kind (*according to the Ann Arbor MI-based National Centre for Mfg Sciences*) because of their concern for the environment in which they live and work. In their communities, they are highly prized. And this tradition is continuing, as confirmed by the following article appearing in the Woodstock Sentinel-Review written by Heather Rivers-Harron.

Healthcare is a hungry consumer of huge dollars with widespread recognition that much waste could be eliminated by the application of Lean Thinking which includes any tool such as Six Sigma that can drive waste from the processes to reduce wait times, errors, inventory, and so on. But all we hear are just demands for more \$\$.

What is so unique about this story is the choice one Consortium member has made to be a participant in the solution facing us all. In a nutshell Art Church has offered a half-million dollar contribution to the hospital in his home town – **but with attached strings** - based on the hospital adopting Lean Sigma thinking, which we understand is now underway.

**Here is the edited version of the S-R article (bolding & underling courtesy of your WU editor)**

**Friday February 11, 2005:** Woodstock General Hospital's Building the Vision campaign has received a tremendous boost from two former Woodstonians. Art Church and his wife Colleen have donated \$500,000 to the campaign. The couple now resides in Burlington, Ont.

"We're delighted, pleased and honoured to be the recipient," Natasa Veljovic, president of Woodstock General Hospital, said Thursday. "We're pleased that someone of his stature would donate (to us.)" The Churches have strong ties to the community. They both grew up in Woodstock and attended College Avenue Secondary School before they married in the 1970s.

Church worked for about 10 years at Timberjack Inc. on Devonshire Avenue as the vice-president of engineering, materials manager and manufacturing engineering manager before moving to Champion Road Machinery in Goderich. He is now president, CEO and partner of Mancor Industries Inc. in Oakville.

**"There is lots and lots of need in health care," Church said yesterday. "I think private individuals can do something to help. I really hope Woodstock gets a new hospital. I hope I can do something to help that."**

Church, who still has family in the area, said **his donation came with a few strings attached.** "I feel strongly that public institutions like hospitals should use productivity improvement techniques to make them better," he said. "In industry, we've had to do that."

**"In business, you have to be very efficient to survive." Church has urged Woodstock General Hospital to implement a program called Six Sigma, which the hospital intends to carry out.**

"He suggested we look at a very successful program," Veljovic said. "We will be training and adapting its techniques in regard to health care." Veljovic recently attended a two-day session, where she learned about the Six Sigma program, which, according to its website, "simply means a measure of quality that strives for near perfection." "It is a risk-management program, a statistical analysis of processes," Veljovic said.

Harvey Hunt, chair of the Building the Vision board of directors, is also pleased with the large donation from the Burlington philanthropists. "(They've) got Woodstock at heart - we're blown off

our feet by this," Hunt said. "I hope that this will encourage others in the community. Many have talked about giving, but it's so important that we show good faith to the government. It's important to show the government that we are doing our job."

The \$500,000 donation brings the hospital's campaign to just over \$7 million - it's an estimated \$2.8 million short of the \$10-million goal. The hospital board is still waiting for the release of \$51 million in promised provincial money pegged for the construction of the new facility.

## **Six Basic Problems with Business Performance Metrics**

- By [Michael Bremer](#), [The Cumberland Group](#). Michael will be presenting a workshop at the Edmonton Conference **"Using Lean Sigma Financial thinking to Sustain Gains ...Getting accountants, engineers and the enterprise on the same page"**

How many people inside your organization would say, "We have the best performance measurement system; we learn so much from it!" Or might they say something else? Consider the popular expression, "What you measure is what you get." As my four-year old son once said, "Is dis true?" It is to some degree, but not in the way most people think. In the paragraphs below, we do three things:

1. List six basic problems with performance metrics in the world of Business Process Improvement
2. Suggest a few actions you can take to address measurement problems, and
3. Ask you a question about performance metrics.

**1. Many metrics are simply irrelevant** to the work being done. Information gets gathered, but no action is taken. Take a look at the performance metrics in your business and ask yourself, "When was the last time we took an action, based on this number?" In many administrative and professional business processes the metrics don't even exist.

**2. Measures are used as a weapon.** Dr. W. Edwards Deming often said, "We need to drive fear out of the workplace." Many performance measurement systems do exactly the opposite. When management does act on a metric, they don't look at the business process. Instead they focus on someone, some (other department) or some outside factor to "blame" causing people to blame the system and to point their fingers elsewhere when problems arise.

**3. The metrics selected are too general** or high a level to provide information that someone can take timely action to address. An important result gets looked at, but it is impacted by so many variables it is difficult to know which one moved the dial. Is a three percent decrease in the rate of hospital patient infections due to improvements in the process or due to variability in the measurement system?

**4. The metrics shows a result, but it comes too late to make a corrective action.** This is a problem with output-based metrics like: on-time deliveries, total production, total transactions processed, etc. By the time a problem is discovered, it is too late to do anything about it. We are not saying output metrics are irrelevant, but they are not very useful for timely improvement.

**5. The wrong information is gathered,** and the resulting changes that get made to the process are at best neutral and likely do more harm than good. A classic example of this is “Earned Hours” in many manufacturing operations. In a desire to keep people busy, earned hours leads them to stay busy making something, rather than focusing on key customer needs.

**6. Finally, metrics don’t start with the customer in mind.**

These problems undermine the credibility of the entire business performance measurement process. So what can you do about it?

### **Actions You Can Take to Address the Above Issues**

Here are a couple ideas. The list could be longer and in different organizations you may need to start elsewhere, so alternative approaches exist.

#### **Start with the Customer**

Business performance improvement metrics need to start with the customer in mind. No real surprise here. The surprising thing is how often this does not happen. The “Voice of the Customer” is a basic element of most Six Sigma initiatives. The improvement opportunities here are so large, that this does not typically require an exhaustive or expensive customer study to identify meaningful issues. Just using a few metrics focused on meaningful customer issues can drive behavioral change and reallocation of resources.

#### **Focus on Process Drivers**

Second metrics need more focus on “process” drivers, if they are going to influence timely corrective action. Consider the model:

#### **Inputs .....Process.....Outputs**

Most business performance metrics focus on process outputs, not the actual process itself. For example:

Late deliveries is an output metric for the Delivery Process. An item is either delivered late or on-time (assuming early is not a factor). Process drivers are not “Universal Truths” at different times certain drivers will impact a process more than others. Consider the 80/20 Rule, twenty percent of the process performance drivers probably have the major impact at any given point in time.

Output metrics are not going to go away. They are the easiest to compare on a period-to-period basis. But, give thought ahead of time to the key performance drivers that impact the critical output metrics.

#### **Keep the Metric System Dynamic**

Organizations need to realize that process metrics are iterative and that the organization needs to focus on what is important to improve given the current situation. An effective measurement system should be dynamic enough to rotate different drivers onto the radar screen to monitor process health if something begins to slip out of alignment; simply dig down into the next level of detail to provide more useful information in terms of addressing the key process issues. The drivers may be looked at for a three month, six month or twelve month period. After the process has stabilized the process driver metrics on the radar screen should change, to address new issues.

#### **Realize that every number cannot be maximized**

While it may feel comforting to say that all metrics need to be maximized, it is simply not the real world. Trade-off’s exist. Customer service levels vs. inventory levels; on-time delivery vs. resources to make it happen; responding to customer needs to customize offering vs. process capabilities or resources to accomplish the task. And depending on the level of the organization and the ultimate connections between processes the definitions of output vs. process can change. Just look at the above example of late deliveries. In the delivery process this is a process output, with a related set of process drivers sitting underneath. From a customer satisfaction perspective, on-time deliveries may itself be a process performance driver. This is why it is so important for the leadership team to agree, on what is most important to improve. This has a profound impact on the proper or improper allocation of resources focused on improvement.

Measurement is relatively simple, but selecting the right metrics is not easy. The metrics used to manage your business last year or three years ago, might not be the metrics that should be looked at today.