

Measurement Moves From Back To Front

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In pre-improved industry environments, metrics measure results. In post-improved industry environments, metrics measure the process that precedes the results. The evolution of metrics proceeds through three distinct stages, the “Reactive Stage,” “Predictive Stage,” and “Proactive Stage.”

In the pre-improvement state, the Reactive Stage, professionals do not understand the nature of their activities at a granular and refined level. It is necessary to create “process monitoring metrics” that provide information and measure results. Efforts at this stage do not translate well to recognizable bottom-line financial performance. This is “search and find opportunities.” This stage is shortest, typically a few years.

In the mid-improvement state, the Predictive Stage, professionals have refined-away the myriad of possible things to measure and have honed in on some initial “high correlation with success metrics.” These “process control metrics” provide information about key parameters and focus on measuring results. Efforts at this stage result in identifying the big hunks of improvement and translate quite well to the bottom-line. This is the “initial improvements phase.” The double-digit improvement low-hanging fruit resulting in the “80-20 rule” is identified and harvested. This stage can last for some time, on the order of four to eight years.

In the post-improvement state, the Proactive Stage, professionals well understand the driving factors that lead to successful results. These “statistical process control metrics” focus on key parameters. Results are absolutely still captured, but the measurement focus is now centered on the process. Results are controlled in advance. Efforts at this stage result in getting the remaining benefits out of the initial areas plus moving on to the second-tier opportunities that are now of equal importance to what is left to harvest in the initial areas. This is the “final improvements phase.” The challenge here is that the number of focus areas multiplies, after the organization has now become trained to focus

on a few large opportunity areas. This stage can also last four years and beyond. Often it is superseded by another transformational wave of change, such as the mass use of the computer. Often improvement initiatives lose focus. Organization energy to tackle double-digit financial opportunities is much greater than for small single-digit opportunities. Only best-in-class companies seem to have the structure and commitment to focus resources consistently over time on numerous targeted cost reduction and productivity programs that will collectively yield double-digit results.

Some would argue that the final phase would be “continuous improvement.” The author is concerned with that approach as a phase. It is a philosophy that should have underlined the entire productivity revolution from process monitoring, to process control, to statistical process control over the ten to twenty year harvesting time frame.

In industry, an associated change also occurs in the responsibility for metrics and in the level in the organization for performing the measurements including managing their changing nature. Management typically directs strategic improvement and sets target measures. As improvements accrue, responsibility moves throughout the organization.

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