

## CHAPTER 2

# WHERE TO BEGIN: INDIVIDUAL AND SMALL GROUP PERFORMANCE SYSTEMS

## **Towards a Self-Sustaining Performance System**

THE DESIRED END RESULT WHEN FOLLOWING THE ALTERNATIVE APPROACH TO PERFORMANCE CONSULTING is a Self-Sustaining Performance System (SPS). To implement all three components of management at any one of the three levels in an organization is to implement a Performance System (PS). When most members at all three levels of the organization are operating in an effective Performance System most of the time, we have helped our client implement a Self-Sustaining Performance System.

Self-Sustaining Performance Systems have been implemented successfully from the bottom up, from the top down and even from the middle out. As promised in the previous chapter, we'll begin with PS implementation at the individual/small group level, where grasping and practicing the approach is simplest.

The simplest way to think about a Performance System is that it consists of the three components of management stated in terms of the desired conditions for each individual performer:

1. the performer knows what he is expected to produce in order to be successful;
2. the performer generates his own frequent feedback about whether he is being successful; and
3. the performer knows that if he provides warning that he is not succeeding, the response from management will be to help him succeed or to change the expectation.

Bill Daniels, author and long-time practitioner of this approach, summarizes these three conditions as clear expectations, frequent self-monitored feedback and control of resources (1995). Consulting at the individual/small group level begins by finding out if the performer is already operating in the 3 PS conditions, and if not, implementing the first two conditions: clear expectations and frequent self-monitored feedback. Because the first condition involves clarifying and usually quantifying the performer's desired output, measuring the change in performance from before and after PS implementation is simple. Implementing the first two PS conditions typically results in performer productivity increases of 30 percent or more in a very short time (Feeney, 1973; Daniels, 1995; Esque, 1997). As you can imagine, being able to document these types of results in the short-term builds the credibility of the performance consultant. This is by no means a bad thing, but a Performance System is primarily focused on longer-term sustainable improvements in performance. The medium- and long-term impact of the PS comes into play with the third condition: control of resources.

After several weeks of performing in a work situation where the first two conditions are present, most people know both what they are capable of producing and what is limiting that capability. This is the perfect time to ask the performers: a) what would most help you increase your production capability? and b) how much more productive would you be if your requests were fulfilled? These are essentially the same questions all performance consultants attempt to answer, but having the performers address these questions directly is an important feature of this consulting approach. Keeping the performers (and their managers) in the "driver's seat," en-

sure they maintain ownership for both problems and solutions. As a result, they will tend to do whatever it takes to ensure that *their* clearly stated performance goals are achieved, including fully utilizing the performance consultant. By answering the key questions themselves and presenting their case to management, the performers develop a sense of control of the resources needed to succeed against current and future goals.

## **A Vision of Success: A Small Team Performance System in Action**

The ultimate goal of performance consulting should be clients who can sustain excellent performance with less and less help. The longest-running small team Performance System I've ever witnessed had no direct consulting support at all. What it had was a compelling need to succeed and one day of training on Performance Systems. This particular team operated in an effective PS for at least five years, during which it boosted its own revenues from just under \$200k per year to well over \$1 million and had very little turnover. People were basically lobbying to get into this organization.

The group was created within a large company to provide computer board repair service for a factory full of computer driven machinery. Factory floor technicians swapped good boards for bad ones out of the machines, and these boards were then sent to the 15 (approximately) board repair technicians to be fixed. In order to become permanent, the group would need to eventually pay for itself. It needed to be more convenient *and* cost-effective to repair the boards in-house, rather than sending them out for repair.

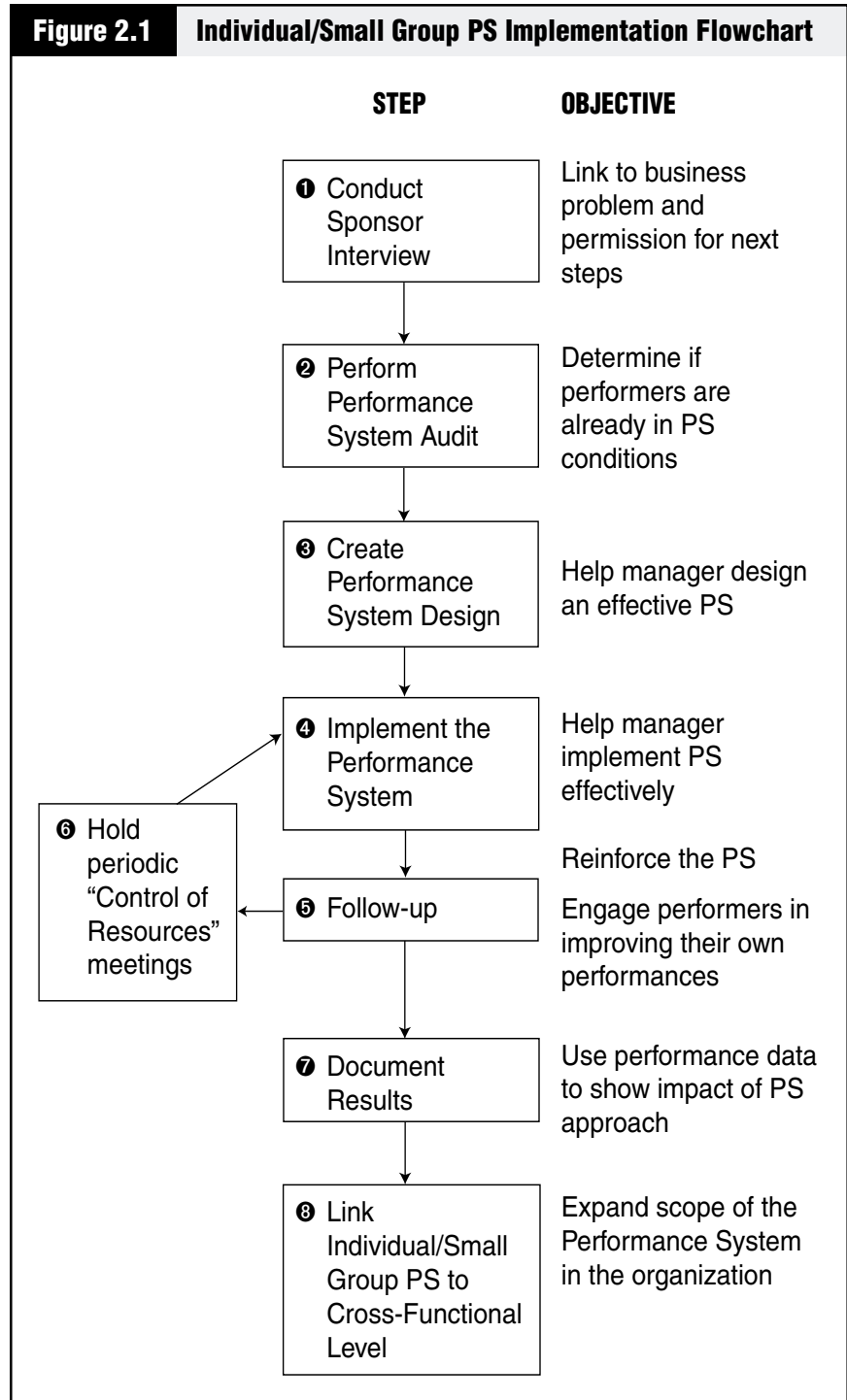
The manager educated his team on what this meant in terms of productivity, including understanding the exact cost burden on the factory, and therefore, how many boards per month needed to be serviced in order for cost savings to exceed actual costs. He then placed a white board in the most visible part of the lab for tracking weekly boards repaired, and weekly revenue (costs saved by staying in-house) against the cost burden. At the end of each day, the technicians tallied their accomplishments and added them to the weekly total. Each individual technician knew how many boards he needed to complete each week in order to achieve the overall team goals. Individual boards completed were tracked in the formal log, so that anyone could see what was being accomplished by whom any time.

Bi-monthly, the manager led “control of resources” meetings in which the entire team reviewed their recent performance against goals and discussed ways in which they could improve. The manager was the ultimate decision maker, but he had created an environment in which everyone felt safe and wanted to participate. So the group’s recommendations were usually sound, and he had no problem supporting them. After a couple of years, the group had become so efficient that they either needed to service more factories or shrink their headcount. The manager faced up to the need to find more business, succeeded, and as a result, the group stayed about the same size during the five years I observed it. A few technicians left for personal reasons, but there were always more anxious to join the group.

This team had the joint benefits of small size and clear success criteria. But even under similar conditions, few teams perform this well for this long. Individuals and teams embedded in a larger organization can often encounter difficulties. In such an environment, fuzzy and conflicting goals frequently abound, or team leaders and managers may not grasp the PS concept. There is a tremendous opportunity for performance consultants to help their clients follow this example of a successful PS. The remainder of this chapter provides a detailed example of implementation at the individual/small group level. Figure 2.1 illustrates the eight sequential steps of PS implementation at this level and gives an objective for each step. The following case study illustrates the eight steps.

## **Individual and Small Group PS Implementation: A Case Study**

This example involves an engineering and machine shop with under 100 employees that repairs worn aircraft parts for airlines and other aircraft operators. The main shop was organized into three functional areas: machining, electroplating, and assembly tear-down and overhaul. The typical “job” moved through two or more of these functional areas one or more times before it was complete. The company was already quite successful, having grown from less than half a million to about four million dollars in revenue over the previous four years. The company was planning to implement a new shop floor tracking system and asked for help to make sure the system provided the information most useful to production management.



## Step 1. Conduct Sponsor Interview

**OBJECTIVE:** Link to business problem and permission for next steps

The sponsor in this case was the president of the company. In the conversation about the new shop floor tracking system, the president was asked how the people doing the work (the technicians) would use the new system. He said the technicians would enter data into the system, but would not typically use the system output (reports, etc). The president believed that the technicians could get the information they needed from the supervisors. This raised a flag for the consultant; performers often aren't fully productive because they do not have the information they need (their actual performance compared to clear expectations). The president agreed that while the consultant was collecting data, it wouldn't hurt to find out if the technicians were getting the information they needed throughout the work day (to determine if they were working in PS conditions). In a follow-up meeting, the consultant obtained approval for a data collection proposal that included a PS audit. The consultant was also introduced to the production management team and ensured their cooperation in data collection.

## Step 2. Perform Performance System Audit

**OBJECTIVE:** Determine if performers are already in PS conditions

The PS audit is a simple way to find out if performers are working in PS conditions. Figure 2.2 shows the audit form used to collect data from several performers from each functional area. Brief technician interviews (3-7 minutes) were conducted at technicians' work stations. Area supervisors were asked similar questions to get their perceptions of how information was currently provided to the technicians. Typical patterns emerged quickly. Of 25 technicians surveyed, not one knew exactly what he or she was expected to produce that day. Only one out of 25 had a way of tracking his own daily output, and most of the rest believed that because each job was different, tracking individual output wouldn't make much sense.

Each day began with an area meeting in which each technician was assigned one or several "job steps." A job step was the term used to describe the work to be done on a specific job in a specific area, such as electroplating. When a technician completed an assignment or got stuck,

**FIGURE 2.2 Performance System Audit Form**

**Employee Survey**

Name: \_\_\_\_\_ Area: \_\_\_\_\_

*Summaries published by area if appropriate; individual responses confidential.*

1. Where does your finished work go from here?
  
2. Do you have a goal for the week?
  
3. What is your goal to get done today?

*(Interviewer Note: If the answers to questions 2 & 3 are "no," the interview is over)*

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4. Is that what your supervisor expects also?
  
5. Do you think you will hit your goal today?

*How do you know?*

6. What will you do if you discover you can't finish today?
  
7. What do you do when you make it with plenty of time to spare?

he or she needed a supervisor's instructions to decide what to do next. This type of task to task planning (or lack of planning) is typical in organizations that are responding to jobs that are furthest behind, rather than preventing jobs from falling behind. Organizations that operate this way will, predictably, have difficulty staying on schedule. In this organization, the formal schedule measurement (business indicator) was on-time delivery, measured as the percentage of jobs completed and delivered by the customer request date. Recent on-time delivery was averaging below 60 percent. From management interviews it was apparent they believed performance was somewhere around 70 percent and that was okay, considering they let the customer set delivery dates (rather than negotiating more realistic ones). However, when the actual data was presented to the management team (including the interviewees), along with the evidence that technicians were operating without goals, they agreed unanimously that an effort must be made to improve on-time delivery.

### **Step 3. Create Performance System Design**

**OBJECTIVE:** Help manager design an effective PS

Beginning the following week, supervisors would help each technician plan a full day's work each morning. The objective was not to pile more work on the technicians but to set them up to be productive all day, rather than one task at a time. This change would also require the supervisors to plan further ahead and focus on keeping all jobs moving, rather than just focusing on jobs that needed to be expedited to meet the current week's schedule.

In addition to the change in goal-setting, the technicians needed a way to generate feedback on their own performance. Feedback systems can be designed with participation from the performers, by the supervisors themselves, or with guidance from the performance consultant; just remember that those who feel ownership for the feedback system will be more intent on seeing that it succeeds. In this particular application, each supervisor designed the feedback system for his own area after the consultant presented several possibilities. Once the consultant had a chance to review each design and suggest refinements, the supervisors presented the new goal-setting and feedback approach to their respective functions.

### Step 4. Implement the Performance System

**OBJECTIVE:** Help manager implement PS effectively

In this case, the feedback system took the form of individual performance tracking sheets (see one example in figure 2.3). The sheets varied for each functional area, but in each case, technicians were to use the sheets to track what they accomplished each day against what they had planned to accomplish.

In the tracking sheet example shown, goals were set in terms of a specified number of job steps for each two-hour block. Although supervisors had final say on each technician’s daily goal, they were instructed to get technician input before finalizing goals. When done properly, this solidifies performer commitment to the goals (the “pearl in the onion”), which

**FIGURE 2.3 Individual Performance Tracking Sheet**

Daily Tracking Sheet for: \_\_\_\_\_ Week of: \_\_\_\_\_

	Monday		Tuesday		Wednesday		Thursday		Friday	
# of Job Steps	Plan	Complete	Plan	Complete	Plan	Complete	Plan	Complete	Plan	Complete
First 2 hours	1	/	0	/	2	/				
Second 2 hours	3	///	3	//	2	////				
Third 2 hours	3	//	3	//	2	////				
Fourth 2 hours	2	//	2		2	//				
<b>Total</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>11</b>				
<b>Percent</b>	<b>89%</b>		<b>63%</b>		<b>138%</b>					

*Note: To achieve a small group PS each individual needs to be operating in the three PS conditions. For example, here small groups of technicians performing like tasks shared the same PS design, but each individual performer uses the PS design to track his or her own performance. Hence the term individual/small group PS.*

is critical to long-term success. The technicians recorded the goals on their tracking sheets and monitored when they completed work on specific job steps. The goals for each two-hour period varied somewhat depending on the nature of specific jobs, availability of workstations, and other non-production tasks the technicians were responsible for.

### Step 5. Follow-Up

**OBJECTIVE:** Reinforce the PS

A critical component of the PS is frequent supervisor follow-up. Supervisors were instructed to check in with technicians once or twice a day to recognize completed work and be available if technicians needed help or specific resources to complete any part of their goals. Since performers working in PS conditions already know if they are being successful, the supervisors were advised *not* to point out when someone was behind.

Part of the consultant's role at this stage is to follow up with supervisors to ensure *they* are following up with performers. It is sometimes a good idea to check with performers as well to make sure they are getting the appropriate messages from supervisors. In this particular case, two of the three areas got off to an excellent start. The third area was undergoing a supervisor change and implemented daily goal setting but did not implement individual tracking sheets at that time. It is the consultant's responsibility to point out when the approach is not being completely adhered to, but the sponsor must choose whether to take action on these observations.

### Step 6. Hold Periodic "Control of Resources" Meetings

**OBJECTIVE:** Engage performers in improving their own performance

This company was already holding periodic meetings to get technician input into procedural improvements, but as is often the case, they were missing key performance data. The consultant encouraged supervisors to begin area improvement meetings with the performance data that the technicians were generating. White boards were set up in each area to track the total work completed each day, based on the individual tracking sheets (though it's important to note that these boards only showed a summary

and were not used to compare individual performances against each other). The area meetings now began with recent performance data and a few questions:

- Are we successfully meeting our area goals each week?
- If not, what would it take to be able to achieve those goals?
- If so, are we ready to increase our goals and still reliably achieve them?
- What would it take to do that?

This changed the structure of area meetings from brainstorming improvements to determining what it would take for technicians to have control over resources required to meet goals. One of the first lessons learned was that the first two hours of the day were usually much less productive than the others. Based on this new knowledge, the initial “control of resources” meeting discussions focused on how to get rolling more quickly each morning.

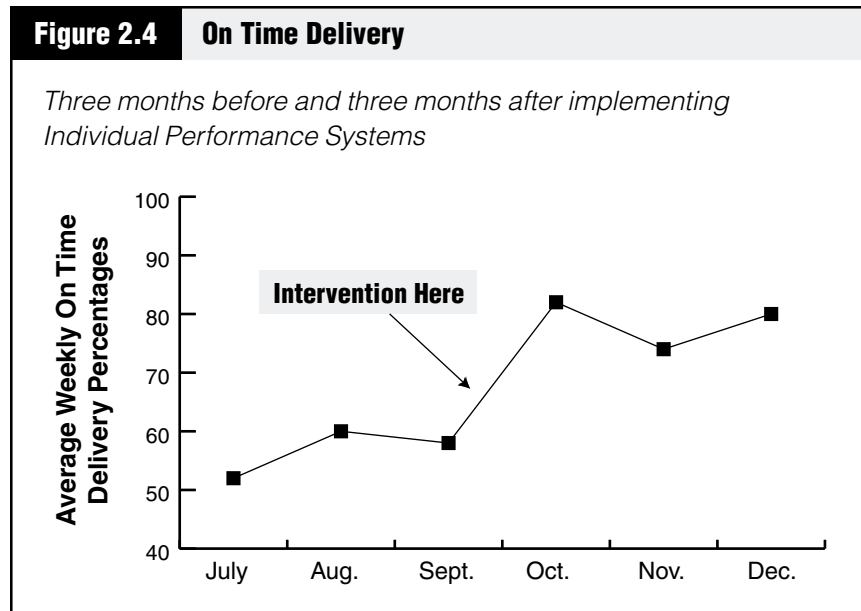
These “control of resources” meetings are a great opportunity for the consultant to educate the client on effective performance analysis and possibly do some analysis as modeling. Because the analysis is based on the performer’s own data and because they are participating heavily in the improvement process, they will be fully invested in implemented improvements. When the performers think a change is a good idea, the battle is halfway won, and in fact, under these circumstances, change may not seem like a battle at all!

## Step 7. Document Results

**OBJECTIVE:** Use performance data to show impact of PS approach

During the initial management meetings (after the data collection), managers determined that the primary measure of success for this intervention was on-time delivery. This was ideal because it was already being measured, it was considered key to overall company success, and there was room for improvement (even though management had seemed satisfied prior to the intervention). On-time delivery performance, the results of which were posted in the company cafeteria, began improving almost im-

mediately after the goal-setting and tracking sheets were implemented. Figure 2.4 shows the average monthly on-time delivery (as a percentage of total jobs scheduled) before and after the intervention.



### Step 8. Link Individual/Small Group PS to Cross-Functional Level

**OBJECTIVE:** Expand scope of the Performance System in the organization

Nothing is more effective in convincing a sponsor to expand a PS to the next level than positive data from the initial intervention. In this case, the next logical step was to elevate the intervention to the cross-functional or process level. At the process level, improvements would be coordinated across the three functional areas (machining, electroplating, and assembly tear-down and overhaul) to systematically identify each bottleneck in the overall repair and production process.

The next chapter introduces the cross-functional level in the organization and provides a separate case where the PS was used to improve the performance of a cross-functional process.

## Question & Answer



**1. If the three conditions of a Performance System reflect the three components of management, is every management system a Performance System?**

Yes and no. A PS is a management system. But as discussed in the Question and Answer in chapter 1, many supposed management (planning and control) systems are missing components or suffer from poor execution of one or more components. Even a complete management system may fall short of the demands of an organization operating in a specific environment. So, to be more specific, a PS is a class of management system designed to meet the needs of today's fast-paced and dynamic organizations.

**2. If the company in the second example was successfully growing, why would the client be seeking performance consulting?**

Clients are not likely to call in a performance consultant specifically to overhaul their day-to-day management system. For this to happen, they would need to understand management systems as performance systems, in which case they probably wouldn't need this help. The opportunity to implement a PS almost always begins with a conversation about some other specific performance problem or opportunity. In this case, it began with the sponsor seeking assistance implementing a new shop floor tracking system—more of an opportunity than a problem. Importantly, the PS was presented to the sponsor as a chance to improve the business goal of on-time delivery, not a PS opportunity. This helps to demonstrate the range of requests for help that can be turned into PS implementations. In the case at hand, total quality management and open-book management principles had helped create a more successful organization, but from a PS perspective, there was still a large potential for improvement. In my experience, relatively successful organizations

**Question & Answer**

are the ones most likely to seek out and be open to additional help.

**3. When you say managers “helped” the technicians plan a full day’s work, who had final say in setting the technician’s daily goals?**

Managers can only be sure that a performer is committed when he or she agrees to goals without coercion. There are times when it is appropriate for managers to establish a goal without performer agreement (such as when the manager has much more experience with the tasks than the performer), but that is the exception.

A commitment is when a specific performer agrees to produce specific deliverables, to specific quality criteria, at a specific time. When performers do commit to performance goals and then generate their own performance feedback, they can be counted on to meet their commitments or provide advance warning if they begin falling behind.

**4. Can you design a feedback system for work that is creative in nature and harder to measure? Why aren’t there more examples of different feedback system designs?**

Setting clear expectations and providing frequent feedback for creative work or knowledge work is a little more challenging than for straightforward production work.

However, as much as some performers would like to believe their work cannot be measured, nearly all work can. Performers who can accurately estimate how much work they can complete in a given time are much more valuable than performers who cannot. Part of the art of PS design and implementation is helping performers and their managers turn nebulous work into discrete accomplishments.

**Question & Answer**



No matter how much instruction and how many examples are provided on feedback system design, there will always be more questions about specific situations. Chapters 3 and 4 provide a couple more examples of feedback system design. See also the first two references listed on page 106 (Daniels, 1995 and Esque, 1999).

