

The Improvement Movement:

A study of industry's
commitment to
improve

*...and what it
looks like today*



Creato Performance Solutions

2658 Del Mar Heights Road, Suite 260

Del Mar, CA 92014

www.creato.com



Industry is replete with companies that achieved great success in their respective market, only to be later relegated to second status or worse, out of business altogether. The corporate graveyard is littered with examples that caught people by surprise: Tower Records, Pan Am, Compaq, Worldcom, Woolworths, Sharper Image, Polaroid, and more recently, Sport Authority and Sport Chalet. Could they have been saved? Was their destiny the result of self-inflicted wounds, shifting markets, or both? This is the fodder of business school case studies but the truth is, we may never know the whole story.

What we do know about successful companies is that they have a commitment to not only sustaining quality products and services, but a commitment to getting better at their core competencies every day. Companies that have made this commitment are a product of strong leadership, leadership that transcends a transparent workplace with clear accountabilities and produces a culture where staff understand: *improvement is everybody's responsibility.*

It's been long acknowledged that "standing still" is not an option in the competitive landscape of business. But what does the alternative look like? We were determined to find out.

We've been studying the improvement movement for the past 20 years. During this time, we've observed many companies that have made great progress in their improvement capability, and others with good intentions that executed poorly, and then simply gave up.

Improvement in the near term is not difficult nor complicated if there is a will to improve, and competent resources available. It is **sustainable improvement across the enterprise** that represents the holy grail of leadership, and what all chief executives aim for when they take on the stewardship of the company's resources.

After two decades of research, we can confidently say that sustainable improvement capability requires an organization to invest in three areas:

- 1 Commitment to an improvement method, and commitment to getting better at it every day;
- 2 Emotionally intelligent leadership that will not only demonstrate solidarity in their desire to improve, but will also recognize that each member of their staff needs something different from them in order to gain their support, and
- 3 A system that will coordinate, manage, track and index all activity, creating a learning organization that helps ensure staff not only "do things right," but also "do the right things" (we call this "portfolio management").

We conducted a study by contacting over 50 individuals across a wide spectrum of industries through a blind 10-question survey. Since the survey appeared on a variety of social media sites that were already serving the improvement community, it is reasonable to expect some bias that reflects a situation more advanced and mature than it is in reality. Still, if the results of this study accurately describe the industry at large, it is clear the improvement movement has far to go.



| The Study Population

Our respondents come from a cross section of industries and roles. Slightly more than half (58%) are the actual leaders of improvement projects. Another 22% indicated they are active participants on project teams, and the remainder (20%) are members of senior management, providing input to project selection and support to active projects as sponsors or champions.

The good news is that, according to our respondents, the improvement movement is alive and well.

1. Commitment to Improvement Methods

We asked our study population to tell us about the various improvement methods they are currently employing in their organization. Not surprisingly, "lean" methods edged out all other methods by a respectable margin. Fully 80% of respondents indicated they are applying lean methods today. It is worth repeating that, since we expect some bias

from how participants were sourced from the study, it would be a stretch to suggest this is representative of industries as a whole, but clearly lean methods have enjoyed strong support relative to other methods.

What improvement methods are being used in your organization today (list all that apply)?

- Lean (80%)
- PDCA/PDSA (70%)
- Six Sigma (56%)
- A3 Problem Solving (38%)
- We do not use an organized method (12%)

The fact that such a high percentage of respondents lack any method at all is troublesome and indicative that, while the improvement movement is alive and well, it still has some runway ahead of it to bring its benefits to more organizations that likely need it.

Among the respondents, the volume of projects launched and completed each year is well within the capacity of any organization with enough commitment and capacity to dedicate staff to improvement responsibilities.

Total Projects Annualized	Projects Launched	Projects Completed
More than 100	24%	16%
50-100 projects	16%	16%
25-50 projects	8%	6%
Less than 25 projects	48%	54%
Do not know	4%	8%

Source: Creato Performance Solutions

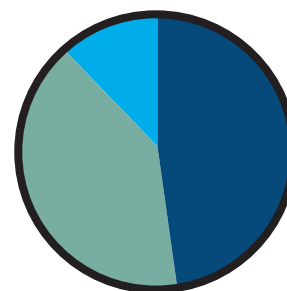
2. Emotional Intelligence & Leadership Engagement

We are convinced that emotionally intelligent leadership is an **essential ingredient** in any effort to achieve sustainable improvement capability, and we have been publishing on this subject for some time. Among other things, emotionally intelligent leaders recognize that each member of their staff has different needs, whether that need is compassion, encouragement, inclusion, or relevant data. When leaders give staff what they need, staff support is almost always reciprocated, and momentum realized.

Our study attempted to assess whether executives were practicing emotionally intelligent leadership by asking how they were engaging with staff on improvement activity. Are leaders passively engaged, or literally participating in driving their own “improvement movement?” What we found was a mixed bag:

How engaged is your leadership in supporting improvement activity?

- Engaged through active participation (48%)
- Engaged through passive observation (40%)
- Not engaged, nor well informed (12%)





What is the environment for evaluating progress on projects?

- ① Meeting with project sponsors (42%)
- ② Formal “tollgate” reviews (26%)
- ③ Informal report distribution (18%)
- ④ There is no process for evaluating progress (14%)



While roughly half of the respondents (48%) claimed leadership was actively engaged in improvement activity, only a quarter of them (26%) suggested this involved participation in formal “tollgate” reviews. Tollgate reviews are inclusive meetings where project leaders, team members, and members of management come together to learn about improvement activity, including both obstacles discovered and progress achieved. These reviews represent a learning opportunity for a broad range of stakeholders, including staff involved in other projects that attend out of a desire to learn and share with one another.

In a tollgate review, there is a subtle form of policing involved that includes questions about adherence to the method, approaches taken, and the validity of solutions considered and conclusions offered. It is a wonderful opportunity to “raise all boats” by sharing information across a wide spectrum of staff. The fact that such a small percentage of respondents utilize this method of engaging leadership seems a contradiction with earlier suggestions that leaders are indeed actively involved. Tollgate reviews present an ideal opportunity to practice emotionally intelligent leadership, and we would recommend more organizations consider adding this practice to their improvement culture.

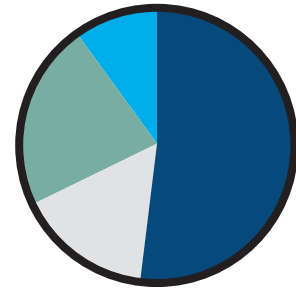
3. Maturity in Portfolio Management

A commitment to improvement methods, supported by committed leadership, will give an organization a sound footing for their initial efforts to implement breakthrough improvement. However, for sustainability that goes beyond their initial efforts, organizations must develop some form of infrastructure to track, coordinate, and measure progress on the various initiatives they resource and sponsor. We call this capability “project

portfolio management," or PPM, and we were interested to find out how many organizations have such a system in place today.

How do you track the progress of improvement activity in your organization?

- Spreadsheet (52%)
- Homegrown solution (16%)
- Commercial software for this purpose (22%)
- Progress not tracked in organized manner (10%)



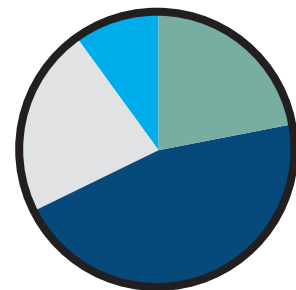
The spreadsheet represents the antithesis of real-time project management. We know from more in-depth interviews that organizations relying on spreadsheets to track project activity lack confidence in their reliability. Many are literally embarrassed to admit they still rely on this approach to project management and oversight. In these organizations, information is collected and entered manually, and up-to-date only on the date the information was gathered. The spreadsheet does not offer a useful multi-dimensional view of activity, unless it has evolved into some homegrown solution. Even still, homegrown solutions are likely implemented by organizations with limited development skills and limited knowledge of how to create and maintain a total solution.

We find it interesting that fully 78% of respondents are relying on their own internal resources to manage a vast range of improvement activity. This universe likely includes people that use online brokerage services to manage their financial portfolios. Why would they not actively seek similar capabilities for a series of activities far more complex, and impacting far more people, resources, and finances? Perhaps they do not know such systems exist.

The absence of a competent PPM system explained some of our findings regarding the challenge organizations face in coordinating and monitoring improvement activity:

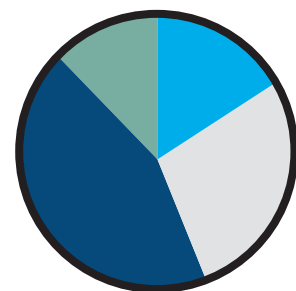
*How **accessible** is the information on current and past improvement capability?*

- Very accessible, indexed, easy to navigate (22%)
- Somewhat accessible if you know where to look (46%)
- Not very accessible, requires some effort (22%)
- Inaccessible (10%)



*How **reliable** is the information on current and past improvement capability?*

- Very reliable, updated in real time (16%)
- Very reliable, updated frequently (28%)
- Somewhat reliable, depends on project (44%)
- Not very reliable (12%)



It is not terribly surprising that so many organizations lack accessible or reliable information regarding their improvement activity, since only 22% reported employing a commercially developed PPM system that would, at a minimum, offer visibility into all improvement activity.

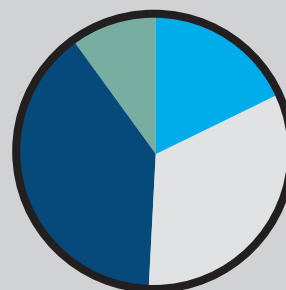
There is ample evidence offered by other research institutions regarding the return on investment from PPM systems. Forrester Research indicates that return can easily exceed 250% from completing more improvement projects, more projects faster, and projects with greater returns. We expect more and more organizations will come to recognize that a PPM is the next step in their journey to sustainable improvement capability (for more information on this subject, request Creato's "PPM Buying Guide," available at www.creato.com).

| Conclusion

We concluded our survey with the following broad inquiry:

As an organization how mature would you say you are in your improvement capability?

- ⦿ We are fully capable to know where and how to improve, and how to sustain improvements (18%)
- ⦿ We know where and how to improve, but are not where we need to be in sustainment (33%)
- ⦿ We are still learning where and how to improve, the desire is definitely present (39%)
- ⦿ We have not been able to get any real traction for disciplined improvement, mostly talk, less action (10%)



What can we infer from the response to this and other questions we have posed to our study participants?

While the improvement movement we sought to document appears to be relatively healthy, there are still significant opportunities even for organizations that express confidence in their current capabilities. As we've long maintained, it is not enough to simply challenge an organization to embrace a new approach.

This challenge must be matched with visionary and emotionally intelligent leadership, and an investment in core tools necessary to undertake the work, and to hold people accountable to results.

It is reasonable to expect that organizations with visionary leadership will ultimately make the investment in a PPM system, thereby completing the "three legged stool" we've argued is necessary for sustainable improvement capability. In fact, leaders in every organization should take pause to evaluate the extent to which they have committed to each of the requirements examined in this study, and engage in thoughtful and honest examination of how well they measure up. The "improvement movement" shows no sign of losing steam, but the principles set forth in this report will become only more critical over time.



About Creato Performance Solutions

Creato believes leaders should have all the tools they need to excel in their mission. Creato's vision is to be the leading provider of performance improvement methodologies to industry, a trusted consulting partner, and thought leader to companies devoted to organizational excellence.

For nearly 20 years, Creato Performance Solutions has been working with organizations to expand their improvement capability. Those efforts started with the application of Lean and Six Sigma principles in addressing the throughput challenges of hospitals, and later took the form of Lean and Six Sigma training and certification for a broad range of organizations in a range of key vertical markets where a strong commitment exists to organizational excellence.

Creato's training programs have been endorsed by the American Society for Quality (ASQ) and the American College of Healthcare Executives (ACHE), where their online courses are offered. Since Creato's online programs were originally offered, several hundred professionals have completed their education in Lean and Six Sigma.

Creato has worked with some of the largest and most prestigious organizations in the U.S., including four winners of the national Malcolm Baldrige Award. Creato's training programs have been used by students as far away as Europe, Africa and Asia.

In 1999, Creato introduced Lean and Six Sigma to the healthcare industry, and by 2011, it was clear that companies were using the methods with great results. However, the growth in improvement capability created another problem: bringing order to chaos. Out of this gap grew the need for COMPASS®, a project portfolio management (PPM) systems that unifies management and staff around the improvement opportunities in their organization.

With the addition of COMPASS to its product portfolio, Creato can offer the full range of resources to organizations seeking to boost their improvement capability, from small "proof of concept" engagements to a full, turnkey approach.

Creato Performance Solutions
2658 Del Mar Heights Road, Suite 260
Del Mar, California 92014

www.creato.com