

# Lean Kaizen Business Consulting

## Lean Performance Management System

*Become a least cost producer with  
world class Quality & Delivery*



*Key to the future Survival*

*When performance is measured, performance improves. When  
performance is measured and reported, the rate of improvement  
accelerates.*

– Thomas S. Monson

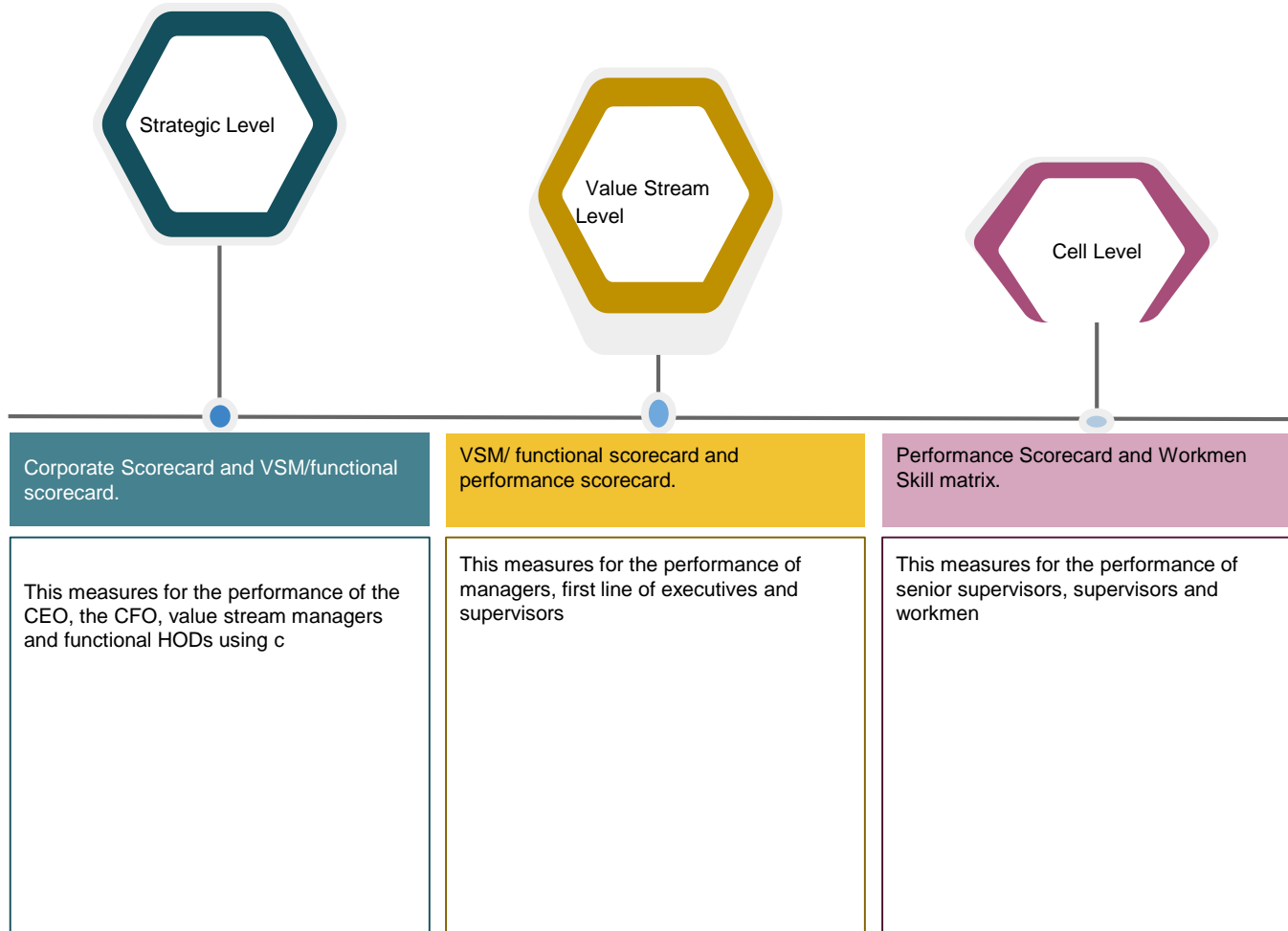


**Lean Kaizen Business Consulting**  
"Implementation is the Key"

# Implementation of the Lean Performance Measurement

## System

The lean performance measurement system is designed by the people for the people and is modified at regular intervals when the need of some new measure arises, or some measures become obsolete. A company needs different measurements for different levels in the company. Normally, a company will need at least three levels.



# Corporate Scorecard -

The Corporate scorecard condenses the company's financial and operational performance along with capacity utilization of both manpower and machine in a single chart as shown in Table 10.1.

<b>Perfect Gear Company</b>			
<b>Monthly Corporate Scorecard</b>			
<b>Aspect</b>	<b>Key performance indicator</b>	<b>UOM</b>	<b>Current state march 2018</b>
<b>Financial</b>	<b>Sales revenue-monthly</b>	<b>USD Mn</b>	<b>3.33</b>
	<b>Average product sales price</b>	<b>USD per kg</b>	<b>3.33</b>
	<b>Average product cost</b>	<b>USD per kg</b>	<b>2.84</b>
	<b>Value of inventory</b>	<b>USD Mn</b>	<b>6.27</b>
	<b>Profit before tax</b>	<b>USD Mn</b>	<b>0.17</b>
	<b>Profit before tax</b>	<b>%</b>	<b>5%</b>
<b>Operational</b>	<b>Throughput time</b>	<b>days</b>	<b>113</b>
	<b>On time shipment</b>	<b>%</b>	<b>70%</b>
	<b>Total head count</b>	<b>Number</b>	<b>561</b>
<b>Capacity usage - manpower</b>	<b>Value adding</b>	<b>%</b>	<b>25%</b>
	<b>Non value adding</b>	<b>%</b>	<b>53%</b>
	<b>Free capacity available</b>	<b>%</b>	<b>22%</b>
<b>Capacity usage - machine</b>	<b>Value adding</b>	<b>%</b>	<b>44%</b>
	<b>Non value adding</b>	<b>%</b>	<b>50%</b>
	<b>Free capacity available</b>	<b>%</b>	<b>6%</b>

Table 10.1. Sample corporate

Scorecard.

# VSM/ Functional Scorecards -

## VSM/Functional Managers Scorecards

Dr. Yoji Akao<sup>1</sup> of Tamagawa University was the primary architect of Policy Deployment (Hoshin Kanri) in the 1950s. In 1992, Robert S. Kaplan and David P. Norton at Harvard Business School Boston devised the balanced scorecard strategy<sup>2</sup>.

Corporate scorecards/VSM scorecards/functional scorecards are created for the CEO, the CFO, value stream managers and functional managers to measure their progress in achievement of company goals – operationally and financially. The scorecard should list the objectives of the company by measuring the parameters critical to accomplishment of the company's goals in line with its strategy. Scorecard methodology is based on the following five categories as illustrated in Figure 10.3.



1

**Financial Measures**



2

**Customer Satisfaction Measures**



3

**Company Processes Measures**



4

**Lean Performance Measurement System and Training Measures**



5

**Safety Health Environment and Quality Measures**

# Performance Scorecard -

A performance scorecard is created for the middle level staff up to supervisors and first line of engineers or managers.

They have financial and operational parameters that link them to their functional heads and enable them to monitor and control their workplace through standardized work.

Supervisors are more successful when scorecards focus on the rights tasks.

These will give a good insight into what should be measured for every function.

Please note that the performance scorecards in Table 10.16 through Table 10.18 are for a capital machinery manufacturer. It can be suitably modified for use in any industry.

# Workmen Skill Matrix - Why?



E

No of Years exp.

**Traditional companies** carry a notion that the older the workmen are, the better experience they have. They understand the job well and the company can trust them to manufacture quality products.



E

Nos of year Exp

**A lean company** will not judge its workmen's skill on the basis of number of years of experience.



S

Skill Important



S

Skill Matrix assess skill

P



Linkage with PFC and BSC



P

Performance linked to skill



C

Skill helps capabilities



A

Good Attitude Must

# Workmen Skill Matrix-



P

Priority



Jl

Job Instructions

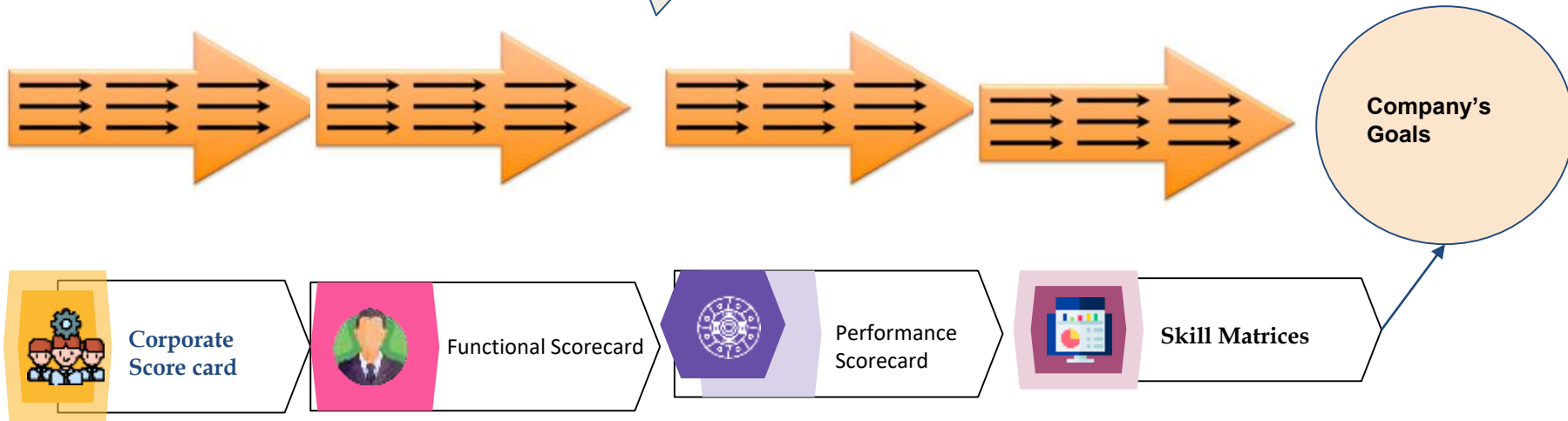


P

Production rate /Hr

Corporate Scorecard, Functional Scorecard, Performance Scorecard and Workmen Skill Matrix for their staff, supervisors and workmen should meet the Company's and the Individual's goals.

The performance scorecard and skill matrix must be displayed at the workplace so that continuous feedback can be given



The functional managers, if required, should not hesitate to hold hands, spoon feed, coach and motivate so that the supervisors and workmen are able to achieve these goals.

Supervisors and workmen are to be accoladed with reward and recognition when they achieve some good results, however small. The rewards should be in the form of household utilities so that they can share it with their families and feel proud in front of them. Cash rewards should be avoided.