What Happens When a Company Has the Wrong Targets?

What happens when companies have the wrong targets or worse, no targets?

My team and I am are invited into many companies to help “revive” Lean and/or Six Sigma. It’s easy to see where these companies have failed to sustain past continuous improvement efforts. Some of the common scenarios that, in our experience, are a result of failure are:

* 5S shadow boards that aren’t used
* LEAN / Six Sigma Information boards that have not been updated in months or years
* TAKT Time boards where the Actual and Target are far apart, and no one seems to care
* Work instructions at the process that are out of date, dirty (to the point of being un-readable)
* Taped off area’s and walkways that are not adhered to

When we talk to the company’s leadership about the reason that the Continuous Improvement effort failed, the answers are usually:

* We had a change in leadership
* We are just too busy, and production took precedence
* We had little to no buy in from the Operators, so they didn’t maintain the improvements we put in place

In most cases the excuses that were given above by management are valid, but these are the “symptoms” of failure not the underlying cause.

Most companies that implement Lean and/or Six Sigma fail in their effort within two years. In most companies the effort is abandoned within three years.

The reasons that the leaders of most companies give (change in leadership; production took precedence; operators would not maintain the improvements; etc.) are valid reason’s but these reasons aren’t the Key Input to why the efforts fail.

“I’m going to “clue you in” to the Root Cause of why so many Lean and/or Six Sigma efforts fail.”

My 8-year-old daughter is an aspiring Olympic archer (her words). She already has won several 1st place trophies in her division. She tells me often that “archery is a difficult sport. It takes focus, patience and practice”. I go to every practice that I can and watch all her tournaments (sometimes by FaceTime if I am travelling). I asked her one day, “how do you keep score” and she explained the Target and how the shots are scored. Once I understood how to keep score, I could easily measure her performance. Knowing the target has helped me (along with her coach) to train her and improve her performance.



A business is no different. Without targets (aka Key Performance Indicators (KPI’s), how can a company know how well (or badly) it is performing. Without KPI’s how will a company know what to improve. Even more important, without KPI’s how will a company know the priority of improvements to have the greatest impact on their bottom line.

It seems like common sense to have good targets but as I say in my classes “common sense is not very common”. My team and I rarely engage companies that have effective targets.

Ineffective targets usually fall into one of three categories:

1. Fuzzy target(s)
2. No target(s) (or not knowing that there is a target)
3. Wrong target(s)
4. Too many targets

Aiming at fuzzy target(s)

What if the target you were shooting at was really “fuzzy” and it was hard to see where you are aiming?

Recently, my daughter and I were at a tournament on a very bright sunny day. My daughter was the 1st shooter in a line of 12. The overhang behind her was blocking the sun from all the shooters but her. The glare from the sun was making it difficult for her to see the target. Her performance suffered from not being able to see the target clearly.



This is a common problem in most organizations. They have KPI’s that can be interpreted differently by different people. For example, “Ontime Delivery” can be measured from different origination points and different end points. Because we don’t truly know the target, we aim at where we think the target is.

No target(s) (or not knowing that there is a target)

What if you couldn’t see the target at all?

I asked my daughter after a tournament, “What would you do if there wasn’t a target?”. She replied, “I wouldn’t know what to shoot at”.

I go on “the floor” of many different companies that we engage and ask the SME’s (the subject matter experts or operators) “what is your target for today? Do you know how you are performing to your target presently?”. I am usually answered by blank stares.

I ask the students in all my Lean Six Sigma Belt classes: “What are your KPI’s?”. I get the same response as when I ask the SME’s the same question. Rarely do I encounter someone who knows their targets.

It is common that I find that companies either don’t have targets (other than profit) or they don’t educate their employees on the targets. This results in an organization reacting to missing the targets that they couldn’t see.



Aiming at the wrong target(s)

What happens if you aim at the wrong target?

For example: many companies use “Efficiency” as a target. Efficiency is normally calculated as: Number of Units Produced divided by the Cost to Produce the Units.



My team and I were called in to consult with a company that produced bricks. The company’s margins were quickly shrinking, and they believed starting a culture of continuous improvement would help. This was a very “siloed” company with a division between sales, front office support and production. Each had metrics that showed performance of their individual silo (vs. metrics that cascaded from each department and aligned with organizational metrics).

Production used “efficiency” as one of their primary metrics. When talking to the SME’s on the floor, they told me “our cost per brick is decreasing every week. We are consistently breaking records. We get bonuses for increased efficiency. So why is our company losing profits?”.

This was a valid question. What production didn’t see was once the bricks were produced, they were moved offsite to a yard for storage. There were millions of bricks in the yard. Some had been there over 18 months.

The example above is just one of hundreds of examples of targets that are counterproductive and promote bad habits in an organization.

Trying to Aim at Too Many Targets



What makes Good Targets (or KPIs)?

If you asked this question to my daughter, the aspiring Olympic archer, she would say “one you can see clearly and know that it is the right target” (she has accidentally shot at the wrong target before). Below are the characteristics (in our experience) that make an effective KPI:

* They must be clear, simple, well-defined and measurable
* They should always cascade down to sites and departments from the overall strategic goals of an organization
* They should be communicated throughout your organization and department(s).
* The KPI’s should be focused on customer requirements and demand
* The employees that are governed by the KPI’s should know how to achieve an effective outcome (i.e., the KPI’s must be achievable)
* They should be consistently evaluated and improved

Why are Targets (or KPI’s) important to a Continuous Improvement Effort?

I was recently engaging a company that wanted to train Black Belts, Green Belts and Yellow Belts. I asked them, “How do you plan to identify and prioritize projects for the belts?”. The reply was “well, our leadership has a few projects that they want to see completed and we will send out an email to get more ideas”.

When you read between the lines of this statement you will find that:

1. Management will identify the projects
2. The priority of projects will be set by management

What this leads to is the picking (by management) of arbitrary projects that are the most recent “pain". The project, when completed, may improve the process but have little effect on the bottom line because it was not the right project.



Over time, the failure to improve the right processes leads to lack of focus and the eventual demise of the continuous improvement efforts. In my over 20 years of experience, I find this this is the KEY INPUT to a company’s failure to sustain a continuous improvement effort.

Establishing effective KPI’s and prioritizing the projects by their effects on the KPI’s is the most important Key to Success of a Continuous Improvement effort.

When you 1.) build a project hopper {Add a Link to Hopper Article} to collect improvement ideas from everyone in the organization, 2.) empower and educate everyone in the company to identify projects 3.) and prioritize projects as to their effects on the KPI’s, you take the first and most important step to building a continuous improvement effort that will sustain.

Why are Targets (or KPI’s) important to a Continuous Improvement Effort?

* KPI’s help an organization to understand its performance levels at all levels of the company
	+ Knowing the performance levels help to focus the right continuous improvement projects in the right area’s of the company
* KPI’s help align and prioritize Lean Six Sigma projects to site, departmental and organization’s strategic goals.
* KPI’s help to sustain improvements by giving us a visual scorecard to show whether an improvement is maintained.
* KPI’s provide a basis for recognizing organizational, team and individual performance.

Does your company use Targets (KPI’s) to identify and prioritize continuous improvement projects? Or, are they arbitrarily picked by management to address to “most recent pain”? Tell us your story in the comments below and help educate others.