Three Ways For Measuring Continuous Improvement Success

Measuring the success of a continuous improvement initiative is critical to the overall success of a project. From a change-management perspective, projects are more likely to be successful when executive sponsors are visible and active. For sponsors to take on an active role, they need to understand the value that initiative is bringing to the organization. Here are three ways to measure success:

#1. Measure based on financial results. . .

Has the project improved profitability and/or generated incremental cash flow? Organizations measure improved financial results in various ways. Some prefer a total-cost-of-goods-sold approach; others prefer a cost-per-unit measure. Depending on the project, a more specific measure—*defect cost, productivity, OEE or some measure of inventory dollars*—might be required.

To measure the financial impact, start by establishing a baseline, including standardizing the data requirements and calculation method for measuring performance. Include the finance department as a partner in the process. This establishes credibility in the reporting and ensures that the calculation method will be consistent with accepted accounting principles. Develop a standardized benefits tracking report, establish the interval for reporting and ensure all stakeholders remain informed.

#2. Measure based on an assessment tool. . .
Assessments can be extremely detailed and documented with their logic or more open-ended and qualitative in nature. Most assessments result in a score that can be presented in a radar chart or other matrix or continuum. The more useful assessments will score the operation using benchmark or best-practice-derived data.

In most cases, when organizations implement improvements suggested by assessment results, their processes, business practices and results will improve. Subsequent assessment scores will also improve, providing a measure of success as the company moves along a path of continuous improvement and ever closer to benchmark or best-in-class performance.

#3. Measure based on the view of stakeholders. . .

Organizations don’t operate in a vacuum. They interact with any number of parties or entities whose perceptions are critical to their long-term business success. These “stakeholders” can include shareholders, owners, customers, employees, partners and suppliers, even the surrounding community—*all of which have an interest in the financial performance of the business.*

Tools to measure the levels of satisfaction and acceptance among stakeholders typically would include surveys, focus groups, benchmarking and assessments. Key stakeholders, however, will often note successful large-scale improvement initiatives without such tools. For example, executive leaders for multi-site operations regularly tour their companies’ various locations and can easily recognize both performance improvements and visual changes related to successful lean initiatives. From a society perspective (outside the organization), a motivated and engaged workforce can easily create a positive view of the company’s success within a community.

It is incredibly powerful and rewarding when executive leaders, customers and suppliers that frequent your plant or business comment upon the noticeable changes and improvements. This form of recognition is exceptionally motivating, and it plays an important role in providing a secure future for the business to grow and prosper.

Although you can clearly gauge success with any one of these measuring techniques on their own, using all three of them together will provide your organization a better, more balanced view of its successful continuous improvement implementation initiatives. **MT**

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The opinions expressed in this Viewpoint section are those of the author, and don't necessarily reflect those of the staff and management of *Maintenance Technology* magazine.