

Western New York MTC Uses Evaluative Information for Continuous Improvement

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Overview

The Western New York Technology Development Center, Inc. (TDC) views evaluation and continuous improvement from two conceptually different but strongly linked perspectives. The external perspective measures the impact on customers; the internal perspective measures operational performance compared to planned goals. This paper focuses on the TDC's view from an internal perspective.

The TDC uses the same planning and evaluative tools as many organizations. It serves a model for linking these tools, dedication to the use of processes, and management's commitment to improvement. The key tool in the linkage is the Strategic and Operating Plan. This paper describes the relationship between plan and other planning and evaluative tools. It also describes the related processes used to build, report, modify, and evaluate the plan and evaluate performance measured against the plan.

Introduction

The Western New York Technology Development Center (TDC) views evaluation and continuous improvement from two conceptually different but strongly linked perspectives. Our external perspective measures the impact of our operations on our customers. The internal perspective measures our operational performance measured against our planned goals. This presentation focuses on the TDC's view from an internal perspective. The TDC uses the same planning and evaluative tools as many organizations.

- vision and mission statements
- strategic plan
- operating plan

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- budget
 - marketing plan
 - training plan
 - job descriptions
 - personal plan
 - performance review
 - compensation plan

The TDC serves as a model for linking these tools, dedication to the use of processes, and management's commitment to improvement.

Our use of evaluation and continuous improvement must be viewed in the context of our organization. The TDC is an independent, non-profit corporation operated under a business model. Our directors actively participate, reflect our market, and strongly support our mission to strengthen, expand and diversify the technology and manufacturing base in Western New York. We functionally structure our operating staff into four teams: manufacturing, technology transfer, business incubation, and administrative (diagram 1). The organization is very flat and managers at all levels must deliver products and services to customers. Everyone makes coffee!

Evaluative Tools

The TDC links its evaluation and continuous improvement tools (diagram 2). The key tool in the linkage is the Strategic and Operating Plan. This one document contains our vision, mission, strategic plan, operating plan and budget. Following a defined planning process, the TDC annually updates the plan from the bottom-up; planning starts at the team level. We then integrate the individual team contributions to the plan to coordinate and leverage the work of the teams. After acceptance by the staff, we

present the plan to the board of directors for their review, modification and approval. From this point, both the staff and the board own the plan; the board must approve changes to the plan. Team Leaders quarterly report our performance against the plan to the board using an efficient format that lists major accomplishments, missed objectives, and areas for concern.

The Strategic and Operating Plan is actionable in the sense that action plans link to objectives and provide responsibility and time-line assignments. The action plans are quantitative whenever possible. Measures include the number of activities, customer satisfaction, the impact on customers and financial goals. Responsibilities assigned in the plan link to specific employees through their personal plans.

The Marketing and Training Plans are separate documents developed and owned by the staff. They support the objectives and action plans contained in the Strategic and Operating Plan. During the planning process, the staff presents the Marketing Plan to the board for their input. The staff also reports their performance against the plan to the board with the quarterly Strategic and Operating Plan report.

The TDC believes that we must clearly articulate goals and reinforce them through processes that encourage employees rather than threaten them. The goals contained in the strategic, operating, marketing and training plans are assigned to employees through our personal planning process; a personal plan links each employee with these assignments. We use job descriptions only to describe the general authority and responsibilities of employees. Personal plans are developed and owned by the

team leader and employee. A personal plan contains both normal and stretch goals; stretch goals link to team and individual variable compensation. In the personal planning process the team leader identifies training required in the training plan; the process also allows the employee to request additional training. We encourage employees to use their personal plans to define training and other goals that are important for them but not required by the TDC.

Since the TDC's success depends on our employees' competence and motivation, we hope that our compensation plan:

- attracts and retains superior employees,
- encourages employees to focus on well-defined corporate, team and individual goals, and
- encourages employees to contribute to the financial success of our business by sharing in that success.

There are two components to the TDC's compensation plan, market value and variable (diagram 3). The market value of an employee's services depends on job category, education and experience. The second component, variable compensation depends on:

- corporate performance compared to the strategic, operating and market plans,
- each team's performance compared to the strategic, operating and marketing plans,
- each employee's performance compared to his/her personal plan, and
- corporate financial performance.

The maximum possible variable compensation is the same for all employees. In concept, the staff shares corporate excess revenue adjusted for

factors outside the control of the staff. Variable compensation emphasizes corporate success but provides additional variable compensation for teams (an additional 20 percent) and individuals (an additional ten percent) that meet their stretch goals.

The TDC also has a traditional performance review process that complements the personal planning process. We use it to evaluate employees' performance against qualitative corporate expectations.

Process Performance Measurement

It is equally critical to make certain that, day to day, the internal processes that drive our organization are monitored and tracked. Internal efficiency, quality and performance measures are used to manage the organization. For example, we monitor cash flow to ensure that our strategic goal of financial stability is attained. To that end, we regularly track bookings, billings, backlog, estimated costs vs. actual costs, etc. Other measures used to monitor processes include capacity utilization, activity measures such as the number of projects, on-time delivery, as well as others.

Evaluation

The TDC believes that the key to evaluation is to develop objectives in specific and quantitative terms. This reduces ambiguity and provides clear targets to guide employee performance. Except for the job description, each of our tools is evaluative. Additionally, each tool has an owner. This is the person or group responsible for developing, completing and tracking the objectives specified in each tool.

We find that problems arise in our evaluation and continuous improvement processes when the processes are unfocussed. Trying to measure too many objectives is a common cause of unfocussed processes. Meaningful feedback also helps us to maintain our focus. Each of our tools provides direct feedback to employees or links to another tool that does. Feedback must be frequent enough that we do not lose sight of our planned goals. The TDC uses many feedback mechanisms including one-on-one employee meetings with team leaders, team meetings, corporate (all hands) staff meetings, performance reviews and quarterly board reports to provide feedback. An e-mail congratulating an employee for a good job easily provides immediate feedback.

There must be implications for missed objectives. In theory, these implications need to encourage performance and avoid threats that make employees afraid to stretch beyond easy objectives. Since the real world is dynamic, we sometimes need to modify our plans for changing business conditions. Of course exceeding objectives is never a problem! We are reluctant, however, to reduce or eliminate objectives. The fact that the board owns the Strategic and Operating Plan helps, because we need board approval to modify the plan. Team leaders usually develop a strong rationale before they recommend a plan modification at their quarterly performance report to the board.

Continuous Improvement

The TDC tries to use two key elements for continuous improvement, quantitative measures and processes that are in control. The TDC is a process driven

organization and our evaluative tools provide measures that we feel are appropriate. As we streamline our processes and improve our competencies, we are able to increase our goals in our corporate and personal plans. All employees are involved in continuous improvement through the TDC's corrective action process. We encourage employees that own processes to continuously improve them.

The TDC struggles with the same issues as our peer organizations. Are our strategies and tactics appropriate? Are our measures meaningful? Our answers to these questions are never totally satisfying and usually lead to other questions. We do believe, however, that we are on the right track on a journey that we know is never ending.