The CAM-I Performance Management Framework: How to Evaluate and Improve Organizational Performance

MANAGEMENT ACCOUNTING GUIDELINE

CASE STUDIES

Case Study

Company background

OK CiderHaus[1] is a privately held craft brewery located in the fruit-growing region of the Okanagan Valley in British Columbia. The brewery was started as a family-owned business in 1975 by Grant Smith, producing high-quality, slow-fermented craft ciders from apple varieties sourced from the local Okanagan orchards. In 2010, the running of the brewery was passed on to Grant's children, Graham and Grace. Graham Smith, with an MBA from the University of British Columbia (UBC), took on the role of CEO while Grace Smith, as a qualified CPA, handled the CFO responsibility.

When the children took over the business, the demand for cider products was increasing rapidly and the company's market reach had expanded to the metropolitan regions of Vancouver and Victoria. The Smiths envisioned that batch cider variants would see a similar boom to the beer micro-brewery growth that had started 10 years ago. Their unique cider products were particularly attractive to pubs and restaurants in the growing tourism and millennial markets. The siblings put an ambitious business plan together for OK CiderHaus and discussed the plan with their father and Peter Johnson, their local bank manager. Johnson was helpful in extending their line of credit to assist with the capacity expansion of the brewery. He also had some investor contacts that he had previously discussed with the Smith family.

Grant Smith was supportive of his children's ambitions and was open to bringing in significant investment in return for a shareholding of the business. One of the investment possibilities suggested by Peter Johnson was TechnoCore, a conglomerate of technology founders who were looking to diversify their investment portfolio. In a short period of time, the Smiths and Mal Rajaman, the CEO of TechnoCore, came to a two-phase investment agreement:

> **Phase I:** in return for a 20% holding of OK CiderHaus and a director position on the board, to provide investment support for:
>
> - expansion of the main brewery capacity to handle a 75% increase in sales
> - acquisition of a local apple orchard to secure the raw material supply
> - addition of sales and marketing personnel

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1   Although the case study is a hypothetical example, the details in the implementation steps have been collated from real applications conducted in recent years at several CAM-I member companies.

Phase II: conditional on the success of Phase I, in return for an additional 20% holding of OK CiderHaus, to provide investment support for expansion into the U.S. market, specifically in the metropolitan region of Seattle, including:

- acquisition of two apple orchards and a brewery in the Wenatchee area of Washington State, providing a hybrid cider product based on the apple and other fruits grown in that region

- an aggressive advertising campaign including sponsorship of local sports teams

Following the success of these two investment phases and the resulting expansion, the Smith family believed that their subsequent growth plans would require considerable additional investment. One of the options that they discussed at length at their next board meeting was the possibility of being acquired by one of the mega breweries interested in expanding its product offerings. Graham and Grace informed the board of directors that they had visited a local micro-brewery – a contact provided by Mal Rajaman – which had recently been acquired by Labsons Beverage Company. They had met briefly with the original owners who discussed how they had retained the branding, product names and most of the staff, so that consumers were unaware of the change. On the other hand, the micro-brewery received the benefit of the larger beverage company: the latest information technology, deeper marketing budgets and a broader reach for sales. The Smiths felt they had a reasonable understanding of the pros and cons of such a significant change in how their business would be run, and the board agreed that it would be worth exploring. However, the board emphasized that before opening up formal discussions with any mega-breweries, it would be optimal to strengthen OK CiderHaus's bargaining position through short-term enhancements to the company's overall performance capability.

On that point, Grace Smith noted that, a few months ago, John Walker, Director of Business Performance in the finance department, had attended an implementation certification workshop on the CAM-I Performance Management Framework (PMF) at CPA Canada's annual conference, The ONE, in Vancouver. Based on positive feedback afterwards from John, she thought that the PMF would be an excellent approach to use for evaluating short-term options that could be tackled, in order to improve weaknesses in the company's performance capability before exploring future strategy options. After discussing this idea, the board gave Grace the green light as the project sponsor to proceed immediately with a PMF implementation and to report back to them with the implementation recommendations.

Accordingly, Grace appointed John Walker, a fellow CPA with expert facilitation skills, to lead the PMF project for OK CiderHaus.

PMF Implementation Preparation

To prepare for implementation of the PMF project, Grace first consulted with John Walker to identify requirements for PMF implementation. With John's input, she and Graham arrived at the following decisions.

Senior-executive decisions

- To get the biggest impact, Grace and Graham decided that the business area to be studied should be the corporate location in Okanagan, including the main brewery. They believed that they would be able to apply most of the findings to their Wenatchee location in the United States at a later date, as needed.

- Given their short-term strategic view, they decided on the start of next fiscal year (approximately six months from the current period) as the future time period for the assessments.

- John Walker had stressed the need for the implementation team to be made up of six to eight members of senior management with a diverse cross-disciplined understanding of the business. Grace and Graham understood the benefits of adding an external stakeholder to the team for diversity in perspective. They considered several customers who had been invited from to time to time to participate in future product and branding sessions and provide valuable "voice-of-the-customer" feedback. But, given the strategic sensitivity of the initiative, they decided to keep this an internal project. Accordingly, the PMF implementation team was selected as follows:
  — Grace Smith, CFO (project sponsor)
  — John Walker, Director of Business Performance (project lead)
  — Opie Bazel, VP, Operations
  — Iris Wong, VP, Information Systems
  — Sally Jenkins, VP, Sales & Marketing
  — Sunny Garrido, VP, Supply Chain
  — Bru Brahm, Chief Brewmeister
  — Darlene Boivin, Chief Data Analyst
  — Purita Dhillon, Chief Purchasing Officer

- The project approach Grace Smith and John Walker agreed on was to commit two consecutive days to complete the PMF implementation.

- Grace finalized the agenda for the two-day PMF implementation with John Walker. As requested, Grace planned a report-out to the board of directors by the implementation team for late afternoon of Day Two.

To help with the understanding of the PMF methodology and the implementation details, before the project start, John Walker provided copies of the CPA Canada Executive Overview, *The CAM-I Performance Management Framework: How to Evaluate and Improve Organizational Performance*, for Grace to distribute to the members of the implementation team.

Two weeks later, the team embarked on the PMF implementation.

PMF Implementation Process

Grace Smith opened the two-day project implementation session by outlining the strategic objectives to be accomplished. The implementation team members then each, in turn, outlined their background and current role with OK CiderHaus.

John proceeded to briefly explain the PMF funnels concept and outlined key aspects of the implementation steps with examples from other implementations.

John and Grace reviewed the agenda with the team, including the timing objectives for the two days. At that point, they were ready to begin the implementation steps.

Step 1: Assess organizational readiness
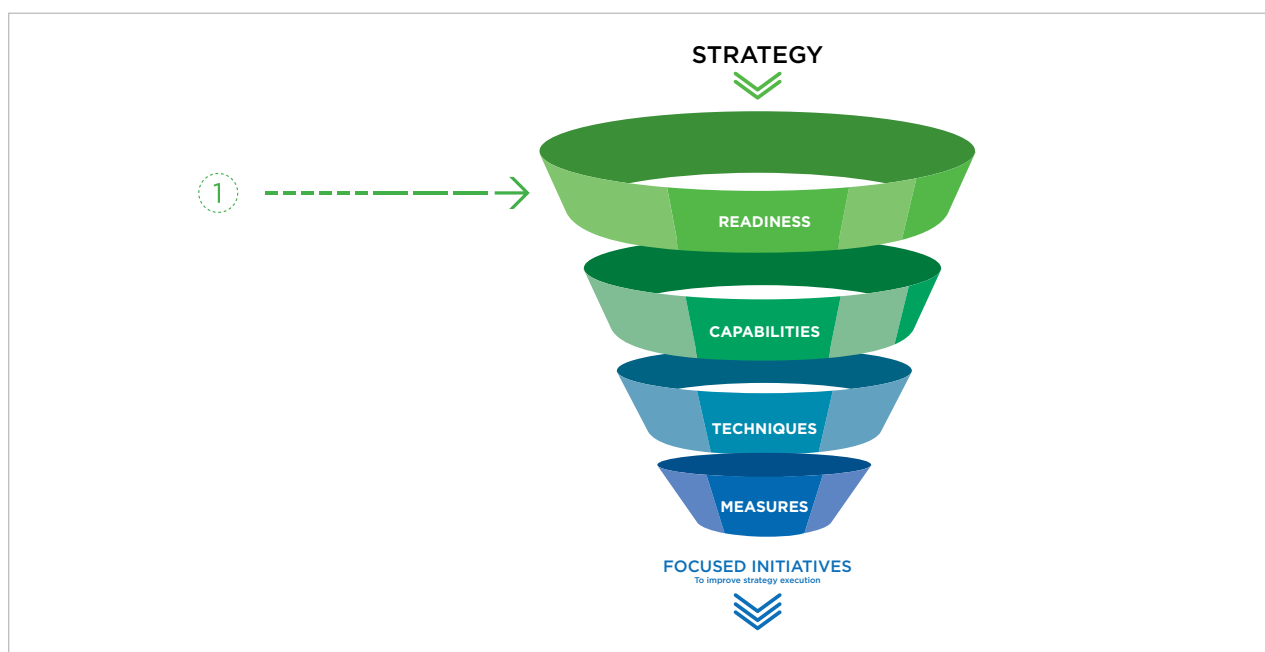
John introduced the readiness funnel and explained the five readiness criteria and [four levels of evidence of organizational readiness](#) used for this step, i.e., that they would answer four assessment questions for each criterion, thus 20 assessment questions in total. He suggested that this step should likely take less than sixty minutes to complete.

Each team member answered the twenty questions independently. They then compared their individual assessments to develop a consensus view. John noted that only a few of the twenty questions were answered differently in any significant way, and the team covered these in the consensus discussion. One key benefit of this step was that it increased understanding of team members' different viewpoints and highlighted the degree of consensus that team members were able to reach to ensure a smooth process through the remaining implementation steps.

The weighted totals for all team members were tabulated and averaged to determine the level of organizational readiness (ranging from 1, meaning absent, to 4, meaning considerable) for each criterion, as well as the overall average readiness level. The final tabulated results

are below in Figure 1. The team then used the overall organizational readiness level in further assessment steps.

FIGURE 1: ORGANIZATIONAL READINESS ASSESSMENT

| Readiness criteria	1 Absent	2 Minor	3 Moderate	4 Considerable	Total	Average level
Adaptability	0	2	4	2	24	3.00
Commitment	0	1	5	2	25	3.13
Communication	0	2	5	1	23	2.88
Engagement	0	2	5	1	23	2.88
Leadership	1	2	4	1	21	2.63
Average organizational readiness score						2.89

John reviewed the **organizational readiness** consensus results and provided the following feedback:

- The lowest criteria score was, surprisingly, for leadership. Looking at the team answers, he observed that this was a result of one of the leadership criteria questions, relating to **succession planning**, being scored low by most of the team members. This point provided for a healthy discussion, and Grace said she would get a commitment from the CEO to put together some concrete plans on this topic.

- Finally, John felt confident that the average readiness level of close to 3 would put the organization in good stead to complete the remaining steps.

Step 2: Rank business capabilities
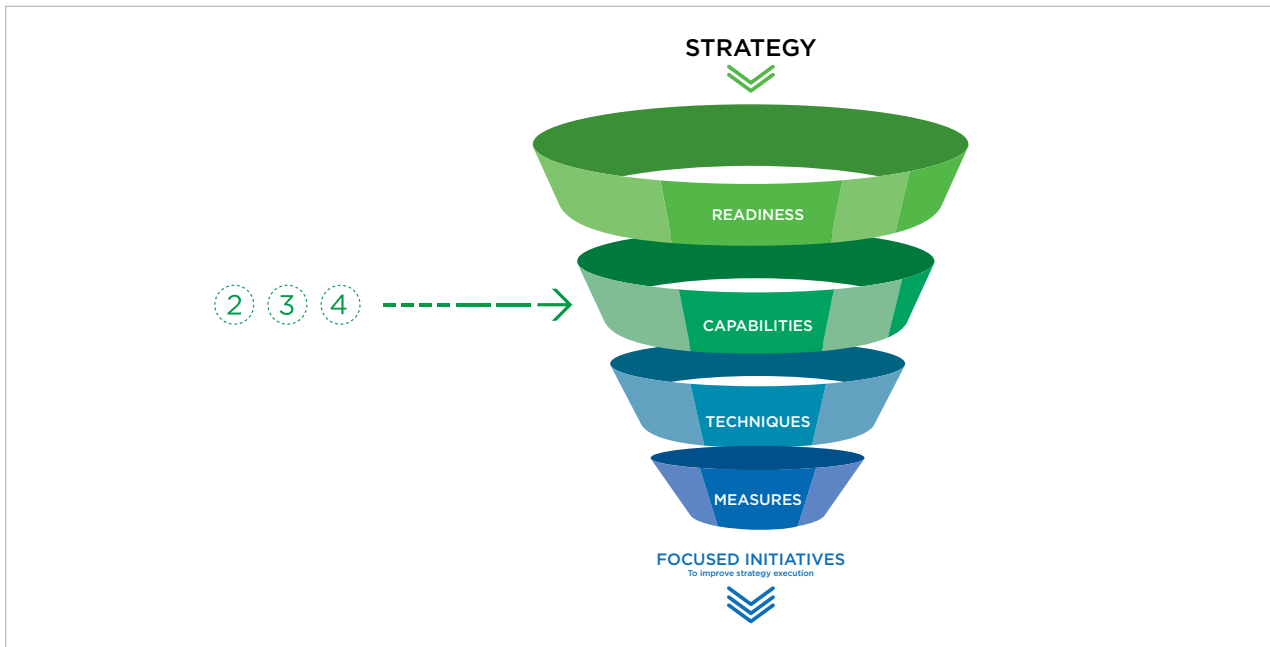
Next, John introduced the capabilities funnel, noting the following:

- The first step in the funnel was to rank each business capability in terms of its importance in executing the company's strategy.

- This preliminary step would help the team to focus on further diagnostic efforts.

- The focus of the ranking was not on how well the business capabilities were performing, an assessment that would be undertaken in **Step 3**.

John explained the different strategic ranking methods that could be used, and the team chose the simplest approach of **H** for High, **M** for Medium and **L** for Low. In order to maintain focus, John also suggested that no more than six of the 13 capabilities should be ranked as High.

Each team member completed the strategic ranking assessment independently. John noted that the team members initially had difficulty reducing the number of capabilities that were ranked as High to six or less out of the total of 13. He reassured the team that this was not unusual in most of the PMF implementations that he had facilitated and pointed out that this was one of the reasons that most organizations struggled with strategic focus. However, he facilitated further team thinking on how to reduce the number of highly ranked capabilities by reminding the team of the PMF funnel concept and that the primary objective of the project was to improve the performance capability of the business in a short time frame. With John's guidance, the team compared their individual assessments and came to a final consensus. **Figure 2** shows their output.

FIGURE 2: STRATEGIC RANKING OF THE BUSINESS CAPABILITIES

Performance management business capability	Ranking
1. Business / Operational management	H
2. Customer relationship management	H
3. Environmental management	L
4. Financial management	M
5. Human talent management	M
6. Information management	H
7. Innovation management	M
8. Knowledge management	M
9. Organizational management	L
10. Process management	H
11. Risk management	M
12. Strategic management	M
13. Supply chain management	H

Before proceeding to the next step, John reviewed the **strategic ranking** consensus results and made the following comments:

- Only five of the capabilities had been strategically ranked as High.

- These were likely to be the capabilities on which they would focus in the next steps.

Step 3: Assess maturity of business capabilities

For the next part of the capabilities funnel, the team members assessed the **Actual (A)** and **Needed (N)** level of maturity for each business capability, where:

- "Actual" was the current maturity level.

- "Needed" was for a future maturity level (for OK CiderHaus, the future had been determined to be within the next six months).

Before starting, John suggested that, when assessing the needed maturity level of each business capability, they would only need to reach an adaptive maturity level (Level 4) with a few if any capabilities (we expand on level ranking further below). This would allow them to maintain focus.

Each team member then completed the assessment independently at a macro level of understanding. Next, all team members compared their assessments to develop a final consensus to review. John noted that, as was typical in PMF implementations, there were different viewpoints from the team members that led to healthy discussions aimed at reaching consensus. This consensus assessment was invaluable for fostering participants' learning and a better understanding of and appreciation for the overall business.

After several adjustments based on suggestions from John, the team reached a final consensus and compiled the results from Steps 2 and 3 in the business capability strategic ranking and performance maturity dashboard assessment (also known as the "business capabilities maturity dashboard"). The result is below in Figure 3. The difference between the A and the N levels, denoted by the dotted arrows, is defined as the **"performance capability maturity gap."**

FIGURE 3: BUSINESS CAPABILITY STRATEGIC RANKING AND PERFORMANCE MATURITY DASHBOARD ASSESSMENT

Performance management business capabilities	Ranking	LEVEL 1 *Rudimentary* Non-systematic, non-periodic and reactive	LEVEL 2 *Established* Stable and repetitive	LEVEL 3 *Effective* Internally efficient and continuously improving	LEVEL 4 *Adaptive* Externally efficient and dynamic
1. Business / Operational management	H			A & N	
2. Customer relationship management	H		A ‒‒‒‒‒‒‒‒→ N		
3. Environmental management	L	A ‒‒‒‒‒‒‒‒→ N			
4. Financial management	M		A & N		
5. Human talent management	M		A ‒‒‒‒‒‒‒‒→ N		
6. Information management	H		A ‒‒‒‒‒‒‒‒→ N		
7. Innovation management	M		A & N		
8. Knowledge management	M		A & N		

Performance management business capabilities	Ranking	LEVEL 1 *Rudimentary* Non-systematic, non-periodic and reactive	LEVEL 2 *Established* Stable and repetitive	LEVEL 3 *Effective* Internally efficient and continuously improving	LEVEL 4 *Adaptive* Externally efficient and dynamic
9. Organizational management	L		A & N		
10. Process management	H		A ----------------———————→ N		
11. Risk management	M	A ---------——→ N			
12. Strategic management	M		A ---------———→ N		
13. Supply chain management	H		A ----------------———————→ N		

John then reviewed the **business capabilities maturity dashboard** with the team so that they would choose only the weakest business capabilities for further analysis. He invited the team members to add specific commentary to the summary, as documented below:

- Process management currently had a high strategic ranking and a maturity assessment of Actual Level 2 (Established) and Needed Level 4 (Adaptive). Opie Bazel and Bru Brahm noted that a specific concern was the ongoing focus on brand expansion requiring many short-run canning batches, which had introduced some process inefficiencies at the main brewery.

- Supply-chain management also had a high strategic ranking and a maturity assessment of Actual Level 2 (Established) and Needed Level 4 (Adaptive). Sunny Garrido and Purita Dhillon expressed a similar concern with brand expansion, noting that short-run batches were being used to address increasing demand for six-pack fruit-flavoured canned ciders, creating the need for additional suppliers along the supply chain.

- Risk management currently had a medium strategic ranking and a maturity assessment of Actual Level 1 (Rudimentary) and Needed Level 2 (Established). John suggested that it was more cost-effective to have a business capability that is stable and repetitive rather than reactive and that it was relatively easy to improve the maturity level from Level 1 to Level 2, providing a quick return on investment. Grace Smith volunteered to further explore this topic separately to see if a quick project could improve their risk-management maturity.

- Environmental management currently had a maturity assessment of Actual Level 1 (Rudimentary) and Needed Level 2 (Established); however, it currently had only a low strategic ranking. John suggested that environmental management would likely become

more important strategically in a future review, and it would be optimal at that time to improve its maturity beyond Level 1.

With John's confirmation, the team then agreed, as part of the funnel process, to choose **process management** and **supply-chain management** as the weakest business capabilities for deeper analysis in the next step.

Step 4: Analyze business capability maturity gaps

In the final step of the capabilities funnel, the deep-dive assessment provided for a more detailed validation of the actual and needed maturity of only the two business capabilities (i.e., process management and supply chain management) that had been identified with performance gaps in Step 3.

John explained the concepts of the five fundamentals that support the business capabilities, as described in the accompanying Executive Overview. Since this assessment was likely to be fairly time-consuming (between one and two hours), he recommended that it be completed by the entire team working together rather than by each team member independently. Thus, the team completed the deep-dive fundamentals maturity assessment (also knowns as the "deep-dive fundamentals maturity dashboard") by identifying the **actual (A)** and **needed (N)** maturity levels, for each fundamental / business-capability combination. Figure 4 shows the results of the team's deep-dive consensus view.

FIGURE 4: DEEP-DIVE FUNDAMENTALS MATURITY ASSESSMENT FOR THE SELECTED BUSINESS CAPABILITIES

Deep-dive fundamental: Process management	LEVEL 1 *Rudimentary*	LEVEL 2 *Established*	LEVEL 3 *Effective*	LEVEL 4 *Adaptive*	Gap in A to N levels
Alignment		A --------——→ N			1
Data		A --------——→ N			1
Procedures		A ------------------————→ N			2
Resources	A ------------------————→ N				2
Systems		A --------—→ N			1
Maturity gap sum					7

Deep-dive fundamental: Supply-chain management	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	Gap in A to N levels
Alignment			A & N		0
Data		A ---------——→ N			1
Procedures		A ---------——→ N			1
Resources		A ----------------------————→ N			2
Systems		A ---------——→ N			1
Maturity gap sum					5

John then reviewed the **deep-dive fundamentals maturity dashboard** with the team to help them choose the most appropriate business capability and fundamental to be improved, noting the following:

- For process management, the Actual average of Level 2 matched **Step 3** (refer to Figure 4), whereas the Needed average was Level 3 rather than Level 4 as in Step 3. For the detailed fundamentals, Procedures had a maturity gap of 2 (spanning Level 2 to 4), and Resources had a maturity gap of 2 (spanning Level 1 to 3). The total maturity gap sum for all fundamentals was 7.

- For supply-chain management, the Actual average of Level 2 matched **Step 3** (refer to Figure 4), whereas the Needed average was Level 3 rather than Level 4 as in Step 3. For the detailed fundamentals, only Resources had a maturity gap of 2 (spanning Level 2 to 4). The total maturity gap sum for all fundamentals was 5, which was lower than for process management, but John recommended that the team consider both capabilities for improvement.

- In terms of the fundamentals, Resources had a maturity gap sum of 4 and Procedures had a maturity gap sum of 3. John again suggested that the team consider both for improvement.

Developing further organizational insights at this level was part of the funnel process, helping the team to focus on specific improvement needs and providing the basis for proceeding to the next step. The team then completed the form in Figure 5 as their last step before moving to **Step 5**.

**FIGURE 5: SELECTION OF THE BUSINESS CAPABILITY AND FUNDAMENTAL
TO FOCUS ON IMPROVING**

Deep-dive maturity gap analysis results (business capabilities and deep-dive fundamentals with the largest maturity gap sum)	Average actual level	Average needed level
Business capability: PROCESS MANAGEMENT	2	3
Business capability: SUPPLY CHAIN MANAGEMENT	2	3
Deep-dive fundamental: RESOURCES	1	3
Deep-dive fundamental: PROCEDURES	2	3

At this point, the team had completed the remaining steps of the capabilities funnel as well as the agenda objectives for the first day. John asked Grace Smith to summarize, from her perspective, what they had accomplished in the first four steps of their PMF implementation, and he engaged with the overall team to solicit any feedback or concerns. They all agreed that they understood the direction in which they were going and looked forward to starting up again at Step 5 the next day.

Step 5: Assess techniques' success
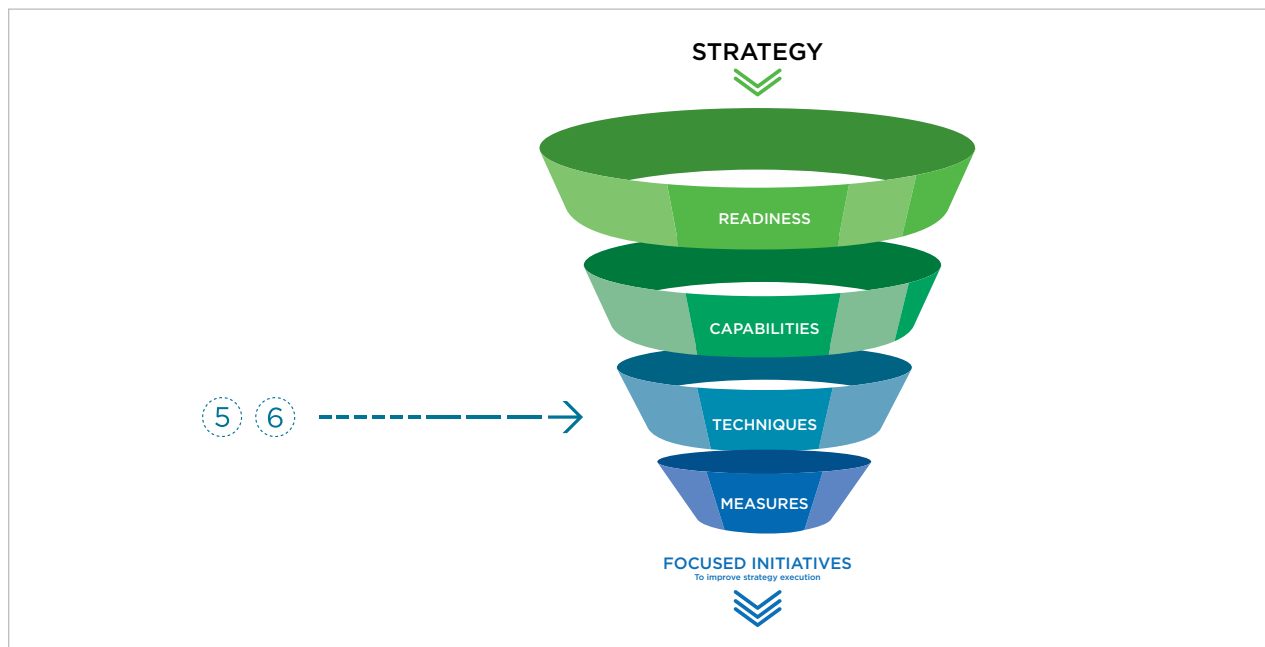
At the start of Day 2, John quickly summarized what the implementation team had covered on Day 1; then he introduced the techniques funnel. The first step in evaluating the nine improvement technique groupings would determine whether the organization had used any of the techniques and what level of success they had seen in improving organizational performance.

John noted from experience with other PMF implementations that knowledge of how specific techniques had previously been used could be quite broad, so he recommended that the entire team work collectively to complete this assessment. This would create a consensus view.

The implementation team then completed the evaluation form in Figure 6.

FIGURE 6: EVALUATION OF IMPROVEMENT TECHNIQUES' LEVEL OF SUCCESS WITHIN THE ORGANIZATION

Improvement technique grouping	Not used	Tried and died	Still trying	Moderately successful	Highly successful	Comments
1. Activity-based management	X					Investigating for product profitability
2. Balanced scorecard		X				Top level only – not rolled out
3. Benchmarking				X		Used in marketing
4. Business analytics					X	Good results so far
5. Business process reengineering	X					Not used
6. Capacity management			X			Possible applications for resource planning
7. Lean Six Sigma				X		One Lean application a success
8. Target costing	X					Too complex
9. Value chain			X			Has potential with suppliers

John reviewed the results of the **techniques success evaluation** in Figure 6 with the team and let the team members talk through the comments that they had documented for each technique grouping:

- For activity-based management, Grace Smith explained that her limited knowledge of activity-based concepts suggested that the current diversity of product offerings had made the existing product cost-allocation methods obsolete. Sally Jenkins added that more accurate product and customer profitability was needed for better decision-making.

- For balanced scorecard (BSC), John Walker described a BSC project that had been undertaken by a local consulting firm prior to the company's investment phases with TechnoCore. With more knowledge now of BSC concepts, John recognized that the previous BSC project was basically a dashboard of "balanced" measures and did not include a business strategy map, so it was lacking the "strategy-to-execution" focus needed for successful sustainability.

- For benchmarking and business analytics, Iris Wong and Darlene Boivin discussed how these tools were successfully implemented and actively used to support proactive decision-making in various aspects of the business.

- For capacity management, Opie Bazel said that this concept was being tested in various areas of the brewing process but that it was not yet entirely embedded as a principle.

- For Lean Six Sigma, Sunny Garrido explained how a recent Lean application had been undertaken in the supply chain of the Wenatchee operation and had helped to significantly reduce cycle times in the project area.

- For value chain, Sunny noted that they had started a collaborative forecasting and replenishment program with three of their major suppliers, but it was still in test mode.

These discussions were important for all team members' awareness of previous improvement efforts, particularly as the next step involved recommending techniques that should or should not be considered, based on existing past successes or failures (even if those failures may have been the result of poor implementation).

Step 6: Recommend improvement techniques

As with the previous step, the second step of the techniques funnel was completed by the entire team collectively to create a consensus view. At this point, they were now able to focus on recommendations resulting from the deep-dive assessment in Step 5.

The team's mappings in Figure 7 below indicate the maturity level (as identified by **A --—➔** or **"A-arrow"**). The A-arrow markers show where a specific technique would begin to improve the performance of the selected capability or fundamental. The relative weight (the total gap sum from Step 4) was also added for each improvement area to help with the selection process.

FIGURE 7: TECHNIQUE GROUPING RECOMMENDATIONS FOR THE SELECTED BUSINESS CAPABILITIES AND FUNDAMENTALS

Technique grouping	Maturity level 1	Maturity level 2	Maturity level 3	Maturity level 4
Process management business capability (weight = 7):				
Activity-based management		A ---→		
Benchmarking	A ---→			
Business process reengineering	A ---→			
Capacity management	A ---→			
Lean Six Sigma		A ---→		
Value chain		A ---→		
Supply-chain management business capability (weight = 5):				
Activity-based management		A ---→		
Benchmarking		A ---→		
Capacity management		A ---→		
Lean Six Sigma		A ---→		
Target costing			A ---→	
Value chain	A ---→			
Resources deep-dive fundamental (weight = 4):				
Activity based management		A ---→		
Balanced scorecard		A ---→		
Business analytics	A ---→			
Capacity management	A ---→			
Lean Six Sigma		A ---→		
Target costing			A ---→	

Technique grouping	Maturity level 1	Maturity level 2	Maturity level 3	Maturity level 4
Procedures deep-dive fundamental (weight = 3):				
Benchmarking		A ---→		
Business process reengineering		A ---→		
Capacity management	A ---→			
Lean Six Sigma		A ---→		
Target costing			A ---→	
Value chain		A ---→		

After some deliberations in reviewing the mappings in Figure 7 as well as the techniques success findings in **Figure 6**, the team summarized their observations as follows:

- **Activity-based management** was recommended in three of the four areas, starting at Maturity Level 2, and was not currently used but was being investigated for product profitability.

- **Capacity management** was recommended in all four areas, generally starting at Maturity Level 1, and was still being tried out for resource planning.

- **Lean Six Sigma** was recommended in all four areas, starting at Maturity Level 2, and had seen success in its one application.

- **Value chain** was recommended in three of the four areas, generally starting at Maturity Level 2, and was still being tried out with suppliers.

As the team was struggling to focus on a specific improvement technique, Sunny Garrido and Purita Dhillon mentioned that they had recently attended a CAM-I series of webinars – one of which was delivered by Canadian consulting firm Carrington & Markland and was entitled "Lean/ABP" – where the concepts of Lean and activity-based planning were integrated to create a "best-of-both-worlds" methodology. Sunny and Purita noted that the benefit was the ability to test Lean scenarios with better cost and resource capacity information and traditional waste-reduction and cycle-time improvements. Coincidentally, John Walker had also participated in that webinar and thought that the requirements of **Step 6** were a good fit for this improvement approach.

With reinforcement from John, the team proposed that they focus on improving the process management capability by implementing a **Lean-ABP (activity-based planning) initiative**. They could see that this initiative would likely improve the **resources fundamental** and the organization's overall capacity to implement further Lean initiatives. As a related initiative,

the activity-based methodology could also be used to generate more accurate product and customer profitability.

They were now ready to move on to Step 7.

Step 7: Choose improvement measures
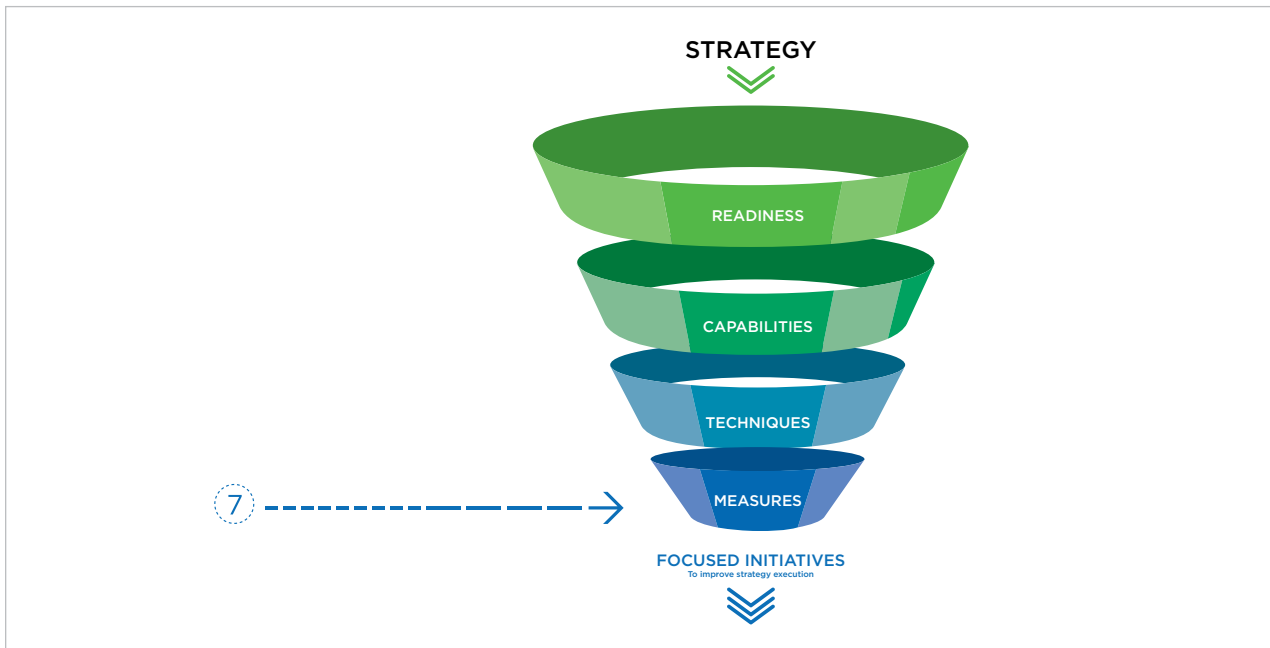
John introduced the measures funnel and suggested performance improvement measures (time, cost, quality) for each business capability. He noted that these were simply generic examples from experienced process-improvement subject matter experts and that they should be used directionally to develop specific measures relevant to OK CiderHaus.

As with **Steps 4** to 6, the entire team completed this step collectively to create a consensus view before proceeding to the next step. He suggested that, at this point, they pick only one of the measures – time, cost or quality – as there would be ample opportunities to review and enhance the measures as their initiative to improve process management capability progressed. To keep the initiative within a reasonable timeframe, John also recommended they only select measures where the organization has already tracked data in some form.

The team looked at the set of balanced-measures guidance for the initiative and came up with the proposed measures and targets, as in **Figure 8**.
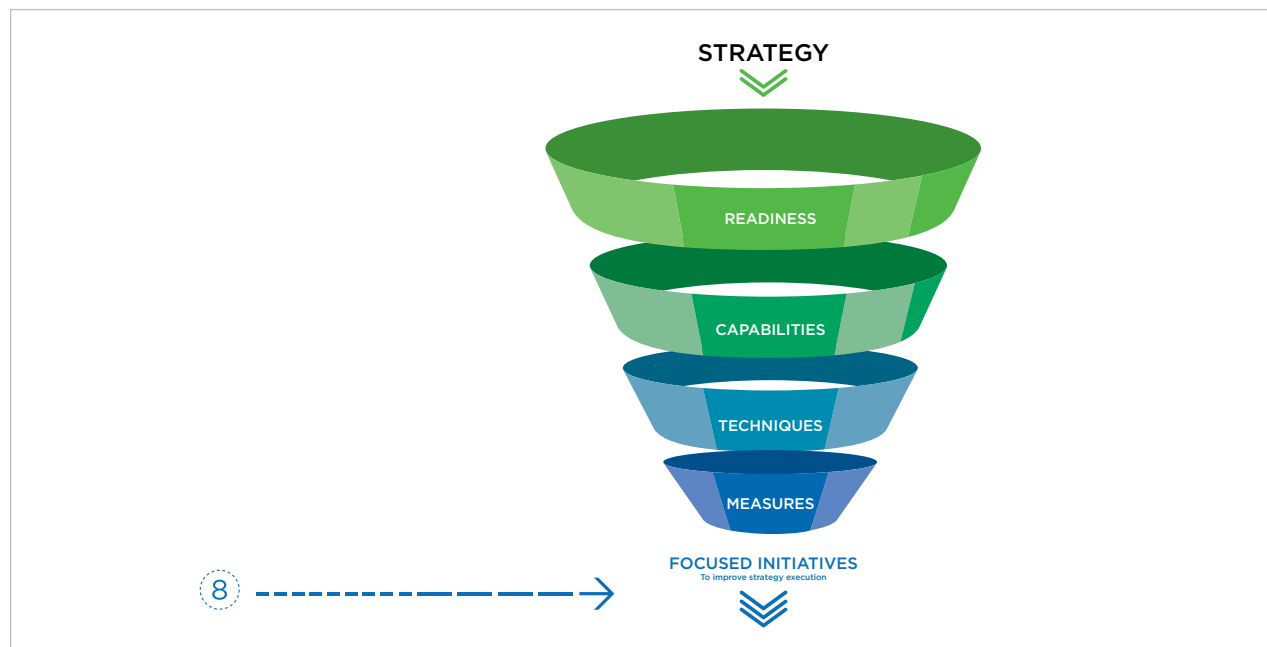
FIGURE 8: SELECTED PERFORMANCE MEASURES TO EVALUATE IMPROVEMENT OF PROCESS-MANAGEMENT CAPABILITY

Business capability	Attributes / characteristics	Time performance improvement measure	Cost performance improvement measure	Quality performance improvement measure
Process management	• Ownership • Effectiveness • Frequency of review	Small batch cycle time	Small batch total production costs	Small batch recipe accuracy
Targets	• Within six months • Benchmark with U.S. operation	15% reduction	5% savings	98% accuracy

John reviewed the measures the team selected and concluded that they were focused appropriately on the improvement initiative's objectives. He confirmed with Opie Bazel and Darlene Boivin that existing data and trend analytics were being tracked for these measures. Similar data was also being tracked at their Wenatchee operation, where small batch processing was the norm so that benchmarking would help with target-setting.

At this point, the team had reached lunchtime on the second day of the PMF project. John was pleased with the progress and that they were on schedule for the final step: designing the improvement initiative and developing the report-out for the board of directors by mid-afternoon.

Step 8: Design improvement initiative

STRATEGY

READINESS

CAPABILITIES

TECHNIQUES

MEASURES

FOCUSED INITIATIVES
To improve strategy execution

8

Case Study

Key Learnings

About CAM-I

To begin Step 8, the implementation team completed the table in Figure 9 to summarize the results of the assessment steps.

FIGURE 9: SUMMARY OF THE PERFORMANCE IMPROVEMENT INITIATIVE

Performance improvement initiative	Summary of results
List the chosen business capability to be improved (from **Step 4**)	*Business capability* Process management
List the chosen deep-dive fundamental to be improved (from **Step 4**)	*Deep-dive fundamental* Resources
List the improvement technique grouping to be used to improve the business capability or deep-dive fundamental (from **Step 6**)	*Technique grouping* Lean Six Sigma Activity-based management
Choose a balanced set of measures to track that will show maturity improvement of the capability or fundamental (from **Step 7**)	*Performance measures* Time: Small batch cycle time Cost: Small batch total production cost Quality: Small batch recipe accuracy
Define the objectives of the improvement initiative (**Step 8**)	*Objective statement* Implement Lean-ABP to improve the performance maturity of process management with particular emphasis on resource management

The team referenced the PMF *Executive Overview*, and John Walker provided additional guidance on how to put together the specifics of the improvement initiative.

Report to the Board of Directors

The OK CiderHaus directors, including Grant Smith, Graham Smith and Mal Rajaman, assembled at 3:00 p.m. on Day 2 for the report to the board. Starting with Grace Smith, the implementation team members took turns presenting various aspects of their learnings from the PMF implementation:

- Grace summarized the proposed improvement initiative as follows:

WHAT?
We have identified critical weaknesses in our **process management** and underlying **resource-planning** maturity.

SO WHAT?
Process management is critical to our ability to streamline our small-batch production. To improve this area, we need to be able to better forecast our **resource** requirements to deal with the seasonal variations of product volume and mix.

NOW WHAT?
We have defined **Lean-ABP for the initiative** to improve our **process management and resource-planning** capabilities.

- The team presented the detailed objectives of the project and explained how they would track progress using targets for the balanced set of improvement measures.

- Given the initial short-term strategic objectives, Grace suggested a project timeline of three months and outlined the resources that would be required to achieve it.

- Grace also addressed the additional action items that had been tabled as a result of other key findings, and named who would own each action item:
  - Examine and improve the succession-planning process: Graham Smith
  - Develop a plan to improve risk management beyond Level 1: Grace Smith
  - Use the activity-based methodology to generate more accurate product and customer profitability: Sally Jenkins and Darlene Boivin

The directors were impressed by the depth of information that had been covered in the two days as well as the enthusiasm and buy-in from all team members. They were confident, therefore, in approving the Process Management Capability Improvement Initiative, and the team agreed to proceed as follows:

- Grace would take on the role of project sponsor, and Opie Bazel would be the project manager.

- The project team resources would include, for continuity, some members of the PMF implementation team.

- The preliminary agenda would include "black-belt" Lean training from Carrington & Markland Consultants, starting the following week.

John Walker also participated briefly in the report to the board but had left the majority of the feedback to Grace and her team. He was very satisfied as to how the project had evolved and enthused by the directors' response in approving the improvement initiative.

Key Learnings

Next Steps: The Rest of the Story

At the next board meeting, three months after the improvement initiative was launched, Graham Smith invited the project team along with other members of the original PMF implementation team to review the project status.

Grace Smith was pleased to report that the primary objectives had been reached. They had established several additional performance improvement measures, with baselines and targets allowing progress to be tracked. In some cases, being able to benchmark against the equivalent U.S. operations proved to be a great incentive to achieve their goals.

Both Paul Bazel and Sunny Garrido, whose departments were the primary beneficiaries of the improvement project, declared that the success of implementing Lean-ABP initiative had created a demand for further implementations of the methodology and a key starting point for PMF sustainability.

After another nine months, Graham Smith called an all-employee company meeting where Grant Smith, the original founder, announced that OK CiderHaus had accepted a take-over offer from Labsons Beverage Company. The terms of the offer would guarantee the continuity of the OK CiderHaus name and associated brands as well as Labsons share options for all employees. The meeting finished with all participants raising a cheer of celebration in the only way possible – with a glass of their best small-batch slow-fermented cider!

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