

## Management By Exception

I have seen several surveys over the past few years that claim that management wastes a great deal of time looking for, or arguing over, information. The articles discuss the various ways that time is used to find, or determine the validity of, information. However, the conclusion of all of the articles is that outdated modes of gathering information are a waste of time, money and natural resources. Another favourite is determining who has the correct data (the time spent 'discussing' how the spreadsheet from accounting is different from the spreadsheet from traffic).

Depending upon the survey, the wasted time ranges from 4% to 7%. For the sake of this article, I am going to use a conservative 5% to illustrate the cost of not having information available at management's fingertips. Let's say that we are talking about a mid-size organization that has a typical upper management structure of CEO, CFO, COO and CMO. The CEO has a remuneration package that costs the organization \$200,000 annually. The other "C"-types have packages that cost the organization a total of \$500,000 for a grand total of \$700,000. At a 5% waste factor, the cost to the organization is \$35,000. It doesn't take a stretch of the brainpower to now figure out the cost to the organization when you apply the same logic to other people in the organization that depend upon information to manage their functions...and that's without adding the lost opportunity costs of not being able to stay on top of Continuous Improvement projects with good Key Performance Measurements (KPI).

## Technology to the rescue

Although there is still a long way for many organizations to go in regards to accuracy and speed of data input, several attributes of technology have come into their own over the past decade. First, the continuing integration of functions and adherence to SPOE (Single Point of Entry) principles for data entry has helped organizations tighten up the reliability of data. Secondly, the continuing (almost dizzying) pace of available processing space and power in all levels of computers (from PC to mainframe) and the continuing expansion of bandwidth in various communication vehicles is allowing data to be accumulated, processed and distributed faster.

One of the more prevalent features of enterprise solutions lately has been the advent of "Management Scorecards" and "Digital Dashboards". What these features do is not new but how they do it, the speed at which they do it and the representation of the output has come a long way from the old Executive Information System (EIS) that I used in materials management in 1983.

Essentially, these two features allow an organization to graphically represent their KPIs in such a manner as to allow the user to make instantaneous decisions to correct a negative trend in a metric or indicator. Both Scorecards and Dashboards, depending upon the software vendor, are typically shown in a graphical manner with either bars (for totals) or lines (for trends) representing the data that has been accumulated and calculated for presentation. For the sake of simplification, I am going to use the term "dashboard" to discuss functionality usage.

For example, a distribution manager may have several dashboards that show: (a) the number of orders picked by hour in bar format; (b) the number of line items picked by hour in bar format; and, (c) the ongoing efficiency of the picking crew in a line format with the 'normal bar' set at 100%. The first two show straight numerical information whereas the third shows a calculated trend that could be updated every five minutes (or whatever timeframe the manager wanted to use).

Good dashboard products have drill-down and audible warning capabilities. Some have the ability to send out pager messages and accelerate the level of management visibility if corrective action is not taken in a certain amount of time or if the measurement hits the next level of unacceptable behavior. Let's say that the efficiency trend is steadily going down. The distribution manager should have the ability to click on the graphic and see the current efficiency of every member of the picking crew. This would likely point the manager in the direction of the crewmember that has the lowest rating and may be pulling the rest of the measurement down. Corrective action can now be taken. Should the distribution manager be on lunch break and the trend hits the next warning level, a signal would alert the next level of management and so forth.

This technology will help organizations manage more effectively and at a lower cost. However, the successful use of Dashboards and Scorecards still depends on fast, accurate data getting into the database in the first place.

#### ***About the author***

*Ken Cowman has over 11 years experience working in operations management and over 26 years of management and enterprise solutions consulting experience. With over 25 years of executive management experience and 6,500 hours of education and seminar leadership experience, he has the experience to be able to view the organization from all levels and ability to provide the appropriate level of teaching and/or consulting to effectively assist organizations in their quest for continuous improvement.*