STRATEGIC DIRECTION AND PEOPLE DEVELOPMENT – TWO KEY ELEMENTS OF LEAN ORGANIZATIONS

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Abstract

One of the key principles of lean management is the involvement of people and help from their side senior and middle management to identify and reduce, or eliminate the improper practices or wastes, and to achieve continuous improvement of activities within the specified scope of their duties, which is people development. The vast majority of people are honest and responsibly working individuals who want to give the results of the work that is required from them. In order to be able to do that the challenge of management is to provide them with proper tools and techniques, to train them to utilize those and to require from them to continuously carry out the right work in the right way.

In an organization, as well as in life, having the right ideas is only one part of the success. The ability to communicate those ideas and to bring them into life and practice is a real test. Therefore, the setting up of a strategic direction by the senior management of the organization and the communication of this direction towards the people is the second key principle of lean management. The intent of this article is the presentation of these two key principles in a way that would be easy to understand, accepted by both management and people, and viable in the practice.

Introduction

Within Toyota, when a young, ambitious professional proposes implementing or using some tools, a senior leader will ask the difficult question: What is your purpose? By asking this question, a leader is forcing the young professional to think: Why am I doing this? What will be the result if I am successful? Is this the most important result to be aiming toward right now? By forcing the young professional to answer these questions, the senior leader is teaching him how to think (Liker, 2012).

Without focusing on developing people and having a clear understanding of where the business is going, we are left with deploying tools to get one-off results. We take out inventory here, we solve a quality problem there, we reduce changeover times,

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we organize the work areas, and so on. At some point, a senior executive can ask: With all these "improvements" I hear about in operations, why isn't our business growing? (Duggan, 2012).

From the contentions of Liker and Duggan, what requires the successful management of any organization is clear: *In order to engage the workforce effectively, people need clear goals or strategic direction and they need those goals or direction translated in a way that they are meaningful to their own work.* Having *strategic direction* in a place is the first element of the lean organization. For the true success, the organization needs to connect the improvements with the strategic direction to achieve objectives that will drive business growth. When this happens, there is an integral connection and alignment between what the senior leaders at the top focus on (business success of the organization) and what is being worked at on the shop floor to achieve those objectives.

In addition to directing the initiatives of people towards fulfilling strategic direction set up by senior management, people need the appropriate skills of diagnosing problems and creating solutions. They need management to provide them with the appropriate toolset, with the time to practice those skills, with access to the resources that facilitate overall improvement and with a framework for action that will ensure that all improvements are the result of doing the right things in the right way. So *people development* aimed at being able to fulfill objectives is the second important element of the lean organizations. The description of these two elements in a meaningful and understandable way from the perspective of lean management concept is the topic of this article.

1 Strategic Direction

Vision, mission, and strategic goals are the elements that define strategic direction. Strategic goals should have three basic characteristics (Papula – Papulová, 2010):

1. Goals should clearly define the priority towards fulfilling vision and mission.
2. Goals should be quantifiable and measurable to assess their accomplishment.
3. Goals should be timely defined for certain period, usually several years.

Strategy and tactics are mutually interconnected terms that many of us in reality do not differentiate (Papula – Papulová, 2012). However, when managers become unduly involved in by carrying out the tactical details of their routine activities than they usually fail to create a strategic understanding of the business and communicate it to the people who help them run it. As a result, it is impossible for

many people, especially those at the frontline of the organization, to have visibility of objectives and opportunities beyond completing the immediate task.

When lack of a vision and understanding limits people to conduct a given task, they have little ability to recover from disruptions to the routine and essentially no ability to make innovative and meaningful enhancement to the work. Lean thinking provides people with a strategic view and direction of the processes and policy deployment provides them with a strategic understanding of the organizational business and improvement goals. Even if the intended course is clear, when people have no understanding of the intended destination and no map for reference, they have no ability to find a better alternative journey that was previously unobserved. Allowing people at the frontline to make autonomous improvements requires that we construct and operate a disciplined framework so that we can be certain that everyone is consistently doing the right thing, in the right way, and well within boundaries that define clear limits of the improvements.

In the lean context, the key element of strategy is not deciding whether the organization will enter new markets or develop new products, the key element is to give people who would not otherwise be engaged with improving the organization sufficient information about the strategic direction to allow them to help management to succeed. Strategy is largely also about the clear communication with people that is critical to successfully sharing the work to achieve the strategic intent.

Lean is not participative management where everyone decides what is important. Lean is participative execution where everyone contributes to achieve the established goals of the organization. The first step in that process is to ensure that everyone knows what the goals are and how he or she can help.

With the intent of ensuring that people authorized to make autonomous improvements are consistently doing the right things in the right ways and staying within the boundaries, the strategic direction defines the *right things* to do. A good strategy is that which defines and excludes what is *not authorized* as it does by defining and including what *is authorized*. In this way, strategy provides both *direction* (toward the right things) and *focus* (away from other things).

Let us assume that you adopt a strategy intending to increase the capacity and reduce the costs of existing products and operations with no new investment. With such a strategic direction, people can autonomously make operating improvements that have no other effect than to lower cost or increase capacity. Direction and focus simply get the entire team moving together in a way that ensures all actions are aligned and compatible.

So, the first step in implementing strategic direction is *to communicate what needs to be done, what should not be done, and the boundaries that cannot be exceeded* and the appropriate tool for that is *policy deployment.*

1.1 Policy Deployment

The full capability that lean offers to organizations cannot be achieved unless management takes the steps necessary to engage and enable frontline people to help the organization recognize opportunities and provide autonomous implementation of those opportunities. Shared understanding of both the objectives of the business and the practices of lean enables people at the frontline to work in a harmony with the existing capability for improvement represented by engineers and managers in the organization.

One reason for failed improvement effort can be that when we limit the scope of engagement to the frontline people to identifying the problems and nominating others to solve them. This is just simple suggestion program. In that way, the total organizational capacity for improvement remains limited by the technical and execution capacity of the existing professional improvement staff.

So managers have to provide a meaningful structure, in lean organizations it is policy deployment, to ensure that actions at the frontline are both strategically correct and within the frontiers of business necessity. The results of unsupported efforts are always modest because many people at the frontline do not know what actions will produce strategically correct and effective improvement.

Policy deployment is the management approach to aligning many independent activities of autonomous teams so that they are compatible with one another in a way that, together, they produce significant aggregate progress toward the focused objectives of the organization (Floyd, 2010).

In organizations, generally, two distinct types of improvement opportunities are affected by two different types of solutions. Engineers and managers conduct "large event" improvement that demands company-scale resources and requires a relatively long time to implement. People at the front-line conduct "small event" improvement that normally can be accomplished in a short period using only limited resources that are naturally available to them. By large and small events we understand the scale of the resources and people engaged in the effort and the time required to create the improvement.

When the goals for small events are carefully focused and the boundaries authorized for small events are appropriately managed, people at the frontline can implement small event improvements on their own initiative autonomously. This approach is more valuable than unstructured autonomy, people can independently contribute completed improvements that are strategically aligned and certainly within the needs of the organization. Frontline teams will not make the same improvements in the same way as engineers do, but they can make their own improvements in their own way as an important companion to the efforts of the engineers.

Policy deployment consists of three separate elements, each of which is equally important to the creation of autonomous improvement. The first element is *strategic direction*. If we want people to have the autonomous ability to help the

organization with meaningful improvements that are compatible to the improvements provided by others, then we need everyone collectively to pursue a few focused objectives that will have the most value to the organization. Leadership must be able to articulate the organizational values and the strategic direction clearly and consistently throughout the organization so that everyone shares the same goals and the same boundaries. Shared strategic direction is a basic element of creating an engaged workforce. Authorizing people to make improvements without a clear understanding of how to organize, direct, and limit autonomous effort limits random actions that are often wasted and chaotic.

The second element of policy deployment is *translating* the goals and values of the organization to make them meaningful at each place where people will work to transform the goals into reality. The words and concepts typically used to describe the strategic goals of the organization in a way that is meaningful for the top management are often unclear at the frontline without this translation.

In addition, as the strategic goals are translated throughout the organization, it is important to establish both vertical and horizontal alignment among the several frontline teams. There are many occasions in a complex organization when the actions of one team affect others. Teams need to know what is important and what is prohibited. They need to understand the impact of improvements and changes in their work on the work of others. An important boundary for autonomous action is that teams cannot be permitted to make their own work better in ways that make the work of others worse. Improvement led by people within individual teams takes on a completely new intensity when it is related to frontline visibility and respect for the work of other teams.

The third element of policy deployment is the establishment of a *framework for action* that will make the improvement process, as practiced by each frontline team, visibly apparent. In that way, people can continuously demonstrate that they are making progress and that they are doing the right things in the right ways while staying within the limits. In addition, management can be certain that the results are all positive and the actions of all teams are mutually additive and compatible, well controlled, and consistent with ordinary practices for the management of change. When the actions and intentions of all frontline teams are visible, members from each team have the opportunity to learn from other teams and management has a noninvasive means to monitor the work to ensure that the objectives and boundaries for autonomous action are carefully observed.

The critical communication element in policy deployment is *deploying strategic goals.* The most common mistake that leaders make in this regard is holding the strategic direction of the organization at the management level, while deploying to the frontline only specific activities that they hope will produce the desired strategic outcome. If people do not know what management is trying to achieve, their ability to help is substantially limited.

As management uses the goals of the business and the organization to communicate how the employees can help the company to succeed, every frontline team needs to share the strategic direction. Strategies usually describe outcomes of the organization rather than activities intended to contribute to those outcomes. A tactical goal, like a strategic goal, generally relates to a large body of work that allows people to do many things over an extended period. The critical distinction is that tactical goals only have value to the organization when they support strategic goals. When the strategic goals are unknown, it is easily possible for tactical goals to deviate from the original intent.

Tactical goals and actions are an important part of implementing any strategy, but we must always be willing to alter the tactics if we find that they are not sufficient to produce the strategic outcome or if we find that they are not properly aligned with the strategic direction. When the tactical goals have been directed by management, frontline teams who do not know the strategic direction cannot recognize the need to make changes and they likely do not have the authority to do so. Meanwhile, managers may not notice the problem in a timely manner. As a result, in this situation frontline teams pursue clearly inappropriate tactics. When frontline teams know the strategic direction, they can adopt tactics appropriate to that direction, they also can promptly modify or substitute the tactics from time to time, as required to achieve the direction. For example, improving planned maintenance is an example of a tactical goal, improving the equipment reliability to increase capacity through maintenance activities is an example of a strategic goal.

Strategic direction is primarily a communication vehicle that requires to deploy written goals and to structure the written statement of the goals in a way that enhances its communication value. Once you have decided upon the goals that frontline people can help the organization to achieve, these goals are only valuable when they are routinely used in a way that enables people throughout the organization to help it achieve them. That happens when top managers communicate the goals so that each goal belongs personally to each middle manager and, ultimately, to each frontline team in terms that are meaningful to those individuals and with measures meaningful to their work.

The most critical aspect of this work is making certain that top managers proceed through the organization and do not attempt to go around the middle management structure directly to the frontline. No matter how sincerely or urgently senior management wants help from the frontline, the frontline must receive guidance from the middle managers from whom it normally receives work direction.

If the middle managers are not involved personally in creating the new system that will be used for autonomous improvement, it will not succeed. Eventually, senior management must turn its detailed attention to other things or the practice of autonomous improvement will grow so large that detailed senior management attention in all places is not possible. When that happens, the initiative will have no support at

all unless the middle managers who normally lead the details of the organization have been personally engaged in creating and leading the new practices. Furthermore, by carefully translating the goals through the entire organization, there are many opportunities to ensure that the derivate goals and actions throughout the organization add focused value to the common objectives and that all goals are compatible with one another.

When each middle manager participates in taking the goals forward into the organization, the goals of the company do not arrive at the frontline as unclear words from senior management that have no meaning at the frontline. Goals do not arrive at the cross-functional teams as a confused and inconsistent mix of diverse objectives originating in multiple ways. Rather, the goals arrive as a thoroughly understood and agreed-to set of objectives that exactly matches the work at hand and the expectations of the immediate supervisors who will lead the work. These are goals that people can achieve.

So the true value of goals is not in possessing goals. The true value is transforming the goals into shared understanding of mutually supportive actions that will advance the business.

1.2 The framework for action

As was said before, the final element of policy deployment is the creation of a *framework for action.* Even after people at the frontline have clear strategic goals that they can understand and execute, they still need a formal way to demonstrate that each of the tactical actions they will take in pursuit of the goals is consistent with the intent of doing "the right things in the right way."

The framework for action is the place where the special effort necessary for careful strategic deployment within the process industries becomes especially apparent. The strategic direction describes the *right things* to do. The framework for action provides the *boundaries* or *limits* within which people will have authority to act.

All autonomous teams benefit from the focus and communication provided by a formal practice for making their improvement efforts visually apparent. Especially in the production industry, management not only need to ensure that all efforts add value and are mutually compatible but also that no team makes a change or improvement that introduces or activates a risk of injury or environmental damage.

The framework for action and the rules of practice that accompany the framework provide the management oversight and assurance required to allow people to practice autonomous improvement. Autonomous improvement is not closely supervised, but it is always carefully managed. As the teams start autonomous improvement, they need a way to track progress that demonstrates that their work has achieved value. They also need a way to communicate internally among the team members to propose, evaluate, and select new projects. Management needs a method

that allows it to monitor progress and success as well as a means to ensure compliance with the limits on the authority and actions of teams while not intervening more than required in the activities of the team.

As a framework for action, the quality stations can be successfully used. A quality stations must do four things to meet the needs (Floyd, 2010):

1. *It must demonstrate the goals the team has received and what they intend to achieve locally in response.* Each frontline team needs strategic goals that are specific to the work of the team. Those goals need to be derived from the company goals and they need to be visibly displayed. Quality stations control these goals as they are deployed and require that each team constantly and visibly demonstrates that all of its actions are continuously aligned with the goals and do not exceed the limits on the goals.

2. *It must demonstrate through objective measures of the goal what the team has previously accomplished.* Each team must display the objectively measured results of the work that it has completed. Because the teams' work is to make improvements, teams need to demonstrate that they are making goal-aligned improvement and doing it at a good pace. The objectively measured outcome of the projects that a team has completed is the best indicator that its members understand their goals in the same way that management does. Objective measures that are selected to track progress are often more powerful communicators of intent than words in defining goals.

3. *It must show what is now in progress and what the objectively measurable outcomes of that work will be.* Each team needs to have at least one improvement work in progress and needs to demonstrate the progress of that work on its quality station in an easily understood manner. What the members of the team are doing and what they anticipate achieving as a result should be apparent. Management must be able to monitor this work in progress to ensure that teams are making progress focused on the goals and properly within the boundaries. If a team is not making improvement, management must ensure that team receives the help it needs in order to do that improvement.

4. *It must have the capability for people to interactively propose, evaluate, and select new work.* The interactive portion of the quality station is where managers and engineers get a formal and specific chance to review proposals before the teams begin work. This review of work before it starts provides further assurance that the actions of the teams will always be the right things done in the right way and within the established limits. It also ensures that, if management discovers a proposal that requires intervention, the intervention will occur before the team becomes involved in the work or before any action have been taken that might need to be undone or redo. In this way, managers can maintain control without generally intervening in the team's activities.

2 People Development

2.1 Improving performance with an engaged workforce

To obtain full value from lean efforts, you need to establish a culture in which everyone in the enterprise is highly engaged in contributing to the success of the organization. An essential value is that everyone in the enterprise should be engaged personally and directly with the success of the organization. The lean theory enables people to recognize waste in the operation. The lean tools enable people to remove the problems and the waste that accumulates around the problems. In the process, they learn more about how the plant works and how they can operate it well and make it better as they do.

As lean theories and lean tools in a culture in which everyone helps by contributing their personal best are employed, productive capacity far exceeds of what we believed is not possible. The products, delivery, and service should become better and the costs, productivity, and profits should improve. However, that cannot be implemented in an unstructured way. Enabling people to make individual contributions without the chaos that would likely result from many random actions requires a disciplined management effort.

We want engaged people who continuously do the right things in the right way, using the right tools and staying within the boundaries that define safe and appropriate operations, which means, we need people to play their role as part of a disciplined and focused team. Effective teamwork begins with defining the strategic direction for the team and the roles of individuals within the team and communicating the rules of the game. Creating the shared understanding of lean enterprise thinking is an important cultural element of this work and also includes the strategic planning and policy deployment.

Lean enterprise and a culture of engaged people are closely associated. The success lies in not only asking people to engage with the organization in a new way and to perform better than they previously had performed, but also, through lean, gave them meaningful new capabilities that enabled them to understand objectively how they could perform better. Simply asking people to do better rarely results in sustainable improvement, but delivering powerful new capabilities to them can have that result.

Many of the lean tools are those that are especially useful to frontline workers and middle managers. These capabilities allow them autonomously to identify and implement many small event improvements that engineers and managers would never recognize.

Improvement at a world-class pace requires that frontline people perform the activities and conduct small event improvement at the operational level at the same time as engineers and managers continue to implement strategic changes and conduct big event improvements. When frontline people engage in autonomous operation and

improvement, which enables engineers and managers to concentrate on a more and better big event projects, genuine synergy implies. Although lean is a great concept for organizational improvement, it needs to be used well. The key issue for the organization of any size or performance is to deploy lean quickly to improve at a good pace.

The managers of the organization, where world-class performance is achieved, have three important characteristics (Floyd, 2010):

1. They have a clear strategy that defines with real precision the organizational performance that they intend to achieve as well as when and how they expect to get those results.
2. They have well-conducted initiatives to engage all employees to pursue those results with autonomous "best efforts" performance from each individual.
3. They adopt new capabilities such as lean tools that enable them to practice manufacturing in a substantially improved way.

A company needs to focus on all three elements – strategy, an engaged workforce, and improvement concepts such as lean – to create world-class operating performance. The lack of all three elements is the most common reason that many companies adopt lean with only limited success. Those companies who concentrate only on lean, they have great tool, but do not know what to do with it and do not have enough people to help them use it.

2.2 The structure and the elements of employee engagement

Management is responsible for the structural results of any organization; creating an engaged workforce is solely a management responsibility. However, the permission to take random or undefined actions is far more likely to result in chaos than in improvement. Any organization must maintain strict control over the improvement efforts.

To create an engaged workforce, management must create an organization in which most people can autonomously improve the business and, at the same time, in which everyone can be certain that all changes are the right things done in the right way and well within precise boundaries for improvement efforts.

The organizational capability for rapid but disciplined improvement is created when management delivers to people throughout the organization the five objective elements of engagement (Floyd, 2010):

1. *Goals to be achieved.* The engagement at the frontline cannot succeed if people are uncertain about what to do. There is no room for an engaged workforce for random improvements or uncoordinated actions. Every action taken by every team must add to and be compatible with the work and the improvement efforts of others. The principal mechanism for achieving that

mandatory alignment throughout the large organization is goal or policy deployment.

2. *Skills to achieve those goals.* Efforts to engage people at the frontline generally begin with trust in the knowledge and capabilities of the frontline teams. Recognition of that inherent capability is valuable. The difficulty in progressing from knowledge of operations at the frontline to implementation of successful initiatives to improve operations is that knowledge of the opportunities is not the same as the ability to cause improvement. In this case, people know that a problem exists, but they do not know why it exists. Therefore, if we want people to practice serious and productive improvement, root cause analysis is one of several new problem-solving skills that management will need to provide. The second manifestation of the difference between knowing about a problem and being able to solve it is that people often do not have the technical skill to solve the problems they experience. Therefore, it is important to define specifically for each team the skills that it will use and the competence required before it can autonomously use those new skills to make the improvements described in its goals. Do not teach people skills that they will not use immediately. Competency improvement needs to be associated closely with the tasks that require new competence. The most common error that managers make in delivering new skills is to require all people to receive training in a way that is convenient to the trainers, but results in training that the trainees will not be required or able to use for some time. When people learn skills that they will not use or will not use promptly enough to remember when the time for using them comes, both the training and the time spent in training are lost.

3. *Time to practice improvement.* If we want to be certain that teams do routinely practice improvement, we need to provide them with some designated time when they can routinely practice it in three basic areas: *informal time* that operators create for themselves; *team meeting time* provided or scheduled by management; *normal management control of time.* Management should provide frontline teams with specific time in which the improvement work of the team is included in the individual task assignments of team members and engineers.

4. *Resources to carry out improvement.* It is a good practice to allocate a small budget for this sort of thing so that it is within the team's control. This gives the teams greater autonomy when they are faced with a project that exceeds the preexisting resources natural to their prior limited scope of work. If they are entitled to a certain amount of engineering support or authorized to make a certain amount of unplanned spending decisions, teams often find a way to do amazing things with small budgets.

5. *Framework for action to ensure careful management of autonomous work.* Framework for action, or quality station, makes the process and outcome of autonomous improvement visually apparent, where the team demonstrates that, as the tactical execution of its goals evolves with time, it continues to maintain the original strategic alignment. The team also demonstrates that it is making significant progress. By making visible the goals and tactics, the completed work, the work in progress, and the planned work, the quality station allows managers and engineers to maintain unobtrusive oversight of the changes as part of a meaningful management of change effort.

These are called the objective elements of engagement because it is possible to determine with some certainty whether they exist. When teams at the frontline have these objective attributes in place, they can and will initiate a successful practice of autonomous improvement.

Two subjective characteristics of engagement are less apparent. If they are not present, these subjective elements are stopping the team from succeeding. These subjective elements of engagement are:

1. *Lack of trust* in management.
2. *Interpersonal disruptions* within the team.

Taken together, management of all seven attributes is necessary for people at the frontline of the organization to engage in autonomous improvement. Management needs to create a new social culture proactively at work in which a new form of work can be effectively practiced.

Creating a meaningful capability for autonomous improvement is an absolute necessity for world-class performance. It is impossible for the organization with a traditional level of engagement to compete with the organization that is benefiting from a truly engaged workforce.

2.3 Competence levels of people development

Development of the competent people is an area where a substantial benefit is to be derived from paying close attention to people throughout the organization, including engineers, managers and other professionals. A significant step on the path toward capturing this benefit is to adopt a new way of thinking about individual competence and the manner in which individual competence affects the performance of the organization.

The focus on a new way of thinking about individual competence is primarily concentrated on the relatively new practice of specifically developing people in certain "critical positions" to have high competence. Development of a few highly competent people for a few critical roles is uniquely more valuable in process industry because of

the greater reliance on technology and capital equipment, both of which demand more competence.

A demonstrably direct relationship exists between the competence of the people in an organization and the performance of the business they operate. The important new element of the relationship between the competence and the performance is that there are two substantially different aspects of industrial competence. They must be managed independently, but together they substantially determine organizational performance. *Basic competence* is required in all people before an organization can achieve stable and safe performance and industry-average business results. *High competence* is required of a few people in critical positions before an organization can demonstrate a pace of improvement and business results that far exceed industry standards.

The mix of high competence and basic competence exists in many combinations. However, two specific thresholds define the relationship between individual competence and organizational performance (Floyd, 2010):

1. *Either* ubiquitous basic competence or highly competent people in critical positions are required for an organization to achieve stable, safe, average performance.
2. *Both* ubiquitous basic competence and highly competent people in critical positions are required for an organization to achieve best in class performance.

Competence is an assessment of an individual's demonstrated performance in the specific role that he or she currently occupies. Prior excellent performance in other roles and potential excellent performance in potential future roles are certainly both important, but not for the role currently held. If a person's excellent abilities do not translate to real-time excellent performance in the person's current role, those abilities do not contribute to current organizational performance. A person who possesses great capabilities, but who currently functions in an average way, has no more value to the business than any other average performer.

There many approaches to developing people as well as many good reasons to do so. Here, the competence of a specific person can be assessed by using the following *Competence matrix* (Floyd, 2010).

Competence level I: A person is able to conduct only the basic elements of the task and requires supervision to achieve that performance. This is the level of competence normally associated with a poor performer or someone who is new to the job.

Competence level II: A person is able to conduct all the basic elements of the task with no supervision. Such a person may be able to do more advanced elements with some supervision and ought to be able to create and implement small event

improvement associated with basic elements of the work. This is the level of competence and performance that should be normal to most of the workforce.

Competence level III: A person is able to perform all the task elements, both basic and advanced, with no supervision. Such a person ought to initiate improvement to the basic elements of the task frequently and regularly initiate improvement to the more advanced elements of the work. This person also provides task help (normally mentoring, not supervision) that will enable others to achieve competence level II.

Competence level IV: A person is a master of all the task elements and is competent enough to improve both basic and advanced elements of the task frequently and to create valuable extension to the work itself. This person provides task help (normally mentoring, not supervision) that will enable others to achieve competence level II or III.

An organization cannot succeed unless its people have the fundamental competence to manage the organization in a stable and safe manner. Essentially all the people in the organization should be at competence level II. In that environment, to prevent serious occurrences or to respond properly, people must generally have full capability to act independently and successfully in at least all basic elements of their work. In aggregate, all attributes of basic competence determine the organizational fundamental performance.

At competence level II, most people in the organization must satisfactorily perform the essential elements of their work within their own capabilities. The tolerance provided by describing this requirement as "most" rather than "all" recognizes that some people will be new in their roles and some people will not routinely perform as expected and your process must be robust enough to accommodate these people with lesser competence.

When most people in the organization routinely perform in a satisfactory way within their own capabilities, managers have an opportunity to provide special attention to those who cannot or do not regularly meet the standards. With such a structure in place, successful execution of the many detailed aspects of managing an organization can assuredly avoid the potential consequences of managing errors. Most people will have basic competence and those who do not will have a fully competent supervisor or mentor available to help meet operating expectations.

Competence level II can be considered to be the threshold for ordinary performance within the organization and to ensure that the operations will be routinely stable and safe. There is nominal allowance for a few people who are new and for a few people who perform badly. However, unless 90% or more people are at least at competence level II, the resulting performance is likely to be substandard.

Usually it is a wrong practice to artificially emulate "ordinary" performance by diverting highly competent people, who otherwise represent the organization's improvement capability, to assist in sustaining the basic operation. In this way, the organizations miss the opportunity to improve. They accommodate lack of level II competence throughout the organization by requiring highly competent people to work routinely below their capabilities. This is often an effective means of facilitating a new plant, major expansions, or another event that requires the simultaneous hiring of many untrained people, but it is a great waste of talent if it is a routine practice to accommodate the lack of development of a stable workforce.

Competence is an indicator of the performance of one specific individual in one specific role. This implies that competence improvement is also a highly specific activity to develop the capabilities of a single person to match the requirements of his or her role. Fortunately, the roles of most people in any organization are sufficiently interchangeable that a satisfactory level of basic competence can be achieved with common development programs and can be easily shared among many people.

The basic competence of most people determines the ability of an organization to improve. Organizations that possess basic competence will allow highly competent people to make special contributions. Organizations that lack basic competence divert highly competent people and prevent them from making special contributions.

The competence of individuals must relate to performance. Level II competence is necessary for routine operation and basic frontline improvement. It is possible to determine objectively the required basic competence that would enable a business to perform according to industry standards. When not, the organization will routinely perform badly, or the organization can divert a few highly competent people to accommodate the deficiency and, in that configuration, all aspect of routine improvement can stop. That direct relationship makes it possible to manage the basic competence of an organization in a way that facilitates predictably stable operations.

However, level II competence alone is insufficient to achieve the best possible pace of improvement. Just as level II competence is the threshold to achieving routinely stable and safe operations, level II competence in most people is the threshold to achieving world-class performance.

In order for an organization to survive, most people must demonstrate at least basic competence. In order for an organization to move beyond ordinary results to become one of the best manufacturers in the industry, some people must be especially good at what they do and they must be positioned for their contribution to have a special impact. The people who have a surplus of competence have the ability to help others to recognize and implement improvements that are not obvious to others.

2.4 Critical positions

The superior competence is indeed required for above average performance, but the precise correspondence between superior competence and superior performance

is inconsistent. Some organizations can have many people with superior competence but achieve performance that is not meaningfully different from organizations with relatively few people of superior competence. In other situations, some organizations with more people of superior competence can achieve worse performance than organizations with fewer highly competent people.

What can allow us to manage superior competence as a tool for reliably achieving superior performance are the *critical positions*. In some positions in organizations, competence has special influence on the performance of the entire organization. When an organization is stable, because most people are generally at level II competence, a few people of special competence (level III or IV) who occupy critical positions enable the organization to achieve special performance in a predictable and repeatable way.

A critical position is an organizational role where excellent performance within that role will have a positive effect on the strategic goals of the organization. Once the organization understands the nature of critical positions, the individual competence can be managed to make a direct contribution to organizational performance according to two simple rules:

1. The extent to which an organization possesses people who generally demonstrate level II competence reliably and predictably determines the ability of that organization to perform according to industry standards.
2. The extent to which an organization fills critical positions with highly competent people (level III or IV) reliably and predictably determines the ability of that organization to exceed industry standards and become truly excellent.

The organization needs to establish a reliable and predictable relationship between the competence to be managed and the business outcome that results from that management (in this case performance). With a good understanding of that relationship, the organization can create a new management tool or practice of placing or developing highly competent people in critical positions that would have a beneficial impact on performance. So, the performance of organizations corresponds predictably to the placement of people with special competence into positions of high influence.

Critical positions allow a highly competent people to leverage that competence into improved organizational performance in two different ways: *individual contribution and mentorship*. Positions that enable people to make special *individual contributions* typically are those where the organization has a clear need for real expertise in a particularly valuable aspect of the work. These positions require the same characteristics: a single highly competent person who can make a uniquely valuable contribution to the performance of the business, or a *subject matter expert*. It is an individual who can make a special contribution through mentoring a field of

technology or operations as well as all the individuals who practice that technology. Their role is often to help others use the technology that they mentor so that the entire group of technical operators becomes better able to make special contributions. Mentors not only improve the quality of work of other operators of the technology, but also improve the technology in ways that are of special value to the organization.

The "critical position" concept can be applied to the recognition of subject matter experts without the rigor of a formal analysis. If a technology is important to the organization, then it is likely that you should have someone in a staff with special skills in that technology. This person is someone with superior technical skills who can improve the technology and can help other people practicing the same technology to do it better.

With only the understanding that critical roles are positions where an individual of special competence can make a contribution of unique value to the organization, it is normally possible to start effective competency management promptly by identifying those positions and either developing or assigning highly competent people to fill those roles.

Conclusion

Organizations that have committed senior leaders and develop their people to high levels of capability to innovate and solve the most pressing problems, and tie product and process improvement to a clear business strategy will grow and will be the winners.

Managing general competence is demonstrably beneficial to ensure that all people achieve at least basic skills. Managing the competence of a few people in critical roles to achieve high skills has an added benefit. In most situations, it is possible to obtain that benefit promptly simply by recognizing the issues and engaging the organization to focus on the people and roles that have the most to offer. Ongoing formal management of competence and critical positions is necessary to sustain the gains.

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