Module 6: Discussion

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

Tom Cappucci

Tom Cappucci

Oct 19, 2020 Oct 19 at 11:37pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

Union Pacific Railroad uses several “Key Performance Indicators” (KPIs) to measure our business performance. The KPIs are: employee safety (injuries per 200K work hours), network train velocity (train miles/train hours), car velocity (daily miles traveled per car), freight car terminal dwell (how long a railcar sits in a terminal without moving), workforce productivity (daily car miles/number of employees), locomotive productivity, percentage of cars delivered per original schedule, and the number of railcars we ship during a 7 day period (Like to be at 160K+). These KPIs are aligned with our corporate strategy: provide safe, reliable, and efficient transport of customer goods. Currently, we are progressing on what leadership is calling “Unified Plan 2020” which set ambitious productivity/efficiency goals back in 2018 to improve in each of these categories by the end of 2020. Currently, we are tracking to meet or exceed the category goal for all but one KPI, which unfortunately is safety. The end goal of Unified Plan 2020 is 0 company injuries, currently we are at 1.22 per 200K work hours. Otherwise, we are making good progress!

Edited by Tom Cappucci on Oct 25 at 9:05pm

Reply Reply to Comment

Joe Williams

Joe Williams

Oct 21, 2020 Oct 21 at 6:33pm

Tom do you have the authority, and if so have you ever used it, to develop your own “Key Performance Indicators” (KPIs) to measure your area's performance? I know in my situation we are so dynamic and literally have hundreds (to put it lightly) of contributing factors to each of our projects that we have the ability to develop our own. This intrigues me to learn about other industries and whether that same freedom is given.

In your opinion why do you think that you are not meeting the safety KPI? Does this lack of concentration open up an opportunity for you to get involved and really make a difference in seeing that the KPI is met? I know that Safety is one of those areas where the goal is always ZERO, but the reality is we don't work in plastic bubbles. Heck, I bet even if we did work in plastic bubbles, there would be that ONE PERSON who would find a way to have an injury with the bubble.

Reply Reply to Comment

Tom Cappucci

Tom Cappucci

Oct 23, 2020 Oct 23 at 10pm

Joseph,

Great question. I do not have authority to develop my own KPIs, my department head does that for us. To give an example, we have a KPI to have 77% pass rate on environmental inspections, meaning we leave an inspection without a notice of violation (NOV) due to our wastewater treatment operations. Safety is a tough one to say the company is not doing what it needs to do to protect employees. We have cut a few thousand employees over the past 5 years, I think that has contributed to the spike in incidents because the employees who are left are doing more work with less time and that leads to corner cutting. I do my part staying injury free and making sure the small team that works for me does their work safely, we have 0 injuries during my time. Agree on your comment about not being in a bubble, I'm not sure 0 is a realistic goal company wide, but I know I can set it as a goal every year for my work group.

Reply Reply to Comment

Zachary Smith

Zachary Smith

Oct 28, 2020 Oct 28 at 5pm

Tom,

It seems the KPIs mentioned are very geared towards productivity/efficiency out of your assets - I would imagine these tie in to improving the Asset Turnover. Seems like a good strategy because I'm sure the assets for Union Pacific are very costly. Do you have any insight into the sales side of Union Pacific? I'd be interested in hearing the high level of strategy of how Union Pacific markets to its customer. As I think about it further, it seems the KPIs you mention above could be impressive stats to market as it seems achieving those not only could translates to good asset turnover, but also assures customers of your company's capabilities.

Reply Reply to Comment (1 like)

Tom Cappucci

Tom Cappucci

Nov 4, 2020 Nov 4 at 8:06pm

Zachery,

The locomotive fleet is very expensive to own & operate - diesel fuel for our locomotives is our greatest expense every year. I have not had many conversations with folks on the sales side, but from what I understand our marketing strategy is we have the largest footprint network to transport your railcars from point a to point b and we are the most reliable, meaning when we say your cars will go from Los Angeles to Chicago in 3 days, that's exactly what happens. I am unsure what our specific prices are for the customers, but imagine we are price competitive, so our advantage is through having the most direct access to major cities/ports and being the most reliable/efficient.

Reply Reply to Comment

Joe Williams

Joe Williams

Oct 21, 2020 Oct 21 at 6:24pm

The indicators that my organization uses to measure business performance would be the Quarterly Fiscal Results which are shared with the public via their web page (Quarterly Results Archive, 2020). They stay consistent with the strategy as required by the Security Exchange Commission. This transparency helps with the validity of the brand name, as well as shareholder confidence. Within the organization, each business area, and then the departments within them, will form their own internal measuring devices. This could be simple reports that are generated from our Industrial Engineers that gather various metrics depending on what is being sought after. If I want to see whether a “project” is ahead of schedule, my Industrial Engineers will provide me a report of where the project should be on paper, to where it is digitally, and then I’ll verify the comparison to what I’m seeing in reality when I’m physically having hands on the project. I can seek out my Materials Engineers to see performance data (failure, success, deterioration, preservation qualities, cost, etc..) of various materials to determine possible changes and or substitutes in a project. So there is a very wide range of dynamic indicators that can be used based on exactly what performance I’m looking for.

Quarterly Results Archive. (2020, October 20). Lockheed Martin Corp.

https://investors.lockheedmartin.com/financial-information/quarterly-results

Edited by Joe Williams on Oct 21 at 6:37pm

Reply Reply to Comment

Bill Osburn

Bill Osburn

Oct 25, 2020 Oct 25 at 10:08am

Hi Joseph,

I worked for Lockheed Martin Corp. as a contractor at one time. Do they have any other ways to measure business performance as a company other than fiscally? I do see on a lower level, each department has its own metrics to measure performance. As long as those are being met the business will meet its goals as well. They can use their name to their advantage for sure.

Reply Reply to Comment

Marc Farias

Marc Farias

Oct 28, 2020 Oct 28 at 8:31pm

Hey Joe,

I like the way you describe our company's strategy to measure success. As a large company, there are certainly multiple levels of measurements to consider. Your specific indicators are very familiar with me as I have to report many metrics in the sustainment side of the house to measure success.

Reply Reply to Comment

Jun Gao

Jun Gao

Oct 22, 2020 Oct 22 at 8:18pm

Los Alamos National Laboratory (LANL) is currently using innovation and capability to measure business performance. Innovation and capability indicators include technology (science and engineering) leadership, safety and security capability. The mission of LANL is to design, produce and certify current and future nuclear weapons and reduce global nuclear threats. The strategy to achieve these critical missions is to leverage scientific and engineering leadership, including applying transformative science, developing novel technology and engineering solutions to address and respond to emerging national security challenges. This innovation and capability measurement is consistent with the lab's strategy. To measure technology leadership, safety and security capability, the classified area will use the nuclear weapon quality, component life extension, safety operation improvements and engineering control innovations as quantitative metrics for the annual review. The publication, patent, approved grants and the number of new programs will be used as indicators to measure unclassified business performance.

Reply Reply to Comment

Bill Osburn

Bill Osburn

Oct 25, 2020 Oct 25 at 10:17am

Jun,

I like that LANL uses safety as a performance indicator. I have worked places that give bonuses for meeting safety goals. Does LANL have anything like that in place? I would guess that since your company deals with nuclear weapons that safety would be priority number one. With technology leadership as a KPI, how is it measured? Is there a lot of competition in your industry in the U.S.?

Reply Reply to Comment

Jun Gao

Jun Gao

Oct 27, 2020 Oct 27 at 5:52pm

Bill,

Unfortunately, we don’t have anything such as bonuses in place to maintain employee motivation. It might be a difference case for our Director management.

There are many ways to measure technology leadership. We use publications and patents as qualitative metrics. We also use funding in the special technical area, and the measurable deliverable in the capital programs to measure the technology leadership.

Our major competitors are Livermore National Laboratory and Sandia National Laboratory in the nuclear weapon field. However, people doing the general sciences have to face a lot of competition with external industries and academics.

Reply Reply to Comment (1 like)

Eric Worley

Eric Worley

Oct 22, 2020 Oct 22 at 10:29pm

TAM-PrimaryMarkB-19.jpgEric Worley

TCMT 612 - Technical Management Decision Making

Module 6: Discussion

Since Module 6's prompt dovetails nicely off of Module 5's discussion prompt, I am retaining the strategic objectives below for ease of reference:

As I mentioned previously, I have only been employed at my current company for just over three months, and the organization's strategy is clear. We are the premier energy technology company, leading the industry with novel ideas and new approaches to today's energy-related challenges. The company is also at the forefront of minimizing its and our customers' carbon footprints and reducing greenhouse gas emissions.

The organization's core competitive advantages are size/scale, global footprint, financial health, human talent, established brand, and organizational systems and framework.

Regarding the measurable business performance indicators, I believe they are quite well aligned with the organization's strategic objectives. Similar to the content and recommended approach described in The Balanced Scorecard: Measures That Drive Business Performance, my organization employs similar methodologies. The balanced scorecard tracks all of the critical elements of a company's strategy – from continuous improvement, partnerships to teamwork, and global scale. [1]

The following outlines the key strategic business objectives with the measurable performance indicators and balanced scorecard performance measure category:

Key Strategic Business Objectives

Measurable Business Performance Indicators

Balanced Scorecard Performance Measure

Protect the core

1. 100% revenue growth YoY in core, 2020 vs. 2021

2. Margin x.x% 2021

3. DSO reduced by x.x%

4. ROCE x.x%

Financial perspectives

Divest assets and companies not aligned w/ growth strategy

1. Business segments a, b, and c to be divested in 2021

Innovation and Learning Perspective

Reduce carbon footprint & achieve net-zero carbon equivalent in 2050

1. Began tracking baseline carbon emissions and reporting quarterly by business unit

Innovation and Learning Perspective

Diversify beyond traditional oil and gas

1. Power market (electric transmission lines) entry w/ non-metallics, secure one opportunity and data

2. Midstream infrastructure operator entry, secure $x.x revenue

3. % target of sales from next generation non-metallic pipeline

Customer Perspective

Establish significant position in non-metallic technology

1. Expand adjacent non-metallic (composite wraps) – partnership, organic, inorganic

Innovation and Learning Perspective

Manufacturing excellence

1. Cost out x.x% of manufacturing product

2. Reduce ‘cost of poor quality’ COPQ by x.x.%

3. x.x% of on-time product deliveries

4. Next generation composite product fully commercialized (4”, 6”, and 8” pipeline)

Internal Business Perspective

The organization I work for does a thorough job when aligning both financial and operational measurable business objectives that align with the company's strategic goals.

Eric Worley

TAM\_EWorley\_Module6Discussion\_WorksCited\_TCMT612TechnicalManagementDecisionMaking.pdfPreview the document

Reply Reply to Comment

Marc Farias

Marc Farias

Oct 28, 2020 Oct 28 at 8:52pm

Hi Eric,

I enjoyed reviewing your company's Strategic Business Objectives and corresponding Measurable Business Performance Indicators. A few things stuck out to me such as how sporty the 100% YoY revenue growth was and the divesting of business segments; Wondering how that impacts those segments if they are part of the company to be absorbed elsewhere.

Reply Reply to Comment

Carolyn Perez

Carolyn Perez

Oct 23, 2020 Oct 23 at 12:17am

The indicators that my organization uses to measure business performance would be market share, profit, and revenue growth. I think these are consistent with the differentiation strategy of my organization. We know that higher market share put companies at a competitive advantage position. I have found that, just like our lectures indicate, companies with a high market share often receive better prices from suppliers, as their larger order volumes increase their buying power. I have been able to see this first hand as I have had the opportunity to work with suppliers on different contracts and negotiations. This is important for my organization because increased market share and greater production go hand-in-hand. Therefore, my organization can grow the market by providing a continuous stream of attractive solutions to the market. Cash flow for my organization indicates the company's ability to meet its financial obligations. A company's financial top-line, revenue, and bottom line, profit, are key measures investors look at to judge the performance of a company.

Edited by Carolyn Perez on Oct 23 at 12:19am

Reply Reply to Comment

Rosanna Popa Rangel

Rosanna Popa Rangel

Oct 25, 2020 Oct 25 at 5:55pm

Carolyn,

Learning more about market share, profit and revenue growth from the endless hours of simulation practice, I can see how important those indicators can be for a company. My company also uses the differentiation strategy but since we're a small company, I think our main goal is profit and revenue growth. This year has been filled with challenges and a lot of people had to be let go, which is a clear indication that our revenue and profit were impacted by the reduction in projects.

What type of business does your company do?

Thanks for sharing,

Rosanna

Reply Reply to Comment

Jun Gao

Jun Gao

Oct 27, 2020 Oct 27 at 5:50pm

Carolyn:

Thank you for sharing the indicators used to measure the business performance of your organization. It seems most private companies use market share, profit and revenue as indicators. Since I am not working in a company, I do not always put these indicators in my mind when I run a program. Personally, I evaluate these three indicators in company’s annual and quarterly financial report before I do a stock investment.

Reply Reply to Comment

Jonathan Weiss

Jonathan Weiss

Nov 3, 2020 Nov 3 at 8:23pm

Carolyn,

Thanks for the rundown and quick insight into your organization. It's great to see how what we're learning is directly reflected in a real world application. You drive home the point that it's very important to have a high market share. It seems to me that having a higher market share ensures a continued high market share. This comes in the form of receiving better prices from suppliers. As you pointed out, if a company is able to negotiate and achieve better prices for products, the opportunity to grow becomes more of a possibility.

Reply Reply to Comment

Jacquelyn Lopez-Barlow

Jacquelyn Lopez-Barlow

Oct 24, 2020 Oct 24 at 3:27am

There are various indicators LANL uses to assess and monitor scope execution to meet Laboratory objectives. All milestones and deliverables LANL must execute are formalized by contracts and fall under the various strategic goals identified by Triad, LLC. There are three levels of review and evaluate performance- project/operations, program/directorate, and sponsor/laboratory. At each level, data is collected, analyzed, and reported to the appropriate stakeholders. The minimum indicators vary by program and are established by the federal program level. Additional indicators are identified by senior managers to ensure scope is executed safely and securely. The list below describes, at a minimum, the types of data collection and reporting requirements.

Project/Operations level-

Data Collection: Facility availability, supply chain, work performed metrics, safety metrics, security metrics, equipment operability control charts, technical and organizational learning, schedule status, and financial analysis.

Reporting: Weekly/monthly scope execution status and milestone reporting.

Program/Directorate level-

Data Collection: Control Account and Program Earned Value Analysis

Reporting: Weekly/monthly scope execution status and milestone reporting, and monthly risk management reporting.

Sponsor/Laboratory level-

Data Collection: Program Earned Value

Reporting: Monthly scope execution reporting, monthly milestone status reporting, monthly/quarterly risk management detailed reporting, and quarterly reporting to governance boards.

Reply Reply to Comment

Daniel Talamantez

Daniel Talamantez

Oct 27, 2020 Oct 27 at 1:58pm

Jacquelyn,

With all of this data reporting, what would you say your company focuses on the most? From your data, it looks like the bottom line is important and possibly a niche market to specific customers to obtain your strategic goals. Reviewing some of the companies on the SEC EDGAR website, I noticed that there were companies that had hybrid plans where they focused on both differentiation and cost leadership while some only focused more so on one area. I think a healthy balance can increase a companies portfolio and it's chances of maximizing it's market share. What is your opinion?

Edited by Daniel Talamantez on Oct 27 at 1:58pm

Reply Reply to Comment

Jacquelyn Lopez-Barlow

Jacquelyn Lopez-Barlow

Oct 28, 2020 Oct 28 at 2:10pm

Daniel,

In my area, the bottom line is important because we have a very specific customer base and it is all about product delivery. My directorate is focused on manufacturing and optimizing our processes to improve reliability and reduce risk. From my experience (government contract only), the Laboratory needs to take a differentiation approach because of who our customer base is and the types of services we provide. However, in the manufacturing areas we do to implement cost leadership because we need to make sure we do not over price ourselves because DOE can, and has, made decisions to move missions to other sites, so we need to stay competitive also. Because we are allocated government funds we need to make sure that we are being responsible and as efficient as possible without jeopardizing safety and security. I agree there is a balance between the two, but it is not a 50/50 split strategy and the ratio depends on the each company's goals.

Edited by Jacquelyn Lopez-Barlow on Oct 28 at 2:18pm

Reply Reply to Comment (1 like)

Jordan Caddick

Jordan Caddick

Oct 27, 2020 Oct 27 at 9:55pm

Jacquelyn - as a project manager with the small projects group, I am familiar with the above metrics! I had a long career with the US Department of State as a contractor for their Overseas Building Operations group prior to joining LANL, and I find the level of rigor at LANL very different from my previous career. I think that the US Department of State could learn much from LANL's implementation of EVM, however I think that LANL could learn from the Department of State's leaner version of measuring the KPIs related to building diplomatic facilities overseas. In the end, both have their advantages and disadvantages. Thanks for the clear definition of LANL's performance indicators.

Reply Reply to Comment

Jacquelyn Lopez-Barlow

Jacquelyn Lopez-Barlow

Oct 28, 2020 Oct 28 at 2:16pm

Jordan,

I agree we could learn a lot about more about utilizing KPIs better. With Triad I have seen more interest in learning from other agencies and industry of how to measure performance. EVM has been the gold standard for so long but it leaves out some important information especially if the correct level of formality is not implemented. I am happy we are bringing in people like you with experience because we can learn a lot, rather then continuing to do things the same way just because that is the way we have always done it.

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 24, 2020 Oct 24 at 11:30am

The airline is full of metrics to measure performance across the company and to compare against our competitors.

One of our strategies is to "Create a World-Class Customer Experience". There are 3 major metrics we track to ensure we are on target; D-0, MBR, and Network Size.

D-0 is the measurement, as a percentage, of whether or not a scheduled flight left on time. If D-0 reaches 100% for the day, it indicates that all of our scheduled flights left on time with no delays or cancellations. This in turn means we were able to ensure all airplanes were prepped for flight and that all of our operations were in-sync to get the airplane and customers moving in their expected timeframe.

Mishandled Baggage Rate (MBR) is the measurement of how many reported missing, damaged, or delayed bags occurred per 1,000 passengers. This data is reported to the government and indicates how well we are at ensuring a customer's luggage is getting from Point A to Point B when and how they would expect it to.

Network Size indicates how many destinations we are able to connect a passenger to either on our own aircraft of one of our partner airlines' aircraft. Having a large network size allows us to get passengers to WHEREVER they want to go when they want to go improving their perception of the airline.

Most of the engineering groups help focus on the D-0 metric as we can help influence that with proper maintenance scheduling and reliability improvements.

Another strategy of our company is to "Build American Airlines to Thrive Forever". This is primarily focused on ensuring we have proper financial resources to continue to improve the company now and into the future. There are 2 measures associated with this beyond normal profit/loss statements.

Revenue per Available Seat Mile (RASM) is the measurement of how much money an airline earns per Available Seat Mile (ASM). As an example, if you had an airplane that held 50 seats and flew a route that was 100 miles, you would have 5000 ASM. Let's say that route made $20,000 in revenue, that route would have a RASM of $4.0. This calculation is scaled up through the entire company for all flights done throughout the year.

Cost per Available Seat Mile (CASM) is similar to RASM except it indicates the cost to fly each ASM. These costs include everything; pilots, flight attendants, jet fuel, maintenance, and more.

RASM and CASM can differ greatly based on the route, aircraft type, and more. These financial indicates and more can be found in the SEC filings each airline submits on a quarterly basis.

Our company does have another strategy that I am unaware of metrics to help measure. "Making Culture a Competitive Advantage" deals with the internal employees and how we are improving on a regular basis. Some of the goals include competitive benefits and salary, developing future leaders, becoming leaders in diversity, equity, and inclusion, and so much more. While I am unaware of what these metrics maybe, I am sure they are tracked in some manner by our internal HR groups.

Edited by Richard Pearson on Oct 24 at 11:31am

Reply Reply to Comment

Rosanna Popa Rangel

Rosanna Popa Rangel

Oct 25, 2020 Oct 25 at 5:59pm

Richard,

It's really interesting to learn how an airline measure its performance. One could assume so, but hearing it directly from someone in the company is eye-opening. The RASM and CASM indicators sound similar to the ROI but specifically for a company that makes its profit from miles traveled by each traveler and seats occupied in each flight.

Do you have an idea of how long these indicators have been used in your company? or at what point they started to use it? if it was based on the competition or if it was based on poor sales and low profits?

Thanks for sharing,

Rosanna

Edited by Rosanna Popa Rangel on Oct 25 at 6pm

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 26, 2020 Oct 26 at 6:27pm

Rosanna,

You pose an interesting question, when did we start using CASM/RASM as we do today. I went digging a bit and it seems like Southwest was the first one to REPORT this type of metric in their 2nd Quarter 2011 10-Q. That's not to say the airlines weren't using this metric internally, but this seems to be the first official public use of the metric due to the filing.

What's interesting is that we have been reporting a lot of this data, but it was never really compiled into the CASM/RASM metrics. Since we are required to report this data to the FAA, it is available in the public domain. MIT has a project that compiles this data and you can check it out when you have some free time (because we have so much hahahaha) http://web.mit.edu/airlinedata/www/default.html (Links to an external site.)

Richard

Edited by Richard Pearson on Oct 26 at 6:47pm

Reply Reply to Comment (1 like)

Rosanna Popa Rangel

Rosanna Popa Rangel

Oct 26, 2020 Oct 26 at 6:33pm

Thanks for answering Richard,

Now that you mentioned Southwest. They are hard to decipher, on one hand their services are low price compared to the big airlines such as American, United, etc. but at the same time the do offer a good service, not outstanding but a fairly good given the price of each ticket. I'll do more research but it'll be interesting to see how they implement their business strategy.

Rosanna

Reply Reply to Comment

John Schaub

John Schaub

Oct 25, 2020 Oct 25 at 8:39pm

Richard,

I love following your post each week to learn more about the general aviation business and see several metrics align to mil aviation.

When I was still wearing a uniform in as an F-16 supervisor in the USAF, we to would look at tons of measuring criteria to ensure we hit the mark and capture our goals of being prepared for the own known.

Several maintenance indicator stand out, Mission Capable Rate (MC) - functioning rate of aircraft within the unit (full, partial, non-mission capable) and why (parts, maintenance, manpower), Utilization Training Effectiveness (UTE), Schedule Effectiveness (SE), and so on.

Is there a subset of metrics within D0, that breakdown further the why's, how's and when's? I'm sure there is and I bet it is mirror to that in mil and defense production metrics.

John

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 26, 2020 Oct 26 at 6:44pm

John,

It is always interesting to see how different segments of similar industries work.

So D-0 is a big one, but there are many other metrics as well; A-14 (arriving within 14 minutes of the scheduled time), completion factor (how many schedule flights we completed), load factor (load percentage on the aircraft), and much much more. The metrics used differs a lot depending on the group and their subset of responsibilities. Below is an example of an event we may have.

I'm sure you have been sitting on a plane and everyone is boarded, but there is some "paperwork" that needs to be signed off. Next thing you know the aircraft doesn't leave for another 30 minutes. This particular flight would be coded as a "Delay" and it would affect the D0 number, but there is a chance it could still make the A14 metric and arrive on time. For this delay, our maintenance system flags the flight, and our maintenance control team is responsible for coding the delay. There are delays for everything, weather, pilot availability, aircraft damage, passenger connections, late-arriving equipment, and more. All of these have a corresponding code and the details are logged and used to help identify trends at specific locations, equipment, or personnel.

Specific to maintenance, when an aircraft is taken out of service it instantly goes on the clock and given an ETA. This step is critical as our planning groups need to be able to assign a new aircraft for scheduled routes and all that entails (a lot). There is a long list of maintenance-related metrics as well, but it may differ by the maintenance station type (line vs heavy) or the timeline of the expected repair. while different, I would imagine a lot of the metrics we use and the military use are very similar but of course, we use different metrics because aviation LOVES ACRONYMS, and more is always better!

Richard

Edited by Richard Pearson on Oct 26 at 6:46pm

Reply Reply to Comment

Carolyn Perez

Carolyn Perez

Oct 26, 2020 Oct 26 at 4:10pm

Richard,

It is very interesting to learn about your industry and how the airline measures its performance. Reading about the metrics you use with your explanation, it seems so logical that these metrics are used, but having no knowledge of your industry outside of these discussion posts, your posts are definitely enlightening. Like Rosanna mentioned, RASM and CASM seem similar to ROI, but appear to have been adjusted to apply specifically to your industry. It is interesting how the basic metrics are all fairly similar across the board, but with slight deviations so they can be specifically applied to each industry.

Reply Reply to Comment (1 like)

Richard Pearson

Richard Pearson

Oct 26, 2020 Oct 26 at 6:46pm

Carolyn,

What I have always found interesting is that all of that data is publicly available for anyone to use! We have to report a lot of this information to the FAA and is within the public domain. MIT actually has a website that compiles all of this data, you can find it here http://web.mit.edu/airlinedata/www/default.html (Links to an external site.)

Richard

Reply Reply to Comment

Joe Williams

Joe Williams

Oct 28, 2020 Oct 28 at 11:25am

Richard, I need free tickets!! Thanks for sharing this insight as I am intrigued to see how other industries operate. Do any of the indicators you mentioned above lead to someone getting fired/promoted or etc... that you are aware of?

As someone who used to work in Maintenance Control (much smaller company than an airliner) I can relate to how significant it is to perform your scheduled maintenance on time, and ahead of schedule to return that aircraft back to a flight status required. The smaller the aircraft asset availability the higher the focus is on that maintenance performance.

Would you know if that RASM or the CASM would dictate if a flight is canceled or not? I would relate this to them saying "we need X amount of bodies in the seats for this to be a profitable flight. If we don't get X, then we will cancel the flight and save money".

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 28, 2020 Oct 28 at 6:38pm

Hahaha the perks are definitely one of if not the best thing about the job, but it isn't all rosy, I have been stranded a time or two ;).

I can't say that the indicators ever lead to someone being fired or promoted, but the metrics do give some insight on where we may need to focus on to improve or mimic what is being done there. I would imagine if a director of a station or location has good metrics relative to everyone else, that is a place where we need to mimic some of the strategies being done there or promote that leader to help improve other areas.

In general, we won't cancel a flight due to the flight load, but I imagine it happens from time to time if the conditions are right. In most cases, that plane has 5+ flights scheduled and it may be going DFW-AUS-LAX-LAS and if you were to cancel the flight to AUS now you have to worry about the remaining flights that now don't have a plane. I'm sure there is some high-level review of RASM/CASM on particular routes and whether or not we should continue flying them, but sometimes there is more to a route that meets the eye. An example at AA is that we fly from Raleigh-Durham to London (RDU-LHR). RDU is not a hub for us, but we have corporate contracts that require us to operate that route. Those types of agreements and other factors are considered when looking at routes. To be honest, there are a few of us, myself included, who would love to do a stint in our network planning group to see how all of that works.

Edited by Richard Pearson on Oct 28 at 6:58pm

Reply Reply to Comment

Kaleigh Philips

Kaleigh Philips

Oct 28, 2020 Oct 28 at 11:06pm

Howdy Richard!

Really enjoyed reading about the airline industry and how they measure performance. I have a previous co-worker that now does HSE data for American Airlines, and it has always amazed me how far along the aviation industry is in their HSE culture. I would imagine it is the same for other functional areas as well as a corporation overall.

Great insights!

Kaleigh

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 29, 2020 Oct 29 at 9:01pm

Kaleigh,

I assume you are talking about Health, Safety, and Environmental for HSE? From my stint within our compliance group, HSE is taken very seriously especially the Safety portion. Safety is an ingrained thought in all of our employees because Safety is our #1 priority. Whenever we had a compliance escape, a big part of our investigation was always evaluating the event and the risk posed by that event and using our internal tools to rank the severity and log the event. I hope your friend is doing well!

Richard

Reply Reply to Comment

Bill Osburn

Bill Osburn

Oct 25, 2020 Oct 25 at 9:10am

TCMT-612

Module 6 Discussion

Bill Osburn

What indicators does your organization use to measure business performance?

Being a Native American owned business and not a publicly-traded company, I had a little trouble finding anything that addressed this question. Having worked for Delaware Resource Group (DRG) for a while, it seems that business performance is measured by several Key Performance Indicators (KPI). Cost is a metric that I see as important to DRG daily. They get the parts we need when we need them, but they always try to find the lowest price even if they order in bulk to achieve that price. Another is Customer Acquisition Cost (CAC) which relates to the number of contracts awarded and the cost to get those contracts. DRG is a government contractor and they are constantly beating out big players in the industry by h\offering the best product at the lowest cost. The government has a standard that contractors must meet and ours is to have the simulators available for training at a rate of 95%, which we rarely have fallen below. If this rate is not met on the monthly report, DRG gets a fine from the government. (Jackson , 2020).

Are they consistent with the strategy?

DRG is constantly trying to catch up to industry-standard but is fighting for money from the government to keep up. At this time, we meet the metrics but they are becoming harder and harder to meet due to End of Life (EOL) issues that are coming to light weekly. As a Systems Engineer, we are coming up with solutions, but they take time to implement at times. Meanwhile, DRG is still awarded contracts, are meeting cost requirements, and keeping a 95% availability rate on our simulators.

References:

Jackson, T. (2020, September 16). 18 Key Performance Indicator (KPI) Examples Defined. Retrieved October 25, 2020, from https://www.clearpointstrategy.com/18-key-performance-indicators/

Reply Reply to Comment

John Schaub

John Schaub

Oct 25, 2020 Oct 25 at 8:51pm

Bill,

Interesting read this week and you have pushed me to learn more about DSG. Through researching I see that DSG is a leader in the simulation service field for mil and general aviation. If I'm not mistaken DSG provides training to students in the T-6 II platform i the US Navy and US Air Force in the OK area.

Within your specified field or organization, do you have a sub-set of goals that feed into the hierarchy of the WBS? What are some key metrics you have to achieve to be successful?

The DRG seems like a fantastic place to work!

Reply Reply to Comment (1 like)

Bill Osburn

Bill Osburn

Oct 26, 2020 Oct 26 at 1:56pm

John,

The T-6 II Texan is the aircraft that the flight simulator I work on is for. DRG is based out of Oklahoma but they have contracts all over the world.

The metric that is most important to us as Simulator Maintenance Technicians is the availability rate of 95%. We take pride in keeping it closer to 100%. We average around 99.8%.

Reply Reply to Comment

Rosanna Popa Rangel

Rosanna Popa Rangel

Oct 25, 2020 Oct 25 at 5:49pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

One of the indicators that my organization uses to measure business performance is, in a few words, that the client picks up the phone and call us to build their next plant.

We use the differentiation strategy by offering high-quality, tailored products that will exceed the client's expectations. At the same time, it adds value to the project's cost.

We stay competitive in bids, that's how we win them, but we offer to tailor and not "off the rack" packages for gas plants. We make sure we offer the best design, improvements, and cost savings for our clients. Even if the initial investment is slightly higher than the competition, it'll be worth it in the long run because of the utilities' cost savings, such as power.

I believe they are consistent with the strategy, and it's what has kept us going, being a trustworthy EPC company not just for our existing clients but also for new clients.

Edited by Rosanna Popa Rangel on Oct 25 at 5:50pm

Reply Reply to Comment

Daniel Talamantez

Daniel Talamantez

Oct 27, 2020 Oct 27 at 1:44pm

Rosanna,

So in short, would you say reoccurring business is your largest performance measure? As discussed is some of our modules, obtaining new customers in extremely expensive and therefore retaining existing customers is extremely important to market share. Do you also utilize client reviews to create new and reoccurring business? Are there any other factors your company focuses on?

Edited by Daniel Talamantez on Oct 27 at 2:03pm

Reply Reply to Comment

Rosanna Popa Rangel

Rosanna Popa Rangel

Oct 27, 2020 Oct 27 at 7:29pm

Daniel,

Thank you for your comment.

I would say so, reoccurring business in a small company like the one I work for is really important, for us it guarantees the client's satisfaction and it gives us an opportunity to improve with each project. Obtaining new customers is a new approach that upper management is handling, since my company is owned by Koch Industries, the Koch Engineered Solutions team have appointed a Business Development Manager to gain new customers and enter in new industries inside O&G.

Quality, experience, staying under budget, staying under schedule, work that triangle that we learned about (Schedule, cost, quality), all of those are important and lean to the engineering side.

I'm sure that in the accounting side, as any other growing company, profit, revenue, net income, assets are great indicators of business performance.

Thanks,

Rosanna

Reply Reply to Comment (1 like)

Timothy Koontz

Timothy Koontz

Oct 27, 2020 Oct 27 at 4:54pm

Howdy Rosanna.

How does your company compete with with the lower end suppliers that focus on costs especially for the new build plants. Does the company have a strong marketing team to maintain business relations with its current customers? Are your company's products considered to be the industry standard? Are your company's cliental similar to the customer base that pays for the premium costs of Advil instead of regular ibuprofen. I would suspect that your company has a robust quality control department and policies to maintain the high standards that your company depends on to maintain its business. The company that I work for focuses on the differentiation strategy but is constantly being approached on being more of a cost leadership approach because of the current market downturn.

Reply Reply to Comment (1 like)

Rosanna Popa Rangel

Rosanna Popa Rangel

Oct 27, 2020 Oct 27 at 7:39pm

Howdy Tim,

Thanks for your comment.

To answer the first question, yes and no. While we stay competitive with lower costs, we also invest a great detail of time in tailoring our plant designs to get better results, which can cause a slight increase in prices as an initial investment, that can cut cost down the line like energy costs, utilities, maintenance, etc.

To my knowledge, we do not have a strong marketing team, we have a strong network between the upper management in OPD and the upper management in our main client's offices. A network that has only grown over the years through trust and reliability.

Our products, if you will, can be considered the industry standard but as I mentioned before, we usually go beyond in our designs to make sure that we make our clients save costs in maintenance, avoiding unnecessary shutdowns, providing full support during start-up and troubleshooting. Our clients rely in our capacity to solve common problems, and we take pride in the way our processes are handled.

From your last statement, yes, I can see my company handling it the same way, differentiating ourselves from the competition by offering tailored plants but since the current market downturn we've put ourselves in the position of: do I want to work with this client, show them the way we build plants and gain a future client? or do I want to make money off of this project?

With the Advil vs ibuprofen, it depends on the type of plant. Some clients like the ibuprofen option, some clients like everything that entails the brand of Advil with the benefits of the ibuprofen, right? same thing, quality at an affordable price or quality and reputation and high standards at a slightly increased price that some clients are willing to pay.

Thank you,

Rosanna

Reply Reply to Comment

Damian Dalcour

Damian Dalcour

Oct 28, 2020 Oct 28 at 10:18pm

Rosanna,

Would you agree that establishing a way to talk to your co-workers and management regularly about your performance, keeping records of your achievements and getting a sense of the big picture plays a detailed significant part of the business performance measurements and if so does your “BIG PICTURE” has similarities to most if not all of your projects? With all the responses I have read and experiences we all have in our every day lives, I am certain that the performace factor peaks both on the negative and positive. My "Big Picture" is somewhat similar for all my projects and when it deviates from other that what it has been then its time to re-evaluate my circumstances. I guess thats were the strategy plays a big part.

Reply Reply to Comment

Jonathan Weiss

Jonathan Weiss

Nov 3, 2020 Nov 3 at 8:32pm

Rosanna,

I think your company's strategy and style is on point for how any successful company should operate. I truly believe customers are willing to pay a little more if they know they are receiving a high quality product. I liked how you mentioned that your company stays competitive in bids. Companies have to be careful to not put themselves out of business. Potential customers need to be aware of the money they will save down the road. A big sticker price upfront can be discouraging, but from the sounds of it, your company understands this and reacts accordingly, showing potential customers what future costs they will save on.

Reply Reply to Comment

John Schaub

John Schaub

Oct 25, 2020 Oct 25 at 8:30pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

Reflecting back to last weeks discussion prompt of my companies (organization)strategic objective of, “ Providing World-Class sustainment operations (Modifications, Upgrades and Overhaul) [F-35 Sustainment] products and services to drive ”Best-in-Industry” outcomes and results. To be clear: Our focus is on the “fixer” and ensuring their beliefs and experiences on our platforms match the operators who fly them.” Our WBS element of Time Compliance Technical Directive (TCTD) authoring and Joint Technical Data (JTD) authoring have created standards and metrics to capture and grade performance of all members on the staff. Along the triad of any project or program cost, schedule, and scope to mind. We may also look into each and find that quality assurance is a great part of each element to ensure each management plan runs smoothly.

As you will see below, our WBS focuses heavily on quality metrics to ensure the "fixer" has the very best at their fingertips to complete a successful mission.

Within the LM organization as a whole, we utilize an web-based tool “Atlas”, in which we build and maintain our grading metrics as our means to help achieve the organization and companies goals or objectives; we call these Commitments or COMMITS for short.

Each WBS within our organizational chain create, track, and submit mid and end-of-year commitment against our agreed upon baseline metrics to show how we have contributed to capturing the goals or objectives. In our case as TCTD authors and modification engineering we have created commitments within four areas; Engage, Perform, Win, and Grow. Focusing on one area, Perform, my WBS has set quality metrics to ensure we drive “Best in Industry” for outcomes through technical directives. The area of Perform we have committed to the below statements.

Targeted Results:

Data Quality: Achieve program commitment of 0 Majors and less than 2 Minor comments, per Time Compliance Technical Directive (TCTD) authored, at final QA, prior to fleet release of Verified TCTD, meeting or exceeding TCTD scheduled review date.

Criteria (CY):

SG4: 95%-97% (Achieved); 90%-94% (Below Average); 89% and less (Requires Significant Improvement).

Schedule: Achieve on time completion of assigned Authoring tasks: Draft ready for Internal Review, Submittal to JPO. (Document exceptions beyond Author control) (AP1).

Criteria (CY):

SG4: 94%-100% (Achieved); 87%-93% (Below Average); 86% and less (Requires Significant Improvement).

Promptly reply to AR’s against assigned TCTDs providing thoroughly researched adjudication comments, ensuring any needed improvements to the TCTD are promptly incorporated.

Criteria (CY) – Avg. AR Response Time:

All Grades: <3 Days (Achieved); 4-5 Days (Below Average); >5 Days (Requires Significant Improvement).

As you can see, we have agreed to an unbelievably high standard to ensure we commit to the customer and be the “Best in Industry” for modification, upgrades, and overhauls. No other fighter aircraft manufacturer puts as much emphasis on quality of delivered technical data than Lockheed Martin.

Reply Reply to Comment

Megan Wallace

Megan Wallace

Oct 28, 2020 Oct 28 at 1:26pm

John-

Those really are some stringent requirements to achieve each criterion goal, but in order to be an industry leader, I can imagine that maintaining your quality is crucial in regards to your success. I can imagine having an internal tool to check each metric at any time is helpful as well, I may have to look into the options of implementing something similar with my own company once we've moved our systems over to a new management service.

Reply Reply to Comment

Damian Dalcour

Damian Dalcour

Oct 25, 2020 Oct 25 at 8:39pm

TCMT 612

Damian Dalcour

A key performance indicator is an assessable value used by my organization to track and

determine progress on a specific business objective. My company uses key performance

indicators to evaluate how well they’re performing, if a change of strategy is needed, or if current

behaviors should continue.

Gross and net profit margin is used in our finance department. Gross profit margin expresses the

company’s profits as a percentage of total sales revenues generated. It provides a high-level view

of how much profit they are making. It shouldn’t be used for detail decision making because it

doesn’t factor in all expenses. My company uses it as a tool for comparing their profitability to

other similar companies or benchmarking their performance over time.

There are other times they use net profit margin. This gives detailed information about the

percentage of revenue remaining after operating expenses, taxes, and interest has been deducted

from a company’s total income. This is less useful for comparing our company but gives a more

accurate internal figure for understanding profit

Reply Reply to Comment

Tyler Gilbreath

Tyler Gilbreath

Oct 27, 2020 Oct 27 at 10:34am

Damian,

Amazon uses our rate at which we process inventory into the building and to the customer as one of our biggest indicators. When we see a decrease in our rates we begin troubleshooting to understand what is the driver behind the reduced rates. These rates are reviewed daily as well as on a period scale of every 4 weeks to identify trends.

How often does your company review their KPI's?

Tyler

Reply Reply to Comment

Damian Dalcour

Damian Dalcour

Oct 28, 2020 Oct 28 at 9:42pm

Greetings Tyler, since my company has only (2) deliverables we monitor it monthly and due to the area we facilitate those numbers are always very close. So on positive stance our money spent is never wasted and if not utilized at the the desired or designated cause then I can be factored into our next function.

Reply Reply to Comment

Kaleigh Philips

Kaleigh Philips

Oct 25, 2020 Oct 25 at 10:19pm

My organization tracks many indicators to measure business performance including, but not limited to, HSE metrics - injury rates, spill numbers, etc., Sustainability metrics - emissions, Financial metrics, and HR metrics. Each of these high level groupings break out into multiple key performance indicators (KPIs), beyond the examples I listed here, that are reported each quarter to the board of directors, as well as in our annual report. With our strategy being: “take energy forward” in a way that makes it safer, cleaner, and more efficient for people and the planet, these metrics are in direct alignment with supporting that strategy. I believe in having this alignment we prove not only to our employees our commitment to the strategy, but also to our stakeholders, investors, and customers.

Reply Reply to Comment

Matthew Hudson

Matthew Hudson

Oct 26, 2020 Oct 26 at 12:11pm

We too have many metrics around HSE. These drive safety initiatives throughout the entire company. Everyone in the company reverse parks, many are trained in PPE for rigs and sites. I am in IT and part of my senior training was to visit a rig, learn every part of the rig function, wear proper PPE, and understand how my team supports these facilities around the world. I even took a in-depth class "Reservoir Engineering for non-petrol employees". so that I understand aspects on the petro side. Given the amount injuries in the energy companies, no injury is worth profit. I live across the street from an HSE guy for another oil company. Injuries by tired or careless workers is preventable. If everyone is aliened with the corporate strategy and is committed then the customers and stakeholders are well represented.

Reply Reply to Comment

Jun Gao

Jun Gao

Oct 27, 2020 Oct 27 at 5:48pm

Kaleigh,

Some Divisions in our laboratory use safety and health metrics to evaluate performance as well. Since the lab has more than 100 thousand employees, we were getting consistent scores due to this larger population. Does your company co-relate metrics with the increased workforce? Has your company ever had any served incidences? We had a couple of laser-related incidence ten years ago, and the lab was forced to shut down. Of cause, we got pretty bad rating in that area.

Reply Reply to Comment

Mitchel Garrish

Mitchel Garrish

Oct 28, 2020 Oct 28 at 7:41pm

Kaleigh,

Do any of your KPI indicators have a heavier weight comparatively? We have some of the same indicators at my company; however, it seems as if all we hear about is the HSE KPI, which only accounts for 20% total. Perhaps this is just the most influential KPI at the individual level.

Reply Reply to Comment

Christopher Huebel

Christopher Huebel

Nov 2, 2020 Nov 2 at 2:39pm

Howdy Kaleigh,

My organization takes HSE KPI's into account as well. They weigh the metrics so high that they have the potential to impact our yearly bonus. I work in the oil and gas industry, and it seems like most organizations in the industry and similar industries such as energy have a lot of the same metrics. Generally they all line up with your organizations metrics. It's always comforting to see HSE included in the metrics as it points to safety being a top priority for energy companies like ours. Thank you for your post.

Best Regards,

Chris Huebel

Reply Reply to Comment

Kacie Fischer

Kacie Fischer

Oct 26, 2020 Oct 26 at 9:06am

Oncor's mission is "Empowering our customers' modern lives through safe, reliable and efficient delivery of electricity." Safety is one of the biggest company priorities. We have a tracker that records ongoing safe hours of operations. We have a goal each year to hit 5 million safe work hours (currently at >7 million!) at which point each employee is rewarded with a gift (for example, this year I chose an HP all in one wireless printer!). Additionally, each year every employee is awarded a bonus (PEP - Performance-based), and safety directly affects this percentage.

Oncor's vision statement is this, "Be the electric delivery company of choice for all customers and employees." With this vision, the company values its customers and strives to be the chosen electric delivery company.

The company's business performance is measured by the number of new and ongoing customers, the number of safe hours worked by its employees, and innovative technology to drive industry efficiency, which all has a direct effect on revenue. These metrics specifically drive Oncor's mission to provide safe, reliable, and efficient electric delivery. Additionally, Oncor continues to expand its services where the demand is and is constantly adding new transformers to meet the increasing load demand in current locations.

Safety, expansion, being the leader in efficient and reliable electric delivery, and meeting/exceeding customer needs are the main business performance metrics.

Kacie

Reply Reply to Comment

Matthew Hudson

Matthew Hudson

Oct 26, 2020 Oct 26 at 12:20pm

Wow, I am impressed with the reward initiative for safety, a big goal and reward. Based on your statement, "Oncor continues to expand its services where the demand is and is constantly adding new transformers to meet the increasing load demand in current locations" is there a dashboard regarding the number of new transformers, new customers, and negative dashboard for loss of customers? Does everyone have access to the critical dashboards such as safety? Do you any objectives on requiring individuals to report X number of safety violations? We have a large safety requirement around vehicles. If someone doesn't wear a seat belt, it is your duty to report the employee for the safety violation so they can be properly trained. Failure to report this violation can actually result in sanctions, up to losing your job. We have too many accidents in vehicles whether it is simply driving to work or working at remote site.

Reply Reply to Comment

Kacie Fischer

Kacie Fischer

Oct 28, 2020 Oct 28 at 5:59pm

Matthew,

I don't know if it is explicitly stated that Oncor's goal is to expand or how it meets this goal, I just know as an operator, we have been very busy with ongoing construction projects- many of which are additions to existing stations and expansion towards West Texas.

As far as customers, being somewhat regulated by the PUC (Utility commission) there are certain metrics that we have to meet or the company will get fined. This includes outage times, annual outage metrics (say a certain station or feeder goes out so many times a year, this reoccurring issue must be addressed or the company could get fined). I don't know all the specific data, but keeping the lights on is one of our top priorities.

On our company website, there is a tracker for safety. It shows some other metrics (which I am still not very familiar with) that also go into the annual bonus.

In our industry, if you don't follow guidelines you could lose your life very easily, so the company really pushes the safety environment and aligning your decisions with safety in mind.

Kacie

Reply Reply to Comment

Carolyn Perez

Carolyn Perez

Oct 26, 2020 Oct 26 at 4:22pm

Kacie,

I enjoyed learning about your industry and Oncor's priority to reach its' goal of 5 million safe work hours. I especially like the fact that the employees get a reward for it as well as a performance based bonus which is directly affected by the safety goal. I would think a big incentive like that would really motivate the employees and instill a sense of camaraderie with every team. We have a very strong commitment to safety in my industry, but I would go out on a limb and say that adding the incentives would probably produce high safety metrics for my industry.

Reply Reply to Comment

Kacie Fischer

Kacie Fischer

Oct 28, 2020 Oct 28 at 6:10pm

Carolyn,

Thank you for your reply. I would say that my position as an operator would not change if there wasn't an annual bonus. Many of our processes and procedures are written/developed with safety as their number 1 priority. We are literally the last line of defense for workers out in the field. We ensure proper switching is adhered to when taking out or restoring equipment. Our operations are purely based on ensuring grid reliability is maintained and that people and equipment remain safe. The bonus certainly helps though! It is just a culture that Oncor has worked hard to maintain, and you are right, having the safety metric as part of our PEP really does put a little more emphasis on it (especially for those employees out there who are new or aren't yet at the supervisor level or really just don't care).

Kacie

Reply Reply to Comment

Timothy Koontz

Timothy Koontz

Oct 27, 2020 Oct 27 at 4:39pm

Good day Kacie.

It is awesome that Oncor is investing back into it Company and not rest on the performance of its current service. This attention to a very important aspect of the company's growth secures the vitality of the company in the future. Some companies insert a safety milestone into its performance goals but do not initiate measures to achieve the goal. This can be dishearten and can present a false sense of importance towards safety that some of the work force can see through. Safety performance is sometimes overlooked but is important in the overall health and future of the company. If the safety performance is lacking, a company can incur increased legal and medical costs. Lackluster safety performance can create increased government oversight and possibly halted operations.

Reply Reply to Comment (1 like)

Kacie Fischer

Kacie Fischer

Oct 28, 2020 Oct 28 at 6:17pm

Tim,

Thank you for your response. I couldn't agree with you more. Being a part of a team whose culture embodies safety in everything we do certainly highlights previous experiences where that just wasn't the case. By showing that the company values and genuinely cares about your safety (especially in a way that rewards and doesn't punish), and goes above and beyond that required by regulations, has multifaceted benefits. Your employees are happy, happy employees are generally more productive, and a safer culture is just better for business. This can have a huge impact on the business as a whole and even other business metrics, such as revenue and quarterly performance.

Kacie

Reply Reply to Comment

Zachary Smith

Zachary Smith

Oct 28, 2020 Oct 28 at 5:09pm

Kacie,

I like how many company's include safety KPIs as a measure of their importance. As a priority, nobody's well being should be at risk while performing their jobs and company's raising awareness of this through metrics is a great way to remind everyone to work safely. On top of that, there is a cost benefit to safe work as well. The amount of additional resources required to do follow up work to address safety incidents, not to mention production losses, cost companies money. My business unit has very strict safety KPIs and every employee is awarded with a 1-3% bonus depending on how well we perform. This motivates everyone to keep safety in the forefront of their minds.

Reply Reply to Comment

Matthew Hudson

Matthew Hudson

Oct 26, 2020 Oct 26 at 11:54am

Screenshot 2020-10-26 115237.jpg

Reply Reply to Comment

Jacquelyn Lopez-Barlow

Jacquelyn Lopez-Barlow

Oct 27, 2020 Oct 27 at 1:45pm

Matthew,

I like that your company uses dashboards for showing status to meet objectives. I also like that the whole company can see where the organization stands and because as you said everyone is responsible for the company's performance. I am interested to hear how the dashboards are shared and are there areas that rely more on them versus others. We are starting to use them more at my site but it is an immature process at the moment.

Reply Reply to Comment

Matthew Hudson

Matthew Hudson

Oct 28, 2020 Oct 28 at 6:57pm

We have a dashboard site that is broken down to oil field, IT, Business, then broken down to division Objectives ( like all it objectives). Then you can drop down to your area. onsite It, Global, security, each dropping down further. Then you you look at one item it shows , current date,trend, then columns show the numbers for geo-region. You can click into the item and see the data that makes the metric.

Reply Reply to Comment

Amy Hollabaugh

Amy Hollabaugh

Oct 26, 2020 Oct 26 at 6:07pm

Business performance is measured by deliverables. At the beginning of the fiscal year we establish our goals that contribute to mission of the lab and at the end of the fiscal year we go over with management how we met our goals while still following mission strategy. We are measured by when the projects are completed and how they assist the lab meeting their mission goals. Since we are not a profit business this is the only way to measure our successes and failures. The goals help you focus on how any project can contribute to the bigger picture. Sometimes the projects can seem insignificant until you realize how the one small change/upgrade affects so many other programs and their own deliverables.

Reply Reply to Comment

Tyler Gilbreath

Tyler Gilbreath

Oct 27, 2020 Oct 27 at 10:23am

Amy, does your organization hold a quarterly review or something like that to check on the progress of the deliverables that were agreed upon at the start of the fiscal year? It has to be a unique challenge to work on a project that you don't directly see the benefits of until the very end of the project.

Reply Reply to Comment

Amy Hollabaugh

Amy Hollabaugh

Oct 28, 2020 Oct 28 at 2:25pm

Yes we have a mid-year review. During the review we give updates on how we are accomplishing our goals, sometimes we have to submit new goals because we already accomplished those goals or something has happened during the year and we have to reset our goals for different projects. It is challenging not being able to see the direct effect the project has on the overall mission but that's just how it is and you get use to it.

Reply Reply to Comment

Brandi Greenberg

Brandi Greenberg

Oct 27, 2020 Oct 27 at 5:58pm

Howdy Amy,

Our businesses are so different but, at the same time, so alike too. Goals are the driving force for our people, but our organization’s performance is all about the money. We all have to adhere to the SMART goal method for our goals, and they have to be “stretch” goals. Meaning it has to be a stretch for us to reach them. Our performance is measured against how well we did at the end of the fiscal year. Do you have a method for developing your goals, and do you have to stretch to reach them?

Reply Reply to Comment

Tyler Gilbreath

Tyler Gilbreath

Oct 26, 2020 Oct 26 at 8:05pm

My organization uses the indicators of units per hour (UPH) and critical pull time's (CPTs) to measure the performance of the site. Units per hour can mean different things for each team within the organization but the main purpose of UPH is to ensure each team is operating at the most desirable speed to ensure items are being brought into the building, picked, packed, and shipped out for the customer to receive in time. The CPT's are the indicators if we will be fulfilling all orders 2 hours before the critical delivery window passes. Ensuring the items are picked, packed, and at the ship dock at the correct time will ensure that the items arrive at the customer at the correct time. These are consistent with my organization's strategy to continue as the world's most customer-centric company in the world. I live and breathe UPH and CPT's when I am at work.

Reply Reply to Comment

Jacquelyn Lopez-Barlow

Jacquelyn Lopez-Barlow

Oct 27, 2020 Oct 27 at 1:18pm

Tyler,

How did you learn about UPH and CPT indicators and why are important? In my area, we have had a hard time getting some managers and manufacturing staff to understand why we are collecting the data. We are in the middle of a culture change so I would be interested to hear how you got to this point.

Reply Reply to Comment

Tanner Welch

Tanner Welch

Oct 30, 2020 Oct 30 at 7:33am

Tyler,

For UPH, do you fine that your company tries to increase this metric quarterly/yearly? Is there a goal to attempt to increase production on a percentage based goal?

Reply Reply to Comment

Ronnie Hurst

Ronnie Hurst

Nov 1, 2020 Nov 1 at 9:21am

Tyler -

Reading through all of the comments on this discussion topic, you are one of the very few who works for a company that is identifying output per unit of time as a key metric. This would lead me to believe that this would be aligned to a cost leadership strategy. Would you agree? The thought is that if the UPH and CPT metrics you mentioned drop off, eventually there would be a threshold where profitability would drop substantially.

Ronnie

Reply Reply to Comment

Jeremy Meehleib

Jeremy Meehleib

Oct 27, 2020 Oct 27 at 10:24am

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

As mentioned in the previous post, my former employer’s corporate strategy came down to “Do it Better. Do it on Time, Do it Safely. [to] Meet the Customer’s Needs.”

If you look closely, it is highly operational in nature. The key focus was customer satisfaction and operational efficiency. The technological component was generally in support of operational success. Eliminate down time associated with incompatibilities with customer supplied resources, such as water; or provide product and operational engineering recommendations capable of allowing operations to reach, or maintain, customer specified performance targets of rate and pressure. These objectives were handled through product selection and treating pressure analysis.

Being in the pressure pumping services sector of the oil and gas industry, a common metric tracked to compare performance throughout our service districts was frac stages per day. This metric captured efficiencies in performance of the products, equipment, anticipated revenue, and schedule variance in a single value. Tracking performance in this way conformed with their general market strategy.

Relative to the Balanced Scorecard approach to business metrics, however, it left them vulnerable to focusing on the day-to-day numbers and shy away from long term technological strategies. Targets of future growth were always market penetration through people, trucks, and presence. They very much maintained a cost/service centric business strategy.

Thank you,

Jeremy Meehleib

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 28, 2020 Oct 28 at 6:43pm

Jeremy,

Being so service-centric, was it difficult to differential when performance was due to the product your company offered versus the customer's operation itself? Of course, there may be some more differential in this data being evaluated, but I have dealt with a handful of issues where the issue didn't lie with what was provided more than it was how what we provided was utilized by the end-user (mechanics).

Richard

Reply Reply to Comment

Jeremy Meehleib

Jeremy Meehleib

Oct 29, 2020 Oct 29 at 10:14am

Richard, you capture one of the challenges of being a service industry when you mention the performance of the product vs how the customer USED the product. Often times, consultants would over ride engineering guidance for product performance and cause challenges.

One of the consultant's objectives is usually associated with reducing costs. Their response to this metric is to reduce product spend. This often leads to treating at higher pressures, which lead to more wear and tear of equipment, which eventually leads to more down time for equipment maintenance. It becomes a vicious cycle that is difficult to combat. Explaining that their efforts to save on product reduces the efficiency of the overall operation is difficult to have because our maintenance time does not impact their metric of cost reduction.

So yes, how a customer uses our services can directly effect the perception of performance even if they are the source of the performance inefficiency.

Good question,

Jeremy Meehleib

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 29, 2020 Oct 29 at 9:03pm

Glad to hear we aren't alone! It's always important to work with your end-user, when possible, to ensure expectations are meeting reality!

Richard

Reply Reply to Comment

Jay Hembree

Jay Hembree

Oct 28, 2020 Oct 28 at 8:02pm

Jeremy,

Are they any specific formulas that you are aware of that go into ratios or metrics? With the technical component being "generally in support of operational success" I assume there were metrics on such affordability initiatives. Do you know what those were or how they were tracked? At Lockheed, we have a specific budget each year for cost-saving initiatives and then measure the hours expended vs the hours saved year over year on the focus of the said product. It is measured against an original goal and then scored. If there is a positive return monetarily or in overall quality, the project is considered a success and then is rolled out to other areas of the company to see if something similar can be successful.

Reply Reply to Comment

Jeremy Meehleib

Jeremy Meehleib

Oct 29, 2020 Oct 29 at 10:24am

Jay, that level of analysis was not part of our processes. The closest we came was job time analysis that captured the primary purpose of segments of time on location. We captured every moment from the time of arrival on location to departure. We were able to analyze scheduled and unscheduled processes during that entire time. Unscheduled processes would fall into a number of categories and allow for follow up evaluation. If unscheduled processes involved product performance issues it was captured, if it involved a safety incident it was captured, maintenance, trucking delays, etc.

This data capture would allow us to evaluate impact of procedural changes or other sources of efficiency or inefficiency that may represent what you are enquiring about, but the details of this root cause of variances noted in the time evaluation were pretty specific to the job usually.

I hope that answered your question.

Regards,

Jeremy Meehleib

Reply Reply to Comment

Jeremy Smith

Jeremy Smith

Oct 28, 2020 Oct 28 at 11:58pm

Jeremy,

It is interesting that your previous company was able to come up with a metric that could encapsulate so much into a single indicator of performance. That is quite rare, but I believe you are right in the fact that it gave way to focusing on short-term performance. I'm a total believer that performance metrics should always be accompanied by quality metrics as they are intentional diametrically opposed. It forces strategy and thought about short-term vs long-term as it is a tradeoff curve where both cannot be simultaneously satisfied. Great insight into the company's indicator metric!

Reply Reply to Comment

Daniel Talamantez

Daniel Talamantez

Oct 27, 2020 Oct 27 at 1:40pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

As a regulated utility we have quarterly and yearly metrics that we must hit or otherwise could be potentially fined by the Public Utility Commission. Some of these metrics include SAIDI & SAIFI (system average interruption duration & frequency index) or reliability, DART (days away, restricted, or transferred) or safety, EBITDA (earning before interest, taxes, depreciation, and amortization) or financial operational performance, operational efficiency or managing expenses per customer, and infrastructure readiness or capital plan. All of these measures are consistent with our strategy of providing low cost, safe, and reliable electricity to our customers. Metrics are weighed against projected numbers and past years. It is important that our company does well in all these areas to maximize profits relative to our cost of operation. Therefore, I would say that we focus on a cost leadership and some differentiation to increase the likelihood that customers choose our utility rather than co-ops when they have a choice or distributed generation like solar.

Edited by Daniel Talamantez on Oct 27 at 2pm

Reply Reply to Comment

Tim Parker

Tim Parker

Oct 27, 2020 Oct 27 at 5:38pm

Daniel,

It definitely seems like there are plenty of metrics that you can use, and I definitely get the cost leadership side of your industry. These metrics though seem like that are coming primarily from an outside source and bottom line metrics. So my question now is, how do you measure performance with something that would be differentiation?

Reply Reply to Comment

Daniel Talamantez

Daniel Talamantez

Oct 27, 2020 Oct 27 at 7:03pm

Tim,

I would say that some of these metrics are just as important internally as they are externally. I can say that safety is probably at the top for us as a company and then revenue. Being a utility I can only compare to a few other market options. So even though we are technically a monopoly, there are specific areas in our service territory where customers have the option to use us or co-operative utility. Also, with today's advances in distributed resources, customers also have the option to go solar. In order to compete, my company boasts new grid technology and customer applications to increase reliability and decrease outage times. I know of numerous other utilities who are behind and use antiquated equipment. We also offer some of the lowest rates in the country as compared to other utilities. As a regulated utility we have an obligation to keep the lights on and so we have crews working around the clock (we will not leave until it is fixed). We are the largest utility in Texas and so our man power in non-comparable. Whereas for a solar, it is contracted out and you may have a small warranty. If you have an issue, you are at the vendor's or contractor's mercy. I hope that answers your question.

Edited by Daniel Talamantez on Oct 27 at 7:03pm

Reply Reply to Comment

Megan Wallace

Megan Wallace

Oct 28, 2020 Oct 28 at 1:19pm

Daniel-

It's nice to see other companies that aren't just focused on the financials in regards to their success. I can imagine that interruptions in service can be a major detriment to your company's performance, with the reliability affecting not only the opinions your customers have of y'all, but also the rate at which they use your service.

Reply Reply to Comment (1 like)

Damian Dalcour

Damian Dalcour

Oct 28, 2020 Oct 28 at 10:01pm

Daniel, would you say that the most important part of responding effectively to disappointing performance has to with being in control of your emotions, clarifying your expectations, getting a commitment from your co-workers or manager for feed back and last but not least asking for specific suggestions for help in skills development?

Reply Reply to Comment

Daniel Talamantez

Daniel Talamantez

Oct 29, 2020 Oct 29 at 9:29am

Damian,

Definitely so, I would say feedback and expectations are key to understanding what went wrong and how to move forward. Asking the RIGHT questions is important to understand the situation. A manager that can empathize but also lead is key to managing a poor performer. In my experience, I have seen managers let bad reoccurring behavior continue and it is a never ending cycle. Unless you confront the issue immediately and set those expectations, you can expect people to continue doing the same thing.

Reply Reply to Comment

Timothy Koontz

Timothy Koontz

Oct 27, 2020 Oct 27 at 4:01pm

Howdy Leaders.

I work in the offshore drilling industry, which provides a service to oil companies by drilling oil wells. The business performance Indicators listed in the Company’s 10-K form are revenue-earning days, rig utilization, and average daily revenue. The Company’s performance indicators align with the rest of the offshore industry which is to minimize cost and maximize day rate. To accomplish this, we have a strong marketing and contracts team that helps secure profitable long-term contracts. When an offshore asset is not actively operating for a customer, the Company does not generate revenue but will continue to incur a cost. The day rate can be deducted or reduced due to equipment failure that prevents the rig from drilling the well, safety violations, or contract infractions. The Company has invested in an infrastructure that supports the offshore assets to minimize downtime. Another vital component of the infrastructure is quality assurance. The Quality Assurance Department completes audits to verify that control measures are in place that helps prevent or minimize downtime events. Quality assurance audits also verify contract and regulatory compliance.

The indicators listed in the Company’s 10-K are vital in maintaining revenue from our current customer base but lacks in measuring efforts that differentiate the Company from its competition. With the downturn of the industry, the Company has sold over three-quarters of its offshore assets so it can focus on becoming an industry leader by differentiation instead of being a cost leader.

Reply Reply to Comment

Daniel Day

Daniel Day

Oct 28, 2020 Oct 28 at 12:17am

I have some friends in the oil industry, though they aren't offshore, but rather in the fields in west Texas. They often talk about how cyclic the industry can be. When production is "on", they're extremely busy, working long hours but making significant money. However, there can be times when they're told not to come to work for weeks at a time, and they don't get paid. Then a few weeks later, they get the call again, and they're back out in the fields.

From your description of "revenue-earning days" and "rig utilization" it sounds like those "boom-bust" cycles occur in the offshore industry as well. How is that handled with rig crews, I wonder? I don't know if that's necessarily your sector, but I just wonder because I imagine its expensive to constantly be sending rig crews out and bringing them back in cycles like that. But its probably also expensive to have crews out on a rig when it's not actively producing. So I wonder how those cycles are handled from a personnel perspective, or if that's even the case.

Reply Reply to Comment

Travis Metz

Travis Metz

Oct 29, 2020 Oct 29 at 1:24pm

Daniel,

Not to overstep on Timothy's answer, but from having worked deepwater offshore drilling for 7 years, it can be similar to land rig crewing. Drilling is drilling, whether west Texas or 300 miles offshore, so the industry swing is felt across the board. Offshore, however, cannot totally de-crew due to manning requirements set forth by flag states (country in which the vessel/fleet is registered). When offshore drilling slows down, a rig may remain on location at full crewing strength and wait (warm stacked status), or they may cruise in nearer to shore where crew changes are not nearly as expensive. If the industry continues to show signs of slowing, rigs may go to an idle (cold stack status) and crewing will be reduced to a skeleton crew (minimum amount of people to meet requirement and keep the equipment ready to go). Certain rigs, due to the nature of their contracts and drilling program, will remain working in a downturn. Others, however, will move in close and do mass crew changes via crewboat rather than by helicopter. The only way to truly de-crew a deepwater offshore rig is to have it tied to a dock, generally over in Spain or down near Trinidad, and have shore power available. So long as a generator is running, there will be people aboard, by law.

Reply Reply to Comment

Daniel Day

Daniel Day

Oct 31, 2020 Oct 31 at 3pm

Travis, you're blowing my mind right now! The offshore oil rigs move around?! I've only seen pictures of these things, and they look like they have four pillars or "legs" that I assumed went all the way to the sea bed. They don't? After reading your response I asked the google machine about it, and I see that there are several different types of rigs, and many of them can be moved from place to place, or have thrusters to counteract wind and current and just float in a static location. That's wild, man, I had no idea. Thanks for the look in at an industry I don't know about.

Reply Reply to Comment

Travis Metz

Travis Metz

Nov 1, 2020 Nov 1 at 12:21pm

No worries! The rigs (drilling and production) you see off the beach are indeed attached to the seafloor, generally in 500' or less of water. In deepwater, everything floats. I worked on a few wells that were in excess of 8000' of water. The legs on the semi-submersibles that you're referring to connect to two massive pontoons. The pontoons will have 3 or 4 thrusters each, typically. The older semi's tend to have a more limited operating depth, as they are normally anchored to the sea floor in maybe only 4000' or so of water. The newer ones are dynamically positioned and can transit on their own (granted, it's only 5 or so knots, but they can at least run away from hurricanes and such). The rigs I worked on were all drillships (standard house-forward ship with a derrick in the middle), so moving was not really ever an issue. If you really want to see a wild design, take a look at a SPAR type rig. Imagine a beer can with a big square lego block on top, that floats and remains stable. They have thrusters and anchors, both for positioning and stability, but they're not really meant to move significantly without multiple vessels providing assistance. The further offshore you go, the more thrusters become a necessity - while it's still technically doable to hookup a constellation of anchors on the sea floor, the derrick is still a massive wind catcher, nevermind the rest of the superstructure. Having a 250' derrick that's already 80-90' above the waterline (330-340' in the air total) acts like a mechanical sail, and it's not hard for a storm to push you around.

Reply Reply to Comment

Joseph Ramirez

Joseph Ramirez

Oct 28, 2020 Oct 28 at 10:40pm

Timothy,

You bring up a great point about the 10-K measuring a company's differentiation from the competition. We use market share as a good way to determine how we are doing against competitors and this isn't in the 10-K. What is possible is taking the company's total revenue and dividing by total sales in the industry so this would take a little more research. Comparing companies using a ROA analysis is great for financials but doesn't show exactly what one company is doing better than the other.

Reply Reply to Comment

Christopher Huebel

Christopher Huebel

Nov 2, 2020 Nov 2 at 2:51pm

Hi Timothy,

It's interesting to see how your organization has made changes in the downturn of oil prices. I worked for one of the larger oil field companies at one point that had several offshore rigs. They've obviously incurred large losses due to the turn in barrel prices. That's a big leap of faith to sell over three-quarters of your assets in order to become an industry leader, but I honestly think its the best move. Especially this year. It sounds like you work for a very forward thinking organization. While my time working for that organization was all dedicated to West Texas and the Texas Gulf Coast, its interesting to see how this downturn has effected the offshore size and what actions are being taken to overcome these obstacles. Thanks for sharing.

Best Regards,

Chris Huebel

Reply Reply to Comment

Travis Metz

Travis Metz

Oct 27, 2020 Oct 27 at 4:22pm

The biggest indicators of business performance are all financial, with major emphasis on gross revenue and net profit. These indicators tend to be imperfect, as my company is subject to any imbalance with oil prices and commercial ship traffic. As the price per barrel of oil dips, the parts of the fleet that transport petroleum products will see a decline in work, although certain vessels and barges will be kept on standby and continue to generate their day rate (revenue). Subsequently, with a drop in oil prices, there is generally a decline in commercial shipping, which renders any harbor assist and escort services inconsequential. This becomes a triple-edged setback when the bunkering fleet is not needed to refuel any large cargo vessels, so they too will realize a decline in work. With the entirety of the fleet hinging on oil prices one way or another, we are still able to maintain some revenue due to the nature of the contracts with our clients. By keeping vessels idled (at anchor) in certain locations, they will receive their daily rate even when not actively moving.

The company’s strategy is to drive the bottom line and to maintain customer relations. The strategy does not change because of the indicators so much as the indicators simply provide clarity on the downstream oil and gas, petroleum distribution and marine transportation industries. When the indicators point to a drop-off in work, the company will not spend for anything other than bare-bones operational expenses. By cutting expenses so deeply, the company’s profitability tends to remain higher than competitors.

Reply Reply to Comment

Tim Parker

Tim Parker

Oct 27, 2020 Oct 27 at 5:43pm

Travis,

The strategy to drive the bottom line is well reflected in some of the indicators and external factors that you mentioned. It does appear that the metrics are really good at finding these sensitive issues and adjusting accordingly. But then you bring in the 'maintain customer relations.'

How does your company focus on doing that, how do they know they are doing a good job in maintaining these relations? Is there some point when in lean times that you still take a loss in order to save a strong customer relationship knowing it is likely to become profitable again?

Reply Reply to Comment

Travis Metz

Travis Metz

Oct 27, 2020 Oct 27 at 7:13pm

Tim,

Thank you for the question. Truthfully, I'm pretty isolated from the business end of the company, so all I can do is give you an operational perspective for the answer. To maintain those customer relations, having the fleet idled near the terminals, being on time for dock schedules, and not spilling petroleum products into the ocean are probably the most overt ways of keeping clients happy. Even in lean times, our vessel day rates haven't wavered as they're locked in contracts. I would suspect only in instances of overabundance of contracted vessels would those begin to get culled by the client to reduce operational overhead.

From past experience in offshore drilling, I've seen multiple times when contracts would be renegotiated to the mutual benefit of both the operator oil company and the drilling contractor. This mentality does not seem to have worked its way into downstream transportation and distribution yet.

Reply Reply to Comment

Brandi Greenberg

Brandi Greenberg

Oct 27, 2020 Oct 27 at 4:59pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

My organization wants to offer our customers the best possible products while generating more and more revenue every year and increasing our profit margin. Every project we have is bound firstly, by the amount of income and fee we can generate and secondly, by creating the best possible products. The project manager must calculate all kinds of financial data for senior management every month, quarter, and fiscal year. These metrics boil down to our directorate, our organization, and our group's profit margin and revenue. I will say that every couple of years, we go through an exercise where we strive for cash flow; we seem to do this right before we either buy another company, renegotiate our loans, or invest some capital in a large project.

Reply Reply to Comment

Daniel Day

Daniel Day

Oct 28, 2020 Oct 28 at 12:10am

That's interesting that your company shifts its focus from time to time between total revenue, profit margin, and cash flow. How well does the explanation of the company performance targets make it down the chain to the lower level employees? I can imagine it might be frustrating, as a boots-on-the-ground employee, to be shifting at various times between focus areas. One month management is praising your division for high sales, six months later they're asking why your margins haven't gone up. If the shift in focus areas is well communicated ahead of time, or regular and predictable, then I can see that frustration being mitigated.

Reply Reply to Comment

Brandi Greenberg

Brandi Greenberg

Oct 28, 2020 Oct 28 at 11:11am

Howdy Daniel,

Hmmm, communication. That is a very novel idea, but it is not something our senior management does very well. We honestly just figured it out by the questions they are asking us. I have to believe that the C-Suites know what they want, and they tell the Senior VP’s, but it honestly never makes it to the Project Managers. My company is excellent in many ways, so I am still there after 16 years. BUT communication has never being a strong point with them. The C-Suites will make changes to how the reporting should be, we find out after we submit to senior management something they did not want, and we get yelled at for not submitting the correct information. It is very frustrating, but something I have been working with my manager to communicate better. He sees the frustration and understands all too well because he does not get the information flow. Sometimes we hear before he does.

Reply Reply to Comment

Kacie Fischer

Kacie Fischer

Oct 28, 2020 Oct 28 at 5:17pm

Brandi,

Thank you for your response. What was the company you work for, and what industry is it in? I am curious about what products or services your company offers. For some products, especially those products that have to meet certain specifications (like pressure tested, containment vessels, pumps/valves). In these cases, there really is little wiggle room in saving money on the product itself, it would then fall into assessing the processes and becoming more efficient. Do you have a specific example of how the profit margin is increased annually? What types of things does your organization capitalize on to increase this margin?

Kacie

Reply Reply to Comment

Brandi Greenberg

Brandi Greenberg

Oct 28, 2020 Oct 28 at 6:35pm

Howdy Kacie,

I work for a DoD contractor providing engineering services. We provide Spectrum Engineering Support to branches of the armed services. We base our profit margin on the type of contracts we win and how much fee we generate over the life of that work. We make revenue on the number of hours we can bill on that contract. Each hour we bill creates revenue. Our “products” are solutions to the problems. This situation is hard to manage, except we know what the issues are, and then we figure out a solution.

Reply Reply to Comment

Tim Parker

Tim Parker

Oct 27, 2020 Oct 27 at 5:32pm

Corporate wide, my company is extremely focused on market share.

There is a strong focus in making sure that we are gaining or maintaining market share across the industries we serve and the products we offer. When moving down from the sheer corporate side, the different divisions have different methods and strategy and measure performance in different ways. My particular division (Emerging Technology) has a lot of different measurements depending on which project it is.

For motive power, the biggest metrics we are being measured on is increases in reliability and cost of operation reduction. Some of the technologies we are using are very new and not applied too often in the material handling industry, and since these power solutions are new there are still a lot of engineering hurdles that we are overcoming.

Then we also have the operator assist systems. Sales are of course a powerful metric, retention rates of our customers and later services sold (if a customer has one OAS system, can we convert buying into another)

Overall, the most common strategy is market share, and we are consistent with it, however my company still feels like it is coming to terms with other methods to measure business performance in line with some of the newer strategies we are employing.

Reply Reply to Comment

Brandi Greenberg

Brandi Greenberg

Oct 27, 2020 Oct 27 at 6:11pm

Howdy Tim,

Market Share is a new one for me. In my organization, it is really about the profit margin and revenue. We look at the other players in the market, and we know if someone wins a contract, we had a high percentage to win and did not, but we employ the differentiation strategy in everything we do. I see that your organization is doing the same thing with the emerging technologies and quality to your customers. Please correct me if I am wrong, but I guess your company tries to make themselves different and unique with the products they offer and their quality, increasing customer satisfaction. These things together would increase market share?

Reply Reply to Comment

Tim Parker

Tim Parker

Oct 27, 2020 Oct 27 at 6:58pm

We are definitely a differentiation strategy in our product lines for the most part.

As a company we are about #5-6 in terms of sales and market share and hover around 10% market share all said and done.

The number 1 market share in the industry is about 25% and employ more of a cost leadership strategy.

Our products have typically a very high satisfaction rating, lowest cost of ownership and very customizable. We own the market in one class/industry (big trucks at ports, but that’s the ultimate in low volume high profit margin) but are trying to catch more on the electric warehousing operations.

We really are focusing on ergonomics, safety, operational uptime and professional services right now. Yes customer satisfaction overall is the big push.

Reply Reply to Comment (1 like)

Travis Metz

Travis Metz

Oct 27, 2020 Oct 27 at 7:21pm

Tim,

Market share is an interesting strategy. Within your company and/or division, do they pursue this with the Henry Ford mentality of overwhelming the competition with sheer numbers of product on the market? It's obviously a very different market sector to Ford's, but considering a strategy as such with a technological company is interesting. You mentioned trying new strategies as well, is this on a division-by-division basis or company wide?

Reply Reply to Comment

Tim Parker

Tim Parker

Oct 27, 2020 Oct 27 at 8:45pm

So for reference, I work within technologies division of a forklift manufacturer, so where my answers come from depend highly if I’m talking division or corporate. Thinking of us like Ford now is not too far off the mark.

When it comes to gaining market share, we can not compete by sheer numbers of product. We will lose that game because we do not have that much manufacturing through put at the moment.

In the Americas, Europe, Australia and Japan we are a premium product, focused on product differentiation. I’ve replied a bit more to Brandi on the subject, and don’t want to repeat that portion here.

That being said, in the largest industrialized growth areas, China and India, our value proposition is not so high because historically we’ve not had any market penetration there and being a premium product, is not suiting the those areas at all. For that we have purchased other companies that are better suited for mass production to get a foothold, but we also are keeping their brand label as to not harm brand reputation.

The various divisions have widely different appetites for attempting new and novel strategies. The different divisions act as little incubators, but they also have to keep the big picture, increase market share.

So for example, Emerging Technologies (my group) and in particular operator assistance systems, our mantra is surround the customer with services. We want them in our ecosystem and known as a valid partner that when it comes time for a new lease/purchase they don’t look to another brand. We offer some very new technology and data services that increase our partnerships with customers.

Some other divisions such as fleet services are focused on handling the fleet management and maintenance to be able to get costs down and predictable for large corporations.

Like I said, many incubators, but all working to increase market share.

Reply Reply to Comment

Tom Cappucci

Tom Cappucci

Oct 28, 2020 Oct 28 at 1:32pm

Tim, enjoyed the post. My company used to be more focused on market share, now we are focused on business that "fits our network". UPRR also lets the division heads set success metrics, one of ours is also reliability. For your metrics related to sales, do you see retention of current customers, or on boarding new customers outweigh the other one in importance?

Reply Reply to Comment

Joseph Ramirez

Joseph Ramirez

Oct 27, 2020 Oct 27 at 7:39pm

My organization measures business performance by working towards increasing market share and profitability. In order to gain market share, we need to outperform our competitors and the best way currently is to provide the highest quality product to a customer segment that is willing to pay the premium price. This aligns with our differentiation strategy. In order to provide a high-quality product, we have to stay ahead in technological advancements when it comes to material testing. Providing high customer service is another point of focus to target our customers. Also, finding ways to reduce costs within manufacturing or other business sectors is sometimes used to increase profit. This is often difficult to accomplish when trying preserve the quality of the product so this is why increasing revenue is important. This comes back to outperforming competitors and gaining more customers who are willing to pay for a premium product. As long as we continue to provide more advanced products and differentiate ourselves from competitors then we will continue to increase market share, and keeping production costs relatively the same while gaining new customers will help in profitability.

Reply Reply to Comment

Amy Hollabaugh

Amy Hollabaugh

Oct 28, 2020 Oct 28 at 5:27pm

Joseph,

I work in an industry where market share isn't even a thing. I would think it would be more stressful on employees to always providing the highest quality product and customer service to maintain profitability and putting pressure on employees to perform. Is there a lot of burn out from employees trying to maintain this quality of product and customer service?

Reply Reply to Comment

Joseph Ramirez

Joseph Ramirez

Oct 28, 2020 Oct 28 at 9:36pm

This is a great question because there is a heavy focus on the employees meeting a standard within the company but some of this pressure is taken off by the success of our end products and service. Our company spends time to show that they value the employees so although there may be some tough stretches of pressure to live up to the customer service standard, there are also metrics in our employee evaluations where this shows. So in return for upholding the company standard, can come a good performance review and then of course merit increases.

Reply Reply to Comment

Kacie Fischer

Kacie Fischer

Oct 28, 2020 Oct 28 at 5:29pm

Joseph,

It is interesting you chose market share. It seems like such a delicate balance to produce what customers want, for a price they are willing to pay, with the quality that they expect at a given price, all while attempting to increase profits. It really is a delicate balance that I hadn't even really considered before this class. I am new to the world of business, so it is interesting to look at some business strategy from a new perspective. Each decision is influenced by a company's goals. These goals generally all swing back to profit and how the company is going to accomplish it. It is interesting to see how each business unit's measure of success changes based on the business, market, or product.

Kacie

Reply Reply to Comment

Jeremy Meehleib

Jeremy Meehleib

Oct 29, 2020 Oct 29 at 10:53am

Joseph,

The ability to leverage premium product performance to garner advances in market share can be confidence inspiring. When that feature set can show value to the customer, products tends to sell themselves.

The one challenge with that approach is sometimes market movements are missed. What was once a differential performance metric is sometimes replaced with a different metric. Constant observation of market trends is needed to keep at the forefront of product performance and premium price.

The oil and gas industry was met with a pretty big switch in the move to shale fracturing. Before shale, fracturing fluids were complex and required a high level of sophistication in application. As shale fracturing matured, fracturing fluids became much more simple and less sophisticated and lead to a shift in the requirements of pressure pumping service providers. Where as once, support of a service company's technical team created a differential; now, chemistry's require less engineering analysis and a more commodity type dynamic is dominant.

One must never think they have it all figured out. You may have the right solution today, but it may not be the solution tomorrow.

Regards,

Jeremy Meehleib

Reply Reply to Comment

Jay Hembree

Jay Hembree

Oct 27, 2020 Oct 27 at 8:24pm

My business unit measures many items within our earned value management system. At my level, we try primarily to use the realization rate compared to Estimate at Completion (EAC). Lockheed calculates EAC slightly different than most manufacturing companies, but the basic formula is:

EAC = AC + BAC [BAC-EV / (CUM CPI X CUM SPI)]

Realization is the percentage of standard hours rate calculated vs the time taken to complete the work. It is true profitability against billable/planned costs.

When we discuss this at an associate manager/supervisor level we only discuss a further broken-down measure called durations. Durations are the hours a job should take vs how long the task took with the target coming from historical hours with a percentage challenge to improve year over year and not against the original bid statement of work. This makes hitting the target more obtainable and gives a goal that can be discussed and a feel of accomplishment when reached.

Both goals are consistent with our strategy to move the aircraft at a specified EAC cost. We also measure schedule and several other items that go into the EAC formula above. This helps make decisions about manpower, supply, price, etc. Cost Variance, Schedule Variance, Variance at Completion, % Schedule % Complete, and many others on the DAU EVM Gold Card with some minor adjustments for Lockheed specifics.Gold card.JPG

Reply Reply to Comment

Jordan Caddick

Jordan Caddick

Oct 27, 2020 Oct 27 at 9:45pm

Jay - Fantastic detail you've shown associated with Lockheed's EVMS. My group at LANL uses EVM as well - some details such as cost and schedule variance are similar in my project management group, however the KPIs are tailored to the construction industry as opposed to the manufacturing industry. Again, great share with good visuals.

Reply Reply to Comment (1 like)

Logan Presnall

Logan Presnall

Oct 28, 2020 Oct 28 at 4:56pm

Jay,

That is a wonderful breakdown of EVM and how LM tailors the calculations to work for your business unit. Being that I'm new to EVM, your explanation helped me understand it a little better. Thank you.

Reply Reply to Comment

Taylor Anderson

Taylor Anderson

Oct 28, 2020 Oct 28 at 9:57pm

Jay,

I support production at LM in Grand Prairie and often look at EAC with the cost analysts, but am not the one calculating it. I am mostly paying attention to the hours we are charging vs what we should be charging like you said, HPU vs target. Really enjoyed this breakdown of everything and it helped explain some of the equations behind everything!

Reply Reply to Comment

Jordan Caddick

Jordan Caddick

Oct 27, 2020 Oct 27 at 9:37pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

My organization uses earned value management (EVM) to measure business performance. Since we are federally sponsored, making profit is not the end goal of my group at Los Alamos National Laboratory (LANL). However, delivering a project under budget with a high degree of quality is desirable, and therefore the EVM is a tool that is aligned with our strategy to ensure we conduct business in a fair and transparent manner with intent to minimize waste. LANL is also focused on utilizing project management practices consistent with industry standards. EVM is the gold standard adopted by most project management groups across the world for measuring project performance and progress, including assessing the financial success of the project. Our earned value management system (EVMS) is designed such that it can measure scope, time and cost associated with infrastructure and construction projects.

Reply Reply to Comment

Grant Shirley

Grant Shirley

Oct 28, 2020 Oct 28 at 5:31pm

Hey Jordan,

It's interesting to see business performance metrics for an organization that is federally sponsored and not interested in making a profit. EVM makes complete sense to measure the effectiveness of performance in an organization such as LANL. Out of curiosity, what happens when EVM is not met for a particular department or project? Does this impact individual's bonuses, performance scores, etc.? Thanks for sharing!

Reply Reply to Comment

Jay Hembree

Jay Hembree

Oct 28, 2020 Oct 28 at 8:13pm

Jordan,

I find this very interesting as a comparison of a program that is Gov't funded vs a Private company with a Gov't contract. Lockheed's EVMS system is signed off on and insisted upon by the DoD. I assume, as a part of oversight, that the EVM you use is also part of the Gov't requirements. I am curious about the differences of the EVM systems between Gov't sponsor vs contract to engineer and build. I know the fundamentals of EVM are similar and the items on the DAU gold card are mostly accepted and used across most program management systems, but I am curious which parts of the system the government focuses on to control cost and schedule.

Reply Reply to Comment

Daniel Day

Daniel Day

Oct 28, 2020 Oct 28 at 12:02am

My data center company measures business performance by the metrics of customer satisfaction and cost efficiency. One of the primary metrics by which a data center is evaluated is its power usage efficiency (PUE). This is a ratio of total power consumption to IT power consumption. Basically, how much of your power is being used to cool the equipment and run ancillary systems vs. how much is actually being consumed by the critical load. The company is always looking for ways to increase energy efficiency, whether its evaluating and adjusting the hot aisle/cold aisle layout, incrementally raising chilled water temperature as load decreases, or incorporating water-side economization into the building design, the company is always asking the question, "How can be more efficient with our power consumption?"

Ultimately, this is a financial metric being driven by engineering innovations. The highest cost to running a data center, aside from headcount, is power. And especially in the enterprise/hyperscale market where a large customer may only be paying for a certain PUE. Any higher PUE than contracted is paid out of the contract's profit margin, and PUEs under the contracted PUE are added profit.

Reply Reply to Comment

Travis Metz

Travis Metz

Oct 28, 2020 Oct 28 at 12:48pm

Daniel,

I'm interested in how your company measures performance through power consumption. That's certainly the first I've heard of such means. Are there additional meters installed to measure how much power is dedicated to IT and/or how it's being used within that department? Also, has your company considered installing solar/alternative energy gathering sources to offset the cost from the grid? It would seem to me that some level of internal power generation would be useful in pushing profit margins higher over the long term.

Reply Reply to Comment

Daniel Day

Daniel Day

Oct 28, 2020 Oct 28 at 8:19pm

Yep, there are metering devices all the way down the line, from utility metering entering the building, main switchgear metering, monitoring at each breaker, power readouts on PDUs (Power Distribution Units) and RPPs (Remote power panels). The building's Electric Power Monitoring System also reports, records, tracks, and trends all of these measurements.

At my site specifically, we haven't really considered alternative power sources, but I know that there is a growing voice inside the wider industry that champions that idea. Specifically, I've seen a few articles on a new, state of the art data centers which do incorporate solar and wind collection capability into their design, just as you suggest.

Reply Reply to Comment

Jeremy Meehleib

Jeremy Meehleib

Oct 29, 2020 Oct 29 at 11:16am

Daniel -

So you're saying the economic profitability of a data center happens to be primarily dependent upon thermodynamics and heat transfer. All I have to say is, "WOW!" Just goes to show, unless you are specifically knowledgeable about a topic, do not assume you can figure it out without insight from a subject matter expert.

So I have to ask, as a data center, how much computational processes are being performed on the data at the center vs just providing access to the data and the computations being performed elsewhere? That question may magnify a host of misunderstandings I have about what functions a data center provides, but I guess what I'm getting at is how much of the power for cooling is directly related to the efficiency/inefficiency of the underlying programs vs just providing access to a huge magnitude of data by itself?

Very interesting.

Thanks

Jeremy Meehleib

Reply Reply to Comment

Daniel Day

Daniel Day

Oct 31, 2020 Oct 31 at 2:47pm

Unfortunately, Jeremy, I'm afraid I can't really answer that question. I really have no idea. Our data center provides facility engineering services, but we aren't really involved much with the IT side of things. My company provides the building, power, cooling, fire protection, etc., but the client does all their own IT work, like running fiber, installing and removing servers, monitoring server activity, etc. Basically, my responsibility is from the utility company, down to the power strip. After that, I don't have any cognizance of the operation. I can't really say at what rate servers are active, or how or why the data gets accessed or anything like that.

You're absolutely right about the power efficiency having much to do with server activity rates. Higher activity demands more power and more cooling, and we can see that on our end from a monitoring perspective. But I can't really tell you why or how that activity or demand peaks when it does. That's a part of the client business operations, and I don't have any visibility on that.

Reply Reply to Comment

Ken Wagner

Ken Wagner

Oct 28, 2020 Oct 28 at 12:29pm

This question is very difficult to answer due to working for a government agency. The Nuclear Regulatory Commission is unique in regards that it does not use tax payer money and is completely funded off of licenses issues for nuclear power plants to operate in the United States.

The mission of the NRC is : The NRC licenses and regulates the Nation’s civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety and to promote the common defense and security and to protect the environment.

The Vision of the NRC is: Demonstrate the Principles of Good Regulation (independence, openness, efficiency, clarity, and reliability) in performing our mission.

So the NRC uses program evaluation when creating a report for Congressional Oversight. This includes Abnormal Occurrence Report, Reactor Oversight Process, Accident Sequence Precursor, and the Integrated Materials Performance Evaluation Program. There are other reviews that are performed throughout the year.

Reply Reply to Comment

Tom Cappucci

Tom Cappucci

Oct 28, 2020 Oct 28 at 1:39pm

Howdy Ken,

Does the NRC have metrics related to compliance audits or investigations related to nuclear power plants? How often do you have to report to the congressional oversight committee?

Reply Reply to Comment

Kaleigh Philips

Kaleigh Philips

Oct 28, 2020 Oct 28 at 11:14pm

Howdy Ken!

It is interesting how government agencies measure their performance differently than public companies. Especially considering the fact that the metrics public companies report are report to and because of government regulations. Being in HSE I like that your mission statement is centered around the health and safety of the public and protecting the environment.

Great thought provoking discussion!

Kaleigh

Reply Reply to Comment

Megan Wallace

Megan Wallace

Oct 28, 2020 Oct 28 at 1:17pm

The primary indicators my company uses to determine our success are simple: metrics such as response time, ticket resolution counts/time, and the occasional customer satisfaction survey (but we all know nobody really fills those out). As a managed IT services provider, it's easy to boil everything down to numbers and data to determine how we're doing. Reports are run based on a percentage of tickets closed, current open issue counts, both overall and on a per-customer basis, ensuring that we can keep up with any trends noticed on the support side. With our strategy of "Bridging the gap between technology and business," these metrics align with our goals of providing excellent support and service to each of our customers, taking care of their IT needs as they crop up.

Reply Reply to Comment

Ken Wagner

Ken Wagner

Oct 28, 2020 Oct 28 at 5:06pm

Also with customer satisfaction surveys, I do not thing they can generally say anything even when they are filled out. On the off chance that I do fill out a survey, class evaluation, or even leave a rating on Uber, I will tend to just give the max rating for any type of service unless they do something horribly wrong.

Reply Reply to Comment

Taylor Anderson

Taylor Anderson

Oct 28, 2020 Oct 28 at 9:53pm

Megan,

With customers not filling out surveys very frequently, how do yall incorporate that piece in determining if the business is performing or not?

Do you just take into account the small number of surveys that you do receive and not give customer satisfaction a lot of weight when determining if the business is performing well?

Reply Reply to Comment

Joseph Ramirez

Joseph Ramirez

Oct 28, 2020 Oct 28 at 9:53pm

Megan,

We use similar metrics to measure our customer service as part of our differentiation strategy. In a way, these metrics help employees to keep up with the company standards and in return this helps to keep customers. Customer satisfaction surveys are definitely a tough metric for measuring performance. I am a field employee so I have the opportunity to receive surveys after every visit and I know the benefits but there is also a downside. Customers can be lazy at times and instead of giving all 5s (on a 1 to 5 scale) they will give 3s because that’s the middle number. What we have started to do after receiving bad reviews is reach back out to the customer to really gauge what they think of the company and employees

Reply Reply to Comment

Ronnie Hurst

Ronnie Hurst

Nov 1, 2020 Nov 1 at 10:05am

Megan -

I have always been curious, how does the business development side of an IT services company work? In acquiring new customers, is it typically a conversation of the value provided that differentiates one company from another? Or is it so competitive that it always tends to boil down to the price of the bid?

Ronnie

Reply Reply to Comment

Jonathan Weiss

Jonathan Weiss

Oct 28, 2020 Oct 28 at 2:47pm

My company is a marine engineering/naval architecture firm that primarily works on defense contracts for the U.S. and international governments. My company's major goals are to succeed and thrive at retaining key customers, design and engineering productivity, resource utilization efficiency, project management, technology leadership, employee capabilities, and financial return.

Our organization is very much data driven, metrics are utilized for just about every objective. We have weekly and monthly status meetings with the executives, discussing the above items. We pride ourselves in high quality engineering work and project management. Because of this, a lot of time is put into employee training and qualifications. These trainings and capabilities are tracked on spreadsheets. During projects; staffing reports, work accomplished, and financial return are major topics that always dominate the meetings. To guarantee that quality engineering products are being provided to our customers, all products are reviewed with Error Analysis Forms and are thoroughly documented.

I can confidently say that the goals and objectives of our organization are in line with the overall strategy of our company. By utilizing data indicators and tracking progress and setbacks, we are able to move forward successfully as a company. All aspects of our objectives are scrutinized and corrected and adjusted when need be. Our strategy is to be the most professional engineering firm, and to be worth the price paid by our customers. We realize we're not the cheapest in the business, but our goal is to be the best and outperform the competition.

Reply Reply to Comment

Logan Presnall

Logan Presnall

Oct 28, 2020 Oct 28 at 4:51pm

Johnathan,

You wrote about employee training and qualifications, which isn't something that I thought about when this topic was presented, but it does bring up a great point that without these things you wouldn't be able to provide high quality engineering. LM in some aspects does that the same. Thank you for providing a different view.

Reply Reply to Comment

Amy Hollabaugh

Amy Hollabaugh

Oct 28, 2020 Oct 28 at 5:58pm

Jonathan,

I think it is great that your company is trying to differentiate themselves from other engineer companies by being "worth the price paid" I think some companies look at the bottom line and decide to sacrifice quality. I think most customers stay satisfied with a company when they provide quality and naturally outperforms the competition because they are worth the price.

Reply Reply to Comment

Tanner Welch

Tanner Welch

Oct 28, 2020 Oct 28 at 3:53pm

My organization measures business performance through the following measures:

Rig Utilization

The number of days the rig is contracted per year.

ex.: Rig A is contracted for 330 of 365 days in 2020, her rig utilization would be 90.4% (330/365=.904)

Operating Net Income

A rig's contract revenue minus operating costs.

ex.: Rig A generates $10MM in revenue for the month of October, with $6MM of expenses; therefore, her Operating Net Income would be $4MM

Downtime Percentage

The amount of time, represented as a percentage, that the rig is deemed in a nonproductive state by the client; therefore, not earning any operating rate.

ex.: A failure of a piece of equipment results in six hours of nonproductive time required to repair said equipment. The rig's daily downtime percentage would be 25% for that day (6/24=25%)

These three indicators provide a general outlook on the productivity of a vessel's day and is consistent with Noble's strategy of being the safest, most reliable drilling contractor for our clients and stakeholders.

Reply Reply to Comment

Grant Shirley

Grant Shirley

Oct 28, 2020 Oct 28 at 5:27pm

Hey Tanner,

It's interesting to see different industries' performance metrics. It would be interesting to know if these metrics are shared with customers as strategy to win jobs. What are the consequences of not meeting a goal? Thanks for sharing!

Reply Reply to Comment

Harshvardhan Tirpude

Harshvardhan Tirpude

Nov 3, 2020 Nov 3 at 10:12pm

Hi Tanner,

Enjoyed reading how performance is measured in your industry, with examples you shared it was easier for me to understand more. Are there any strategies your organization follows to minimize the downtime percentage? Is any additional money spent for training purpose for quick fixes?

Thanks,

Harshvardhan

Reply Reply to Comment

Zachary Smith

Zachary Smith

Oct 28, 2020 Oct 28 at 4:29pm

Most of the Key Performance Indicators (KPIs) my company aligns with a cost leadership strategy to in turn have competitive pricing for our clients.

One of the KPIs we measure is "Engineering Cost as a ratio to the Total Installed Cost (TIC)". IPA (Independent Project Analysis) has benchmarks for what the engineering cost for a project should be as a percentage of the TIC. This is

Another KPI we have is aggressive metrics for our DWO (Days WIP Outstanding) and DSO (Days Sales Outstanding). The DWO measure how quickly we can convert our work into an invoice to send to the client. Subsequent to the invoice being sent, DWO has to do with our quickly we can collect invoice payment from our clients. By setting the bar high on these metrics, it positively influences our cash flow.

Another one, that I've mentioned in previous posts, is our High Value Engineering Center (HVEC) utilization. We strive to ensure the billable hours to our clients for projects is a higher ratio of hour from our HVEC in Mumbai rather than our main engineering center in Houston. A higher ratio of HVEC hours in a project ensures the overall average billing rate to a client is much lower than if the ratio had more Houston hours.

Edited by Zachary Smith on Oct 28 at 9:49pm

Reply Reply to Comment

Kassie Mobley

Kassie Mobley

Oct 28, 2020 Oct 28 at 10:35pm

Zachary,

This post is insightful and descriptive. The most interesting one is High Value Engineering Center (HVEC) utilization. I am not sure which company you work for but it is great that there is a goal of lower average billing rate for the customer. How does this affect the rate of customer return? Do you have more long term clients than new ones?

Reply Reply to Comment

Zachary Smith

Zachary Smith

Nov 4, 2020 Nov 4 at 7:49pm

Hi Kassie - thanks for your comment.

My company, SNC-Lavalin, is an engineering services firm prevalent in most industries - my business unit is termed "Resources" and we focus on energy, AKA oil and gas. Typically we can help the client spend less money on the engineering for their projects and it more often than not results in repeat and/or long term clients.

Reply Reply to Comment

Logan Presnall

Logan Presnall

Oct 28, 2020 Oct 28 at 4:32pm

My organization uses total sales and profit to measure business success. In recent years we have been very successful in exceeding our goals, leading to higher profitability. I believe these indicators are consistent with our differentiation business strategy. We provide a highly advanced and specialized product to our customers, and focus on customer relationships to continue to build our business and gain future contracts. In the aerospace market there are only a few companies capable of providing the products and services that we provide. With the specialization, knowledge and previous performance that we have demonstrated that allows us to charge a premium for not only our products but also our support contracts and services.

Reply Reply to Comment

Ken Wagner

Ken Wagner

Oct 28, 2020 Oct 28 at 6:41pm

Reading through a few of the other responses, you were the first one to talk about the business strategies that we learn in this current module. For your industry or similar industries is it more typical for companies to have a differentiation business strategy?

Reply Reply to Comment

Mitchel Garrish

Mitchel Garrish

Oct 28, 2020 Oct 28 at 8pm

Hi Logan,

With more competition in space programs from companies like SpaceX, I wonder how your company and others will react. As you stated, your company is well respected in the aerospace industry and can charge a premium. I wonder if they will be able compete with the same differentiation strategy as space flight becomes more prevalent, or will they have to compete on cutting costs.

Reply Reply to Comment

Grant Shirley

Grant Shirley

Oct 28, 2020 Oct 28 at 5:24pm

My organization uses a variety of KPI's to measure business performance. As a contract and rapid prototyping manufacturer, there are three primary metrics used to measure our quality objectives. These are nonconforming escapes of </= 1.5% of overall part quantities, on-time delivery of >/= 92% of overall shipments, and a customer satisfaction rating of >/= 3.5 on a scale of 1-5 through customer surveys (5 being extremely satisfied). These are the core quality objectives to measure the effectiveness of the quality management system. Our business performance KPIs also include financial metrics such as gross margin and AOP. Each P&L is measured by their profitability, COGS, and gross margin. The metrics are consistent with the business strategy of meeting or exceeding customer expectations, shipping conforming parts on-time, and maintaining profitable P&Ls through lean manufacturing.

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 28, 2020 Oct 28 at 6:51pm

Grant,

It seems it is relatively easy to keep track of how you are doing as a business group or company. Are the numbers given for the company as a whole or based on each contract? Are the goals readily available or on display for all employees? Does the company incentivize meeting these goals in any way? Sorry for all the questions, it seems that (what I consider) these easy to understand metrics makes it easier for employees to know how their job affects these numbers.

Richard

Reply Reply to Comment

Harshvardhan Tirpude

Harshvardhan Tirpude

Nov 3, 2020 Nov 3 at 10:23pm

Hi Grant,

It is interesting to read how your organization measures business performance. I am curious to know, what will happen if nonconformity exceeds 1.5%? Is there any plan of action established to prevent nonconformity? Please share your inputs on this.

Thanks,

Harshvardhan

Reply Reply to Comment

Mitchel Garrish

Mitchel Garrish

Oct 28, 2020 Oct 28 at 7:24pm

My company measures business performance in several ways. On the rig, we measure financial success by efficient inventory control and budgetary discipline. From the internal business perspective, it is measured by reducing HSE incidents and increasing operational up-time. Innovation and learning perspectives are measured with data collection and training compliance. Finally, from our customer perspective, we measure success in customer satisfaction and contract compliance.

Our strategy is to reduce costs to survive the oil downturn while being the "driller of choice" for major oil companies. The key performance indicators are in line with creating a technologically advanced fleet while promoting efficient rigs.

Reply Reply to Comment

Jeremy Smith

Jeremy Smith

Oct 28, 2020 Oct 28 at 11:53pm

Mitchel,

It is interesting how you capture the idea of inventory control in the oil & gas industry. That is something that I am working around everyday as our plant is measured on their profitability, which means they have very little inventory to help keep costs low. There is definitely a theme in O&G when it comes to using a differentiation strategy.

Reply Reply to Comment

Marc Farias

Marc Farias

Oct 28, 2020 Oct 28 at 8:16pm

My company, Lockheed Martin, uses Year-over-Year growth in Net Sales, Net Earnings from continuing operations, Business segment operating profit margin, cash from operations and backlog to measure business performance. Sustainability illustrates how Lockheed Martin pursues innovation with purpose. It makes good business sense by reducing risks and cultivating responsible growth. I would say my company is consistent with the differentiation business strategy it has set for many years. An example would be Lockheed Martin differentiates itself by diversifying its lines of business by providing unique supplier, production and sustainment services on the F-35 program simultaneously. I’m not aware of many other companies that have done that with another program successfully.

Reply Reply to Comment

Harshvardhan Tirpude

Harshvardhan Tirpude

Oct 28, 2020 Oct 28 at 9:32pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

My organization follows the twin themes of consistency and transformation and measures business growth performance on basis of four vectors which are Consistent, Competitive, Profitable, and Responsible. And they are consistent with strategy and growing in different areas of engineering and technology. Even in the current pandemic situation of business unusual, my organization focus on creating momentum for our client while simultaneously optimizing the cost. Also, to ensure consistency and competitive growth, my organization has implemented a Tribe model GTM strategy, which involves breaking engineering teams into autonomous “squads” that work together on specific aspects of the product.

Reply Reply to Comment

Taylor Anderson

Taylor Anderson

Oct 28, 2020 Oct 28 at 9:50pm

There are different performance indicators used in different functions of my organization, but the ones used in my function the most are LOB actuals vs budget, percentage of defects, and on-time deliveries. In manufacturing, we are trying to build a product in a set amount of time that aligns with the budget that was proposed to the customer. Ofter, the actuals that are being charged on products are compared to budgets to measure how we are doing on cost. The percentage of defects is often looked at to determine the quality of the products we are creating. While defects are fixed when they are present, they are just adding costs to the products and therefore decreasing the profits the company will receive. On-time deliveries are important when we build lower-level assembly parts for other sites. If one of our products is late that means there will be a line stoppage at another site which is hundreds of thousands lost a day when the line is not creating a product. While there are many more, these 3 are some of the most important that are used in my function and are consistent with the strategy of creating quality products and deliver innovative solutions to help keep people safe.

Reply Reply to Comment

Mariano Paoli

Mariano Paoli

Oct 30, 2020 Oct 30 at 10:33pm

Taylor,

I am not too familiar with manufacturing companies, but I could see how market trends could create logistic nightmares with inventory and efficiency. How does your company measure these fluctuations, and what are some of the mitigation strategies they use? While maintaining a budget is important, I am sure that they will need to keep key employees around to keep producing products and maintaining high quality.

Reply Reply to Comment

Ronnie Hurst

Ronnie Hurst

Oct 28, 2020 Oct 28 at 10:05pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

My organization very much identifies with a differentiation strategy in that the company believes that its products and services create additional value with its customers. Due to this, profit margins, operating income, and primary working capital are massively important. At least two if not all of them show up on every divisional balanced scorecard. These metrics are often reflected in most employee metrics for bonus considerations as well. So it shows up from top to bottom.

There are various forms of review at the executive level that take place for each division. Most commonly this is done quarterly with managers and directors. Performance rolls up and decisions are made on strategic shifts. Projects could also be generated during these reviews that prompt additional activities to create more value for the organization.

Reply Reply to Comment

Kassie Mobley

Kassie Mobley

Oct 28, 2020 Oct 28 at 10:41pm

Ronnie,

The way you worded what makes your company identify with a differentiation strategy is very well said. My company is similar in this thought process. Additionally, the metrics used are integral to bonus considerations as well. This knowledge is known from top to bottom and it does help for everyone to work accordingly for the same goal.

Reply Reply to Comment (1 like)

John Mullins

John Mullins

Oct 28, 2020 Oct 28 at 10:06pm

What indicators does your organization use to measure business performance? Are they consistent with the strategy?

Vistra Corporation uses a differentiation strategy in how they approach their business in the utility industry. Instead of just being a retail business or a generation business they have incorporated both sides of the business to its portfolio. Vistra is also different from other companies as they own nuclear, coal, gas, solar and battery storage for generation of electricity. The company is one of the first in the US to start the reduction of green house gases by closing coal facilities and replacing with solar and battery storage which improves environmentally friendly brand. The company performance is measured by EBITDA, safety performance, retail sales, and generation. Each one of the metrics have their own Key Performance Indicators (KPI) which measure annual performance.

Retail across 4 regions (East, West, Sunset, Texas)

Commercial

New Customer

Existing Customer

Residential

New Customer

Existing CUstomer

Contracted

Operating Cost

Debt

Safety

Generation across 4 regions (East, West, Sunset, Texas)

Safety

Nuclear

Coal

Coal Mines

Natural Gas

Solar

Battery Storage

Each different type of generation facility has the following metrics they are graded by:

Plan YTD

Commercial Availability 97% 4%

Net Capacity Factor 30% 1%

Equivalent Unplanned Outage 5% 3.6%

Equivalent Forced Outage 3.0% 7.3%

Start Reliability 98% 6%

Generation Volume (GWh) 2,675 2,435

O&M ($M) 19.4 20.0

CAPEX ($M) 11.9 10.4

Based on the numbers provided above, my facility is operating $1M over budget to date due to forced outages, unplanned outage, and Variable Operating Cost (VOM). The key metrics that the company scores the plants by are availability, reliability, and generation. The facility is slightly under the plan for the year, reliability is above the plan, and generation is less than 240 GWh from exceeding the plan for the year with a full quarter to go. The next metric that each facility is graded by are safety.

Safety Observations

Employee

Management

Site Walkdown

Employee

Management

Safety Meetings

Permit Reviews

Training

Success or failure in a company can be determined by means other than financially. But being successful with key metrics predetermined by the company can lead to financial gains.

Edited by John Mullins on Oct 30 at 9:02am

Reply Reply to Comment

Sarah Terrill

Sarah Terrill

Oct 28, 2020 Oct 28 at 11:43pm

John - I think it's intriguing that your company has such a diverse portfolio of energy sources! I think that is the key to a more sustainable future, yet I can't imagine the complexity your organization has in just monitoring and operating such different sectors. You would really need strong coordination across the groups to feed up to management given the varying types of knowledge needed to understand those sources, especially when throwing nuclear into the mix. I always believed that the answer to reducing emissions would be expanding to other sources of energy in order to balance the reliance on coal. It's asking a lot to remove it completely from the equation, but we need to start somewhere to react to what our future needs will be.

Reply Reply to Comment

Kassie Mobley

Kassie Mobley

Oct 28, 2020 Oct 28 at 10:25pm

My organization uses safety and percentage of integrity goals completed as indicators. The safety of operations being performed is of upmost importance for the company’s financials as well as the overall reputation. Percentage of integrity goals met is accounted for in the financials as well because it directly relates to improved assets and therefore assets that are more robust and able to meet customer needs as well as acquire new customers. Finally, the company uses people/moral as an indicator. This is done through yearly goals and development plans. It is important to retain talent, train talent and keep turnover low.

Given these factors, the company falls more along the lines of a differentiation strategy than that of a cost leadership strategy. Additionally, these indicators do align with the strategy of people, process, technology, integrity operations, safety analytics and communication.

Edited by Kassie Mobley on Oct 28 at 10:43pm

Reply Reply to Comment

Robert Carrano

Robert Carrano

Oct 28, 2020 Oct 28 at 11:02pm

Howdy Kassie,

Utilizing personnel and moral is a definite indicator of how an organization is doing. In the Air Force, it is preached to always do the right thing. Do it when you're around your team and when no one is looking as well. Regardless of the organization you're a part of, we're all professionals so I think this is a solid indicator for most. We also share the belief of how important is it to retain talent, although it is difficult, and to train our people at every level. Personal development never stops.

Regards,

Rob

Reply Reply to Comment

Tanner Welch

Tanner Welch

Oct 30, 2020 Oct 30 at 7:42am

Kassie,

What metrics are used to define your safety goals? Are these goals personnel safety related, asset, environmental, or all of the above?

My company has similar HSE goals in which we track and follow lost time incidents, asset damage, loss of primary containment within a reporting dashboard.

Reply Reply to Comment

Christopher Huebel

Christopher Huebel

Oct 28, 2020 Oct 28 at 10:29pm

My current organization uses several different metrics to measure business performance. Since safety is such a major part of the company's strategy, one of the main metrics we measure is the safety of our employees and contractors on site. A consistent safety record is something that offers both monetary and personal rewards. Another metric used to measure business performance in our organization is our environmental track record. Again, a successful environmental record for our company means that our business is staying true to their strategy and preforming well. My current organization measures monetary success based on the days we are operating at full capacity. Operating at full capacity ensures proper stakeholder returns and top product quality. My organization strives to deliver stakeholder value through operational excellence of our facility while constantly improving safety, performance, employee engagement, product quality, and environmental and social responsibility.

Reply Reply to Comment

Robert Carrano

Robert Carrano

Oct 28, 2020 Oct 28 at 10:54pm

Howdy Christopher,

I didn't realize how safety could apply to my organization as much as I thought until I read your post. I think a lot of what you wrote could also be said for the military. Training is big requirement for all forces, and while their focus is to learn so they're able to perform their role, it's also to ensure they come back safe and sound. I could also spin it to where we protect and keep our networks safe. This allows us to communicate without fear of being compromised, and like you it allows us to operate at full capacity. I appreciate your post and giving me something to think about. It's a good reminder of why we do what we do.

Regards,

Rob

Reply Reply to Comment

Robert Carrano

Robert Carrano

Oct 28, 2020 Oct 28 at 10:42pm

As the Air Force is an organization which provides defense to our nation as opposed to selling goods and services, I would say we utilize the balance performance scorecard. I think we lean heavy on the side of innovation and capabilities, then internal business or market and customer, and last would be financial return. The Air Force like other organizations, have a need to do more with less. We don't always have the funding, personnel retention, or time to wait on contracts to produce or develop new products and capabilities, so it is not uncommon to hear the term innovate in the work center. As a system and network administrator, I have seen my teams develop in house solutions many times. These are alternatives such as scripts for software already available, databases, repurposing old hardware to stand up new infrastructure and so on.

I believe our indicators are consistent with our strategy and mission. Sure unlimited funding and personnel would be great, but that's not reality. Instead, we work with what we have so we're able to adapt to the times and new technologies. We automate processes, develop in house training, and build partnerships. All of this helps us remain flexible.

Edited by Robert Carrano on Oct 28 at 10:44pm

Reply Reply to Comment

Troy Philips

Troy Philips

Oct 28, 2020 Oct 28 at 11:14pm

My company measure performance with net income, profit margins and total revenue. We also have a high focus on customer satisfaction. We do random quarterly surveys with users to make sure we are giving them the best product we can. We also regularly bring in real customer from different construction industries to consult on what would make the product better. This helps us stay relevant in end user trends and methodologies, while also getting real word feedback for improvement. This falls in line with our strategy of being customer focused and industry leading.

Reply Reply to Comment

Sarah Terrill

Sarah Terrill

Oct 28, 2020 Oct 28 at 11:36pm

Troy - I think more organizations should bring in real customers to consult on how to improve their products as yours does. So often we get our blinders on when focusing only on our end of the commercial cycle and we miss the mark by not understanding what our customers want. I know with my position I often will meet with the real users of my procedures to ask questions not just about how workable my procedures are, but to ask more about the processes they go through and the experiences they have in the real world. I need these insights to expand my knowledge, and I have had many successful improvements through just listening and understanding the users' end better.

Reply Reply to Comment

Sarah Terrill

Sarah Terrill

Oct 28, 2020 Oct 28 at 11:33pm

The indicators that my organization uses to measure business performance are technology leadership (Innovation and Capabilities), employee capabilities (Innovation and Capabilities), and retain key customers (Market & Customer). My organization is a national laboratory working for Department of Energy. We need to be known for our technological prowess and the level of knowledge our employees have. These two indicators are tightly related. We have to attract the best minds in the industry in order to keep our edge in the technological advances made within the national laboratory complex. Our key customers, the government, pays to know we can provide them the best available for the work and research they need from us. For us to retain this customer we have to continuously prove our capabilities in the fields we’re asked to work in.

Reply Reply to Comment

Richard Pearson

Richard Pearson

Oct 29, 2020 Oct 29 at 9:11pm

Sarah,

How does your company go about measuring the Innovation and Capabilities of Technology Leadership or Employees? For employees is it simply a measurement of advanced degrees or maybe patents over the last year? The same goes for Technology, is there some kind of benchmarking or customer feedback that helps measure this?

Richard

Reply Reply to Comment

Jeremy Smith

Jeremy Smith

Oct 28, 2020 Oct 28 at 11:42pm

At my company, there is one primary indicator that is used as an early indicator of revenues: subsea tree sales. It is not only used to estimate revenue, but also project future overall revenues. They also use this same indicator to track the competition, which when combined together gives an idea of the total market share that the company has in the subsea oil and gas market. On the day-to-day operations, projects are measured specifically by on-time delivery (OTD) and hour utilization. All three of these indicators help to calculate profitability, ROA, and turnover.

My company's strategy is "to deliver integrated solutions, products, systems and services for the subsea oil and gas market through world-class operations". This strategy is obviously based in differentiation. Since differentiation requires profit margins to be high, you want to maximize net income (i.e. fastest time out the door [OTD] with the least effort possible [hour utilization] to minimize reductions to income) with respect to sales (i.e. subsea tree sales). Therefore, I think that the company's indicators are in alignment with its strategy.

Reply Reply to Comment

Mariano Paoli

Mariano Paoli

Oct 30, 2020 Oct 30 at 10:21pm

Jeremy,

The metrics you mentioned mostly focused on the financial aspect of your business. Given that you are in subsea, I assume that your company must face the challenge of keeping up with new technologies. Is there anything in place to stay up with the latest subsea gadgets for the trees? E.g. the industry keeps venturing into deeper drilling sites, and these will require subsea trees that can handle the depth.

Reply Reply to Comment

Jeremy Smith

Jeremy Smith

Nov 1, 2020 Nov 1 at 12:35pm

Mariano,

You are completely right that it would make sense that there should be a measure of the required advancements in technologies. It would be kind of like the idea of the research tab from the simulation. As I am sure there is some sort of measure that is roughly used, it isn’t very prevalent as it is not advertised as a primary driver. I think this is one of the areas my company struggles with and what makes them more reactionary in that aspect.

Reply Reply to Comment (1 like)

Mariano Paoli

Mariano Paoli

Oct 30, 2020 Oct 30 at 10:13pm

My company’s strategy is differentiation. It strives to provide high-quality services across several industries. The focus is on value, so it offers custom solutions and focuses on face-to-face customer interaction. Multiple metrics are used to measure business performance at Contech. Business/project proposal success rate is one of them. During our monthly meetings, management presents our sales department's success rate by providing how many proposals were sent out and how many projects were awarded. Their effectiveness in gaining projects is key to the company’s success. One of the ways to measure customer satisfaction is through our ability to retain customers. In our yearly town hall meetings, the CEO will show this metric by stating how much more business our key customers provided in comparison to previous years. To show our growth in market share, the CEO also presents our growing customer list and industry involvement list from year to year. We are a small/medium-sized company. Our short-term goals are to gain new customers when the opportunity arises. Our long-term goal is to receive repeat business from them. For employee capabilities, metrics such as retention rate and experience matrices are used. As an engineering service provider, the company is limited by the competencies of its engineers. Therefore, Contech pays a lot of attention in making sure we have a diverse group of people with different abilities. Based on everything mentioned, I would say that indicators are consistent with our strategy.