Performance Measures Training Linkage Chart Exercise

AAA Access Control Inc. Performance Measurement

AAA Access Control Inc. produces and sells a wide variety of security and access control devices. The corporate goals are: (1) to be the industry leader in product and process innovation, (2) to be recognized for having products able to completely satisfy customer needs, (3) to be highly profitable while offering great value to customers through cost efficiency. They also have sales growth and profitability goals, and they want to reduce inventory to increase cash flow.

The Card Division designs and produces cards containing magnetic strips, chips or RFID devices for swipe or proximity access control. The division plans to contribute to AAA Access Control’s goals by (1) offering rapid customization to customers (2) providing perfect quality and on-time delivery with short lead times, and (3) continually improving cost performance and eliminating waste through lean management.

The Card Division’s goals for the coming year are:
- 20% sales growth.
- Inventory turns greater than 15.
- Five day lead-time from approved design to shipment.
- Two day lead-time from customer request to design approval for custom cards.
- 99.9% external quality, 99% internal quality.
- 95% on-time delivery.
- Profitability – target ROS.
- One implemented improvement per employee per month.

The Custom Card Value stream receives orders from customers and designs a card to meet their specifications. Once the design is approved, the cards go into production. One of the production cells in the Custom Card Value Stream is a Lamination Cell, where the layers are laminated to a sheet of basic card stock to make the completed card.

Your Task:
A. Identify critical success factors for the Custom Card Value Stream. What must it do to be successful in contributing to the Card Division’s goals?
B. Create a performance measurement linkage chart For the Card Division, the Custom Card Value Stream and the Lamination Cell. Use the Card Division’s goals and the starter set of value stream and cell measures.
C. Are all Card Division goals supported by Value Stream measures? If not, suggest one or more additions to the starter set that would support the Card Division’s goals.

Suggested Answers:
A. See the second column on the performance measurement linkage chart for some suggestions.
B. See the performance measurement linkage chart below.
C. See below.
The Card Division has sales growth and return on sales targets that are not included in the Starter set, although Sales and Return on Sales would be included in the financial results section of the value stream box score. The inventory turns goal is linked to the dock-to-dock starter set measure, and inventory value is typically reported in the financial section of the box score. However, it is not uncommon to report inventory days, or inventory turns at the value stream level and this company does in fact use inventory turns. The inventory turns measure is not included on the model linkage chart below, but it could easily be added.

The only starter set value stream measure that is not in use in this example is Accounts Receivable Days Outstanding. The corporate goal related to improving cash flow is to reduce the money tied up in inventory, and this goal and emphasis flows down to the value stream level.

The linkage chart in the suggested solution extends the implemented improvements measure to the cell level. This was not suggested in the cell performance measurements chapter, but an implemented improvements measure is shown at the cell level on the performance linkage chart in Figure 19.6, the reference for this problem. Tracking participation in improvements at the value stream level is usually sufficient.

There may be some disagreement on specific links. Other links could be proposed, and a few of those made could arguably considered too indirect to bother listing. What is important is that company managers and employees agree on the important links.