

UPDATED EDITION!



# The ROI of Improvement

WHY • HOW • WHAT TO MEASURE

KaiNexus

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# Introduction



Organizations that strive to continually improve stay ahead of the competition, regardless of their industry. From manufacturing and engineering to healthcare and education, the amount of effort dedicated to intentional, continuous improvement in an organization is an indicator of the company's overall sustainability and success.

Lean organizations are more adaptable, innovative, and profitable than those that - intentionally or otherwise - stick with the status quo.

Let's take a moment to think about other factors that determine the success of a company.

Customer service is obviously one of them, which is why companies in every industry measure and track customer satisfaction metrics. Revenue is probably the most obvious indicator of a company's success, and there isn't a company in the world that doesn't meticulously monitor it. High turnover rates are a red flag, which means that this metric, too, gets measured.

Really, any factor that impacts the success or failure of your company gets measured, tracked over time, and reported. Right?

## **Why is continuous improvement any different?**

I would go so far as to argue that tracking these other KPIs, such as revenue and accidents, is worthless unless you're using that data to adjust and improve processes across the organization. In this way, continuous improvement is a tangible component of literally every metric your senior executives care about.

Measuring, tracking, and reporting on continuous improvement is the single most important thing you can do to ensure that your organization keeps a competitive edge above the competition.

# 5 Reasons Why Improvement Reporting is Important

## 1. Measure What Matters

You've all seen a factory floor with a giant banner that says "92 Days Accident-Free," whether in real life or the movies. The simple act of measuring and reporting that number makes it obvious across all levels of the organization that this metrics is important. We measure what matters.

Measuring and reporting continuous improvement KPIs shows the organization that this too is important. When people know that you're tracking data around their improvement work, there's an increased sense of accountability that drives engagement and enthusiasm.

## 2. Know Where You Are to Know Where You're Going

As a leader of a burgeoning culture of continuous improvement, you **MUST [set goals to drive progress](#)**. The exact nature of those goals varies among companies, but generally, they revolve around engagement, activity, and impact.

In the CI world, we talk a lot about "current state" and "future state," in which you take your current state, set a goal future state, and generate improvements to achieve that goal.

Your continuous improvement isn't exempt from that need; measuring the current state of your improvement culture gives the data you need to plan a future state.

## 3. Set SMART Goals

Many organizations use very generalized data when discussing their current and future states. For example, they may claim that their current state has a low engagement rate and that their future state is to have the whole company participating.



You can see how that goal is pretty worthless, right? Sure, it's a noble ambition, but it provides no practical data. Instead, successful organizations use the SMART goal setting strategy to drive their improvement Culture:

**S:** Specific

**M:** Measurable

**A:** Agreed Upon

**R:** Realistic

**T:** Time-Based

You can't get measurable goals around continuous improvement without having a way to track and report activity, engagement, and impact.

## 4. Make Better Decisions

In order to make good decisions that promote the spread of continuous improvement, you're going to need data. Having insight into which areas of the organization are not performing well (and having a standard, objective way to measure performance) tells you where to focus your coaching resources for a greater ROI.

Understanding which variables result in high-impact improvements allows you to focus more energy on that type of improvement. Any decision that you as an improvement leader are making should be based on data.

## 5. Validate Your Work

Measuring the impact of continuous improvement makes it easy to explain to executives how what the work you're doing is moving the needle on the metrics they care most about. Showing concrete data on how improving engagement and activity scores drives impact validates the work that you're doing in spreading your improvement culture.

Your executives don't want to hear platitudes about how important continuous improvement is. They want cold, hard facts. KaiNexus customers have the bullet-proof data to prove to their executives that their ROI per person engaged in CI is over \$6,000 per year. That's the kind of number you need to know in order to justify allocating more time and resources to CI.

Now that we've covered why it is imperative to measure CI KPIs, we need to get into some of the logistics on how to overcome the most common challenges in reporting ROI. These challenges are universal, spanning industries, company size, and CI experience.

## Develop a System for Measuring and Reporting ROI

The most common way people manage continuous improvement is with some form of Franken-System.


A [continuous improvement](#) Franken-System can take many forms. Perhaps a company manages daily improvement with a physical [Kaizen](#) board that hangs on the wall and gets employee ideas from a suggestion box. They send email updates about the board. They want a permanent record of the improvement work, so they take pictures of the notecards and save them in a shared file. They do the same with [A3s](#) and [Value Stream Maps](#). They list and organize their improvements by file name in a spreadsheet, so they can search them later. They use calendar reminders to follow up on old improvements. Every department has its own method for capturing, implementing, measuring, and sharing improvements. Some have even gone so far as to solicit the help of the IT department in building a SharePoint site.

Worst of all, these systems typically aren't connected, or they're connected in very manual and clunky ways. That is a Franken-System.

If that's the kind of system you're working with, it is going to be impossible for you to accurately and efficiently measure the ROI of improvement. You have too many data points from systems that aren't comparing apples to apples.

### The Solution:

Invest in technology to get all of your improvement information into a single platform to simplify your improvement and reporting processes so more people participate and you can actually track your engagement, activity, and impact metrics.



“KaiNexus has made checking up on our improvement culture easier for the people who need to be driving it from the top.”

Matthew Cannistraro  
Harrington Air Systems

# How Do We Develop Metrics We Can Trust?

This is perhaps the most frustrating part of measuring improvement for most people. They try to aggregate data from across their Franken-System and come up with an ROI, but they know that the number is not totally accurate.

When you doubt the accuracy of your own impact numbers, how is that information supposed to increase buy-in for improvement from others?

To get ROI data you can trust, you need to establish a system of checks and balances based on the three CI KPIs:

1. Activity
2. Engagement
3. Impact





# Activity

Understanding **what** kind of improvement is happening and the frequency at which it occurs is the first step in attaining metrics you can trust. This data will show you how hard the organization is trying to improve, who is actively involved in the initiative, and which areas of the company need coaching to get more involved.

Key areas to look at here are:

## 1. Improvement Curve:

Improvements should be completed at about the same rate as which they come into your system. Those that stall out after being identified bring down morale, decrease engagement, and reduce your impact. You should be able to check the percentage of in-progress improvements at any time and drive a greater impact by increasing that number.



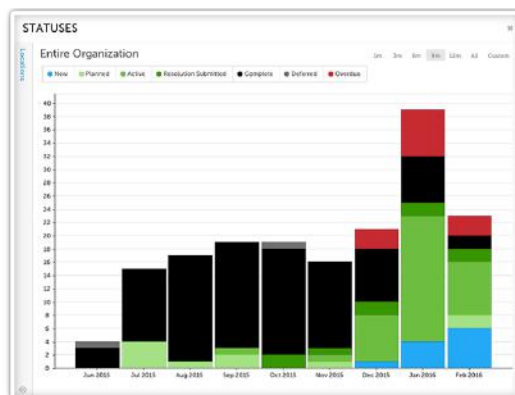
## 2. User and Location Boards:

You need visibility into how many improvements have been submitted, what people are currently working on, and the change rate of their past improvements. You also need to know how long it takes for improvements to pass from submission to completion. When these stats are doing well, your ROI is going to increase.



## 3. Status Reports:

Visibility into the status of improvements across the organization enables you to assess the health of your improvement culture. A healthier culture has few overdue improvements because people prioritize the implementation of ideas and tracking of their impact. A greater ROI follows a healthier culture.





# Engagement

The next area in your system of checks and balances is [engagement metrics](#). By tracking **who** is doing the improvement and keeping score over time, you're able to track averages, compare yourself to those averages, and identify trends. You can tell if the ROI you've attained is due to a small group of people (indicating an undeveloped culture) or a large group (indicating a sustainable, robust culture).

Reports to monitor include:

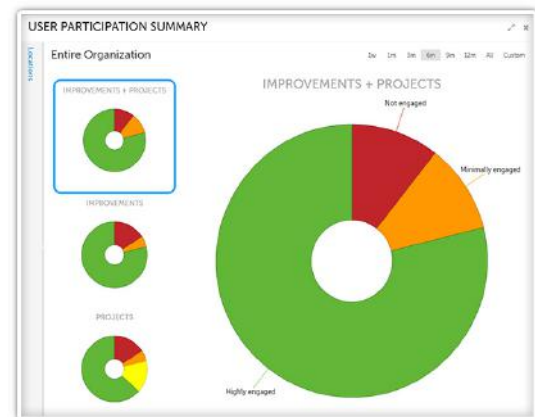
## 1. User Engagement Summary

You need to know how many improvements people submit per year on average and the percentage of people who are active in your improvement management system. This tells you how wide your improvement culture goes.



## 2. User Participation Summary

Insight into the engagement rates at every level of your organization helps you to identify areas that are contributing to your ROI and those that need more coaching. A high ROI that results from a small group of people is less significant and more likely to be an anomaly than a high ROI achieved by a wide swath of people.



## 3. Location Engagement

Insight into which type of improvement work is contributing to your ROI - and the number of people engaged in them - also bolsters trust in your ROI data.

**Entire Organization**

Location	Logged In (%)	Used System (%)	Submitted Improvement (%)	Annualized Improvements
Governance Committee	100%	100%	0%	0
Dallas Clinic	100%	100%	100%	3
Pharmacy - Dallas	100%	100%	0%	0
Service Line	100%	67%	33%	2
North Region	100%	100%	4%	0
Ambulatory Care - Quins	100%	100%	100%	0
Austin	100%	100%	75%	3
Lean Committee	100%	100%	100%	2
DBAs	100%	100%	100%	4
Product Management	100%	100%	47%	20
Pharmacy - Austin Hospital	100%	100%	100%	0
Black Belt Certification	100%	100%	100%	166
Sales	100%	100%	40%	35
Hospital Clinic	100%	53%	33%	4
Corporate	100%	0%	0%	0
Ambulatory Care - Manhattan	100%	100%	26%	3
Service Locations	100%	100%	60%	7
Committees	100%	100%	0%	0

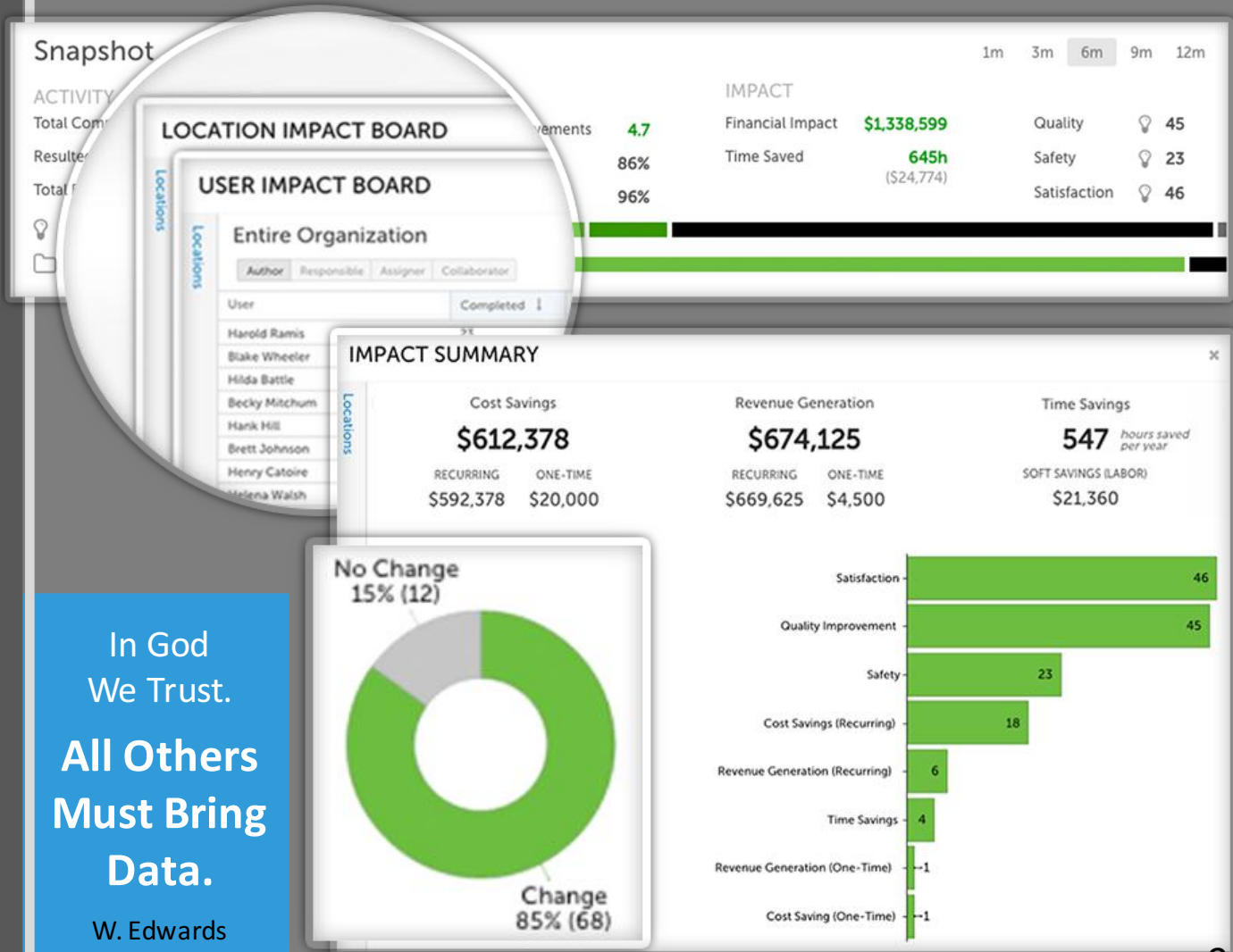
# Impact

**How** improvement impacts your bottom line is the number you need to report on ROI, but it takes the first two categories of data to ensure that your impact numbers are accurate and that they reflect a predictable trend in business impact.

KaiNexus makes it possible for you to [connect improvement with impact](#) in your reporting so that you can drill down into any number to verify accuracy. If you see a cost savings that looks suspiciously high, for example, you can instantly see what improvements are contributing to that and validate that the reporting impact on each is correct.

There is no mystery - and no trust required - when it comes to ROI reporting in [continuous improvement software](#).

Of course, I would be remiss not to mention that it's imperative to track qualitative variables such as time savings, safety enhancements, health, and environmental impact alongside quantitative factors like cost savings and revenue.



In God  
We Trust.  
**All Others  
Must Bring  
Data.**

W. Edwards  
Deming

# TIPS FOR GETTING STARTED



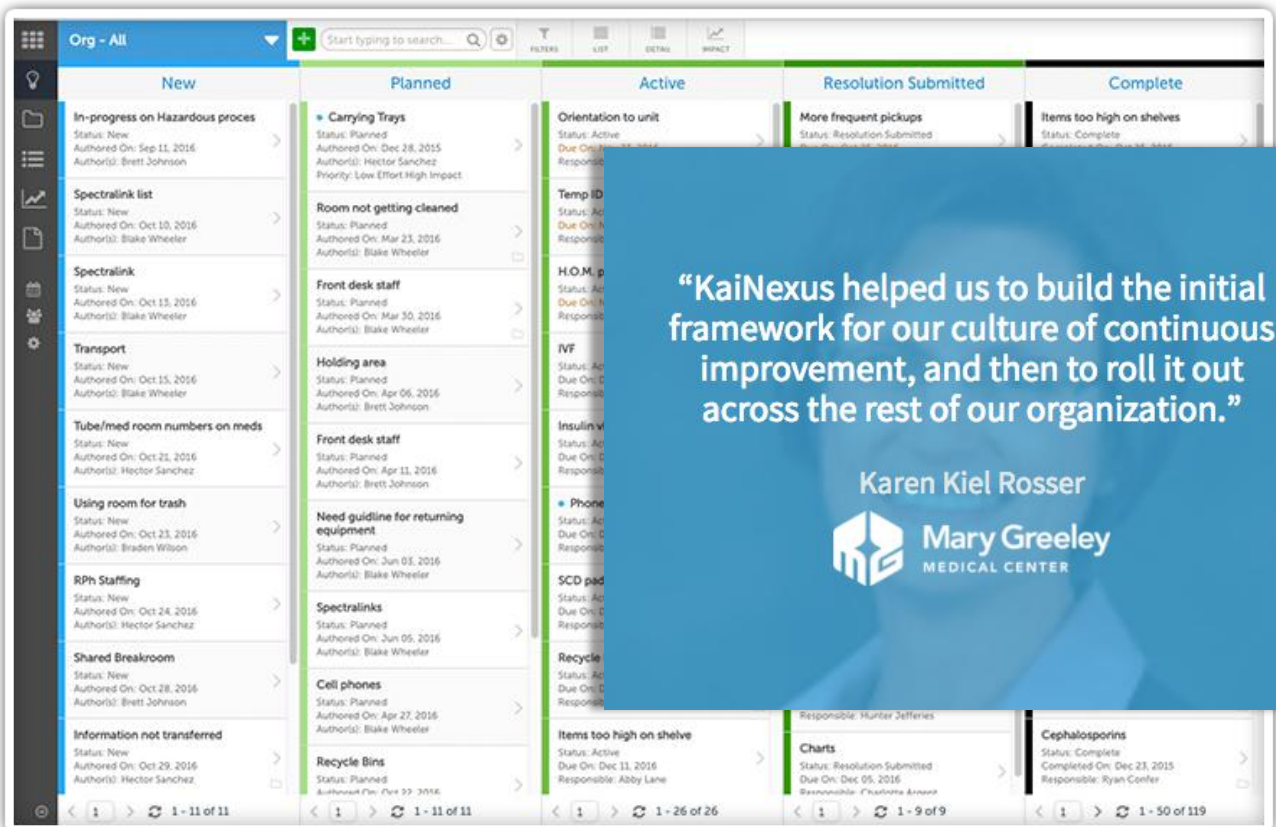
# Develop Discipline

You've probably heard that doing something 21 times makes it a habit. [While that number is in dispute](#), the fact remains that you have to develop a discipline around performing a new behavior in order for it to stick. Measuring continuous improvement is no different.

Developing a discipline around measuring and reporting on the status of improvement often is perhaps the most critical component of a plan for tracking ROI. Visual management tools such as stoplight reports can help with this by providing the "Cue" in the Habit Loop of Cue, Routine, and Reward discussed by Charles Duhigg in his book [The Power of Habit](#).


Start the habit now, and talk about it often. Bring up your metrics in meetings, in emails, when talking with your boss, and your direct reports. Update your data on a scheduled basis (or use software to do it for you automatically).

Developing a discipline around measuring improvement makes it possible for you to track your progress, know how far you've come, and where you're going next. It gives you the data you need to get better.



The screenshot displays the KaiNexus software interface, which is a Kanban-style project management tool. The interface is organized into five main columns: **New**, **Planned**, **Active**, **Resolution Submitted**, and **Complete**. Each column contains a list of improvement items. For example, in the **New** column, items include "In-progress on Hazardous proces", "Spectralink list", "Spectralink", "Transport", "Tube/med room numbers on meds", "Using room for trash", "RPh Staffing", "Shared Breakroom", and "Information not transferred". The **Planned** column includes items like "Carrying Trays", "Room not getting cleaned", "Front desk staff", "Holding area", "Front desk staff", "Need guideline for returning equipment", "Spectralinks", "Cell phones", and "Recycle Bins". The **Active** column shows items such as "Orientation to unit", "Temp ID", "H.O.M. p", "IVF", "Insulin v", "Phone", "SCD pad", "Recycle", and "Items too high on shelf". The **Resolution Submitted** column includes "More frequent pickups" and "Charts". The **Complete** column shows "Items too high on shelves" and "Cephalosporins". Each item card provides details such as status, author, and due date. A search bar and navigation icons are visible at the top of the interface.

**“KaiNexus helped us to build the initial framework for our culture of continuous improvement, and then to roll it out across the rest of our organization.”**

**Karen Kiel Rosser**  
 **Mary Greeley**  
MEDICAL CENTER

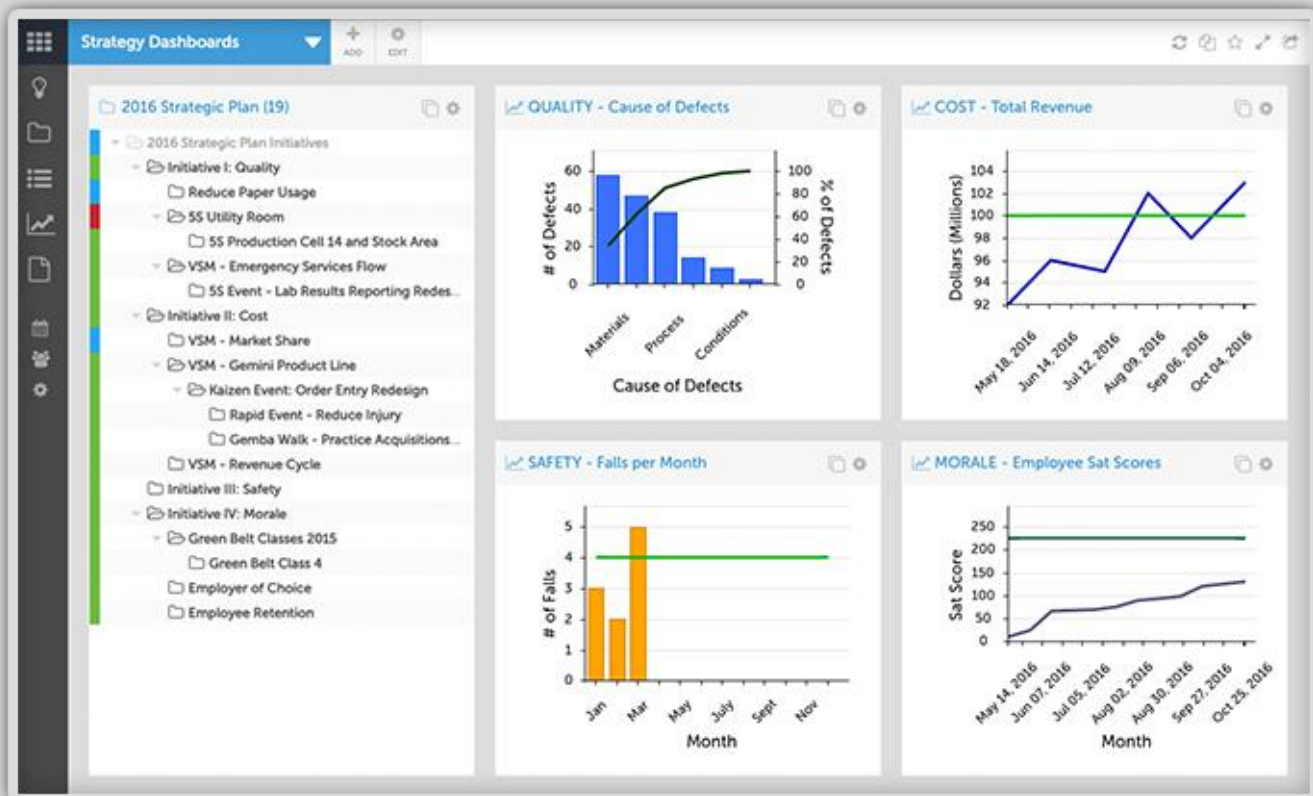
# Keep It Simple, Stupid

You know the acronym KISS (Keep It Simple, Stupid) - apply it to measuring improvement. Many people fall into the trap of trying to measure and report on too much data too soon.

If you try to get 15 metrics for every team across the organization, you'll not only struggle to get the managers to report that accurate data to you, you'll also struggle to keep up with analyzing it (unless you're using CI software to streamline the reporting and analysis).

Instead, pick three or four data points that you CAN measure. If you know how many improvements are coming in, their financial impact, or the number that result in a change, take that data and run with it.

You can add more data points to the stack as you get better at measuring and reporting; trying to get it all at once will only serve to prevent you from getting started.





# PDCA

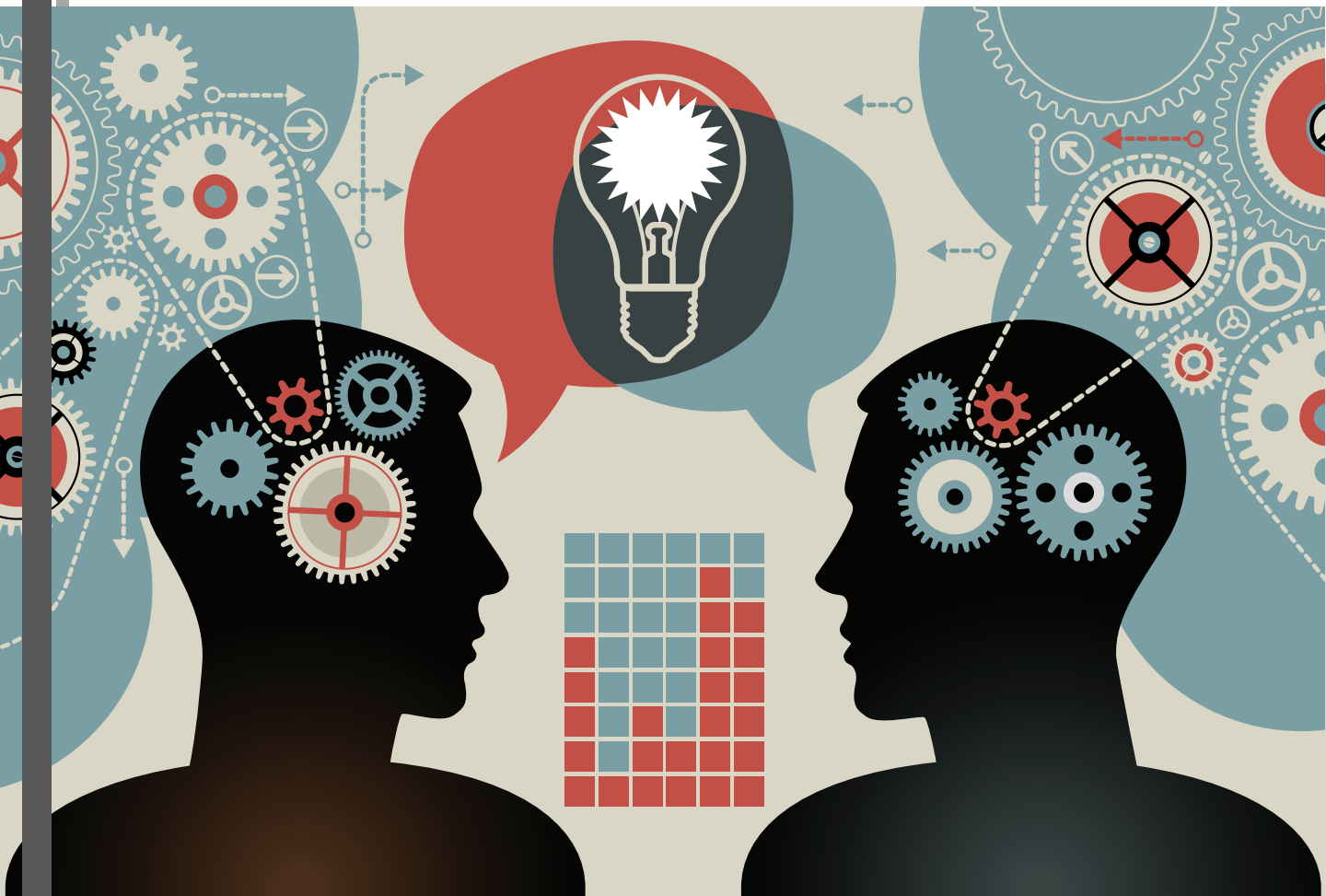
Create a simple plan for how you're going to get started in measuring CI. Then take a couple of months to try it out, after which you can check on both how improvement is going AND how well your reporting mechanism is working.

Adjust both improvement and reporting, and do the cycle all over again.

A key part of the Check phase is to talk to the managers who are helping you track and report the data.

Just like the employees doing the work have the best ideas for improving it, so to do the managers who are doing the measuring have the best ideas for how to improve that mechanism.

Ask for their feedback, and incorporate that into the next cycle.

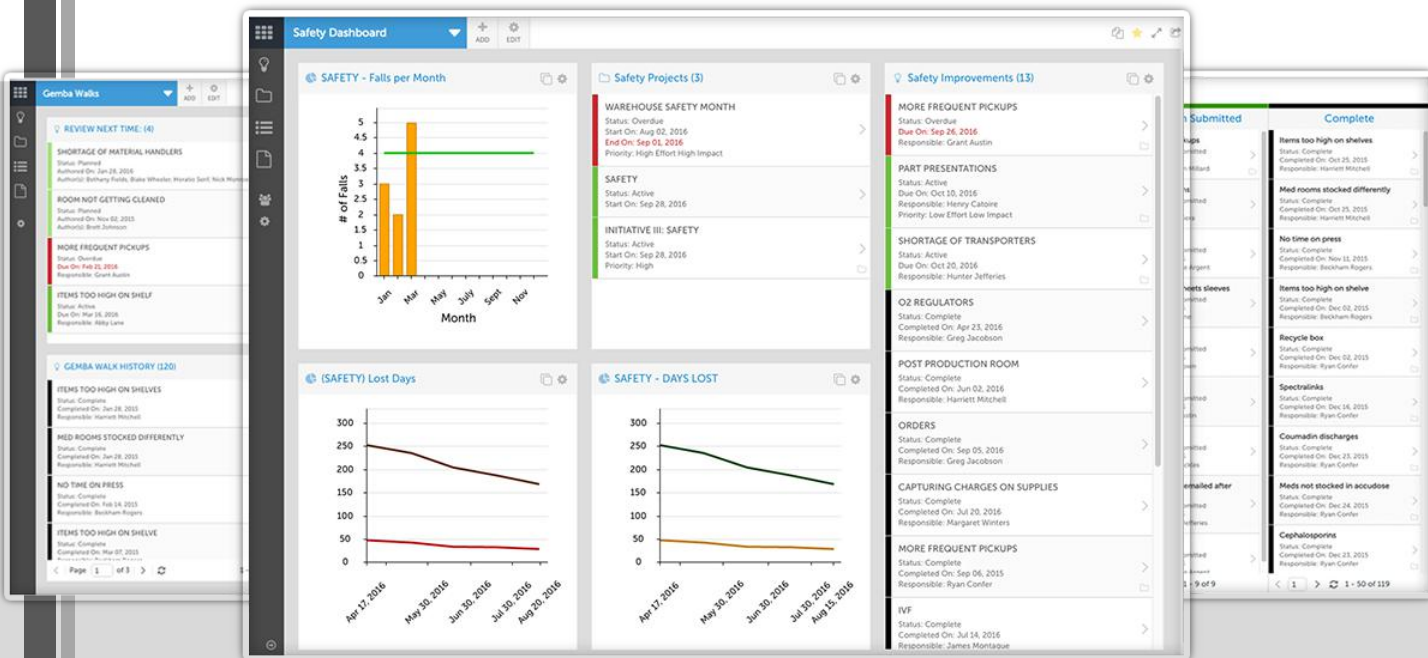


# Standardize & Organize

If you create a consistent, organized approach to measuring CI KPIs across the company, it will be much easier to engage people in reporting data - and empower them to report accurate data.

Tell your people which metrics they should be tracking to evaluate their CI work, revolving around activity, engagement, and impact. This reduces the amount of mindshare they have to devote to reporting and makes it easier for them to help you.

Use [dashboards](#) to create a standard across locations where everyone is able to see your KPIs, their own KPIs, and the improvement work that rolls up into those KPIs. This makes it easier to pull more people into the measuring and reporting process as you spread your CI culture.





# Activation Energy

The image shows three overlapping software windows. The top-left window, titled 'CUSTOM SCHEDULE (USD)', contains a table with columns for Year, Jan, Feb, Mar, Apr, and May. The table data is as follows:

Year	Jan	Feb	Mar	Apr	May
2014	2,000				
2015	250				
2016	200				
2017	175				

Below the table is a '+ Add Year' button. The bottom-left window, titled 'COST SAVINGS', has a 'Summary:' section with a 'Required' dropdown. Below this are radio buttons for 'Recurring' (selected) and 'Unknown Amount'. There is an 'Amount' field with a dropdown menu currently showing 'MXN' and options for 'EUR', 'MXN', and 'USD'. A 'How did you base' section also has a 'Required' dropdown. At the bottom are 'Save' and 'Cancel' buttons. The right window, titled 'TASKS', lists three tasks:

- UPDATE KEY METRICS**  
Status: Requested Start On: Apr 14, 2016  
Due On: Apr 26, 2016 Assignee: Braden Wilson
- SCHEDULE TEAM MEETING**  
Status: Active Start On: Apr 01, 2016  
Due On: Apr 21, 2016 Assignee: Hank Hill
- DO INITIAL SURVEY**  
Status: Active Start On: Apr 14, 2016  
Due On: Apr 22, 2016 Assignee: Frank Wesly

In the book "[The Happiness Advantage](#)," author Shawn Achor discusses how it's critical that you reduce the mental and physical friction to getting started when trying to establish a new habit.

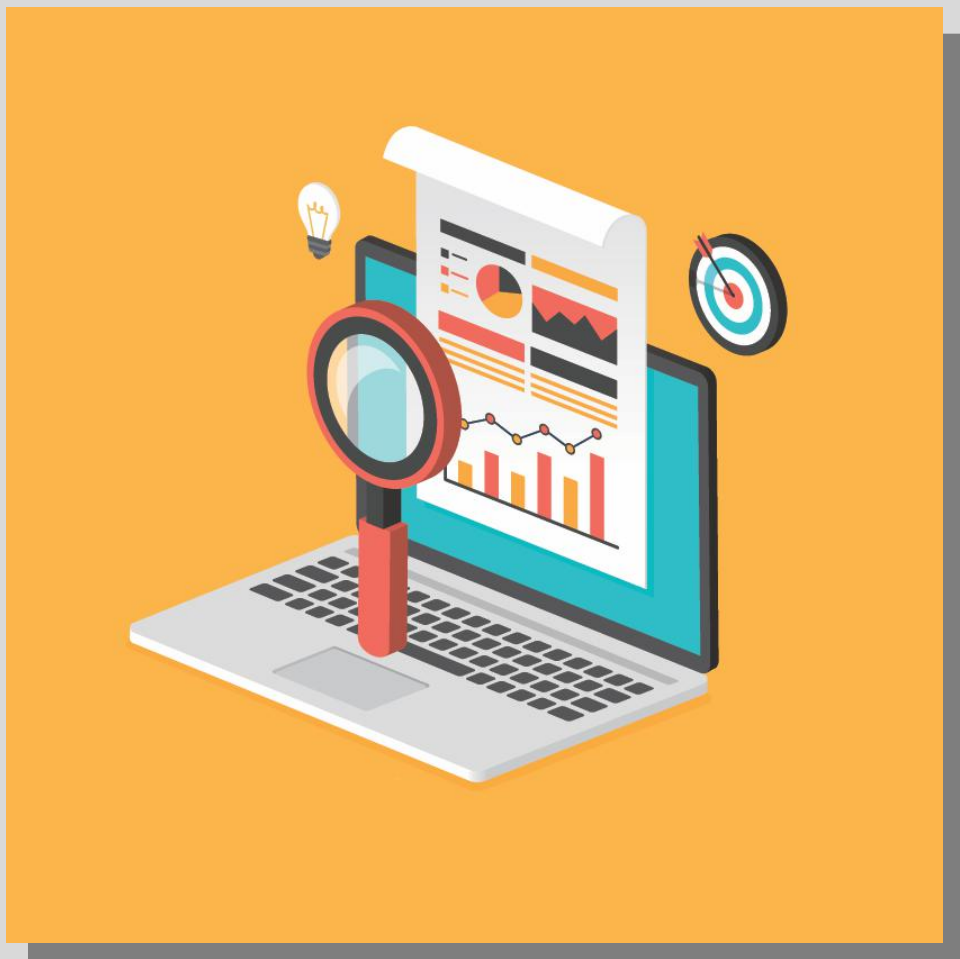
He refers to this concept as "activation energy," and says that the simple act of reducing activation energy by 20 seconds is enough to make a habit stick.

When asking people in your organization (yourself included) to measure the impact of improvement so that you can track an accurate ROI, you want to make it as easy for everyone as possible. Give people specific metrics to measure so that they don't have to think about what's important. Give them a [place to enter their data](#) that is easily located and opened. Make sure their updates route straight to you so that you can compile the data (or use CI software to have it automatically aggregated for you).

Anything you can do to reduce the activation energy of measuring and reporting impact will go a long way toward establishing successful, sustainable habits.

Continuous Improvement Software

# The KaiNexus Difference



# The Impact of KaiNexus

TOTAL  
**43K**  
IMPROVEMENTS

TOTAL  
**\$496M**  
IMPACT

TOTAL  
**\$25K**  
IMPACT / USER

**1.4% of Improvements are  
Worth Over \$100,000**

The more improvements you capture, the more you implement. The more you implement, the greater your impact. It's simple math. KaiNexus customers capture more daily improvements from staff, they run more efficient strategic projects and events, they coach more effectively, and they streamline their improvement process. They engage everyone from the front lines to the executive leaders in a thriving improvement culture to accelerate their rate of change - and it shows.

**KaiNexus Customers Achieve 100%  
ROI with One Improvement**

[See Pricing](#)

QUALITY  
**18K**  
IMPROVEMENTS

TOTAL  
**43K**  
IMPROVEMENTS

SAFETY  
**4.6K**  
IMPROVEMENTS

## 1. Create a Standard

We talked earlier in this eBook about the pitfalls for creating a [Franken-System](#), by which we mean managing improvement with a variety of tools patched together to get the job done. Creating a standard is perhaps the most valuable part of KaiNexus when it comes to measuring ROI.

Gone are the days of compiling spreadsheets from every department in the organization, loading them into a SharePoint site, sending it out via email, and struggling to keep it up-to-date.

With KaiNexus, you'll [create custom improvement and project templates](#) that fit the exact work you're doing - from [A3s](#) and [PDCA](#) to Just Do It and daily Kaizen. Any type of improvement work you're doing in your organization can be set up in KaiNexus. When people resolve those improvements and log the impact, it'll be done on a standard form that you configure to fit your needs. That way, all of the data rolls up into accurate, cross-functional reports.

## 2. Drill-Down Visibility

KaiNexus gives you access to every improvement, every project, every strategic initiative, whenever and wherever you need it. See who is driving your ROI and identify areas that need more coaching instantly. KaiNexus makes it possible to zoom out to see the organization as a whole and zoom in on any level or individual. No more hunting through spreadsheets and calling unnecessary meetings for updates and reviews of your improvement metrics.

## 3. Digital Boards

Getting your improvement KPIs out into the open is one of the most effective ways of increasing engagement both from staff and executive leadership. Organizing the data onto boards that align improvements and their impact with strategic initiatives empowers everyone to work toward the same organizational goals. [KaiNexus' digital boards](#) are displayed everywhere your paper ones are to keep improvement in the forefront of everyone's minds, with the added benefit of including [real-time ROI](#), activity, and engagement metrics.

The best part? People can drill down into those metrics right from the digital board to see what's driving change.

## 4. Executive Reports

How much time do you spend creating presentations for your executives? Whether you're working to show them the impact that improvement is having on achieving their strategic goals, trying to validate a request for increased resource allocation, or just keeping them up to date on what you're doing and how it's going, compiling data and formatting it into presentations is a waste of your time.

Instead, log into KaiNexus during the meeting and show them the data they care about. Dive into the details when questions arise and pull reports of improvements and projects that tie into the conversation.

Have a hands-on executive who wants to stay informed? Set up a [personal dashboard](#) showing them real-time data on your CI KPIs.

## 5. Bottleneck reports

Understanding your activity and engagement metrics is absolutely critical to driving progress in your improvement culture. Accessing this information in real-time gives you the speed and agility you need to adjust your coaching to meet obstacles head on.

[KaiNexus bottleneck reports](#) use activity and engagement data to flag departments that are not prioritizing improvement and leaders that need help coaching their teams so that you can jump in and reroute the team in real-time.

## 6. Verified impact

When you have 10,000 people submitting and implementing improvements and 500 leaders approving resolutions and submitting an impact summary, it's likely that some of the data you get back aren't going to be accurate. KaiNexus makes it possible to route improvements to the right people who can validate and adjust reported impact so that you end up with data you can trust.

## 7. Advanced ROI

Tracking ROI is tough without continuous improvement software, and it's nearly impossible to do when you add in confounding variables such as an international company reporting impact in multiple currencies. [KaiNexus provides a suite of features](#) that keep up with complicated ROI data so that you don't have to.

# KaiNexus

www.kainexus.com

KaiNexus empowers leading organizations in every industry to start, spread and sustain their improvement cultures.

Wherever you are in your improvement journey, KaiNexus will help you take it to the next level with unprecedented visibility, communication, and standardization.

See it in Action

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