CSQ3®

Overview

Cost, Schedule, and Quality
raised to the 3rd Power

Achieve
Organizational Excellence!

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Rev 1.01

The CSQ3® Solution is a journey that will positively change the culture of organizations. Personnel will become empowered. Departments will become Centers of Knowledge. Managers will guide the organization to Excellence. True Performance will be Recognized and Rewarded.

Frank Koczwara

CSQ3® Overview

The easiest way to explain the development of CSQ3® would be to go through the experiences and worldwide adventures as they relate to the evolution of the methodologies, but that would take too long. However, readers need to know there is a method to the madness. Hence, I have included key development and overview material.

Generally, reading about organizational performance improvement is just about as much fun as watching paint dry. Consequently, I made it an adventure. Set in a Renaissance time frame, the Loyal Subject is challenged to improve the performance of the Land of Near. The Land of Near represents a typical organization, where upper management sets the direction and the various departments fight for power. Loyal Subject's challenges explain the Powers of CSQ3®.

Leading a Worldwide Benchmarking Effort

It was a no-brainer for management to authorize a worldwide benchmarking effort once they saw the Business Roundtable statistics. (The Business Roundtable is an

association of chief executive officers of leading U.S. companies.) Best in class organizations are achieving Cost, Schedule, and Quality excellence in the work they perform. Cost, Schedule, and Quality; all at the same time! Performance gains are substantial!

The worldwide benchmarking effort I led was intense, fact filled, and yielded extremely useful information and observations. Besides the thousands of pages of material and reports, in reflection, I was left with the following common sense observations: one, "Clearly establish what you are going to do, before doing it" and two, "Departments build walls." Multi-department work efforts are thrown over the walls from one department to the next, creating significant inefficiencies in the overall performance of an organization.

Based on the benchmarking results, management approved a major performance improvement effort. The effort was focused on improving just one department. It resulted in changing the entire organization.

Directing Major Improvement Effort

Directing a major performance improvement effort was tough. We did not have a clear pathway to move forward. We did not have an overall framework to use. We were starting from scratch. New ground and new ideas were being explored.

The organization wanted the performance improvement answer. The Business Roundtable publication identification the ecomonic gains for becoming Best In Class and the poor benchmarking results substantiated the prize. We

formulated our material, and presented it to the organization. Organizational acceptance was exceptional, it was a start. Further substantiation and validation in the real world was needed.

Consulting Worldwide

The major performance improvement effort then led to worldwide implementations and consulting assignments. The learning experiences were exciting and fun. Work effort teams were inspired. The interaction and communication between management and work effort teams were excellent. One could feel the cultural change in the organization. Gone were the days of dictators. Gone were the days of doing what is best just for the department. The focus was on obtaining the best organizational solution for any given opportunity. Management direction and decisions were sought after and respected. My consulting assignments included projects, major commercial deals, strategic efforts, operational efforts, and special management initiatives throughout the world.

Breakthrough: New Country Entry

In fact, one of the most fruitful strategic consulting assignments was "New Country Entry." The executives in the organization were always recieving requests to enter new areas or join forces in new ventures, but they did not have an effective system for handling the work. The work was assigned to an individual or a team, and they would eventually deliver an answer. Executives were not satisfied with the consistency and quality of the process.

Hence, the purpose of the "New Country Entry" consulting assignment was to significantly improve the strategic work flow process of the organization. Well, it doesn't get any bigger than this. Imagine deciding if your organization should enter a major new area of the world! With 50 of the brightest people in the organization, we tackled the problem. Guess what? The same work flow system that I applied to major commercial deals and projects was also applicable to strategic work efforts. CSQ3® was born…

Achieving Cost, Schedule, and Quality Excellence

Achieving Cost, Schedule, and Quality excellence in every work effort in the organization is the heart of CSQ3®. Achieving Cost and Schedule excellence is easy to understand (provide the lowest cost and fastest schedule) but, what is Quality? Isn't it a nebulous term? In the common sense land of CSQ3®, Quality is the "Delivery of Value" and the "Making of Sound Decisions."

Results: Savings of $580 million a year

For information, how did the improvement efforts turn out? In just one department alone, savings in Cost were estimated at $48,000,000 per month or about $580 million in a work effort system of about $2.9 billion per year. Cost, Schedule, Quality performance was improved in all departments: projects, commercial, operational, and strategic. In fact, executive management stated, "The improvement efforts had the highest Return on Investment (ROI) in the history of our major international corporation."

With respect to the savings:

- What is the non-compounded 5 year result?

  - $580 million x 5 years = $2.9 billion (The calculation does not include additional savings due to Schedule and Quality enhancements).

- Why is the Return On Investment (ROI) so high?

  - The potential return is so high because the capital cost of implementation is so low and productivity gains are so significant. You are investing in your own people. All personnel in the organization will utilize the same performance improvement methodology. (Most importantly, CSQ3® is industry independent and is applicable to profit, non-profit, or government organizations of any size).

What is CSQ3®?

So what is CSQ3®? CSQ3® is made up of three Powers: Fundamentals, Optimum, and Metrics. CSQ3® Fundamentals is a performance improvement methodology applicable to all personnel and all work efforts in the organization. CSQ3® Optimum is a multilevel organizational work flow system built on the principles taught in CSQ3® Fundamentals. CSQ3® Metrics is an organizational performance scoring system built on the utilization of CSQ3® Optimum. CSQ3® Metrics uses a point system to track and measure an organization's progress towards achieving excellence.

CSQ3® is Cost, Schedule, and Quality Raised to the 3rd Power.

1st Power
CSQ3®
Fundamentals

2nd Power
CSQ3®
Optimum

3rdPower
CSQ3®
Metrics

Figure 1

1st Power - CSQ3® Fundamentals

CSQ3® Fundamentals has the power to improve the performance of all work efforts in an organization. A work effort has a definable objective; a start and an end point; numerous tasks or activities; and measurable results or goals. A work effort may take minutes, hours, days, months, or even years.

Establish Clear Work Effort Scopes

Work efforts range in scope and perspective. From an individual perspective, typical work efforts might include: mowing the lawn, painting a room, buying a car, buying a house, or planning for retirement. From an organizational perspective, work efforts might include: filling orders, performing maintenance, building new facilities, signing new deals, information technology implementation, consider-

ing new joint ventures, etc.

Establish a clear scope for any work effort by answering the questions: What are we going to do? Why are we doing it? What does success look like?

Utilize a Common Work Effort Structure

Clearly identify what you are going to do before doing it. It sounds so simple; yet, it is so often not performed. Excuses abound. It takes too long. I already know the answer. We will do it on the fly, etc. Utilize a common work effort structure. CSQ3® methodology breaks work efforts into phases, with decision points between each phase. Each phase has a specific objective. Once the current phase objective is completed, decide if the work effort should progress to the next phase.

Report Cost, Schedule, and Quality Information

For every work effort, report Cost, Schedule, and Quality information. Cost and Schedule information is easy to understand when one asks: "How much will it cost?" "How long will it take?"

CSQ3® defines Quality as the "Delivery of Value" and the "Making of Sound Decisions." Hence besides reporting Cost and Schedule estimates, Value estimates are developed. Report Value estimates in economic terms, such as Return on Investment. The easiest way to report decisions is with Decision Tables. Decision Tables include work effort decisions, risk mitigation decisions, options, and direction.

Teach the Entire Organization

Worldwide consulting, which included strategic work efforts, such as "New Country Entry" demonstrate the applicability of a common work flow process in an organization. Teach CSQ3® Fundamentals to the entire organization.

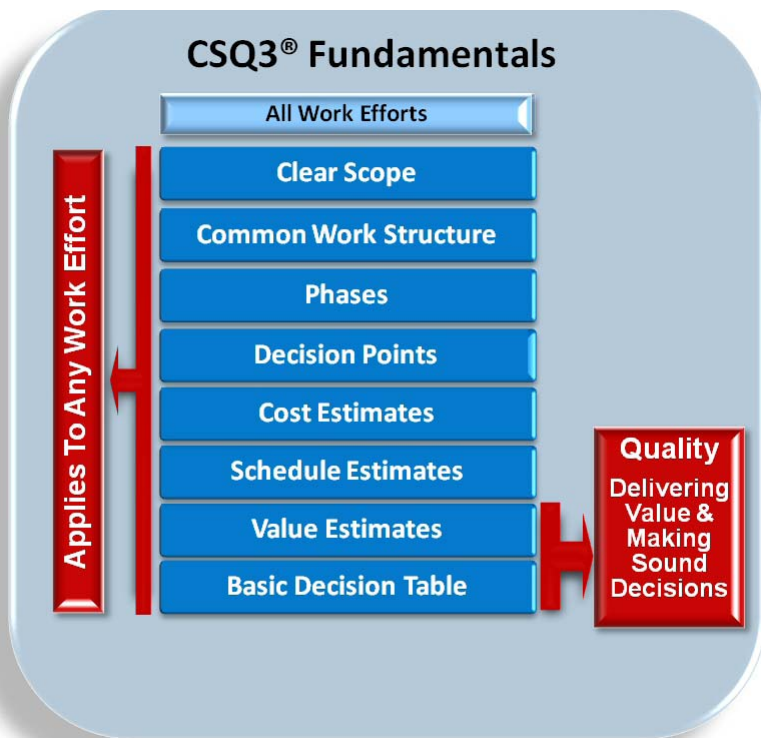The following figure highlights the elements that will be discussed in CSQ3® Fundamentals:

Figure 2

So what will happen if everyone in the organization speaks the same work flow language?

- One, individual and departmental work efforts will improve.

- Two, the organization will have a better understanding of the departmental work being performed.

- Three, personnel placed on teams to work on multi-department opportunities will understand how the work effort will move forward.

2nd Power - CSQ3® Optimum

CSQ3® Optimum is a multilevel organizational workflow system that has the power to eliminate the walls and kingdoms departments build. CSQ3® Optimum assumes an understanding of the basic elements in CSQ3® Fundamentals.

Numerous Work Efforts in an Organization

Key Work Efforts → 25%

Departments → 35%
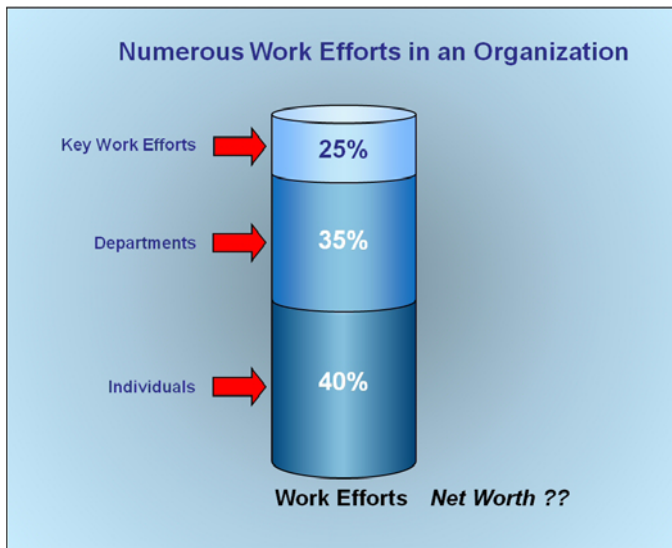
Individuals → 40%

Work Efforts   Net Worth ??

Figure 3

There are numerous work efforts in an organization. For simplicity, individual, department, and key organizational work efforts are shown in Figure 3. The percentages shown in the Figure are representative, and will vary from organization to organization. CSQ3® Optimum focuses on key organizational work efforts.

A key organizational work effort requires multi-department input or is a department work effort designated by management to be included in the CSQ3® Optimum workflow system. All key organizational work efforts are to be included in the CSQ3® Optimum workflow system.

An example of a department work effort, that management might designate to be in the CSQ3® Optimum workflow system, would be a secret research project. The research department may claim total ownership, but in reality, if the work effort is successful, numerous organizational departments will need to be involved.

Typical CSQ3® Optimum work efforts might include: building a new facility; capturing a major commercial deal; or establishing a new strategic direction for the organization. In most cases, key organizational work efforts have a large net worth to the organization.

Remember Me

Key Work Efforts have a Large Net Worth to the Organization

CSQ3® Optimum is an overall organizational work flow system. Include all key strategic, major commercial and project work efforts in the system.

Requires Organizational Governance

Management needs to establish and govern the CSQ3® Optimum work flow system.   The work flow system contains all key work efforts in the organization. Critical management governance items include the following:

- **Creating Work Efforts:** Assuming there are several competing ideas for a similar work effort, what work effort will be created, and how will it be placed in the organization?

- **Establishing Scope:** What is the scope for each created work effort?

- **Empower Teams:** CSQ3® is focused on multi-department empowered teams. Management needs to provide a culture of true empowerment.

- **Assign Resources**: Management needs to provide the necessary monetary and personnel resources to work efforts.

- **Track Responsibility and Risk**: Work effort teams will report department and risk related information. Tracking of the reported information is required.

- **Manage the Three Level System:** CSQ3® Optimum is a three level organizational work flow system. The three levels are Strategic, Major Commercial,

and Project. Managing the system will require resources.

Additional Work Effort Requirements

There are additional requirements in CSQ3® Optimum that need highlighting:

- **Management Decision Points:** Decision Points between Phases become formal Management Decision Points. At a formal Management Decision Point, management has only two decision options: "Approve" the work effort; the work effort moves to the next phase. "Kill" the work effort; the work effort stops. It is better to kill a bad work effort then to live with the results. "Redoing" a work effort phase is not permitted. The never-ending work effort has just ended.

- **Advanced Decision Tables:** Decision tables are required. Include controllable decisions, risk mitigation decisions, the department accountable for each decision, and variations in risk profile paths.

- **Execution Plus®:** Utilize a standardized documentation procedure. Execution Plus®, which is a work effort documentation methodology, simplifies and standardizes the reporting requirements of work effort teams.

If Properly Implemented:

What is the end result if an organization properly implements CSQ3® Optimum? Over time, individuals in the or-

ganization will be saying: "The organization is Performing the Right Work, at the Right Time, with the Right People." The following highlights CSQ3® Optimum elements:
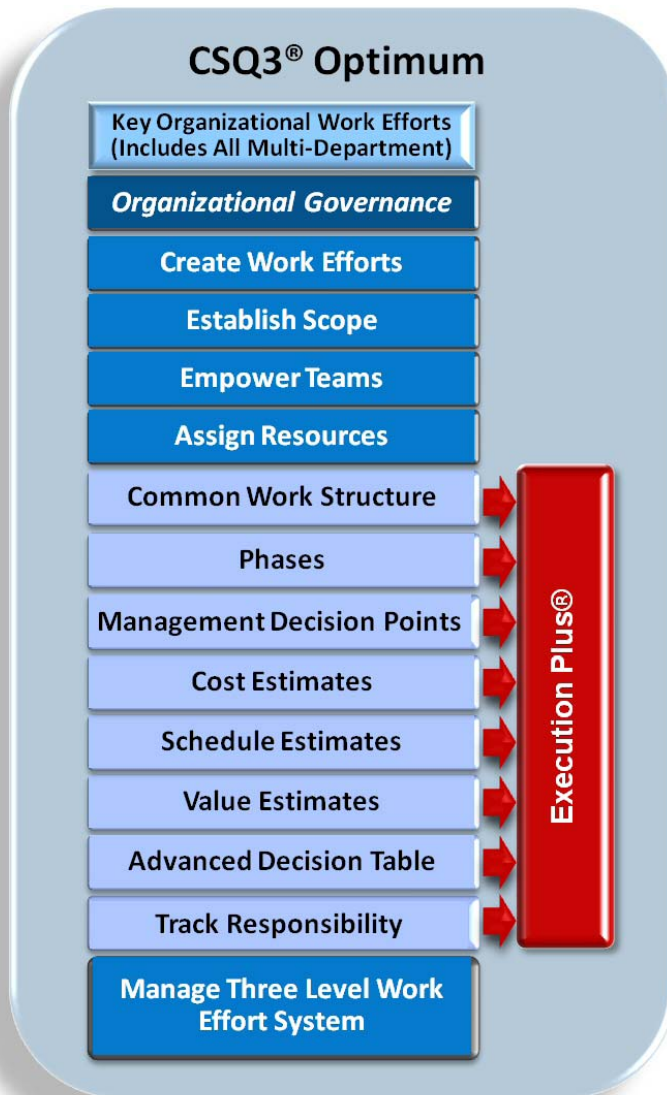

Figure 4

3rd Power - CSQ3® Metrics

CSQ3® Metrics is an organizational performance scoring system that focuses on the delivery of value and the creation of a self-correcting organization. The 10,000 point (maximum) performance scoring system is based on the use of CSQ3® Optimum in an organization. The CSQ3® Metrics performance scoring system allocates a maximum of 6,000 points to the delivery of value and 4,000 points to the creation of a self-correcting organization.

Delivering Value

CSQ3® Metrics includes the evaluation of all CSQ3® Optimum work efforts that have reached the final work effort phase. Estimated and actual work effort values are compared to obtain a score for each evaluated work effort. The maximum point award for any one work effort is 2,000 points. Evaluated work efforts are prorated at each CSQ3® Optimum level with the maximum score per level as follows: Strategic Level 2,000 Points, Major Commercial Level 2,000 Points, and Project Level 2,000 Points.

Creating a Self-Correction Organization

Four thousand points are awarded to the creation of a self-correcting organization. The point awards are focused on the training, implementation, and use of CSQ3® methodology with special emphasis on improving work effort teams and organizational departments. The maximum point award breakdown is as follows: Training, Utilization, and Data Capturing 2,000 Points; Improving Work Efforts 1,000 Points; and Improving Departments 1,000

Points.

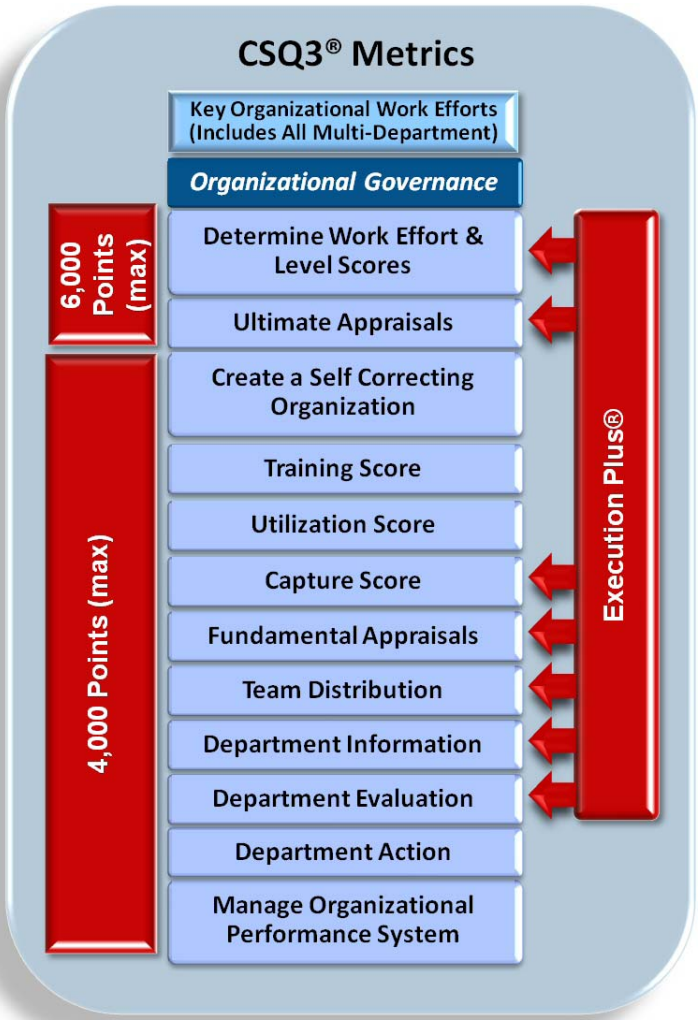The figure below highlights the elements in CSQ3® Metrics:

Figure 5

CSQ3® Metrics uses documented work effort information

to establish awarded point scores. In addition, knowledge and insight established from Appraisals substantiates the recommendations and actions to improve the organization.

Organizational Excellence

In summary, CSQ3® is a simple, yet sophisticated formula for improving the performance of any organization. The methodology and systems are built on sound principles, and the end result is an organization that strives to achieve Cost, Schedule, and Quality excellence.

Performance Improvement Adventure

Let's face it. Launching a performance improvement effort in an organization does not inspire the average employee. So, let's make it an adventure.

The adventure is set in the Renaissance Era, a time of change. The main character is "Loyal Subject." Loyal Subject is from the "Land of Near."

The "Supreme Ruler" rules over the entire Land of Near.

The Land of Near represents an organization. Supreme Ruler represents executive management, and Loyal Subject is challenged with improving performance.

Organizational performance is extremely poor. The People of Near are angry. The Supreme Ruler needs Loyal Subject's help. Loyal Subject needs to bring the Land of Near back to Greatness.

Supreme Ruler presents Loyal Subject with three challenges. If successful, Loyal Subject will be greatly rewarded.

The challenges highlight the Powers CSQ3®. Fortunately, to aid in the quest, Loyal Subject has the ability to see into the future.

- Challenge #1 teach **CSQ3® Fundamentals**. CSQ3® Fundamentals gives everyone in the organization the power to speak the same work flow language.

- Challenge #2 teach **CSQ3® Optimum**, which is an organizational work flow system. CSQ3® Optimum eliminates department walls and gives an organization the power to perform the right work, at the right time, with the right people.

- Challenge #3 teach **CSQ3® Metrics**, which is an organizational performance scoring system. Note, organizations scoring 9,000 points or more in the 10,000 point system are classified as achieving "Organizational Excellence."

Achieve
"Organizational Excellence"
Launch a CSQ3® Performance Improvement Effort

(Note: Provided Implementation Material Contains all 3 Challenges and is Intended for All Personnel in the Organization)

The Loyal Subject has a special gift of future gaze: the ability to see the future. The people in the Land of Near are angry; they are no longer competitive in the changing world. The Supreme Ruler has heard from wizards about "CSQ3®." The Supreme Ruler asks "The Loyal Subject" to look into the future; learn the Powers of CSQ3®; and save the Land of Near.

Loyal Subject - Taking Up the Call to Duty

The Loyal Subject, who has the gift of future gaze, is from the village of Hope in the Land of Near. The Supreme Ruler of Near is troubled. Costs are too high; Schedules are too long; and, Quality is non-existent. Our people are losing their jobs. We are becoming non-competitive with distant lands. The nobles in the various provinces are more interested in their own power and wealth, than in the wealth and well being of the Land of Near. The work performed by the provinces from an overall perspective is mediocre at best. (Note: the Land of Near is a typical organization and the provinces are the departments in the organization.) Loyal Subject, I need your help!

Loyal, for short, heeds the call. What can I do? There are many people in our land and numerous provinces. I am just one person, but with a gift to see the future.

From past experiences, the Supreme Ruler knows all work efforts need clear scopes. With sincerity in his eyes, Supreme Ruler says "I have faith in you. I give you three challenges. If you can successfully complete the challenges, you will receive numerous rewards, and the Land of

Near will become Great Again!" Supreme Ruler (Executive Management) presents Loyal Subject with challenge #1.

Challenge #1 - The Power of CSQ3® Fundamentals "Everyone Speaks the Same Work Flow Language"

What do you want me to do? Teach work effort fundamentals to the populous.

Why do you want me to do it? So everyone in the land can understand that Cost, Schedule, and Quality excellence is achievable in every work effort.

What does success look like?

- All the populous understands the fundamentals.

- Nobles (Department Management) understand their roles and responsibilities.

- The populous uses the fundamentals in their own work efforts.

- Work efforts are consistently implemented with Cost, Schedule, and Quality excellence.

Loyal Subject is puzzled. Achieving Cost, Schedule, and Quality excellence at the same time! There is quiet. Loyal goes into "future gaze." With the ability to see the future, Loyal sees the following:

Cost: "...best company is spending 72 cents of the industry average dollar for the same functional scope."

The information is from the Roundtable so it must be true. The referenced best company is achieving Cost, Schedule, and Quality excellence in their work efforts.

Loyal Subject agrees to Challenge #1!

Supreme Ruler is pleased. The Ruler knows that the people of Near want change. Their livelihood depends on becoming the best. The people can relate to Loyal Subject's goal.

The next challenge is going to be more difficult. On key work efforts, work efforts that have a significant net worth to the people of Near, the Supreme Ruler uses the following provinces (departments):

Intellectus: For every key work effort the province of Intellectus _determines_ what needs to be done.

Thunder: The province of Thunder _implements_ key work efforts.

Pain: The province of Pain _operates_ all key work efforts.

Supreme Ruler is furious with the Provinces of Intellectus, Thunder, and Pain. The provinces do not communicate with one another. The provinces fight for control, and are content to play political games. Key work efforts that are necessary for the growth of the Land of Near are suffering. Supreme Ruler presents Loyal Subject with challenge #2.

Challenge #2 - The Power of CSQ3® Optimum "Perform the Right Work, at the Right Time, with the Right People"

What do you want me to do? Implement a work effort system that will contain all key organizational work efforts in the land, simplify their management, and improve their performance.

Why do you want me to do it? The antics of Intellectus, Thunder, and Pain are destroying the future of Near!

What does success look like?

- Agreement is obtained for the future strategic direction of Near. Additional strategic efforts are to be handled swiftly, yet with great thought.

- Major new contracts are signed with new opportunities for our people.

- The major contracts will lead to the building of new shops and the opening up of more opportunities, so that our people can go back to work and Near can grow.

- Key organizational work efforts can be managed and viewed from an overall perspective; yet, management will have the ability to zoom in and focus on the smaller components of each.

Loyal Subject's knees are weak. The Nobles of Intellectus, Thunder, and Pain are very formidable. However, the people in the provinces are dedicated to the Land of Near. If Loyal had more support information, perhaps activities

could be refocused; but wait, Loyal saw the future on Cost. What does the Roundtable say about Schedule? Going into future gaze, Loyal sees the following:

> *Schedule: "…fastest company takes only 70 percent as long as the industry average to bring a project from a business idea to a facility in production"*

Whoa!! Cost at 72 cents on the dollar and Schedule at 70% as long. Achieving Cost, Schedule, and Quality excellence has some definite advantages.

Loyal Subject agrees to Challenge #2!

Supreme Ruler is glad. Now, for the greatest challenge of all: The Nobles in the Land of Near are very short term focused. Our people do not have enough food to eat; yet, they dine on the best game, pay themselves huge bonuses, and live the life of luxury. Their bonuses are based on next quarter's profit without looking further into the future. A machine that is not properly maintained (because production cannot stop since bonuses are tied to production) will produce today but, not in the future. The Provinces are not producing Value and the decisions that are being made are not of the highest quality.

Challenge #3 - The Power of CSQ3® Metrics "Achieve Organizational Excellence"

What do you want me to do? Implement a performance measuring system that is applicable across the land. Mea-

sure our success with key work efforts and with our ability to continually improve over time.

Why do you want me to do it? The performance systems of the past are unfair and inadequate. Extremely high rewards are paid for short term success; where the short term successes, in the longer term, are damaging the Land of Near.

What does success look like?

- For all key work efforts, measure estimated Value to Actual Delivered Value.

- Measure the understanding of Cost, Schedule, and Quality principles in the land.

- Provide honest feedback so that our people involved with key work efforts can improve.

- Provide honest feedback so that we can improve our provinces (departments).

Loyal Subject is bewildered. How can any performance measurement system do all of the Challenge items? However, Loyal is not deterred. Going into future gaze, Loyal once again consults the Roundtable for understanding about the possibility of a land that achieves Cost, Schedule, and Quality excellence. It is extremely important:

Quality: "…best company transforms a 15 percent Return on Investment (ROI) project…into a 22.5 percent ROI project… In contrast poorest performers turn that same project into a 9 percent ROI."

Return on Investment (ROI) is a financial matter, a Value measurement. Loyal doesn't understand financial matters.

Loyal consults with a friend, "Good Friend." "Loyal, if you saved $1000 and put it in the bank at an interest rate of 2% per year; in five years, you would have $1,104. At 9% per year you would have $1,530, and at 22.5% per year you would have $2,758. At what ROI would you want to put your money?" Loyal's eyes light up. It is good to have a Good Friend.

__Loyal Subject weighs the potential gain for completing the adventure; and, commits to Challenge #3__

__Let the Battles Begin !!!__

CSQ3® Content Summary

	Fundamentals	Optimum	Metrics
Work Efforts	✔		
Key Organizational Work Efforts		✔	✔
Work Effort Components			
Phases	✔	✔	✔
Decision Points	✔	✔	✔
Cost Estimates	✔	✔	✔
Schedule Estimates	✔	✔	✔
Quality - Value Estimates	✔	✔	✔
Quality - Decision Tables	✔	✔	✔
Includes Key Work Efforts		✔	✔
Established Scope		✔	✔
Empowered Teams		✔	✔
Assigned Personnel/Resources		✔	✔
Tracked Responsibility		✔	✔
Execution Plus®		✔	✔
Management Decision Points		✔	✔
Governance – Three Level System		✔	✔
Delivering Value			✔
Determine Work Effort and Level Scores			✔
Fundamental Appraisals			✔
Ultimate Appraisals			✔
Creating a Self Correcting Organization			✔
Training, Utilization and Capture			✔
Improving Work Efforts			✔
Improving Departments			✔
Governance – Performance System			✔