

## MOS: A Holistic, Proactive Approach To Assessing Operational Performance

By Ken Honsberger

When Robert Kaplan and Dave Norton introduced the Balanced Scorecard in a 1992 edition of the *Harvard Business Review*, companies found that they had a new way to measure business success.

50 years prior, Alexander Proudfoot developed the Management Operating System (MOS), which has helped thousands of companies to effectively measure what really matters, enabling them to make sound operational and strategic decisions.

Everyone wants to measure the success of their business, and before, during, and after a merger or acquisition, it's particularly critical to assess a company's operational performance. Measuring is the easy part; the hard part is deciding what to measure, how often, how to do it, and in how much detail. Many companies remain focused on financial measures, and while these are good performance indicators, the reality is that they're predominantly lagging indicators. MOS provides a more detailed, proactive assessment.

Like the Balanced Scorecard, MOS applies three metrics that are recognized as critical to managing a successful business — operational, financial, and performance — and serves as both a reflective and a predictive tool in assessing what measurements are needed.

Embedded in MOS are significant benefits that are not always apparent in a Balanced

Scorecard approach — tools that are required to continually improve the business:

- Master Schedule, for resource planning and modeling.
- Skills Flexibility Matrix, for ensuring that the right people are doing the right job.
- Forecasting and Scheduling elements, which allow the user to break the plan into executable pieces; and
- Coaching and Behavior Models, which keep a company in line to achieve its goals.

MOS is composed of three main processes that utilize the continual improvement systems previously mentioned.

First, measurement starts with the Management Report. Like the Balanced Scorecard, this is a group of usually no more than 10 to 15 key indicators — both leading and lagging — that will help guide the company. These typically include performance metrics that are critical to the organization's success. Usually utilized as part of a key executive management tool, they begin to reveal the alignment. In addition to performance improvement ratios, they often include financial, operational, growth, learning, and customer metrics.

The second element of the MOS that aids goal/objective alignment is the Daily/Weekly Operating Report. The closer to the front line of the business, the more important it becomes to

understand how top-line performance indicators evolve into operational ones, and what middle management must do to support overall objectives. The Daily/Weekly Operating Report utilizes key Management Report measurements and breaks them down into the next level of actionable tasks, complete with analysis tools.

Taking the information just to the middle management team is still not enough. Front-line supervision also needs a group of performance, process, people, and financial measures to guide them. We call this third element of MOS the Daily Schedule Control. This mechanism allows front-line supervisors to manage their day in parts and is built around two major tenets: what gets measured gets done, and progress is better measured hourly not daily. The Daily Schedule Control allows supervisors not only to know how they're doing in short intervals but also shows what corrective action is needed to address issues quickly and keep on target.

One of the goals of MOS and its tools is to ensure that a company's vision, strategy, operating plan, and short-term forecasts are synchronized. Once achieved, this will typically identify opportunities for improved productivity, revenue enhancement, and throughput gain.

Unlike the Balanced Scorecard, whose emphasis is on keeping score, MOS's aim is to create a holistic view that empowers companies to achieve their immediate goals while instilling a culture of sustainable and continual improvement.

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