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Whitepaper

Five best practices to make Obeya the brain of your Agile Enterprise

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Content

Drawing from best practices implemented across industries, this paper aims to communicate five valuable insights that will help elevate your Obeya into the strategic instrument that accelerates your business. But first, a short recap on Obeya and its relevance in times of digital transformation.

Introducing Obeya

The strategic Obeya, Japanese for "big" or "great" room, is often described as the brain of Lean / Agile organizations. This is because an Obeya aggregates all strategically relevant data and developments in one place, which enables management teams to learn and take action together. For this purpose, an Obeya generally reflects a clear, concise and up-to-date visual of an organization's plan - do - check - act cycle. Typically, management teams make use of an Obeya on a (bi-) weekly basis to discuss organizational performance, identify opportunities and resolve possible impediments. However, it is important to note that teams of all levels and departments are encouraged to regularly have Obeya meetings to understand the big picture and relate departmental initiatives to organization strategy.

Table 1. PDCA - elements that are communicated in an Obeya

Plan	Where are we going? Why are we going there? How are we going to get there?	The why and how of Simon Sineks' Golden Circle. A visualisation or write - up of your mission, vision and strategy.
Do	What are we doing to get there?	A visualization or write - up of the activities you undertake to realise your strategy, be it through operations or through change portfolio.
Check	Are we getting there? Are we going to get there?	A visualization or write - up of the extent to which you are successful in realizing your strategy through the activities you undertake. This is where KPIs and other metrics come into play.
Act	What actions should we, as management team, undertake so that we can successfully realize our strategy?	Act is often reflected in some form of Kanban leadership action board.

What makes a great Obeya?

A great Obeya is one that:

- Inspires managers and employees by communicating organizational purpose
- Enables managers and employees to learn the extent to which an organization is en route to realizing its strategy
- Helps understand the actions undertaken to accelerate and do better
- Helps define and prioritize improvements, impediments and actions
- Brings context and cohesion to otherwise scattered goals, organizational initiatives, departments and teams
- Facilitates swift interdepartmental communication and decision making
- Makes things click for the employee who was unclear on his or her contribution to the big picture
- Facilitates having the right discussions and asking the right questions at the right time based on the right / shared information

Obeya in times of digital transformation

Across industries, organizations are faced by a rapidly changing business environment due to the emergence of new technologies and disruptive business models. Leading organizations are those that have the capabilities to capitalize on change. This requires organizational agility and short feedback loops.

A high performing organization is a learning organization

Jack Welsh, former CEO of General Electric, was quoted as saying that "an organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage." Building on this logic, I consider an Obeya to be the fundamental strategic instrument that brings together the two elements of his quote. A great Obeya allows you to anticipate, get your priorities straight and adapt faster by timely identifying need for change based on relevant and real - time data. It is a place where you can learn and act upon your learnings. Done right, the Obeya provides an ongoing feedback loop that allows you to create a shared, integrated understanding of organizational performance, customer behavior and employee insights. Done right, it is a place where you test hypotheses and validate assumptions together. Done right, it is a place where you fail fast and learn faster. So ... how do you get it right?

Five key insights from organizations that mastered Obeya

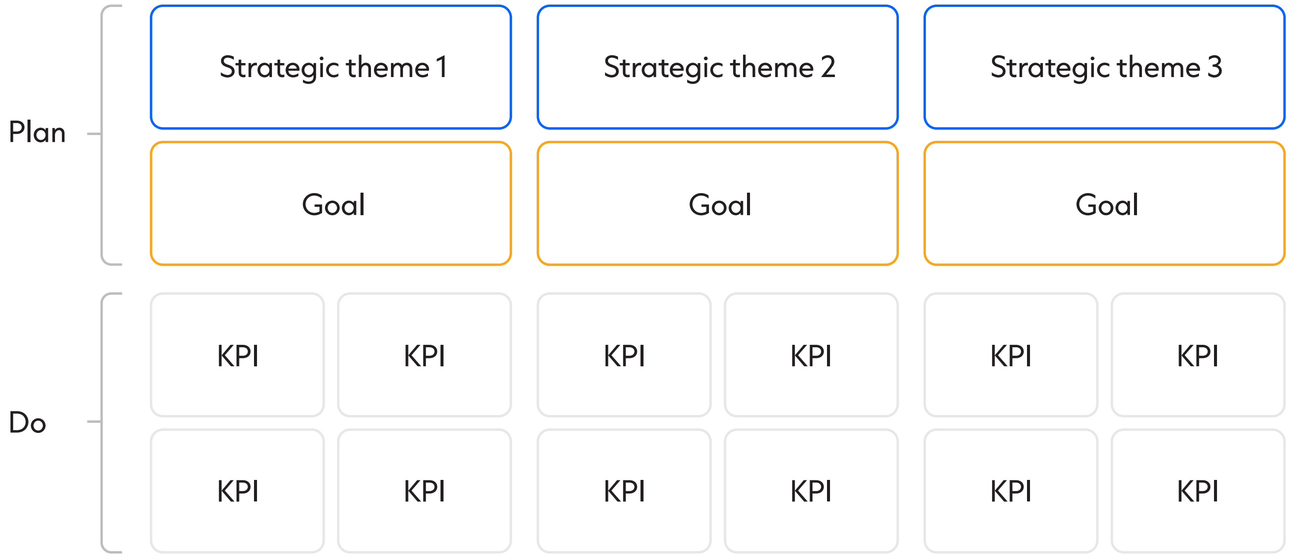
Drawing from best practices as implemented by resilient organizations that "got it right", we have identified five insights that will help you get the most out of your big room.

Insight 1: Explicitly link Obeya metrics to strategic goals

Structure follows strategy, also in Obeya. As mentioned, an Obeya should visualize your PDCA. Typically, organizations find one piece of wall to present their "Plan" (mission, vision and strategy) and another to visualize their "Do" (operations + portfolio). Succesful organizations however, make sure that Plan and Do are connected by design. I.e., all organizational activities and corresponding KPIs that are reported must be structured to strategic themes, through either visual cues or grouping (as illustrated in figure 1). This way, all activities and KPIs that are presented under "Do" have a direct relation to corporate strategy. This creates a logic clustering of information and high level of transparency that gives you direct insight into whether or not you are successful in achieving your strategic goals.

Although ultimately the management team is collectively responsible for realizing strategic goals, it helps to assign one team member per strategic theme who is accountable (note: responsibility can be delegated, whereas accountability cannot) for updating information and presenting progress during Obeya sessions.

Figure 1. An example of visually connecting and cascading Plan and Do



Although this seems like a no-brainer, we have seen several instances where Plan and Do were completely disconnected. Typically these organizations choose a reporting structure in their Obeya that centralizes performance of organizational departments (e.g. Finance, HR, Legal) over strategy. This results in an Obeya that 1) reflects an operational performance dashboard more than a strategic instrument and 2) creates a disconnection of PDCA into P and DCA. The effect of subpar structuring is that Obeya sessions are used to align everyone on departmental performance instead of focusing on realization of strategy.

An explanation for this behavior is that reporting on operations is comfortable, whereas transparently reporting progress on ambitious strategy is not.

Especially if it is unclear how we aim to deliver on our strategy. Which brings another issue to the table: strategy often remains vague. For example: "It is our ambition to develop into a data driven organization".

Great goal, difficult to disagree with, but what does this mean? What is our goal and what actions should we undertake to deliver on this goal? Structuring your Obeya on strategic themes leaves no room for unclear strategy and instigates the right conversations. Are we too caught up in operations to realize our strategic goals? Should we pivot and change strategic direction?

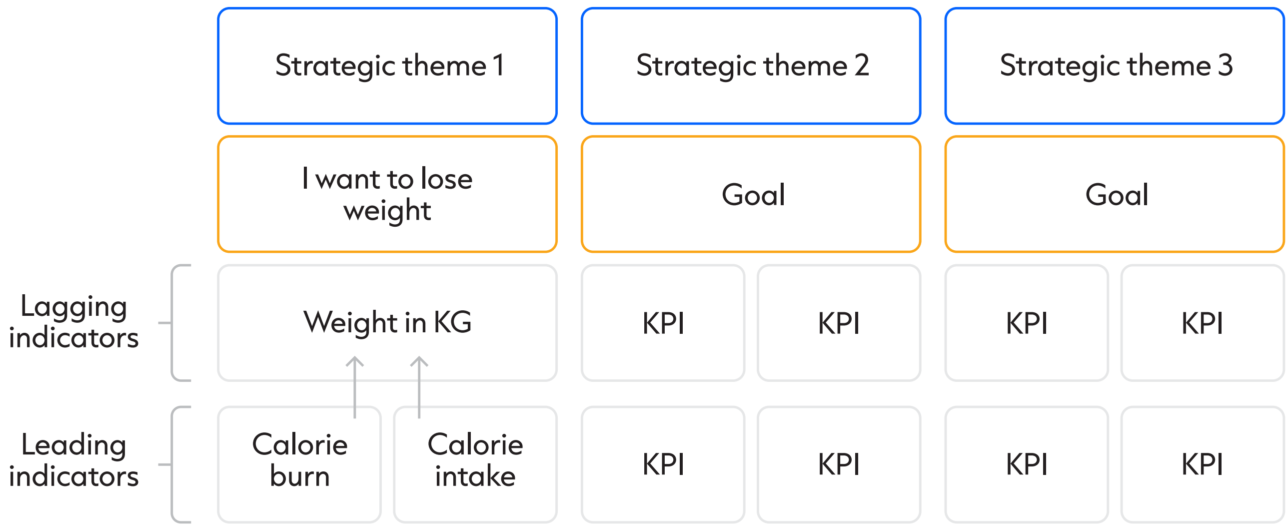
Insight 2: Differentiate between leading and lagging performance indicators

Key performance indicators are often perceived as a necessary evil, which is a pity, since KPIs are critical to learning and improving. As previously introduced, a high performing organization is a learning organization. A learning organization draws knowledge from both qualitative and quantitative data. A KPI should be regarded as nothing more than a quantitative datapoint that one can learn from. KPIs are essential to an Obeya, since they give us valuable insight into the extent to which we are en route to realizing our strategy. Although KPIs seem pretty straightforward, it requires a lot of attention to get them right.

First, it is important to distinguish leading and lagging indicators. Lagging indicators are typically "output" oriented, easy to measure but hard to improve or influence while leading indicators are typically input oriented, hard to measure and are easier to influence.

These concepts are best explained by the following example. Let's say your goal is to lose weight. For this example, your lagging indicator would be your weight in kilograms, whereas your leading indicators are calorie intake and calorie burn. Lowering your calorie intake (leading) and increasing your calorie burn (leading) should lead to lower weight (lagging). In an Obeya this would result in the following visualization.

Figure 2. Cascading of KPIs, visualized



Organizations that have successfully implemented an Obeya have spent substantial time hypothesizing on lagging and leading indicators for each strategic goal. These indicators are often visualized in a KPI tree building up from leading to lagging indicators for each strategic goal. And if, over time, statistics and experience show that there is no causation between a leading and lagging indicator, successful organizations do not shy away from replacing a KPI or dropping it altogether (after performing root cause analysis).

Second, experience shows that organizations that have successfully implemented an Obeya adhere to the requirements of good KPIs. A good KPI represents a trendline, communicates an evaluation (the status quo presented is either good or bad), is easy to interpret (design principle 'don't make me think') and is measured real-time or at least on a weekly basis. It is illogical to report KPIs that are measured with longer intervals.

If information is considered of strategic value to the organization, find a way to measure it more often. We want to monitor KPIs that we can influence in the short term so we can shorten the feedback loop and increase agility.

KPI tree helps departments and teams relate their efforts, tasks and responsibilities to strategic goals: "We are working on A to increase leading KPI B which contributes to lagging indicator X which measures success for strategic goal Y".

Insight 3: Create a feedback loop between Obeya metrics and portfolio initiatives

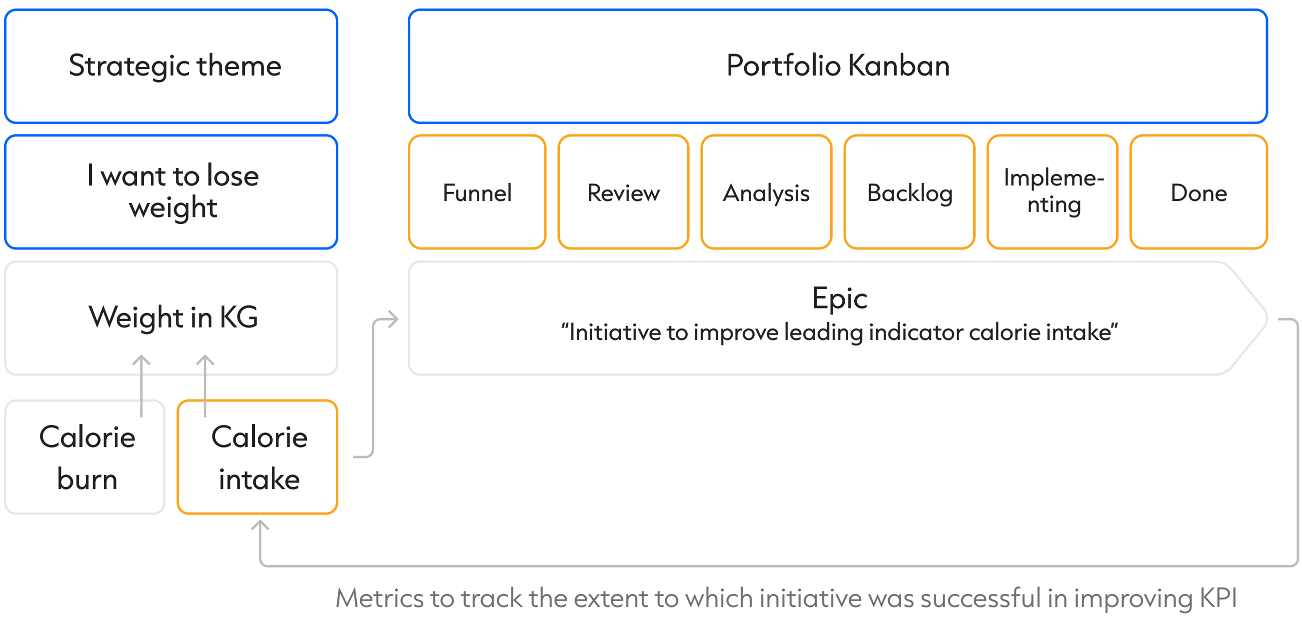
In high performing organizations, Obeya metrics give direction for strategic improvement initiatives / opportunities. Consider the portfolio process of an organization that adopted SAFe (Scaled Agile Framework). Opportunities are defined as Epics, which are detailed in Epic Hypotheses Statements during a Review and Analysis phase. In an Epic Hypotheses Statement a value statement, expected business outcome and leading indicators are described. Eventually an Epic finds its way to the backlog after which it gets implemented and labeled done. For a visual overview of this simplified SAFe portfolio process see Figure 3.

Now, one element that sets apart high performing organizations from competitors, is active benefits tracking after implementation.

This is in sharp contrast with organizations that come up with improvement initiatives, start a project and deploy without actively measuring and monitoring the extent to which intended benefits are actually realized. Leading organizations require Epic Owners to install metrics that track the extent to which hypothesized benefits affect Obeya indicators before an Epic is labeled done and is handed over to operations. This allows the actual success of the Epic to be assessed during the Obeya sessions, which stimulates learning and closes the loop between strategy, operations and portfolio.

In the example below (figure 3) an organization is underperforming on leading indicator calorie intake (colored red). To do better on this indicator, an Epic was defined. The improvement initiative is hypothesized to positively impact the Calorie Intake KPI and thus lead to a decrease in calorie intake. But what if it doesn't? Do we quit the (possibly costly) initiative? Should we tweak some aspects of the solution? How can we learn to start better improvement initiatives in the future? Food for thought, to be addressed during Obeya sessions.

Figure 3. Closing the loop between strategy, operations and portfolio



Insight 4: Design is equally as important as content

The big room must be easy on the eyes. The attention paid to Obeya design is an important predictor for both management adoption and the extent to which an Obeya is successful in communication its message. An Obeya with consistent design and clear visuals makes it easy to interpret and digest the information presented. This also puts a constraint on the amount of data that is to be presented in an Obeya: get rid of everything that is not essential to making a point. Whitespace is your friend!

The second argument for paying attention to design is that an Obeya can be considered the 'thermometer of management adoption / buy-in' during Lean / Agile transformations. Obeyas are typically set up at a central location in an organization where a lot of people pass by. An inconsistently designed and badly maintained Obeya sends an unwanted message to the rest of the organization. Therefore: management should lead by example and take ownership over not only the contents but also the design of the Obeya.

Lastly, an Obeya should be used as a dashboard that communicates organizational performance (in relation to strategy) to all employees in an organization. Therefore, an Obeya must be designed with all employees in mind. Meaning that not just the management team, but everyone in the organization should be able understand the data and information presented. Frank Chimero, award winning designer, once said: 'people ignore designs that ignore people'. Therefore, make sure your Obeya is inclusive and easy to interpret.

Since design is so important it is strongly advised to get an experienced Designer and / or Business Intelligence representative on board to help build an Obeya that delivers an optimal user experience. Learn from high performing organizations and make use of standardized icons, fonts, corporate color schemes and consistent KPI visualizations.

Insight 5: Build, measure and learn before digitizing

The core principle of Eric Ries' famous book on innovation, "The Lean Start Up", is to develop new and disruptive products and services by applying the build - measure - learn feedback loop. Organizations that have successfully implemented Obeyas adopted this approach, that is characterized by learning through continuously validating hypotheses and assumptions with end users. The result? An Obeya that is fit for purpose, which reflects in higher levels of engagement and user adoption. In times of automation and digitization, it is very tempting to directly develop a digital Obeya over a physical one.

However, experience shows that experimenting with ideas, visualizing concepts and gaining feedback works best on paper. That is to say, interaction design starts on paper. People do not like to give feedback on concepts that seem finished.

Therefore, best practice is to get started with an approachable "Minimum Viable Obeya" that allows you to collect user feedback. Do not waste time overthinking too much since perfection is seldom reached with the first try.

Table 2. Build - measure - learn - digitize

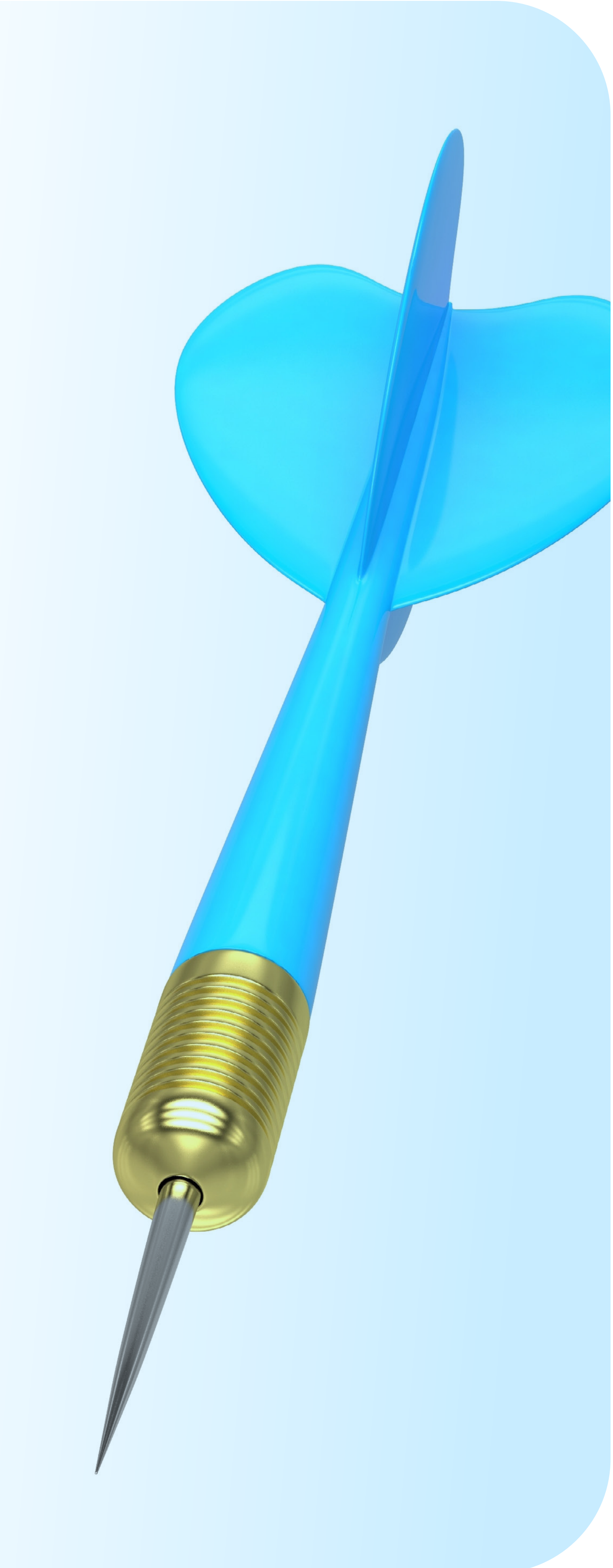
Build	**Develop a prototype or "Minimum Viable Obeya"** Develop a simple and approachable (paper) prototype that includes all elements of the PDCA cycle (see table 1) and considers the 8 elements of a great Obeya (described on page 4). The elements of your prototype can be considered your value assumptions or hypotheses that you are to test with end users.
Measure	**Collect feedback from end - users** Use your prototype to gather feedback from end users (employees) and learn the extent to which your prototype ticks all boxes. Monitor causation between leading and lagging KPIs
Learn	**Use feedback to improve** In case of positive user feedback or causation (KPIs): detail and develop In case of negative user feedback or no causation (KPIs): rebuild - measure - learn
Digitize	**Digitize after iterating through the feedback loop** Consider digitizing your Obeya when user feedback tells you that your prototype meets all requirements of a great Obeya

To illustrate this insight, the MVP approach for deciding upon the first set of KPIs that are to be monitored is to use post-its and have management jointly categorize leading and lagging indicators for each strategic theme. These will be the first KPIs that can be effectuated, measured and put to the test. If we improve on leading indicator X, do we see an improvement in lagging indicator Y (causation)?

As previously introduced, iterating through the build - measure - learn feedback loop results in an Obeya that is fit for purpose since it is structured and designed in close collaboration with end users.

However, an Obeya is never done. Resilient organizations are not afraid to alter strategic direction, which impacts the information presented in the Obeya. It is essential to constantly challenge the status quo by looking at the Obeya and to reflect on the information presented.

Does this information present a clear and concise insight into the extent to which we are realizing our corporate strategy, the extent to which we are learning and the extent to which we are operationalizing our learnings? You will find that there is always room for polish and improvement.



Key takeaways

In this paper we addressed five learnings from organizations that mastered Obeya that can be used to elevate your big room. To summarize:

- **Explicitly link Obeya metrics to strategic goals:** monitor progress on strategy
- **Differentiate key performance indicators:** cascade strategic themes into lagging and leading indicators
- **Create a feedback loop between metrics and portfolio initiatives:** apply benefits tracking for portfolio initiatives
- **Design is equally as important as content:** an Obeya with consistent design and clear visuals makes it easy to interpret and digest the information presented.
- **Build, measure and learn before digitizing:** get started with a "Minimum Viable Obeya" and start your Obeya feedback loop.

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Experienced in a wide range of industries

ABOUT ERANEOS

As a global Management & Technology Consultancy Group, Eraneos supports organizations in not only designing but successfully implementing a future-proof digital transformation strategy that can make an ever-lasting impact.

By listening to what businesses want and understanding their needs, we can fast-track and embed transformation with ease by aligning people with technology, processes and leadership, effortlessly.

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