



The Journey to Operational Excellence

Every organisation is fighting to gain or keep market share. But today, being a 'good' organization is not enough. To become a 'great' organization, you need to change the way you deliver value through your business operations. Change is tough, but not changing is tougher.

How to become great?

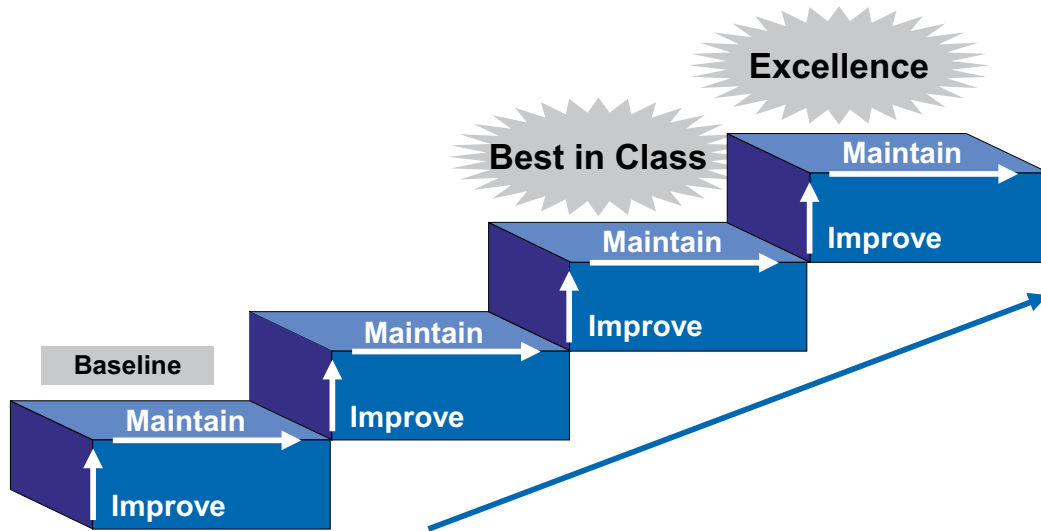
By focusing on making continuous improvements in your business operations, you can gradually achieve excellence. Operational Excellence (OE) then becomes a robust competitive advantage. OE also involves the Continuous Improvement (CI) of the efficiency and effectiveness of your business processes. Both Lean methodology—enhancing customer value by systematically eliminating waste in the form of excess expenses, etc.—and Six Sigma—a methodology for improving processes in order to reduce defects—will facilitate your journey to excellence.

What does Lean methodology attack in addition to waste? Lean methodology looks at the rate at which organizations bring products to market,

and how to impact the speed and time required to develop new products. Lean methodology connects the producer and the consumer of the product, looking at the process from concept to delivery. As product complexity increases, the time to produce it is usually longer. Lean methods examine ways to reduce the time to market.

What does Six Sigma attack besides variations? It looks at the product robustness in the long term. Six Sigma methodology offers a way to cut costs, maximize results and dramatically improve performance. It examines the organization's capabilities, and how they impact quality and stability. And, it helps organizations translate customer needs into smart KPI's.

Figure 1: The Journey to Operational Excellence



Improving, Step-by-Step

To effectively drive Continuous Improvement (CI) in your organisation, leaders and managers need to guide their teams through significant step-change improvements. And, they need to maintain their gains at every step in the journey, as illustrated in Figure 1. Success comes through the Continuous Improvement of their people, processes and

product, leading them to achieve excellence.

When an organization makes the commitment to achieving excellence, there are two key success factors that enable them to achieve their goals:

1. Creating a CI culture
2. Embracing the CI management cycle

Creating a CI culture

As organizations attempt to change the way they do business, it is critical to get employees committed to and involved in the making the change. Every employee needs to share the CI vision, which is about focusing on the customer and making the word Improvement part of the company's DNA. For many organizations, developing a CI culture is very challenging.

The organization can demonstrate its commitment by:

- Setting clear priorities
- Identifying the right team
- Continually developing CI skills
- Not making excuses

CI involvement is about:

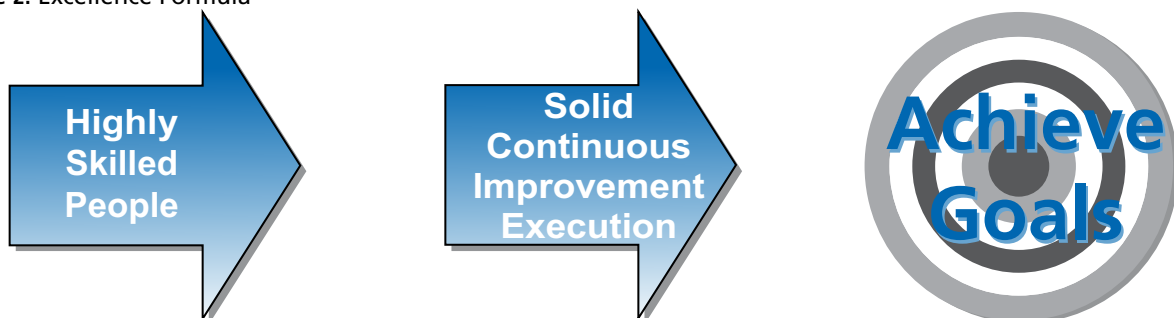
- Leading by doing
- Asking the right questions
- Listening to all ideas
- Regularly reviewing key CI projects
- Empowering all employees to make improvements

When managers and leaders have mastered the primary CI Competencies they can:

- Identify and define CI projects
- Review projects, asking the right questions
- Lead Six Sigma projects
- Lead Lean projects

Managers and Leaders involved in change initiatives should get the appropriate training to develop these competencies.

Figure 2: Excellence Formula



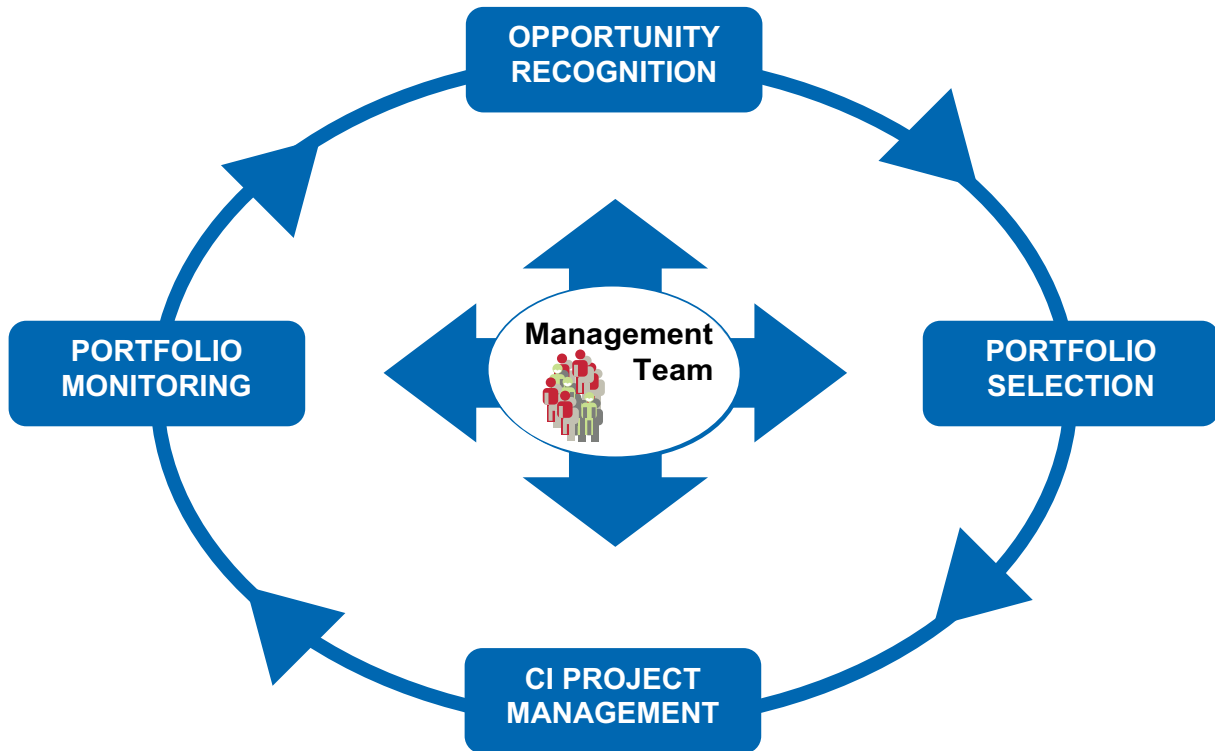
Embrace the CI Management Cycle

For many companies, executing the CI management cycle is the easy part. Figure 3 provides a step-by-step guide for making CI work.

Organizations need to do the following to achieve excellence goals:

1. Begin with targeted information and skilled and enthusiastic people (Opportunity Recognition)
2. Build a CI project portfolio to obtain best-in-class metrics by recognizing and defining CI projects
3. Manage, coach and track to successful completion using CI tools

Figure 3: Executing the CI Management Cycle



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The CI project portfolio management is a framework to remain on the path of improvement. Let's take a closer look at these steps.

Figure 4: Recognize Opportunities



Opportunity Recognition

To reap the maximum benefits of CI, it is critical to recognize and define CI projects that enable best-in-class metrics. Managers—and everyone in the organization—are constantly looking for ways to make improvements. Ideas for improvement

can come from a multitude of sources. They must then be analyzed using criteria agreed in advance. Improvements that can have the greatest impact are selected and translated into CI Projects.

Depending of your CI goal, you can take advantage of the following specific methods in columns 1 and 2 of the table below to recognize CI opportunities.

CI Goal	How to Identify Improvement Opportunities	Which Toolbox to Apply
<ul style="list-style-type: none"> Satisfy customer requirements Close KPI gap 	<ul style="list-style-type: none"> Product/service quality evaluation Evaluate the gap to best in class metrics 	<ul style="list-style-type: none"> Six Sigma: DMAIC or DFSS
<ul style="list-style-type: none"> Improve material and information flow 	<ul style="list-style-type: none"> Value stream mapping Perform a lean assessment 	<ul style="list-style-type: none"> 5 principles of Lean Management
<ul style="list-style-type: none"> Eliminate specific quality problem 	<ul style="list-style-type: none"> Critical thinking 	<ul style="list-style-type: none"> 8D Six Sigma PDCA

Once an improvement opportunity is identified, managers can initiate the CI project by:

- Creating project charter
- Identifying the project team

Applying the proper tools is critical. The third column of the table above outlines tools that can be used to both maintain and improve your business processes.

Portfolio Selection

Figure 5: Portfolio Selection



One of the key assumptions of Portfolio Management is that there are many more projects identified and requested than the organization can execute. Those doing the selection will want to ensure that only projects that support the strategy and goals are selected. It is likely that some of the initially proposed projects will be scaled back

or cut altogether. Normally that initial cut is not nearly deep enough to allow all of the remaining projects to fit into the available funding. As a result, this process can be iterative, with a review and prioritization of the projects as an on-going activity.

Portfolio Management

Figure 6: CI Project Management



Portfolio Management is the management of the selected improvement projects to achieve an overall objective or maximize results. Portfolio Management organizes a series of improvement projects into a single portfolio consisting of reports

that capture action objectives, costs, timelines, accomplishments, resources, risks and other critical factors. Managers can then regularly review entire portfolios and allocate resources appropriately.

Portfolio managers need to establish business focus and ensure consistent alignment of projects to goals. All opportunities are not equal. Some opportunities may conflict. They must be driven by business strategy. In most organizations, projects

have to share resources and resources are scarce. Constant review and coordination of resource allocations is one activity that can keep all projects moving forward.

Portfolio Monitoring

Figure 7: CI Portfolio Monitoring: Track Projects and Coach Team



Keeping track of project status is essential for successful completion. Tracking means more than data reporting. It is critical to keep everyone on track. This requires managers to be effective at coaching their project teams.

Weekly reviews are recommended to maximize the use of the organization's CI Project Portfolio. Using metrics and visual management helps to keep CI projects focused on meeting business objectives.

Summary and Conclusion

Change is compulsory to continuously improve products and services. Organizations that are agile in changing and improving normally find it easier to keep ahead of the tough competition and also exceed their customers' challenging expectations.

An organization needs to have a clear vision on how it will deliver value to customers. Eliminating wastes (Lean methodology) and reducing variation in business processes (Six Sigma methodology) work best when they are systematic, i.e., rolled out across the entire organization. Organizations who adopt and follow these processes successfully can expect several benefits, including:

- Reduced lead-times in getting products and services to market
- Lower costs
- Improved customer experience

Setting the proper direction for the transformation is critical. Lack of direction is the main killer of Lean Six Sigma initiatives. To increase the probability of success, organization leaders and managers need to:

1. Identify critical success factors
2. Review and challenge business measures
3. Target improvement requirements for each business measures
4. Define key business processes
5. Decide which business processes need detailed mapping

HOW MCE CAN HELP

Aligning your people to your strategy becomes even more urgent when innovation is driving change in your organization. Ensuring that everyone knows and understands the shift in strategy—and what the change means for each person in his or her daily activities—is essential for a successful transformation.

To learn how MCE can help your organization manage change that results from innovation, contact us to set up a meeting or to request more information. Let us show you how we can put together and roll out an initiative that answers your specific needs.

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