

The Skinny on Operational Excellence

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Proposition #1

- Some organizations consistently outperform same-industry rivals over many years because they are operationally excellent.
 - They just execute better than their peers.
 - It is about the WORK and how it is organized

Proposition #2

- Consistently great member service results from great processes
 - Heroism is not the answer
 - Operational Excellence=Great Processes

Proposition #3

- Knowing your customers and understanding their needs is critical
 - You never really know your customers until you design the process to meet their needs
 - Process design must accommodate the different needs of different customer segments

Lean Thinking

- Fundamental Objective: To create the most value while consuming the fewest resources
- Define value from the customer's perspective
- Identify which process steps create value and which are only waste
- Work to eliminate the root causes of the waste and allow for continuous flow of work and tasks.

What Operational Excellence is not

- A headcount reduction program
- A toolbox
- A method for reducing resources that are needed to support the customer

Decoding the DNA of Operational Excellence



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The DNA of Operational Excellence

(Attributes of Great Processes)

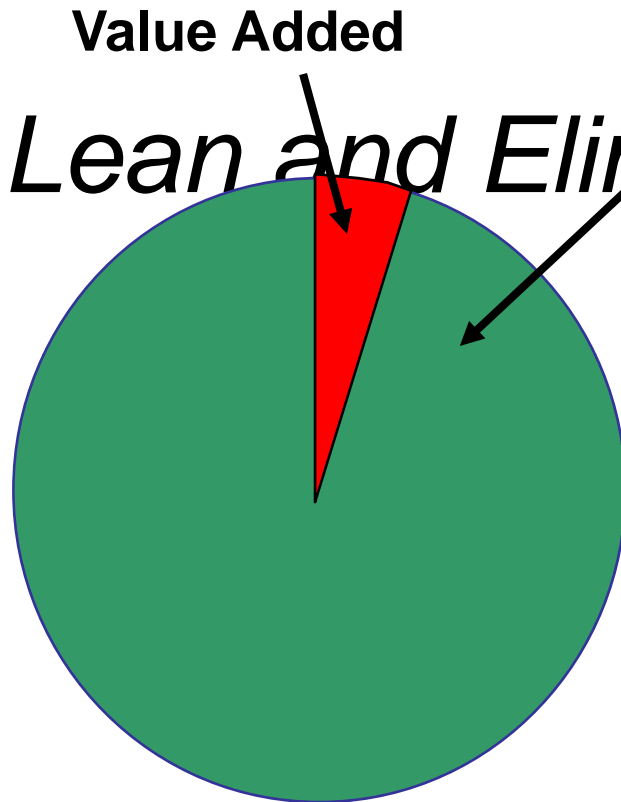
- All work is highly specified as to content, sequence, timing, and outcome
- Every customer-supplier connection must be direct and unambiguous. "Yes, I have your request"
- Pathways for goods and services are direct
- Improvements follow scientific method, guided by a teacher, at the level at which the work is done

* Spear and Bowen, HBR, Sept.-Oct., 1999

What is so hard about office processes?

- Often not well documented
- Often support several services without clear boundaries
- Hard to identify customer, product and customer value
- Waste is hard to see - entrenched and hidden

Lean and Eliminating Waste



- Non-Value Added Processing
- Overproduction
- Wait
- Transportation
- Excess Inventory
- Defects
- Excess Motion
- Underutilized People

Typically 95% of all lead time is non value-added

Office Waste

- NVA Processing
- Overproduction
- “Inventory”
- Waiting
- Defects
- Excess Motion
- Transportation
- Underutilized
People

Examples?!

- Too many approval levels
- Premature quotes
- Filled “In-boxes”
- System downtime
- Order Entry errors
- Poor office layout
- Movement of paperwork
- Limited functional responsibilities



Some observations

Thinking about office work

Sustaining excellence requires a continuous improvement culture

- Routine work must be standardized
- Teams jointly identify and attack problems
- Discipline is in place to track progress and to identify new problems and sources of waste
- People learn through controlled experimentation

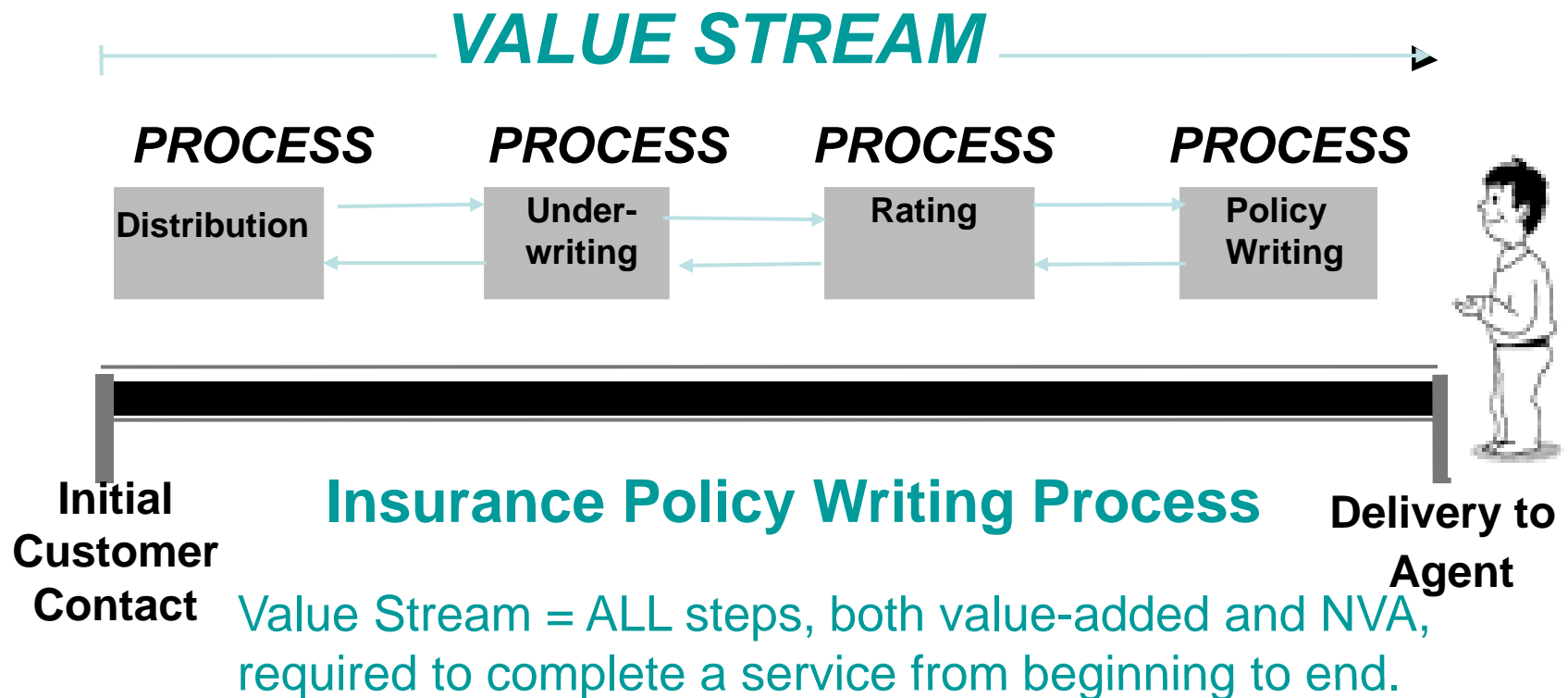
Without continuous improvement culture improvements are not sustained

- When technology is “dropped in” the process is never better than the day the engineers leave
- When people have their work improved for them, processes tend to deteriorate when the “fixers” move on
- Accountability for sustaining improvements comes with owning the change

Great Office Processes

- Usually begin in a demonstration cell
- Value stream mapping is a constant
- Early emphasis on organization and visual workplace tools
- Requires rethinking work:
 - Separating routine value from unique value

Value-Stream Improvement vs. Process Improvement



Value Stream Management

- Use your strategic plan as a guide
- Find the gaps in necessary performance
- Improve value streams to close the gaps
- Create new metrics to support new ways of thinking and acting
- Manage operations by the data
- Always have a future state

Closing thoughts

- Great customer service follows from great processes
- Knowing your customer: it doesn't happen until you design the process
- Processes need to be designed for continuous improvement

Get Started

- The best companies are improving their processes in the teeth of difficult economy
 - They will be posed to win when times are better
- Start small but start today!

Suggested Reading

- "The Lean Service Machine" by Cynthia Swank, *Harvard Business Review*, October, 2003
A real life example of applying lean thinking in financial services with great success
- The Complete Lean Enterprise: Value Stream Mapping for Administrative and Office Processes by Beau Keyte and Drew Locher, 2004
A step-by step guide to mapping and managing office processes

Learn More

- Participate in a one-day value stream management workshop at Fisher College
 - Contact me: ward.1@osu.edu

THANK YOU
Questions or comments?