Operational Excellence Framework
Contents

1.0 Introduction 3

2.0 Our Approach 3

3.0 Training 6

4.0 Methodology 7

5.0 Deployment Framework 8

6.0 Program Management 11

7.0 Value Proposition 14
Operational Excellence Framework

1.0 Introduction

Increasing globalization & competitive pressures are compelling organisations to raise their performance levels. Consequently Operational Excellence (OE) is high on the priority list of many companies. Yet, finding ways to actually enable operational excellence remains a challenge. Top companies with successful track records such as GE, Motorola, Xerox, IBM, Bank of America, and Caterpillar have discovered ‘Lean Six Sigma’ as an effective approach for operational excellence and have saved billions of dollars.

Essentially, Lean is all about enhancing value creation by reducing or eliminating non value added activities and waste. Or ‘doing more with less’ – less time, inventory, space, effort and cost. Lean is a management philosophy that originated from the ‘Toyota Production System’ is also about optimizing flow and making ‘value flow’ to the customer. 

Six Sigma seeks to improve the quality and reliability of processes and minimizing variability using quality management and statistical methods.

Lean Six Sigma, is a marriage of two distinct business management strategies which allows managers to effectively address issues of speed, quality and cost.

2.0 Our Approach

The approach and methodology adopted for Lean deployment has an important bearing on the success of Lean implementation in any organisation. Whilst defining the strategy for Lean programs, we give emphasis to the following factors:
• **Lean Philosophy.** Our experience has established that Lean is best implemented as a *‘growth’* strategy rather than a *‘cost saving’* strategy. If customer focus, creating *‘value’* and making it *‘flow’* to the customer are at the core of the Lean implementation philosophy, it facilitates business growth due to the better value proposition and higher customer satisfaction. Cost savings/rationalization and benefits are then *natural* outcomes that are realized without much additional effort.

• **Expertise.** Business domain expertise and knowledge of the underlying processes that drive operations are essential prerequisites to maximize the benefits of a Lean program. A combination of Subject Matter Experts and Lean Coaches are required to conceptualize the strategy, select the processes that will yield the best results, identify the right teams and implement the program successfully.

• **Program Management.** Good program management skills are necessary to ensure success of a Lean program. Several aspects need to be addressed - such as leadership commitment, communication, employee engagement, training, deployment model, benefits tracking and change management systems to institutionalize a culture of continual improvement. The key levers of a lean program are; Strategic Factors, Deployment Model and Infrastructure Support. As given in the diagram below, each of these levers has a set of Critical Success Factors, which must be closely monitored to successfully manage a large Lean program.
- **Benefits Realization.** Though maximizing value creation and improving flow is at the core of Lean, the underlying expectation from Lean is about *benefits*. Process areas and value streams that are strategic to the business must be carefully selected for implementing Lean and then supported with a structured process to identify opportunities for benefits along with a performance management framework to track the benefits. We use ‘**Value Drivers**’ and ‘*Make*, *Spend* or *Lose*’, classification to maximize benefit realization from multiple projects. Using a ‘**benefits score card**’ and regular tracking and validation of benefits achieved, the focus on benefits is maintained right through the program. Examples of make, spend or lose benefits are given in the table below.

<table>
<thead>
<tr>
<th>Type</th>
<th>Category</th>
<th>Sub Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make</td>
<td>Sales</td>
<td>Time to Market</td>
<td>Lower time to market new products &amp; services creates revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Selling or cross-selling Services</td>
<td>Increase in Sales &amp; Revenue from shorter sales cycles, wider range of products</td>
</tr>
<tr>
<td></td>
<td>Customer</td>
<td>Increased customer satisfaction</td>
<td>Increase in customer satisfaction scores resulting in better retention &amp; higher customer penetration</td>
</tr>
<tr>
<td>Spend</td>
<td>Infrastructure</td>
<td>Delays or costs of additional infrastructure</td>
<td>Additional overheads required for redundant processes and resources</td>
</tr>
<tr>
<td></td>
<td>Labor</td>
<td>Overtime, idle time, cost of additional labor</td>
<td>Additional people costs relating to inefficiencies</td>
</tr>
<tr>
<td>Lose</td>
<td>Turnaround</td>
<td>Loss of revenue or Loss of customers</td>
<td>Decreases in sales or revenue Business lost due to customer dissatisfaction caused by delays</td>
</tr>
<tr>
<td></td>
<td>Time</td>
<td>Rejects</td>
<td>Reduced customer satisfaction and write offs</td>
</tr>
<tr>
<td></td>
<td>Revenue Loss</td>
<td>Wastages and Delays</td>
<td>Higher operating costs and reduced profitability</td>
</tr>
</tbody>
</table>
In essence, our approach adopts:

- a robust program management strategy
- standardized Lean implementation framework, *reuse of assets* and *value drivers* to create sustained value
- an effective training system so that employees are capable of retaining Lean and re-engineering skills and run Lean projects without the support of external consultants
- a change management program to embed a culture of continual improvement.

### 3.0 Training

The training methodology is interactive and workshop based, using simulation games to get a direct experience on application of Lean Six Sigma concepts, techniques and tools necessary to deploy operational excellence. The training duration is 1 day, followed up by a review session during Lean deployment.

Training is aimed at helping participants get insights on:

- The importance of leadership and teamwork in operational excellence
- The enablers and drivers for achieving operational excellence
- Lean Six Sigma and Kaizen techniques, tools and deployment framework
- The importance of customer focus, value addition and flow to achieve higher customer satisfaction
- Analysis of current business processes to reduce waste and non value added activities to deliver faster process times and improve profitability
- How to design, deploy and manage process changes
- Performance management, metrics, KPIs and visual communication to monitor process adherence, improve quality and manage delivery
- How to achieve mindset change within the organisation to embrace a culture of continual improvement and learning
4.0 Methodology

We focus on business processes that are of strategic importance and evolve programs that can achieve organizational goals, with optimal use of resources. We assist client teams to adopt a holistic view in identifying process areas for improvement and use appropriate Lean Six Sigma tools and techniques to achieve significant improvements in business performance. Operational Excellence is a journey, not a destination and hence we work towards embedding a culture of continual improvement.

The journey for Operational Excellence (OE) using Lean begins with the top management team. Leadership commitment and sponsorship is essential and by far the most important success factor. We assist company leadership teams to articulate the vision and strategy for operational excellence and prepare a communication plan for employees, to highlight the importance of Lean for the organisation and its impact on achieving business objectives and the roles that each employee has to play to achieve the desired goals.

Thereafter, the processes that are suitable for Lean are identified. Managers who will champion Lean within the company are identified along with team members for each project. Managers and team members are trained on concepts of Lean Six Sigma - tools & techniques, Kaizen principles and performance management. The training programs are designed for experiential learning through simulation games.

We use our ‘Star Excellence’ model to assist companies in successfully deploying Operational Excellence. As highlighted in the diagram, the key enablers for success of any Operational Excellence program are Leadership, Teamwork, Processes, Performance Management and Continual Improvement. Through our methodology and deployment framework, we help clients achieve the ultimate goal of Operational Excellence that is - embedding a culture of continual improvement in the organisation.
5.0 Deployment Framework

Each opportunity for Lean is treated as a project and multiple projects are run in ‘waves’, to cover all the process areas selected for Lean. We have developed our own framework ‘DADIM’ for deploying operational excellence. This method encompasses the stages from identification of the project, to achieving desired objectives in a steady state situation. The activities performed at each stage of DADIM are:

**Define**  
Project charter definition, data collection, demand flow, VOC

**Analyze**  
Analysis of current state, work flow and value stream mapping

**Design**  
Brainstorm possible solutions, apply Lean Six Sigma principles, prepare future state map and benefit assessment

**Implement**  
Implementation plan, prioritization, test solution, roll out solution, measure benefits and communicate progress.

**Manage**  
Ensure controls on processes; prepare dashboards, handover the new processes and project closure.
We adopt a participative workshop driven approach, where team members play a key role and are actively involved in assessing the current situation, identifying areas for improvement and designing process changes. Extensive use of visual charts & templates is made to improve effectiveness of the workshops. The team members give periodic report out to sponsors and management team, stating the findings and progress made at each workshop thereby ensuring ownership and accountability among the teams.

This workshop approach has been very effective because the direct participation of team members ensures better ownership of the project and a higher degree of success. Since the framework is simple, employees are able to reuse it to establish a culture of continual improvement.

Typically Lean projects take about 12-14 weeks. The sequence of the workshops, activities and timeline are given in the diagram below:
Key deliverables are defined for each of the workshops which the team members take responsibility for. After each workshop, the team is expected to give a formal 'report out’ to the sponsors and senior management team. Our Lean Coaches act as catalysts and facilitators to guide the team in their deliverables and report outs, without directly getting involved. As a result, the team members get hands-on experience on Lean projects and the confidence of running similar projects in future. The deliverables for each workshop are given below:
For Kaizen projects a similar approach is adopted, except that the focus is on specific problem or improvement areas rather than end to end processes. Typically Kaizen projects are completed within 4-5 weeks as per our deployment framework.

### 6.0 Program Management

For large Lean implementation programs, Program Management assumes significant importance. Though it would appear that the program would run smoothly with various stakeholders performing their respective roles, the reality is different. Hence a Lean Program Management team is required to ensure that these activities are performed when needed, completed on time and well done. Based on our experience, the key aspects that should be considered in the Program Management plan are given below.

- **Leadership Commitment.** Leadership must define a clear vision and strategy for Lean, and clearly articulate this vision to their team; the importance of Lean for strategic objectives, the advantages and benefits of Lean and what is expected from the employees and stakeholders. The Leadership team is encouraged to extend as much support as needed to the Lean initiative.
- **Governance.** A proper and effective governance system must be established. Leadership must be involved in the Governance of the program to monitor the progress and suitably engage with all the stakeholders involved with Lean.

- **Selection of Projects and Champions.** Selection of the right process areas, value streams and projects for Lean and Kaizen are very important for the success of the program. The impact of Lean on the organisation’s performance and the successes achieved, set the foundation for the program. Selection of champions for the Lean program is equally important. The contribution and commitment of these individuals to the program helps generate more interest and involvement amongst other employees, which is important and necessary to scale and sustain the program in the long run.

- **Training.** An efficient training program has to be established. Awareness and training has to be extensively covered across the breath of the organisation to understand the significance of Lean and preparing them for a mindset change for continual improvement. Training should be designed to build Lean into the DNA of the company.

- **Knowledge Management.** As the Lean program progresses, identification and documentation of the knowledge assets generated is an essential task. Knowledge assets have to be harvested for reuse to improve the effectiveness of the program, reduce costs and create higher value. Templates, methods and Tools should be designed to reuse the Lean processes and to identify value drivers for benefits to be easily realized in multiple process areas.

- **Communication.** A well designed and sustained communication plan is necessary to first communicate the vision and commitment of the Leadership for the Lean program. Thereafter awareness creation, communication of the progress status, impact on organizational performance, participation and involvement of team members and successes achieved has to be periodically conveyed to the entire organisation. Lean is a journey and therefore it is
important to effectively communicate the milestones reached to sustain the momentum of the program

- **Change Management.** After lean is applied, the new ‘Leaned’ processes have to be assimilated in the process repositories of the company. Change management procedures have to be initiated to update the process libraries, standard operating procedures and use of Lean for designing business processes in the future. Change management is also necessary to foster a mindset change for continual improvement.

- **Project Management.** For a large Lean program it is necessary to set up a structured Project Management framework. Team members responsible for managing these tasks will be responsible for:
  
  - **Project Planning and Scheduling.** The PMO is responsible for planning and scheduling of lean projects. They also have to engage with stakeholders and Lean Coaches for identifying new projects, availability of resources and preparing implementation plans.
  
  - **Benefits Tracking.** A structured and benefits tracking system should be incorporated to assess if the expected benefits from the Lean projects are being accrued. Proper metrics and measurement systems have to be established to measure the benefits correctly and validate the actual realization of benefits. This requires participation from the PMO, Finance, Lean Coaches and Project teams to set up a process to periodically track the benefits for each project for a period of 6 - 8 months after completion of the implementation phase.
  
  - **Performance Management.** The health, progress and performance of the Lean program have to be monitored closely. Dashboards and score cards have to be designed to measure the performance of the program with respect to the Critical Success Factors (CSFs), budget, project status and pipeline, deliverables, training and benefits realized. A well designed dashboard indicating the status on all the key aspects of the program provides a quick overview on its health and status.
7.0 Value Proposition

We believe we have a unique blend of expertise and skill sets that can add considerable value to Client’s Lean initiatives.

On the business domain side we have highly experienced professionals from manufacturing, IT and Financial Services sectors. The combined experience of our team spans several decades in international and multicultural business environments, with highly respected large global corporations. They bring together thought leadership and hands-on industry experience in strategy, leadership development, coaching, IT, operational excellence and transformation and change management. We have certified and very experienced Lean Coaches who have the experience of implementing Lean in ‘manufacturing and services sectors’ and the expertise of setting up and managing a Lean Center of Excellence (CoE) for IBM.

Given our expertise and maturity in managing large programs in multicultural scenarios we will be able to assist Clients in running the Lean program optimally by efficient program management, cost effective execution and maximizing the benefits of Lean. The methods we will adopt to do this are:

- Standardize the Lean deployment framework and use appropriate tools and templates for knowledge management, reuse of assets, value drivers and adoption of best practices

- Workshop driven approach to set up joint teams to deploy Lean, for better knowledge retention and project ownership at the client end

- Use structured processes for meetings, and IT systems/web tools for information dissemination and governance, to reduce operational and travel costs.