

Creating a System of Operational Excellence

Operational excellence involves having the right people routinely doing the right work so that the most important results for customers and all stakeholders are being accomplished like clockwork within a system of accountability. The word 'system' indicates that all of your individual groups identify with and support the 'the whole' in terms of mission, vision and values; and is demonstrated when everyone is working collaboratively toward the overall intentions of the organization - as opposed to optimizing their own performance and sub-optimizing corporate performance. The highest level of operational excellence requires a healthy approach to accountability and a culture that thrives on learning and blame-free problem solving. When operational excellence becomes a cornerstone of your business, great performers will thrive and you will have a strong foundation for strategic growth.

The Step by Step Approach:

1. **Leadership Commitment Is Required.** Over twenty-five years ago Philip Crosby wrote a book titled Quality is Free, and our experience with many clients has demonstrated this to be true time and time again. There is a significant up-front investment in time and resources, but with the right approach you will get to the "free" part more quickly than you may imagine. We guarantee you'll more than recover your investment, but you have to be willing to stay the course until you do so. Beginning and aborting a project to improve anything, will only damage your organization's culture and performance.
2. **Organizational Buy In Is Also Required.** Leaders need to educate people to ensure they see benefits to their daily work experience and their long term career opportunities. For this reason it is useful to have employees participate in a discussion and analysis of "what the lack of excellence is costing us". Openly discussing the realistic demands on people's time to create this system and working within a reasonable completion schedule are also important to your success. Ultimately, the leader must promise that the return on this effort will far exceed the cost in time and effort.
3. **The Scope Of The System Must Be Understood.** Once the commitment is made to move forward, it is important to determine where you will focus your efforts. In smaller organizations there is real value in focusing on the entire operation. In other situations you may only want to focus on one or more of your core business processes. In either case you will need to set priorities regarding where you begin, and allow for an "expandable system" as your organization or commitment to operational excellence grows.
4. **Terminology And Distinctions Need To Be Agreed Upon.** Every group of professional managers has a variety of definitions for 'goals', 'objectives' and 'performance standards'. To make things more difficult, many competent people do not easily distinguish a 'result' from the 'activity' or 'methodology' that is used

to lead to that result. Even fewer people are trained to listen to informed conversations about the work they are intimately familiar with and identify what the measurable accountabilities are. It can also be difficult to document processes in writing so that others can understand the flow and see the practical value in it. LionHeart has used these distinctions very successfully in many different environments:

- Goals - the high level business metrics that lead to profitability, growth, sustainability, and competitive advantage. For example, a company may set a goal of having 15% growth from new products each year. Most business leaders have one set of Goals for their entire company and allow each department to have their own Goals that support the corporate goals.
- Key Result Areas (KRAs) - the areas of focus where important results are needed and substantial time and energy are invested in achieving those results. For example, a New Product Development department or process may have 'vendor management' as one of its KRAs. Each department or business process typically has anywhere from 4 to 8 KRAs.
- Desired Results - the business outcomes that satisfy the customers or fulfill the needs of the organization. Desired Results are often written in terms of perfection (100% of new products will arrive on schedule without delay caused by vendor relationship problems) with a commitment to continuous improvement toward an 'impossible intention'. In some situations, you will find it preferable to state the result in achievable terms (Each year we will successfully add three new vendors to our vendor certification program). Each Key Result Area will have at least 1 and as many as 4 Desired Results.
- Performance Standards - the routine activities or process steps that are considered non-negotiable best practices by all those who are responsible for achieving the results, as well as those whose collaboration is needed for success. Performance Standards are written in language that answers the question, who will specifically perform what activity within a specified time period? (For example: Each proposal from a new vendor to become certified with us will be evaluated with a cost/benefit analysis and culture match assessment prior to beginning the negotiations for entry into our program). There is a series of sequential performance standards that communicate specifically what is expected among all of the people impacting the Desired Results of each Key Result Area.

5. **The People Who Know Best Practices Write The First Draft.** Whether you are beginning with one department or a core process, you'll need to gather together the people who are closest to the work and have the best insight into how it is or would be best performed. Their role is to craft a document that both expresses existing and desired best practices. In the next step the document will be shared with everyone else impacted by the agreements that are proposed throughout this first draft process.
6. **The First Draft Is Edited By Others Involved In The Work.** While the first draft is often written by the most experienced people, everyone in a department or impacted by these proposed agreements needs to have an opportunity to provide input before the draft is reviewed by others. Ultimately, the design process

involves clarifying what each person needs from their colleagues and negotiating these requests and promises until the workflow interdependencies are effectively resolved.

7. **Everyone Impacted Reviews & Negotiates the Entire System.** Operational excellence is ultimately a set of agreements and intentions that people voluntarily sign up to. These agreements represent their commitment to service, hassle free work flow and profitability. Until the impacts of one group's performance standards are understood by other groups, and everyone's needs are considered and negotiated, we do not have genuine buy in. Once this step is completed and senior managers overseeing the system have signed off on the document, the design phase is complete and implementation can begin.
8. **An Operational Excellence Manager Takes Ownership Of Maintaining The System.** This role is often shared between the senior executive who is most committed to operational excellence and a senior level administrative person who can maintain the integrity of the system. The role ensures that an accurate updated copy is available to everyone involved and the data collection process occurs efficiently.
9. **Each Person or Department Creates a Data Collection Format.** It is not cost effective or necessary to measure all of your Desired Results or keep data on every performance standard. However, what gets measured gets managed, so it is critical that you identify the Desired Results and Performance Standards that you most want to manage and improve. Our rule of thumb is to ask for no more than 15 minutes per day for tracking actual performance and this is reasonable with appropriate technology and automated reports. Almost everything can be tracked with a simple number of occurrences or exceptions, a percentage, or a "yes/no" answer. The art is in keeping it simple yet meaningful.
10. **A Reporting System Is Adopted That Supports Accountability & Problem Solving.** Each person or group needs to have an opportunity to share successes, troubleshoot problems and ask for help from those who can provide it. It is common to have the hierarchical manager receive the weekly or monthly reports and provide mentoring during one to one supervision sessions. It is also important that the larger group meets on a regular basis (daily, weekly or monthly) to review and continuously improve collaboration by resolving the actual impediments to achieving the Desired Results.
11. **The Operational Excellence Manager Accumulates The Data Forms Into A System-Wide Reference Book.** It is important to keep records for understanding trends, doing root cause analysis, and making personnel decisions. Successful performers actually enjoy their annual review when there is a data story that supports their accomplishments and validates or informs their concerns.
12. **A Process For Updating The System With Performance Improvements Needs To Be Created And Managed.** As people work with this system their natural creativity and problem solving abilities will emerge. As new methods are discovered and agreed upon the performance standards will need to be changed to reflect

current best practices. The Operational Excellence Manager ensures that all impacted people are consulted before changes are made and that everyone is informed that the system has new documentation. This is done at least once each year on a formal basis and as needed on an informal basis.

The Role of a Facilitator - Most of the expertise of your Operational Excellence will come from your people who are doing the work. However, you will save an enormous amount of time and money if you invest in a professional who can guide you through this process. One reason is that someone who is not consumed by your day to day urgent activity can most easily drive your important planning work that is easy to postpone. More importantly, there are numerous potential leadership pitfalls that will need to be overcome:

- Is the leader prepared to work through the inevitable doubts and challenges without a partner who has lead other groups through the entire journey?
- Does the leader want to invest their personal time sorting through what level of detail is useful and how much granularity is overkill?
- Does the leader want to mediate special interests when one group is vying for an approach that doesn't serve the whole organization?
- Does the leader have the time, patience and expertise to teach people the difference between a 'result' and the activity or effort that most people focus on?
- Does the leader have the expertise or discipline to translate vague general dialogue into concise measurable documentation?
- Is the leader able to periodically review 'less than stellar performance' with groups in a problem solving manner that fosters a learning environment, as opposed to a culture of fear?
- Does the leader have other higher leveraged work to attend to while their expert facilitator performs 80% of this important project?

The good news is that you do not need to do everything required to bring a whole new level of operational excellence to your organization. Your role, as the leader, is to take a stand for excellence, and provide your people with the tools to make it happen. Ultimately, quality is really free if you are willing to stop fighting fires and systematize your workflows.