

How to improve the Operation of a Business... A 6 Step approach

All agree it is now much harder to make money due to the economy/taxes and more globalized competition, so any cash saved in operating a business is a very good thing.

Focus on wasteA “Get Fit club” for your business

In any business big or small, private or public, and whatever the type of products or services and however complex or simple the business process as much as 90% waste or non value adding cost can exist in some of the activities and transactions within the business... (Many business experts continue to declare this as a fact.)

Whatever the level of waste or performance in a business all owners must certainly agree that they would like to see that current level of waste in the business processes reduced and more cash moved to the bottom line.

Every business needs to interpret these kinds of waste within their own business processes. These wastes exist in all different ways everywhere, in the office, the sales process and the board room as well as the operating levels in any business. We all take these wastes for granted but they affect the 3 big success factors (quality delivery and cost) and it takes a focused plan of action and learning how to “do things differently” in the business to reduce this current level of waste.

The best analogy to compare how differently the same things can be done is changing a wheel on a car... an average driver at the side of the road will struggle for **15 minutes** or even more to do the following essential activities..Stop car/raise car/remove nuts/replace new wheel/tighten nuts/lower car/Go... an Indy pit crew does the same process in **less than 15 seconds**.. That’s 98% waste folks!!! The difference is in the organization and preparation and training that the pit crew undertakes to achieve that level of performance..They planned as a team to reduce that waste ... we need much the same in our business.... As we are in a race as well..With our competition!!

Most experts define 8 types of waste..

- Move** (transport that is unnecessary)
- Store** (inventory that is unnecessary)
- Rework** (re-processing/re-planning/changing decisions etc)
- Changeover** (extra preparation/setups from task to task)
- Count** (recording things that will not used)
- Sort** (re-organizing due to lack of planning)
- Document** (creating information that may never get used)
- Report** (communicating status that is not useful)

None of these add real value to the customer or business. But they do add cost to the business..Most exist in all business and are unfortunately necessary due to the lack of LEAN processes and most can be reduced or even eliminated.

Your options are as follows...

You can continue to put up with this waste level and have faith and hope that you stay in business
Or

You can try to pass it on to the customer ...but eventually your competitor may beat you with a lower price for products or services and be first to figure out how to reduce the waste in his own business.

Or

You can argue through smart marketing that higher price but better quality and delivery is your focus.. Problem is that waste tends to be attracted to all 3 important performance measures (cost/quality/delivery). Plus customers have a natural habit of not wanting to pay for quality and delivery, they just expect it.

Also

The situation will be even worse if you compete with lower cost organizations or countries that have less wage or material or tax costs.

So...

The only real solution is to attack that waste and get rid of that fat and get your business really fit.

Sounds easy..Well maybe not or you would have already done it..Right! But it's possible to attack that waste with the correct improvement process and a new form of vision.

It does not matter if you are a mid-sized company or a small owner operator with a few employees or sub-contractors.. You will still face this waste issue all the time and have to struggle with how good you can be and what price and margin you can make...

Busy having a bad day?

A further consideration is that you are also busy running the business and even though that may be fun and it is what you are good at, times do exist on a bad day when you wish you could sit back and dig into the solutions to this infernal waste thing..

You probably have talked to your accountant about this and yes they can help identify the drips in your business pipes, but who is going to find and fix the leaks?

You may have had a bad day and thought about a belt tightening activity and a budget to target against but it's been very difficult to get the people in your business fully involved or even interested. Look, this should be no surprise, think how uncomfortable your body would feel if you tightened up your belt and took your clothes down a size or so before you had reduced the weight and that waistline.. It's the same with a business because like your body you need to get trim before the tailor can do his job. You have to be entitled to that smaller budget size!

The good news!!

The good news is that "get fit" tools and improvement processes for a business do exist that can get you onto the correct path, and approached correctly it does not cost a fortune.

Some experts call them LEAN thinking tools; some call them business process improvement techniques.

Although LEAN started in large and predominantly manufacturing companies it has been expanded by most experts to embrace all types of business processes from banking to health care to new product development, process and discrete manufacturing, project related contract businesses and all forms of service industries..

LEAN tools and techniques look at the relationship between cost, delivery, quality, cash and inventory and customer satisfaction and can focus on all activity and organizational levels in a business. It can attack waste in the business process from the time a customer approaches the business and wants something Through every step in the processes of doing businessuntil the business gets paid for those products or services. It defines the level of waste in this business process and the opportunity to reduce that waste with a set of tools.

Any business measures can all be integrated into a LEAN journey, but the real message here is to not be constrained by picking a measurement or improvement focus at this early stage, in fact it may be a serious mistake..The important thing to do is to make a cohesive plan to remove waste in any form across and through your whole business, and develop an improvement journey and your own Evolution plan for your business.

So, keep your eye on the real deal!.... Make more money.. Yeah... that's your goal.... remember?

Many books exist on these subjects that are inspiring or are more a "how to" in content...and you may have read some of them.

Many business owners or leaders nod the head at this stage and agree with all of the above... but like all improvement or change initiatives in our lives just don't quite get it going..

Here are 6 steps you can follow if you want to get at that waste!!

The 6 steps to follow are:

1/ Get help/Learn the tools...

2/ Develop your vision..

3/ Build your plan

4/ Start making changes via projects,

5/ Get some success

6/ And keep it going.

Let's review each step

1/ Get help/Learn the tools...

If you are serious enough and really want to get it done you will probably need outside help in some way.

You need someone that has the implementation process and toolkit and focus to get it started. Bringing someone in full time may be a stretch so a short term/part time contract using a suitable expert will more likely force you to at least get it started and show you how to get it done....

The other reason for your own paid expert is to ensure that improvements are obtained whatever the conflicting business pressures.. So pick one that has the ability to look you square in the eye and not take your "not today....let's do it tomorrow" as a good answer.

The myth is that small businesses cannot afford such improvement endeavors.. The facts are that many are now saying they don't have any choice and many are asking for help from local chambers of commerce and industry sector chapters

The problem is that it can be a very confused expert environment and selecting the approach and the type of expert help needs some careful thought.

Here are some tips to follow..

Avoid large and expensive consulting groups that are top down pure financial performance orientated and offer big highly pressurized paybacks for the expensive services. They may shackle you to a process and approach you cannot afford or a difficult implementation for your organization to follow that will be turned into "your fault not theirs" if it does not work.

Avoid generic cost cutting consultants that will start asking a lot of dumb questions and excessive or unnecessary poking and prodding of your business and your staff.

Avoid experts that are clearly driven by asking you to spend additional capital solutions to get the improvements.. New capital and technology has its place in your business once such a solution has been well qualified as adding value, but it is a sad feeling when you suddenly realize you are automating the waste instead of eliminating it!

Don't allow anyone to come in and use improvement approaches on your business that you and your people don't understand or are not well explained to you fully and if it's that complicated and unexplainable it probably won't work anyway.,

Try to avoid the magic pill fad of the day or the packaged buzz word solution or a set of latest tools offered that may constrain or limit your scope or thoughts. Even those successful business that have stated they have improved most probably used a range of tools and resources to improve in a balanced way even if they call it a single slogan word such as 6 Sigma/LEAN/ISO/Quality management/etc. Whatever the theme of the improvement effort it MUST be tailored to your situation and although these different tool-kits are useful it is your own integrated plan and vision albeit developed by an outsider/s with a full range of tools that will carry you on the journey.

So try to use or seek some help from experts or consultants that are more coach and educator in nature and are prepared to prescribe exactly what's needed not just what they are selling as a canned package.

Also ensure the coach has an implementation process that is simple yet effective and will not bog down your small organization in any kind of project management bureaucracy. Also that the techniques are applicable to small team activities.

So pick a knowledgeable coach with the above attributes and get going... before the competitor does.

2/ Develop your vision..

Whatever the expert approach it should certainly involve an analysis of your business and baselining where you are with some kind of business review process. Then use LEAN thinking techniques such as organizational and process mapping to understand the values in your business and then applying waste identification and measurement tools. It will then require that you develop a vision of how the business "should be" then direct you to define improvement or change projects to close the gap between the "now" and "should be" , then redefining how you will measure the improvement projects and the new targets you will identify.

So make sure that the LEAN coach you decide to hire starts by firstly looking at the business as whole. The business can be subdivided into a series of business cycle time loops. Some business have as many as 5 of these loops, some have less, but once defined then each can be attacked individually but they have to be defined by a first pass high level business map to ensure that the partitioning is correct.

Each cycle time loop must be then defined as a set of cross functional processes not as a set of departments, so ensure that the focus is not to rush at improving one department then find the bottleneck or waste has just moved somewhere else.

First you develop a baseline and measure the "now" situation and you must ensure all your people involved "get it" as far as what the current waste factors are.. Denial is your biggest organizational enemy that prevents your people from wanting to help improve... so pick a coach who is inventive at how to get the message across on "where we are" and "where we can go"... ask what Education or awareness building skills are available and can be provided. Ensure that they can be customized to bring home the situation to all involved in an interesting experiential manner to all your people with the least amount of fear and negative view to any changes.

A consultant if they have a good process should not absorb a lot of your resources in unnecessary baselining analysis effort, but your time will have to be invested to undertake this journey but it's the best investment you can make.

A good LEAN coach will have many war stories and fun ways to get the waste message across and done correctly and made realistic with real life facts your people will buy-in that the waste is there and can be attacked.

3/ Build your plan

Once you have agreed a good "as is" baseline picture and it's been well played back to everyone then a good Lean coaching consultant will have a process to analysis this baseline and identify the projects needed and without a lot of effort mobilize the effort into these projects to fix the issues to eliminate the waste identified..

Defining the changes or improvement projects will require you apply about 50% Improvement tools and 50% vision of how the business should look... it's your business..Take a lot of interest in this process and ensure that you have personal coaching time with the consultant to ensure you understand that new vision and they are good changes..

All this review effort will help you understand what makes your business work, what parts add value and what parts are non-value-adding or waste, and what the waste reduction opportunities will be.

It does not affect only the operators in your business but also the management functions and certainly materials and the key processes.

Unfortunately just removing cost from your business without a good analysis as to the value to the business can be dangerous especially if that cost is not a waste area... a good example is a sub contract decision that looks like a cost reduction but creates other support costs and may even add to the overall business costs or worse create a competitor.

The actual fixes will involve integrating the knowledge of the individual business with the LEAN tools provided by the coach.

The Key principals or rules typically used when identifying changes to the process are as follows..

If it does not add value try to eliminate the step or activity ...and if the process steps or activities cannot be eliminated try to combine them so they are less complicated and the transactions become improved or simplified.

Another approach is to try to minimize the time or number of people or transactions to get things done. The notion that simple is better always rings true. The art is how to do that specific to the business yet still add value to the customer.

The final solution may be technology but only after the real advantage to the LEAN business is defined through such an analysis process..

Be certain that these changes in your business are improving customer satisfaction as well as your bottom line so that the changes are win win... avoid new practices that put a larger burden on the customer because unless the benefit is for the customer as well as you they will be more difficult to sell.

As you plan this waste elimination a vision of how the business will look after the waste is removed starts to emerge...this is called the "should be" or "entitled" performance level. This visioning process is most important and requires some mind bending that most consultants are able to do.

Some of these business process or practice changes that are identified will be obvious and will vindicate your original thoughts and some will be mind bending and a good coach will direct you toward the edge of the envelop so that you learn how to think both inside and outside the normal box you think of as your business. Your own comfort zone will be on trial and patience and commitment to not self create barriers to such new ideas will need constant soul searching. Not all suggested changes can be immediately implemented or belong on a realistic entitlement map, but make sure any ideas are recorded and filed for maybe a later implementation... a crazy idea today but an innovation tomorrow...

To finalize and detail the improvement projects will require some problem solving skills used in conjunction with the baseline to entitlement mapping done in each loop or cross functional processes.

In general each loop or key process will have projects defined that will vertically segmented into 3 layers...

Strategic level organizational/sub system changes

Examples are:

- A facility re-layout
- Organizational structure/reporting change
- New key measurements

Improvement in processes/activities....

Examples are:

- Removing waste in order entry steps,
- Reducing job setup times,
- Improving a recurring quality defect in a process
- Reducing the time to quote a job
- Improving inventory accuracy
- Improving the down time of a process or equipment

Detailed operating practice changes down to the task level.

Examples are:

- Improved reporting/problem solving within the process
- Improved cross training at key bottlenecks
- Improved response time to process problems or customer complaints

Benchmarking is another technique to ensure we push the improvement envelop ... this involves understanding what the world class process looks like in comparison to your own. Many studies for example have been done on successful and best in class order entry systems and benchmark data on this and many other generic business activities is available in many business databases that most consultants have access too.

Careful benchmarking against your competitors who appear to have an edge is a good thing, but a better combination of benchmarking is to compare yourself to the best competitor in your class and other types of businesses that have similar processes in different markets or have completely different products..This is powerful as it allows the paradigms of your own industry to be broken and helps that vision a lot. Most good lean coaches have a full database of benchmarking examples to use to compare

with...ask for these to be used even if the comparisons to your business needs a bit of mind stretching.. Remember a lot of businesses improved by looking out of their own box in this way!

4/ Start making changes via projects.

If you are lucky at the completion of this planning process you should have many worthwhile projects defined and a vision of how they will all add together to improve the business

This will be far more projects than you can implement all at once.. But they can be organized into a prioritized set of projects I call an Evolution plan.

5/ Get some success

The organization will need to be managed to use its scarce resources to attack these projects in phases with a small number being activated and focused on to get early results and build up confidence with more projects being activated only after these higher priority ones are completed..The decision as to which projects to activate will certainly be the role of the senior management.

Ensure that the implementation process as it unfolds via project activation gets everyone who participates in the improvement process fully briefed and trained and that regular general status meetings are held that reward progress and encourages support for the next steps..

This can be a positive motivating approach and you may be surprised how many other “owners” you have buried inside your team that will hopefully surprise you with the ideas and commitment they generate.. Equally the true dissenters that may exist are less destructive if pulled into the open in this way.

Remember that although you are not running a democracy you do need support from your people to get these changes done and the more the vision is explained and understood the better the support for the changes will be even if it takes a little longer to undertake this communication and closure...

Some waste reduction may involve staff cuts but if you are careful in the implementation it may be minimized and staged so that it is a humane as possible. .

Nothing motivates like success so ensure that project results are recognized and communicated to encourage the involvement. Rewards can be simple and again ask the consultant for some communication and reward plans to keep things moving forward.

6/ And keep it going.

Once the initial projects are prioritized and are underway then the issue will be sustaining this process of change so that it is continuous. It will need to be structured into a somewhat formal ongoing process so that you can input monitor control and update your Evolution plan.. This will normally take the form of a set of standing management meeting/s with at least one other person beside yourself empowered to report status.

This person should become involved early in the journey as possible but this kind of skill needs to emerge and be counted by the rest of the organization... this change agent or coordinator is a key role that the expert can train to carry on the journey after they have completed the support needed.

Typically the person needs to be a good communicator and have the respect and support across and down the organization.. Some owners find it an amazing fact that the best person is already in the organization and will rise through this change process to fill the role due to natural and untapped leadership skills. So this is a true key leadership role rather than a management position and needs careful positioning so that you and this person complement each other and your coach should be deeply involved so you make the correct selection.

Insist that you and your organization continues to learn how to use the improvement tools to keep things going into the future long after the expert help has delivered and gone. So ensure that the consultants approach is to also train your team to carry on the improvement journey without any extensive follow-on..

Another goal or positive outcome of a formal coordinated improvement process such as this is it should change your role as well.. .. Improvement is a state of mind and once you have installed a successful process for change and your team gets it..They should start to drive you crazy in a good way to make the improvements.... so your job will also change ...from the worry wart to the gate keeper of change... so boss...this should be your new job!!

To summarize...The 6 steps* to follow are:

- 1/ Get help/Learn the tools...
- 2/ Develop your vision..
- 3/ Build your plan
- 4/ Start making changes via projects,
- 5/ Get some success
- 6/ And keep it going.

Remember.... the definition of insanity is doing the same things and expecting better results..

So once again the real goal is to change and improve and to make more money so let's start thinking about waste reduction in your business as an opportunity not as a permanent threat to your business.

GOOD LUCK IN YOUR IMPROVEMENTS!!

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Nigel southway is an independent coach/consultant and spends his time "helping organizations find that lever for change and improvement"

*He is the author of one of the early text books on LEAN Thinking: **Cycle Time Management ...Fast track to time based productivity improvement.***

** The 6 step approach is a simplified version of the more complete 12 Step process for change and improvement outlined in the above book.*



Helping Organizations find that lever for change and improvement

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