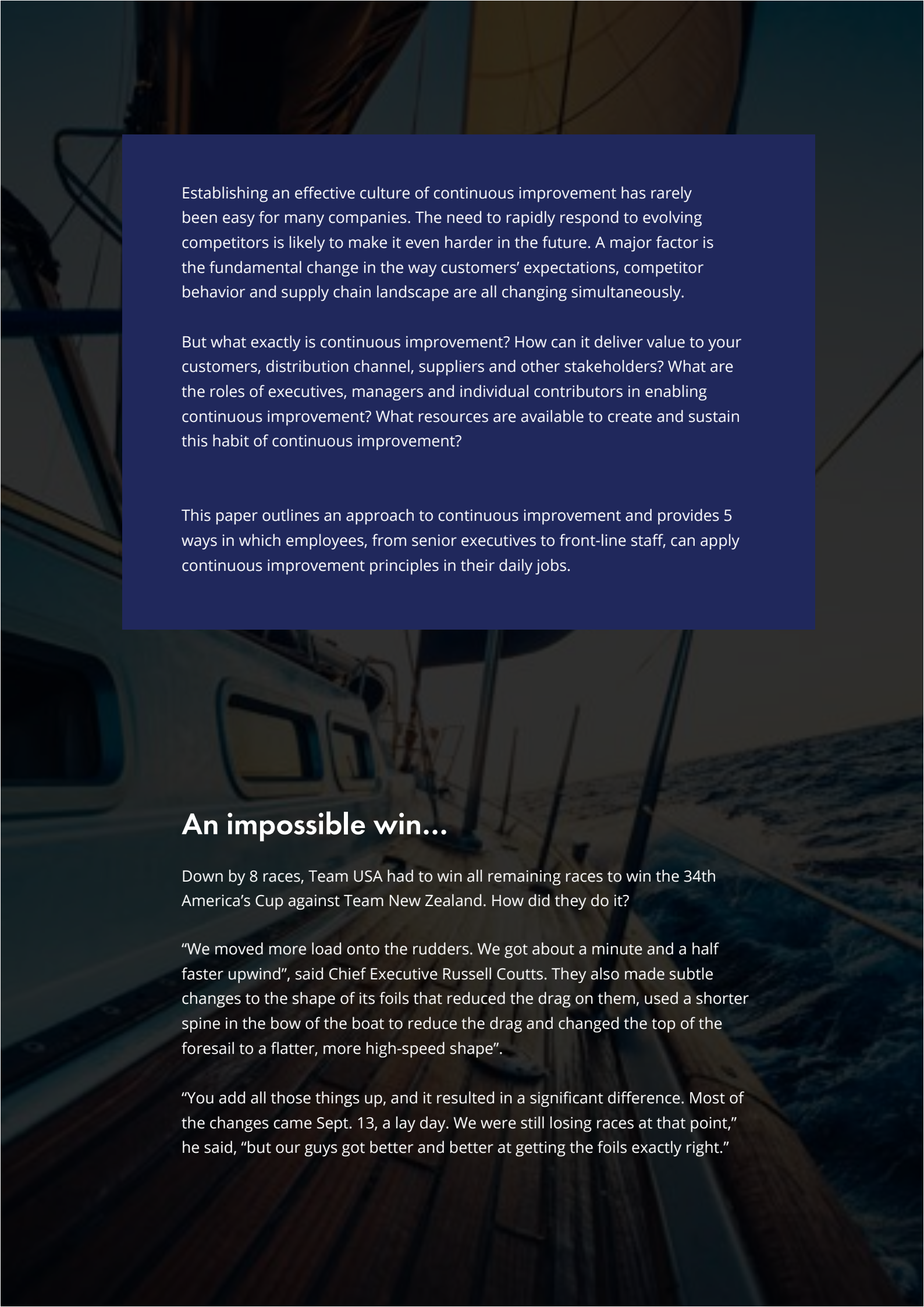




5 Steps to creating a culture of Continuous Improvement



Establishing an effective culture of continuous improvement has rarely been easy for many companies. The need to rapidly respond to evolving competitors is likely to make it even harder in the future. A major factor is the fundamental change in the way customers' expectations, competitor behavior and supply chain landscape are all changing simultaneously.

But what exactly is continuous improvement? How can it deliver value to your customers, distribution channel, suppliers and other stakeholders? What are the roles of executives, managers and individual contributors in enabling continuous improvement? What resources are available to create and sustain this habit of continuous improvement?

This paper outlines an approach to continuous improvement and provides 5 ways in which employees, from senior executives to front-line staff, can apply continuous improvement principles in their daily jobs.

An impossible win...

Down by 8 races, Team USA had to win all remaining races to win the 34th America's Cup against Team New Zealand. How did they do it?

"We moved more load onto the rudders. We got about a minute and a half faster upwind", said Chief Executive Russell Coutts. They also made subtle changes to the shape of its foils that reduced the drag on them, used a shorter spine in the bow of the boat to reduce the drag and changed the top of the foresail to a flatter, more high-speed shape".

"You add all those things up, and it resulted in a significant difference. Most of the changes came Sept. 13, a lay day. We were still losing races at that point," he said, "but our guys got better and better at getting the foils exactly right."

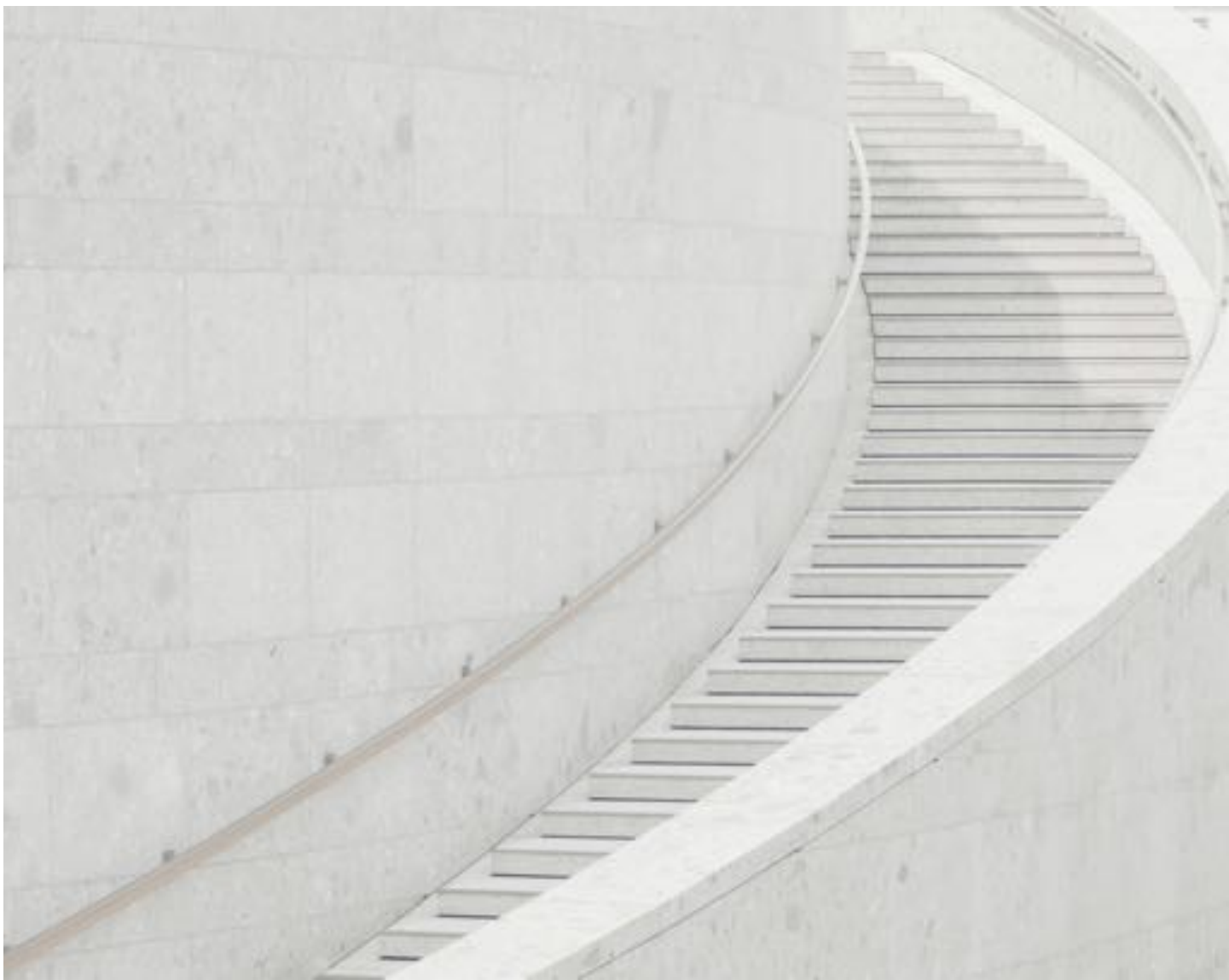
What is continuous improvement?

Natural law states a profound, yet often ignored truth about biological organisms: if you are not growing, you are dying. What does growth fundamentally mean? In simple terms, it means to continuously be moving, adapting and improving, whether we are conscious of it or not. The same law applies to businesses, given that they are ultimately comprised of people.

Continuous Improvement (CI) is traditionally thought of as ways to improve systems and processes of a business that ultimately increase efficiencies, lower cost and increase revenue. Another element, arguably more important, is how to improve the thinking or mindset of

individuals so that the new system/process is adopted and consistently implemented to achieve the desired outcome. Conventional wisdom describes Culture to be the main driver in sustaining continuous improvement, and rightly so. However, perhaps a more accurate term to describe the driving force to perpetuate continuous improvement is “mindset”.

The development of a high-performance mindset, along with habitual practice of process improvements is where organizations, more precisely, individuals that make up organizations, can perpetually achieve greatness.



Before you start your journey

There are some 'have-to-believes' before senior executives invest organizational resources into continuous improvement.

- Opportunities for continuous improvement cannot be identified from the top of the organization. Senior leaders have visibility to large, transformational levers but are too far removed from day to day operations to identify opportunities for continuous improvement.
- Front-line employees who identify the issues are the best suited to develop solutions. After all, they are closest to the customer and the ultimate custodians of executing the improved processes.

- The most senior executives of the company, including the CEO, are able to provide visible, frequent and long-term support to continuous improvement programs.

When these beliefs are not true for an organization, continuous improvement programs are not the appropriate mechanism for creating change. Leaders must evaluate and consider other mechanisms better suited for the culture of the company.



#1 Start from the outside in

Process improvement leaders are typically, and appropriately, are placed deep in the operating functions of an organization. After all, that's where the most opportunities for improvement exist. They typically start by creating a process map or capabilities map (example, APQC process maps) and systemically address improvement opportunities.

And yet, most C-suite executives argue that their process improvement initiatives do not yield the desired results. One organization took a different approach.

Investing heavily in capturing external stakeholders journey, they mapped every single aspect of their customer, distribution partner and supply side partner's interactions with their company. Overlaying external processes with internal processes provided a heatmap of pain points that had the highest return when addressed.



Call to Action

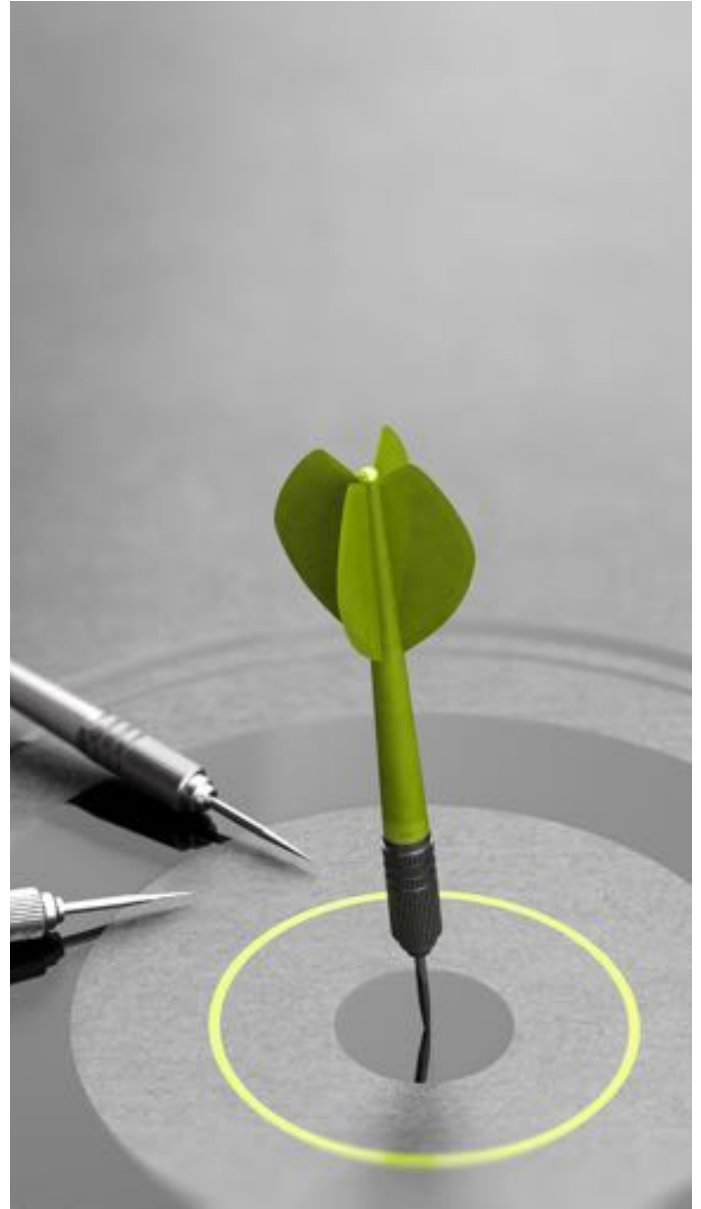
Use the customer journey mapping framework to align your actions to the customer journey. Identify the moments of delight and moments of disappointment that you can impact. Continuously improve those processes.



#2 Outcomes are more important than actions

Having clear objectives and understanding of outcomes is the most critical starting point for continuous improvement. At most companies, this is reflected in long-term incentives and annual performance goals – financial results, customer satisfaction scores, administrative targets, operational excellence targets and so on.

A highly effective approach is to create externally measurable targets (vs. operationally measurable targets) and incent the entire leadership team on those achieving those targets. Cascading these objectives deep into the organization can align focus and enable behaviors that drive continuous improvement of these objectives.



Call to Action

Ensure that continuous improvement is explicitly called out as an expectation in goals. Whenever possible, clearly set objectives for the financial, operational or customer-focused metrics that each employee can impact, even if it is small.

Create an enterprise-wide dashboard of these measures to understand and monitor the key metrics that drive the performance of your company

#3 “Lean”, but not all the time

Many companies have chosen “Lean” as the preferred methodology for continuous improvement, because of its focus on customer value and its simplicity in execution.

Lean seeks to eliminate any waste of time, effort or money by identifying each step in a business process and then revising or cutting out steps that do not create value.

Guiding principles for lean management include:

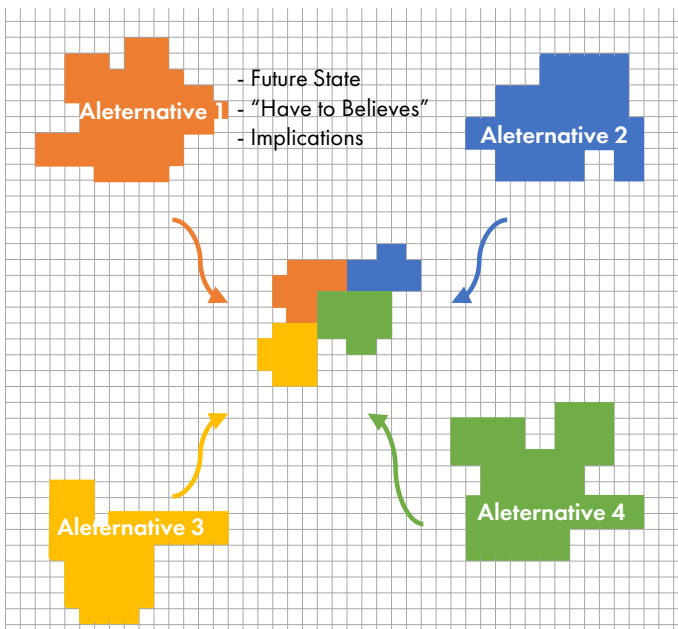
- Defining value from the standpoint of the end customer.
- Identifying each step in a business process and eliminating those steps that do not create value.
- Making the value-creating steps occur in tight sequence.
- Repeating the first three steps on a continuous basis until all waste has been eliminated.



In addition to Lean, successful companies employ other methodologies that are more suited for specific types of challenges:

1. Trade-off Evaluation

When they seek to better understand a broad, multi-disciplinary problem space, associated constraints and areas of choice, they use a method called Alternate Exclusion. This exercise usually lasts 4 to 6 weeks and results in the identification of big levers and a roadmap to implement them.



2. Rapid Solutioning

Often, leaders know exactly what the problem is, but identifying how to fix them requires input from a broad group of experts. A 5-day Rapid Improvement Workshop (RIW) such as kaizen events, is a great tool to rapidly identify and implement changes. For example, in one RIW, a team of 20 mid-level leaders identified 72 process steps, 18 decision points, 76 barriers and 37 improvement actions within a 5-day period. The result – over \$14M of short-term savings were identified.



Call to Action

Experiment with various methods to identify which ones fit within your company's culture. Identify a portfolio of methods and clearly define the appropriate circumstances to apply each method. Remember, it is not just 'practice makes perfect'; it is 'perfect practice makes perfect'

#4 Learn, all the time

The key to continuous improvement is continuous learning. Many organizations staff process improvement teams or Centers of Excellence (CoEs) with Six Sigma black belts. While these analysts can fix targeted problems, this approach is not scalable. Supplementing the CoE with a range of resources aligned to the culture of the company significantly improves continuous learning. Some methods applied by leading companies are:

1. Easily Accessible Process Library

- Web-based, access to process documentation helps understand processes more deeply.
- Crowd-sourced updates to process maps.

2. Broad and Deep Training

- Lean method overview in annual strategy communications.
- Short leadership training targeted at mid-level and senior executives.
- Structured curriculum in Learning Management Systems for Lean and Six Sigma.
- “Apprenticeships” with the internal CoE provides opportunity to observe and learn from Lean Six Sigma Black Belts.

3. Community of Practice

- Formal community of practice with cross functional sponsorship.
- Annual Process Improvement Summit bringing together practitioners from across the company.

- Ideation campaign to engage employees and uncover opportunities that are ground low.

4. Process Design Studio

- A studio providing a focused environment for process improvement workshops and kaizen events.

5. Design Thinking

- Pilot efforts to test and learn from emerging approaches like Design Thinking, and apply them to problem solving.



Call to Action

Work with your talent development group in Human Resources (HR) to incorporate continuous improvement training into annual learning processes. Engage with the Corporate Strategy Office to integrate continuous learning into annual business plan communications. Create apprenticeship programs with the Process Improvement CoE.

#5 “Them” is “us”

Continuous improvement can yield results only if everyone is committed to doing, leading and enabling a set of actions. Depending on your role, here’s what you can do:

	Do	Lead	Enable
Executives	Use at least one of the sources in #4	Visibly demonstrate commitment; discuss CI in your town hall meetings	Empower staff to identify and make small changes within their control
Leaders	Submit or respond to ideas on your ideation or innovation platform	Create CI Champions on your team to identify and implement improvements	Provide training and certification opportunities to your staff
Process Improvement Leader and COE’s	Conduct workshops to identify and execute improvement opportunities	Develop methods, tools, frameworks and libraries to support delivery teams	Develop training and provide hands-on development opportunities
All Employees	Act on every opportunity to improve processes, however small they seem	Speak up when you identify opportunities to enhance the culture of continuous improvement	Assist stakeholders to improve upstream and downstream process

Continuous improvement is not a one-time activity, it is a way of thinking and behaving in every situation. Neither is it the domain of some “process improvement experts” or Black Belts. It can be practiced by everyone in a series of small or large actions.

Call to Action

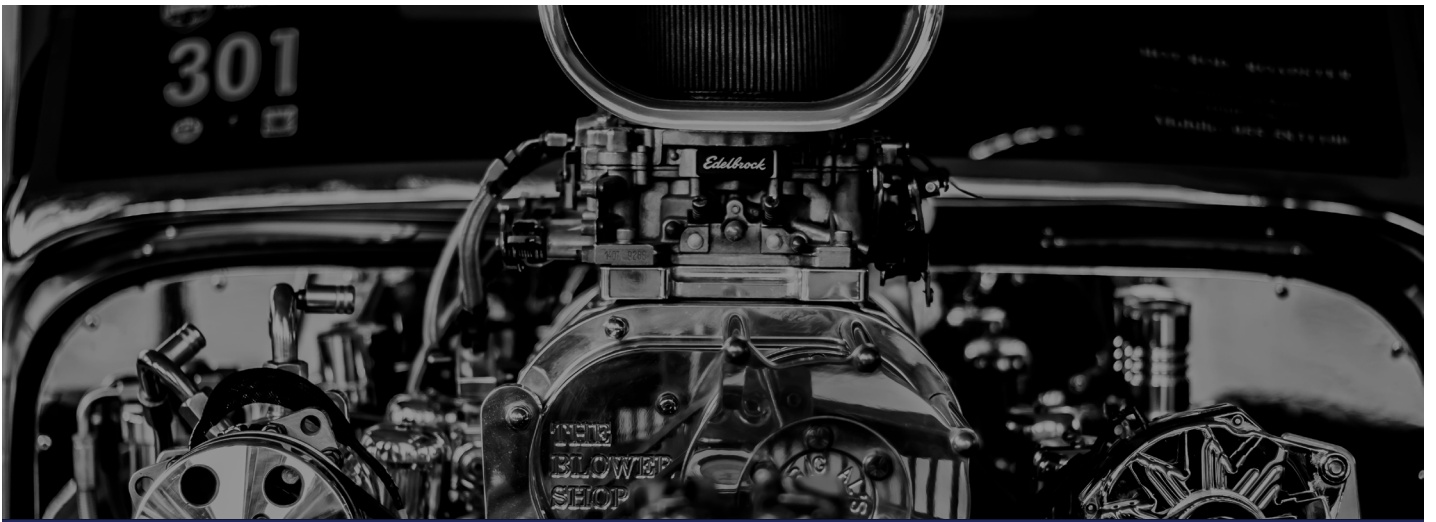
Develop a personal action plan based on your role. Identify one action from the Do-Lead-Enable columns. Print out the action plan and visibly post it in your office or cubicle.

Putting it all together

In order to win the 34th Americas Cup, Team USA leaned on its culture of continuous improvement, helping them recover from a string of lost races and eventually capture the Cup against Team New Zealand. Chief Executive Coutts applied many of the key principles of continuous improvement such as persistent leadership to get the team to think and act differently, narrow in on the improvements that actually mattered, systemically improve one area after another, and continuously refine based on learnings from each race.

Effectively embedding a culture of continuous improvement continues to be a source of significant, transformational value for businesses worldwide. But this journey is not built on a single brick – many people, with many actions, over many years are required.

The key is to focus on the things that matter to customers. If your employees identify incremental changes that reduce costs, increase efficiency, and eliminate errors and waste, you will not only be on your way to creating that culture of continuous improvement, you will be serving your customers in ways your competition cannot.



First Quadrant Advisory

First Quadrant is a strategy and performance advisory firm built on deep operational expertise. We have been both clients as well as consultants. As a result, we bring unique perspectives on issues that senior leaders face. As a result, we bring unique perspectives on issues that senior leaders face.

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