P SQUARED CONSULTING

Demystifying Process Improvement Implementation

By Scott Playfair

Consider this excerpt from a USA Today article:

"We at Toyota believe that the most important part of our manufacturing process is the ideas that come from our workers. Just imagine, in 2002, we received over 2 million process improvement ideas. Although some may have been small ideas, add them all up and you can see the dynamics!

Millions and millions of dollars are being saved every year by tapping into the ingenuity and motivation for process improvement that exists in every one of our employees."

In pure size, Toyota blew past the competition in the third quarter of 2003, overtaking Ford, assuming the #2 position among the world's automakers. Toyota's revenue in 2003 was $132B versus GM at $184B. However, Toyota's profits dwarfed GM — earning $13.6B compared to GM at $2.8B.

Think they might be on to something?

What they're "on to" is a firm commitment to ongoing process improvement.

Obviously, process improvement is no newcomer to the scene. Most companies already have some sort of process improvement program in place.

The perplexing question is, why do some companies like Toyota manage to do process improvement so well while others do it so poorly that it ends up costing rather than saving them money?

Foundational Truths

Continuous process improvement (PI) is defined as "the endeavor to satisfy customer expectations, reduce costs and increase productivity by improving processes via the reduction of variation, complexity and cycle time."   Doing it well, however, requires understanding and believing in several foundational truths:

- **Teams outperform individuals.** For complex problems that require cross-functional expertise, teams will always outperform individuals working alone.

- **A strong customer-supplier chain is critical.** Employees must understand their personal "product" and the needs of their immediate customers, both internal and external.

- **People want to improve.** Most employees want to improve their processes so they can be the best they can be. It is an inherent human trait to want things better.

- **Your employees run your company.** Every employee owns and operates a sub-process in the very large process called a business. Your employees run your company because they control all the processes that make it a business.

A Five-Step Approach

The effective implementation of continuous improvement requires the involvement of everyone in the organization. Through a team-based environment, employees can be empowered and have ownership in improving the processes they perform on a daily basis.

An approach that demystifies continuous process improvement implementation can be found in five essential steps:

1. **Establish and mobilize a steering team.** The first step in any significant change effort is to bring together a knowledgeable group of people to address the basic implementation issues and establish a guiding direction. The PI steering team should be cross-functional, with members that understand the organization well, have a strong desire to participate, and see the team as critical to organizational success.

   Once the guiding process improvement plan is developed, the steering team must present it to the senior management team. Without top management's understanding and approval, no plan will have the support it needs to succeed. Once approved, the role of the steering team is literally to steer implementation and generate course corrections.

2. **Generate overall awareness.** When organizations undergo massive change, the rumor mill kicks into high gear, with most of the rumors embodying a fear of the dark. To stop the rumor mill in its tracks, create a "Process Improvement Implementation Awareness Program" that tells employees what will happen in a step-by-step manner. Make sure the program answers the question on every employee's mind: *"What's in it for me?"* Finally, create excitement by explaining the benefits of the plan, such as making work flow easier, improving bonuses (due to increased productivity), or having a greater say in how a process is run.

3. **Implement a team-based culture.** Team-based process improvement requires natural work teams and project teams. Natural work teams, which already exist at all levels of the organization (i.e., engineering team, manufacturing team, HR team), represent a team approach to managing the business at all levels. Their main task is to identify the processes they own, perform those processes to the best of their ability, and work to improve them.

   Project teams are brought together to address specific opportunities to improve a process or solve a problem, especially those that cross department boundaries and/or require multi-functional expertise. Project teams are not permanent, but can work well to break down walls or silos within the organization. The first project teams established should be selected to yield the highest returns on investment.

4. **Charter and train natural work teams and initial project teams.** Chartering a natural work team or project team involves clearly defining their purpose and function so that nothing can be left to the imagination. It also requires providing the correct tools and training, which consists of learning how to examine the process for improvement opportunities or problems and solving the problems in a manner that eliminates the root causes. Although

often overlooked, chartering and training are critical foundational steps in establishing a productive team.

5. **Implement the game plan.** Implementation depends on the game plan itself, and includes the development of internal resources and the phasing out of external resources, such as consultants. The steering team and upper management must be intimately involved during this step, and should provide ongoing positive reinforcement to ensure success. Keep in mind that you never finish implementing the game plan, since this is all about *continuous* process improvement. Implementation is a cultural journey where the organization moves from its current state to a dynamic future state grounded in ever-continuing improvement.

Synergy in Action

Some companies adopt an improvement approach that relies on three or four "home runs" generated by a few statistical specialists. This philosophy will typically generate a solid but limited return.

In contrast, the PI principles addressed in this article are based on the premise that more heads are better than fewer. In PI, everyone needs to get involved, including the specialists. Home runs are nice, but in order to win the PI game the organization needs singles, doubles and triples, so that the little things people do add up in a big way.

The true power of process improvement is synergy in action. When everyone pulls at the same end of the rope and the entire culture focuses on continuous process improvement, it creates an environment where ordinary people generate extraordinary results, winning together as one team.

This article was recently published through both HR.com and TEC (The Executive Committee).

HR.com helps build great companies by connecting them to the knowledge and resources they need to effectively manage the people side of business. They offer the most complete library of more than 14,000 articles in every vertical including Benefits, HR Outsourcing, Performance Management, and Leadership as well as live webcasts and yearly conferences. With a membership base climbing beyond 135,000, HR.com has proven how effective HR practices can change the bottom line of every company.

TEC International helps companies outperform the competition. Since 1957, business leaders have been coming to TEC to accelerate the growth of their businesses—and of themselves. That growth comes from one-on-one executive coaching, access to a local group of trusted peers, and entrée into a worldwide network of more than 10,000 progressive and practiced executives. And TEC works: TEC member companies grow, on average, 2.5 times faster than they did prior to joining TEC.

Scott Playfair founded P Squared Consulting in 1999 after working in the corporate world for over 20 years for companies such as Alcoa and General Motors. He held positions ranging from front line supervision to the senior executive level.

P Squared is a nationally known management consulting firm based in Houston. His firm focuses on helping clients improve their business strategies by developing cultures where measurable, continuous process improvement and exceeding customer expectations prevail. Their proven methods lead to sustained competitive advantage for their clients.