

THE QUINTESSENTIAL ELEMENTS OF CONTINUOUS IMPROVEMENT

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Did you know that Operational Excellence is within reach?

Operational Excellence is increasingly more than a catch phrase, rather it is a business necessity for growth. Nonetheless, certain industries do see more success than others in the quest for continuous improvement. The manufacturing industry, for example, has had continuously improving organisations for decades. Corporate companies, however, still struggle to achieve this. What sets some industries apart from others and what insights does that provide on potential steps to success?

Firstly, what does a high-performing organisation look like?

Any strong example will usually embrace clear and consistent measurement as the cornerstone of their continuous improvement strategy. They have a deep understanding of their current performance based on a full system of metrics (feedback) that cover all areas of work. Industries that have successfully employed this across the board are sporting and manufacturing; and healthcare to varying degrees.

Sporting industry

The sporting industry is synonymous with high performance and continuous improvement. In Australia change in the industry came after poor performance at the 1976 Olympic Games in Montreal where the Australian teams did not score gold in any sport, wounding the national pride of our sports proud nation and prompting the industry to radically reinvent itself.

The results over subsequent Olympic Games were staggering. Performance continuously improved to the extent that by the 1996, 2000 and 2004 Olympics, Australia was the highest per-capita winning nation in the world. In 2000, Australia - with a population of 23 million- took home a whopping 16 gold medals and 58 medals overall, the same overall medal tally as 3rd place China - a country with a population of 1.3 billion.

How were Australian athletes able to so radically improve their performance and achieve these spectacular results? As a first step, Australia organised its continuous improvement efforts by establishing the Australian Institute of Sport (AIS) to oversee strategic efforts. The AIS reviewed athletes with high potential and started measuring every single aspect of performance, such as the athlete's diet, weight, exercise, sleeping patterns, heart rate, strength and resting practices.

This information was then fed back to the athletes and their respective coaches to understand what determined top performance, to challenge under-performance, and to reinforce excellence. It was this process of embracing measurement as the basis of learning and providing continuous feedback to those responsible for performance that led to Australia's impressive results.

Manufacturing industry

The manufacturing industry also has a reputation for its dedication to operational excellence and continuous improvement initiatives. Similar to changes in sports, this came after a particular inciting incident when the Japanese brands started releasing cars with 1-3 year, 50 to 100 thousand miles warranties, while recording almost no defects! The world watched in astonishment as these massive leaps of improvement were made.

How did the automobile industry evolve to achieve such drastic leaps of improvement? The answer is, once again, that companies such as Toyota began measuring every single aspect of performance (e.g. defect rates, mileage, quality, and efficiency) and then used this information to improve systems and processes.

The concept of measurement in continuous learning and improvement has become so prevalent in manufacturing that it has become standard practice.

Unfortunately, corporate Australia appears to be still struggling with their continuous improvement initiatives. One sector where change is slowly being made is healthcare. In response to demand for more accessible health insurance Australian insurers are facing imperatives to drive down their administrative costs and improve customer service.

Enlighten worked with a nationwide, 110,000-member private health insurer to reduce backlogs and cycle times to better serve members. The organisation was having difficulty meeting service levels even with extensive overtime, had limited visibility over capacity and no tools for forecasting resource requirements. By implementing robust metrics, management methodologies and a culture that openly embraces measurement, Enlighten were able to improve workflow (productivity improved by 37.5%), reduce backlog hours by 66% and save the client \$1.5 million per year.

It is time for other corporate organisations to look at this model to improve their respective industries. Here are 3 key areas to address in order to achieve operational excellence:

1. Performance management practices.

Managers must have metrics available to them. In order to effectively manage and improve performance, managers must be equipped with data that enables them to do so. Currently, organisational leaders in Australia are being asked to manage daily operations without being given the necessary information required to successfully do so.

Some key indicators that could be measured include efficiency, capacity, waste, talent and service quality, amongst others. This will give you an idea of the output for investment in current processes and the ways in which your workforce can be trained to improve in specific areas.

2. Management methods.

Even when measurement systems are in place, managers do not necessarily know how to leverage the information. They must first be taught what to do with the data in order to drive results. For example, if managers are to use the latent capacity identified by the system, they will also need a forecasting and interactive planning tool to allow action. Providing them with metrics alone will not lead to sustainable and continuous improvement.

To enable managers to use data to improve team performance, their role must also drastically change. Rather than seeing themselves as superior technical resources that “do the work,” managers need to see their prime role as that of a leader. More specifically, front-line managers should be spending approximately 80% of each day actively managing their teams based on the data collected. They should be asked to focus on management functions such as planning, managing capacity, improving processes, removing waste and building team cohesiveness.

3. A positive culture around measurement.

Executives are often hesitant about introducing a large-scale measurement system. This is partly due to concern that their operations will not embrace a metrics system, with a lack of “cultural fit” around measurement.

This means that a cultural transformation is long overdue in corporate environments. Continuous improvement cannot come without a top-down commitment and workforce empowerment. They must learn to see metrics as the basis of improvement and learn to embrace data just as an athlete or factory manager would.

Final thoughts

It is time for the Australian business market to take steps towards operational excellence as a whole. This will require a great deal of industry wide effort to change what is thought of as current best practice. With a strong continuous improvement strategy, organisations will be able to see marked rises in productivity, efficiency and profits – making the investment well worth the cost.



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