



enlighten 
operational excellence

ENLIGHTEN PARTNER INSIGHTS

THE JOURNEY OF CONTINUOUS IMPROVEMENT

Introduction

In today's evolving business landscape, where change is the only constant, companies have no choice but to be adaptable, flexible and agile, as well as committed to the pursuit of operational excellence. Achieving operational excellence is one of the toughest challenges for leaders today, along with the pressure on businesses to rapidly become more cost-effective, efficient and productive to stay competitive and profitable.

Just as Formula One pit stops have become dramatically more efficient from 1950 to today – from taking just over a minute to under 20 seconds – across all industries, continuous improvement drives businesses to greater heights, with a stronger operating performance resulting in growth and increased stakeholder value. But operational excellence demands more than just a one-off change to the organisation.

Operational excellence is an ideal state that businesses strive to reach, and turning this into reality requires a strong continuous improvement framework. The burning question is: how can businesses segment the continuous improvement journey into smaller, more achievable parts and turn it into an essential management framework that can be easily and effectively implemented?

Recently, we came together with our partners to discuss this very topic: how do you create a positive and high-performing company culture around continuous improvement? During this session, co-hosted by Robert Mihailov, Operational Excellence Lead at Mercer Australia, our partners clearly shared a common understanding that continuous improvement is a huge, often daunting concept that needs to be broken down into a series of 'bite-sized' stages or phases. From the discussion, it is also evident that leadership is paramount to the success of any continuous improvement program, as is data. We explore the key insights from our leaders' dialogue in the following pages.

We hope you enjoy this latest paper in our Partner Insights series as you continue on your quest for operational excellence and get your continuous improvement plans ready for the year ahead.

Andrew Johansen
Chief Operating Officer
and Co-founder
at Enlighten

What is continuous improvement?

Continuous improvement is, as the phrase implies, constant, ongoing betterment. At its heart, this means solving various problems by targeting the root cause.

When implementing changes to drive continuous improvement, leaders may inadvertently treat the symptoms – in other words, “stamp out fires” – and not the actual cause itself. While it can benefit the business to secure some quick wins by targeting smaller, ‘easier’ issues, our partners agree that it is far more important to continually re-engage and reinforce management methods and principles that address the underlying causes of undesirable behaviours or processes.

According to our co-host Robert, Mercer Australia uses a governance approach when it comes to targeting root causes as part of its continuous improvement management framework. He explained that traditionally, when monitoring incidents, each time an incident came up, the team would implement a control, an additional checking step – but this was a band-aid solution. With the governance approach, the team has to determine the additional effort it will take to resolve the incident, ensure the team has the necessary resources, then calculate the FTE impact that the proposed solution is going to have, so that the team can understand what they’re going to get out of that solution.

Robert said this has led to a shift in mindset: it is about root cause, understanding what the root cause is and putting those controls in place at the root of the problem, rather than putting additional checks in place.

But how do you cut through the noise to get to the root causes? And, what do you after that?



“If you’re not doing the basics right, you can do whatever continuous improvement you want, but it won’t ‘stick’. So, we’ve changed our language to focus on operational excellence, so we’ve got that holistic discussion in place.”

Robert Mihailov
Operational Excellence Lead
at Mercer Australia



“Sure, we have to solve problems. Certainly, stamp out the fire. Stamp out the fire and get nowhere. Stamp out the fire puts us back to where we were in the first place.”

W Edwards Deming

American engineer, statistician, professor and management consultant, 1991



Continuous improvement can essentially be condensed into a three-step cycle:

Step 1: Pinpoint which areas of the business need improvement.

For this to reflect the reality of the situation, leaders must be guided by data and feedback from staff on the ground. While leaders may have a clear grasp of the broader business context and the company's goals, it can be easy to lose sight of 'nitty-gritty' issues that could in the long run affect the business. Data provides visibility and transparency across business operations, and feedback from staff helps provide nuance and context for better understanding of what's really happening.

Step 2: Determine how the business can make these improvements.

With data-driven insights, leaders and managers determine what actions need to be taken, where change should be implemented for the greatest effect, and how to prioritise the necessary actions. The information gathered in Step 1 is also important here, as leaders must consider how small changes could make waves throughout the organisation and potentially affect the broader business and the company as a whole, before rolling out change programs or initiatives.

Step 3: Ensure the changes are sustainable.

While the changes actioned in Step 2 may have an immediate impact, it's critical to ensure that the effects are sustainable. It is human nature to prefer the familiar, and backsliding or reverting to previous behaviours is very common. However, this is obviously not ideal for the business, and could undermine any progress that has been made. Worse, each stage of the continuous improvement journey builds on the previous one, so this could impact future progress. As such, leaders must ensure sustainable change occurs.

The cycle then repeats in the next phase of the continuous improvement journey, with leaders gathering feedback and data to figure out which areas require their attention.

The need for continuous improvement

Continuous improvement can boost a company's overall performance and deliver a myriad of business outcomes such as cost savings, increased operational efficiency, improved service quality, reduced waste, greater customer satisfaction and improved employee engagement. But more than that, a culture that values continuous improvement is healthier, more positive and productive, and growth-focused, which benefits the business in more intangible ways.

When it comes to continuous improvement, data is invaluable for planning, implementing and measuring change in an organisation. Without a baseline measurement or goals, programs and initiatives have no direction; it becomes virtually impossible to gauge whether they have worked, and whether the resources that have been put into them are worth the investment (or have been wasted).

From a data perspective, in Mercer, continuous improvement often revolves around waste reporting, activity-based cost reporting and quality reporting, i.e., errors and incidents. Targeting these areas can directly lead to cost savings and tangible lifts in efficiency. This in turn affects the bottom line and lifts profitability.

Mercer has done a lot of work around activity-based costing, particularly in identifying their highest-cost processes and processes that have a high proportion of non-value-add. This has allowed Mercer to roll out robotic process automation (RPA) initiatives, leveraging bots to perform repeatable tasks, freeing up resources that can be funnelled towards value-added work and providing significant return on investment.

Regulation reporting, such as APRA reporting, too can be accounted for as part of continuous improvement initiatives – an invaluable contribution to enhanced business operations in today's complex regulatory environment. In this manner, continuous improvement can help alleviate certain inevitable costs, even though this may not result in overall financial gains.

For example, one partner said that significant regulatory and system changes in his industry have brought about inefficiencies due to government legislation, resulting in increased activity-based cost; but changes in the way his company does business and greater operational efficiencies due to automation, technological advancements and changes to workflow practices have helped offset this. Reducing the risk of having to pay penalties or fines because of breached legislation or code violations is also a cost saving.



“With our core services in Property Settlements being impacted by digital transformation, Enlighten was critical to our unit as our volumes decreased and we had a need to right size the business. The data from Enlighten allowed us to gather information as each state went electronic, relook at our processes, look at our timings and also understand whether they will change at all and how do we get smarter about how we do the remaining work.”

Gina Assimakis

*General Manager - Property
at Dye & Durham*

Key insights

4 tips to help you implement an effective continuous improvement framework

Leaders who participated in our partners dialogue shared their insights and own personal experiences on how they have implemented effective continuous improvement. We have selected four of the key pointers that our partners considered essential to get any continuous improvement strategy right:

1. Be patient. Be bold and brave.

Even after a continuous improvement initiative is kick-started, it may take time before you see any change. But be patient – slow, subtle progress is important too and things can take time to take effect. If more drastic action and change is required, leaders also must be bold and brave. Whether this means completely revamping or remodelling existing systems, or disrupting the status quo, if it needs to be done, bite the bullet and change the game.

2. Get senior sponsorship and engaged leadership.

For continuous improvement initiatives to succeed, change management is especially important. Leaders at the very top must buy into and champion a positive continuous improvement culture – you need to walk the talk and use active, engaging leadership to guide your workforce and your organisation, to drive impactful change from the top down.

3. Prioritise data and staff feedback.

Continuous improvement initiatives must be grounded in a thorough understanding of the organisation – this needs to go beyond theory and ‘gut feel’, and be based on statistics and facts that reflect the reality of the situation. Only then can leaders develop initiatives and strategies that are likely to see success. Front-line staff feedback is also an essential part of data-gathering as they are often in the know of what is happening at the coalface.

4. Ensure change is sustainable.

Continuous improvement is a journey; an ongoing, unceasing quest for operational excellence. Each step builds on the one before, so leaders must find ways to make sure changes ‘stick’, to build a stable base to support further change and even greater improvements. Don’t think of it as a one-off – it needs to be an ongoing dialogue and have continuous support so that it is kept top-of-mind for all staff and leaders.

Tip 1:

Be patient. Be bold and brave

Real change often takes time. Habits can be difficult to overcome even when employees are engaged, so patience is key. But leaders must also be prepared to take the bull by the horns if the situation calls for drastic action like revamping entire systems.

Change can be difficult. The following simple activity, illustrates this clearly.

Fold your arms. Then reverse the position i.e., if you previously had your right arm below your left, now fold your arms so your left arm is now below your right. Try it!

This might seem simple, but it is actually harder than you think. Most of us can do this with practice – but it takes conscious effort and typically feels very awkward and uncomfortable. And, if you unfold your arms and then fold them again five minutes later, chances are, you would've gone back to your original stance.

When it comes to change initiatives, leaders must be patient; it can take time for the effects of any changes to become visible. Furthermore, before a change can be implemented, leaders will first need to conduct proper root cause analysis of the issue, understand the mechanisms that feed into it and the links it may have with the rest of the business, then come up with a plan to resolve it – a process which will take some time. A set-and-go is not likely to work.

Change can often be risky too. In some cases, to address the cause rather than the symptoms

may require an overhaul of existing systems. As one partner shared, when dealing with legacy systems and processes that linger for years (over 12 years, in this specific instance), sometimes leaders must ask: what can we do completely differently, and how?

It's true that large-scale changes that could cause major upheaval in the organisation shouldn't be embarked on lightly. But leaders need to be prepared – you may reach a point in time where you'll have to grit your teeth, muster the courage to break out of that box, and just try something new. Leaders must have the right attitude; be bold, agile and flexible, consider the situation and weigh the risks – then take the leap, if the potential rewards are worth it.



“Something's got to change. Ask yourself, 'What can we do differently?' Take a step away and don't bother trying to fix the small things. Instead, think: what other options are there? Then be brave and try it.”

Reshma Joseph

Manager, Membership Services
at Teachers Health Fund

Tip 2:

Get senior sponsorship and engaged leadership

More than just a series of initiatives, continuous improvement needs to be elevated and built into the company culture, integrated into the core of the business and championed at the highest level.

This calls for a mindset that considers continuous improvement an investment into the future growth of the business – and the cultivation of such a mindset begins with the leadership team.

Mercer has been through significant change over the years, from the senior leadership and executive leadership level, all the way down. And it's clear that sponsorship from the leadership team – that is, buy-in and enthusiasm from top executives – is absolutely necessary when it comes to successfully implementing enduring, positive change throughout the organisation. Re-engaging leaders and bringing senior sponsorship back in over the last three to four years has helped better position the team and the organisation for change and transformation, Robert said.

Leaders are also vital when it comes to messaging and setting the tone for the entire organisation. Employees often see the quest for operational excellence – especially initiatives that involve automation and RPA – as an excuse to get rid of people, perceiving that increased capacity means the business may not need as many staff.

To counter this perception, said Robert, leaders need to themselves have the right mindset – operational excellence tools are meant to support individuals, developing the workforce and giving the business a competitive edge by improving operations.

This attitude will then spread outwards until it permeates the organisation, dispelling negativity and fostering a positive, healthy environment that views continuous improvement in a good light.



“If leaders are using the operational excellence tool in the right way, then staff will perceive it in the right way. And that’s where we’ve had to focus, to ensure that leaders are delivering the right messaging. If you’re going to use error reporting, you don’t just use error reporting to get rid of someone. You use error reporting to identify where you need to support individuals and develop them. Through many years and a lot of hard work our leaders are now really using the tool the right way.”

Robert Mihailov

Operational Excellence Lead
at Mercer Australia



Another participant added that with the right approach, operational excellence tools can become so well-integrated into the workplace that team members don't even view these as performance measures any longer. Instead, they consider it a forecasting tool.

The language that we use to speak about operational excellence and continuous improvement can also play a role in the workforce's attitudes and perceptions, and leaders need to be involved in this dialogue. This could be via daily huddles that ensure two-way conversations are ongoing and leaders are kept aware of what's happening in the organisation, and can be facilitated with visibility reports. Monitoring and influencing the overall workplace culture in this manner helps the leadership to ensure it is healthy and productive.

Some leaders use the terms "operational excellence" and "continuous improvement" interchangeably, while others view it in a broader context, with continuous improvement calling for every component of operational excellence to be in place to achieve the desired outcomes. In general, the latter is more conducive to successful transformation, as it cultivates the idea that continuous improvement involves many moving parts, and enhancing these can have a cumulative effect on the organisation.

Tip 3:

Prioritise data and staff feedback

With data providing visibility and transparency across business operations, leaders can better manage resources, directing time, manpower and money where they will have the most impact. Data is also necessary for businesses to set goals, and monitor and measure outcomes.

This is important when it comes to continuous improvement and operational excellence as such initiatives may require significant investment, and results may not be immediate. Leaders need to find a balance between quick wins and thornier but more deeply embedded issues – and data is critical for this purpose.

Some time ago, Mercer introduced continuous improvement registers to gather feedback and input from staff about areas of improvement – but found that these became “a bit of a dumping ground”, said Robert. Sifting through the register for useful information took a great deal of time and manpower. Based on these learnings, Mercer refined the process. Each business unit would raise issues in a forum, then pick their top items and feed these into the register. The compiled items would then be prioritised by the continuous improvement teams for further action.

In this way, feedback from the ground, backed up with data-driven insights, strategic vision and engaged leadership, can drive relevant, transformative change that lasts. This can boost the entire organisation and drive business growth and improved performance.

For businesses that prioritise the customer journey and want to enhance this to increase their competitiveness, gathering data at each step of the journey and understanding how it all adds up to an outcome for the customer is key. With this information, the business can bring together improvements and efficiencies in various parts of the customer journey – and the operations that lie behind this – to deliver the best possible outcome for the customer.



“Sometimes we do tackle the quick wins because they’re the ones that are going to get the spotlight and get resolved straightaway, while we invest in the longer-term sustainable changes.”

Peter Barraclough

National Manager Short Tail GICOP
Assurance, Customer Services
at Allianz Australia Insurance Ltd

Tip 4:

Ensure change is sustainable

Continuous improvement is an ongoing process, where each step builds on the one before. However, change can be hard. It can be difficult to ensure changes 'stick'.

Even if your workforce is engaged and motivated about your continuous improvement initiatives, changing behaviour requires conscious effort, and it is often easier for employees to go back to what they're used to, especially under high-stress conditions.

To maximise the chances of sustainable change, buy-in is a must. In addition to getting buy-in from team members who are directly affected by the change to ensure they are engaged and motivated, implementing any change calls for resources. Strong support from the top will allow teams to garner the necessary resources to drive the change and ensure the process doesn't lose momentum. This is especially true of 'big ticket' initiatives, i.e., more complex change initiatives that may potentially have greater, more far-reaching effects on the business. The business itself must be invested in continuous improvement.

Celebrating success is also essential to drive continuous improvement. This is partly through keeping the topic top-of-mind, but also by fostering a company culture that values continuous improvement and encourages it throughout the organisation.

Raise awareness about the progress of these initiatives, and ensure people know about the benefits that have come about. Making these changes and positive outcomes known to employees and the leadership team helps win more buy-in for such initiatives, and cultivates a positive environment that supports continuous improvement.



"Not every improvement is going to show up on a graph or on a scale. There are likely to be more subtle improvements that are equally as important [like cultural changes]."

Sarah Coughlin
Head of Enlighten
Institute of Management

What's next:

A systematic, data-driven framework for continuous improvement

In the world today, change is the only constant. It was highlighted several times throughout the partners dialogue, that although change has always been recognised on the agenda, in these unprecedented times, change has never been more evident. Everything is in flux and continuous improvement is an important framework to help leaders navigate through change.

During our "Continuous Improvement" partner network insights session, one participant observed that continuous improvement is all about "making tomorrow better than today". It is important to remember however to pause periodically and check whether "tomorrow" is still the same. Should circumstances drastically change, you may need to pivot to keep the business and your projects going.

To thrive in the future, businesses need to elevate continuous improvement beyond initiatives and programs. Instead, it should be an integral part of the company culture and always be on the leadership team's radar; an investment on the business's part that will drive future growth and profitability.

In such a turbulent, fast-changing world, data is the key to continuous improvement and operational excellence. Rather than relying on 'gut feel' or knowledge of what has been successful before, business leaders need to make informed decisions grounded in real-time data that shows reality as it really is.

Here are some actionable tips on how to further get on the front foot from our proven continuous improvement framework:

- **Develop clear problem and goal statements:** It's key to understand the problem and quantify the objective while keeping business objectives and priorities front and centre.
- **Carry out current state analysis to identify root causes:** Assess the client's capability and resources, and identify possible obstacles that lie in the way of the business meeting its requirements.
- **Prioritise the root causes that have been identified:** Once you have validated the potential list of root causes, prioritise the list based on impact and control.
- **Generate, prioritise and implement solutions:** Use Lean tools to generate solutions and match solutions to each root cause, then develop clear action plans to drive solution implementation.
- **Sustain the solution:** Implement standardisation and control mechanisms to ensure change is sustained and employees do not revert to previous performance.

And don't forget about RPA and its role in enhancing operational processes. With many organisations looking to improve existing processes and systems, leveraging advanced technologies to increase efficiency and productivity while reducing error and cost is an option that leaders cannot overlook. As a business leader, you need to gather and analyse the data to uncover opportunities for improvement and enhancement, then make plans and action them – while still prioritising staff welfare and the state of your workforce.



“Our team has leveraged our framework and tools to help several large organisations carry out continuous improvement projects that they didn't necessarily have the resources for. We trained these organisations in the relevant skills and shared our data and tools – this has shortened cycle time and enabled these organisations to secure some good wins quite quickly.”

Andrew Johansen
Chief Operating Officer
and Co-founder
at Enlighten




ABOUT US


To meet our vision of being the partner that business leaders want to work with, we understand that a strong, experienced, effective and visionary team is needed, with the energy, commitment and drive to succeed. We deliver on our promise through our leading propriety methodology that combines business experience, technology and data analytics.

For more information on how to use value-added standards to identify waste and accelerate performance, contact your nearest Enlighten office.

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