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The Quintessential Elements of Continuous Improvement

Creating operational excellence and instilling a culture of continuous improvement is a utopia that most organizations never reach. Nonetheless, certain industries have witnessed much greater success than others in the quest for continuous improvement. The manufacturing industry, for instance, wholeheartedly embraced the quality movement many decades ago, which has led to continuously improving organizations. White collar environments, on the other hand, still struggle to achieve the desired outcomes of their business improvement or more recently their Six Sigma Lean efforts. What sets some industries apart from others, and what steps can white collar organizations take to replicate the success witnessed by their high performing peers in other industries?

High performance organizations embrace clear and consistent measurement as the cornerstone of continuous learning and improvement. They have a deep understanding of their current performance based on a robust system of metrics (feedback) that has been firmly entrenched in the organization. In these organizations, it has become inconceivable to think about continuous improvement without this rigorous system of metrics that systematically provides performance feedback to those responsible. To further illustrate this point, let us look at how high performance is attained in the sporting and manufacturing industries.

Sporting industry

The sporting industry is synonymous with high performance and continuous improvement. So how do athletes go about achieving world-class performance? What specifically do they do, and what benchmarks do they use? These were the type of questions Australia reflected on after failing to win even one single gold medal at the 1976 Olympic Games in Montreal. The national pride of the sports-proud country was wounded, 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 organized its continuous improvement efforts by establishing the Australian Institute of Sport (AIS). The AIS called in 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 phenomenal results.

Manufacturing industry

The manufacturing industry has a reputation for its dedication to operational excellence and continuous improvement initiatives. Yet this was not always the case. For example, in the 1960s, the cars produced by automotive companies were still riddled with many faults. My grandfather and father, when buying a new car, even used to keep a logbook on the dashboard in which to document the many dozen issues they encountered, for later feedback to the dealer for the first 3 month service. Then in the 1970s and 1980s, the quality of cars improved radically when the Japanese 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 over the past decades? 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 provide feedback to the most appropriate person within the organization that could then take action. These days, the concept of measurement as the cornerstone of continuous learning and improvement has become so deeply engrained into the very DNA of the industry that it would be inconceivable to run a manufacturing plant without robust metrics, management methodologies and an organizational culture that openly embraces measurement.

White collar environments

White collar environments are still struggling with their continuous improvement initiatives. From over 20 years of experience in introducing metrics systems into the back-and middle office of large institutions, I suggest there are three areas white collar organizations must address before they can achieve their operational excellence and continuous improvement objectives:

① Metrics

Managers must have metrics available to them. After all, how can you improve something when you don't even know what your current performance is? In the 1950s Drucker said "What gets measured, gets managed" and it is amazing to think that in most white collar operations today there is a lack of even basic metrics to continuously improve their business. In order to effectively manage and improve performance, managers must be equipped with the data that enables them to do so. Do you think Australian athletes could have improved their performance without constantly measuring it? Yet this is precisely what managers in white collar operations are expected to do: they are being asked to manage daily operations without being given the necessary information required to successfully do so.

Ask yourself this question: if your business is striving to be one of the best, and you are trying to instill a culture of continuous improvement, what would you recommend gets measured and continuously improved from the following list?

- **Efficiency?**
Productivity?
- **Capacity?**
What latent capacity exists and how can we use it?
- **Error?**
What are our error rates?
- **Waste?**
How much waste is in our business and what is it costing?
- **Throughput?**
What is the "Value Component" of the work we produce?

- **Skills & talent?**
Does our current state meet future needs?
- **Quality?**
What is our quality rate/score?
- **Service Quality?**
Is our service improving?
- **Responsiveness?**
Are we meeting SLA? Are our cycle times improving?
- **Culture?**
Do we have a culture of continuous improvement?
- **Costs?**
Is our unit cost improving?

From countless workshops we conduct, managers consistently say they want to continuously improve on all the above aspects. Yet when we look at what metrics are currently in place in these organizations, we discover time and time again that virtually none of those factors are being measured.

② Management methodologies

Even if a robust metrics system has been put in place, managers must know what to do with the information in order to drive results. For example, if we want managers to use the latent capacity identified by the metrics system, we need to provide them with a forecasting methodology and interactive planning tool in order to take 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 manager. More specifically, front-line managers should be spending approximately 80% of each day actively managing their teams based on the information they are receiving from the metrics. 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

When I raise the importance of a robust metrics system in white collar environments, executives often respond with hesitation. A typical concern is that their operations would not embrace a metrics system, due to a lack of “cultural fit” around measurement. Imagine this mentality in a manufacturing or sporting context – it would be unthinkable! An emphasis on metrics and measurements is deeply engrained in continually improving industries, which is what led to the drastic improvements we have witnessed over the past decades. Yet in white collar environments, executives somehow believe that continuous improvement will take place without a culture that embraces measurement and metrics.

A cultural transformation is long overdue in white collar environments. They must learn to see metrics as the basis of improvement, and learn to embrace data just as an athlete or factory manager would. This inertia will take a good deal of concerted effort to overcome. Management styles and expectations can change and white collar organizations can learn to embrace measurement as the basis of continuous learning and improvement by addressing what people fear about numbers.

For more information on the quintessential elements of continuous improvement, contact your nearest Enlighten office.

