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Improvement Beyond Processes

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CEO See Business Differently

Author of Sense and Respond: The Journey to Customer Purpose

Visiting fellow to the Lean Enterprise Academy


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Sense and Respond Lean Approach

Sense what matters to customers

1. People
   Your clients and their customers

2. People
   Your front-line operation

3. People
   Your support organisation

drive the service and the strategy

Purpose

Flow

Adapt – Evolve – Inform – Innovate

RESPOND

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What is Sense and Respond?

• Simply put –

  Lean is an approach in which the direction and goals of an organisation is entirely guided and driven by the:

  • Measures of Customer Purpose.
  • Measures of Customer Value.
  • Measures of End-to-end Value FLOW
Topic Areas:

• Transformation and Change Agenda.

• It's more than just processes

• Traditional Silo Problems

• Comparing Lean and Mass Behaviours

• Designing around Customer Purpose and Value

• Designing the organisation around Lean Flow Principles

• Measurement and Governance
What is your change agenda?
Lean Deployment Considerations

Create the New?

Change the Game?

Incremental Improvement?
Current ‘change’ drivers

- Government spending cuts
- Global competition
- Global sourcing
- New technologies
- Fiscal pressures
- Workforce expectations
- Social networks
- Customer individualisation
- Customer customisation
- Customer-business co-creation
Lean resides in the workforce doing the day to day job.

Work Design must allow employees to:

- Understand the end-to-end process.
- Improve their own work area.
- Improve the end-to-end service.
- Actively problem solve.
- Exercise autonomy.
- Take time for reflection.
Lean resides in the workforce doing the day to day job.

Develop people through Lean Leadership Conversations:

Not “do it my way”.

Not “do it your way (but be sure to make your numbers)”. But instead…

“Let’s get agreement on our purpose and the processes that achieve our purpose.”

“Let’s transform processes together.”

But remember, It’s the Employee who takes responsibility for defining and solving the problem.
Lean resides in the workforce doing the day to day job.

Problem solving employees:

Tools.

Techniques.

Methods.
Lean resides in the workforce doing the day to day job.

Problem solving employees:

- Tools.
- Techniques.
- Methods.
Lean resides in the workforce doing the day to day job.

**Organisational System**

- Is designed to Surface Problems
- Is Data Driven
- Measures End-to-end capability
- Develops Value Delivery capability
- Continuous Change not improvement.
Traditional organisations tend to keep problems hidden… you must not admit them,…. If you do then YOU become the problem.

Lean is a whole organisation or system which is designed to surface problems so that teams can solve them,…. the assumption being that the problem is the ‘System’ not the people.
What is wrong with the traditional approach?
Traditional approach: Feasible parts creating an infeasible whole.

Functional units

F1  F2  F3  F4  Fn

S1  S2  S3  S4  Sn

Independent Solutions Designed to Meet functional Targets and Goals.

Its not unusual to have thirty or more solutions lining up for attention.

Throughput process

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Traditional approach: Feasible parts creating an infeasible whole.

Functional units

F1  F2  F3  F4  Fn

S1  S2  S3  S4  Sn

Independent Solutions Designed to Meet functional Targets and Goals.

Its not unusual to have thirty or more solutions lining up for attention

Improved Customer Experience?
What sort of Leadership is required to generate a Lean Environment?
<table>
<thead>
<tr>
<th>Make and Sell Organisation (Mass Production)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional and processed</td>
</tr>
<tr>
<td>Incentivised contribution</td>
</tr>
<tr>
<td>Functional efficiency</td>
</tr>
<tr>
<td>Direct and control</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sense and Respond Organisation (Lean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational and personal</td>
</tr>
<tr>
<td>Willing contribution</td>
</tr>
<tr>
<td>End-to-end effectiveness</td>
</tr>
<tr>
<td>Listen and adapt</td>
</tr>
</tbody>
</table>

The Behaviours, Measures and Purpose are different.

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Single process for all varieties with continuous flow
Defining customer purpose and customer value
CORE Profile: Value definitions

CREATE (Optimise)

Is defined by ‘Customer Purpose’. Deliver value effectively to customers and efficiently to the organisation.

OPPORTUNITY (Innovate)

Creates the possibility for developing new services that will satisfy customers or increase production and revenue.

REMEDIAL (Restore and Remove)

Occurs when the organisation delivers unfit products or services. Production is lost, the customer is unhappy, resulting in loss of money, time, and reputation.

EXTERNAL (Restore and Re-think)

Originates externally and is usually waste or demand that is created by other organisations, agencies or institutions.
Nothing in here because no one was looking

OPPORTUNITY TO CREATE VALUE BIN

RESTORE LOST VALUE BIN

EXTERNAL LOST VALUE BIN

Customer Purpose Defines Value, what was once seen as Value is now seen as WASTE.

There is no value in fixing symptoms. Fix the Road not the Tyres.

Customer Purpose = Business Outcomes
Moving from the cost of Failure to the Return on Value
### CORE Profile:

<table>
<thead>
<tr>
<th>Demand type</th>
<th>Volume</th>
<th>Action</th>
<th>Finance</th>
<th>End-to-end Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREATE</td>
<td>19%</td>
<td>Optimise</td>
<td>£1,071,100</td>
<td>10min – 50days</td>
</tr>
<tr>
<td>OPPORTUNITY</td>
<td>0%</td>
<td>Innovate</td>
<td>£264,790</td>
<td>(Mean 15 hours)</td>
</tr>
<tr>
<td>RESTORATIVE</td>
<td>78%</td>
<td>Restore</td>
<td>(£271,000)</td>
<td>3min – 30days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remove</td>
<td>£845,900</td>
<td>(Mean 1 day)</td>
</tr>
<tr>
<td>EXTERNAL</td>
<td>3%</td>
<td>Restore</td>
<td>(£343,070)</td>
<td>10min – 60days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rethink</td>
<td>£10,060</td>
<td>(Mean 4 days)</td>
</tr>
</tbody>
</table>

Ave. Revenue And (Rework costs)  
Ave. Cost FTE

End-to-end Capability

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Fixing the wrong problem

You're the third person to go down that hole this week! You really should get those tyres checked!
Making work flow through support to create customer business outcomes
The customer/service user challenge:
They don’t have time.............they say things like:

Solve my problem, completely.

Don't waste my time or cause me hassle.

Minimise the cost of doing business with you.

Provide exactly what I need and deliver value where I need it.

Reduce the number of decisions I must make to resolve my problems.

Don’t get me to help you, I want you to help me!

Adapted from Lean Solutions: Jim Womack and Dan Jones by Stephen Parry
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Question:

What would ICT organisations do if they had to pay for all the operational and service user time they wasted?
**Principles to Build FSOM**

- **Solve my problem, completely.**
- **Don’t waste my time or cause me hassle.**
- **Minimise the cost of doing business with you.**
- **Provide exactly what I need, where I need it, when I need it.**
- **Reduce the number of decisions I have to make.**
- **Don’t get me to help you, I want you to help me!**

**Service User Business Process**

- **Specify value** from the standpoint of the end customer.

- **Identify all the steps in the value stream** eliminating every step and every action and every practice that does not create value.

- **Make value-creating steps occur in a tight and integrated sequence so the product/service will flow smoothly toward the customer**

- **Let customers pull value from the next upstream activity.**

- **Pursue Perfection.** These steps lead to greater transparency, enabling teams to eliminate further waste.
Don’t align IT service provision to the transactional needs of the service user rather to the real world customer outcomes

Specify value from the standpoint of the end customer.

Identify all the steps in the value stream eliminating every step and every action and every practice that does not create value

Make value-creating steps occur in a tight and integrated sequence so the product/service will flow smoothly toward the customer

Let customers pull value from the next upstream activity.

Pursue Perfection. These steps lead to greater transparency, enabling teams to eliminate further waste.
Measurement

What do you measure in a Lean Environment?
Customer and People Measures:

You’ll not find many measures in this zone.

‘If you measure your service using averages, you will deliver an average service.’
Seeking out the flow of value
Averages throw away the data for improvement
Of course I’d like to help but it’s not my end that’s sinking!
Lean Service Case Study

Shared Services
The LEGO Group

• Founded in 1932 by Ole Kirk Kristiansen.

• Name from 1934: "LEG GODT" (play well) → "LEGO".

• One brand company.

• 9,739 employees (February 2011).
Strong growth in the LEGO Group

Profit before tax

DKK Mio.

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Headquarters: Denmark (Billund)

Concept and product development: Denmark, Germany, UK, Japan and the USA.

Production: Denmark, The Czech Republic, Hungary & Mexico
## Areas

<table>
<thead>
<tr>
<th>IT</th>
</tr>
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<tbody>
<tr>
<td>HR</td>
</tr>
<tr>
<td>Facility</td>
</tr>
<tr>
<td>Indirect Procurement</td>
</tr>
<tr>
<td>Travel</td>
</tr>
<tr>
<td>Receptions</td>
</tr>
</tbody>
</table>

## Countries

<table>
<thead>
<tr>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
</tr>
<tr>
<td>Hungary</td>
</tr>
<tr>
<td>Czech Republic</td>
</tr>
<tr>
<td>Mexico</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>UK</td>
</tr>
</tbody>
</table>

455 employees in total
LEAN at LEGO Group

- Manufacturing
- LEGO Service Center
- Development
- Other admin areas

2004 2007 2009 2011

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## Journey and differences

<table>
<thead>
<tr>
<th>From processes…</th>
<th>Manufacturing and Admin differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High level of collaboration with manufacturing LEAN Office</td>
<td>Growing awareness of differences between manufacturing and admin:</td>
</tr>
<tr>
<td>• Primary activities: Training, Value stream mapping, Improvement boards, 5S and developing LEAN Driver network</td>
<td>• Nature of demand</td>
</tr>
<tr>
<td>• Activities driven by LEAN Consultants</td>
<td>• Customer participation</td>
</tr>
</tbody>
</table>

### …to customers

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Measuring value content of demand</td>
<td>• Multiple processes</td>
</tr>
<tr>
<td>• Enabling the service operation to take ownership by creating transparency</td>
<td>• Invisibility</td>
</tr>
<tr>
<td>• Improving the system, i.e. the context of all processes</td>
<td>• Cost is outside the service operation</td>
</tr>
</tbody>
</table>
## Learnings and challenges

<table>
<thead>
<tr>
<th>Some learnings</th>
<th>Some challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Get live data on value content of demand and variance in end-to-end resolution time</td>
<td>• Keep focused on equipping the operation to fix the problems them self</td>
</tr>
<tr>
<td>• Get shared transparency to drive the changes by creating end-to-end and top-to-bottom review structure</td>
<td>• Changing our way of thinking</td>
</tr>
<tr>
<td>• It needs to be driven and owned by the operation</td>
<td>• Not loosing the motivation of involved employees</td>
</tr>
<tr>
<td>• Changing our ingrained thinking is possible and takes loads of patience, effort and thinking</td>
<td>• Communicating about something, which in many ways, is a completely different world</td>
</tr>
<tr>
<td>• Don’t use a linear project approach</td>
<td>• Being able to react to and execute on the continuous flow of learnings</td>
</tr>
<tr>
<td>• It works, e.g. 39% reduction of variation in end-to-end resolution time in 2 months</td>
<td>• Really improving the human system</td>
</tr>
<tr>
<td></td>
<td>• …and much more!</td>
</tr>
</tbody>
</table>
Sense and Respond:
The Journey to Customer Purpose

Susan Barlow, Stephen Parry and Mike Faulkner.

Strategy White Papers and Pod Casts

New Principles and a New Vision for Services
A Demanding World
Measuring for Value. Transformation Pitfalls and Lessons

Research papers

Service Climate Management
Cranfield/Fujitsu Managing For Value

Articles

Turning Customer Service upside down
Service Climate Management
Customer: Lost in translation
Seven Deadly Sins of Transformation

TV and Radio

BBC Documentary ‘The Crunch’
Channel 4/Einstein CIPD. Sense and Respond
BBC Radio 4 In Business The Heartbeat Economy
BBC Radio 4 In Business Lean and Mean and at your Service

www.seebusinessdifferently.com

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