

Attracting Investment in Process Improvement through Strategic Positioning

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Premise

... from experience at Welch Allyn

- Executives do not pay attention to process improvement per se. They care about financial, market and customer oriented goals, and only pay attention to process improvement when its **absolutely necessary** to achieve one of those goals.
- A process improvement program will only be ultimately successful if it is a **strategic priority** for the company.

Why? Because,

- Process Improvement is a long-term investment.
- There is a definite lag between the investment in process improvement and realizing the return on that investment.
- Change is difficult and often uncomfortable.
- Organizations and business leadership change frequently.

5 Key Messages

Key Message 1: Know your business (Its all about priorities and trade offs)

A company will only invest in strategic process improvement if it can provide a superior competitive advantage to other investment options.

- The reason executives will choose to investment in process improvement is because they are sold on how it will contribute to achieving their operating plan.
- There must be a clear link between the process improvement effort being proposed and the achievement of high priority business goals.

The process improvement proposal must provide a simple, tangible and clear case that is in the language of the executive. This means it **must** speak to things like:

- Benefits to your customers
 - Beating your competition / differentiation
 - Gaining market share
 - Increasing revenue / improving margins
 - etc
- Process Improvement is usually chosen because some operational efficiency is lacking related to a achieving market/customer oriented goal.

Key Message 1 continued: Know your business (integrate process improvement)

At Welch Allyn we found that trying to set up process improvement as a separate program would almost always result in failure. (There are a few notable exceptions).

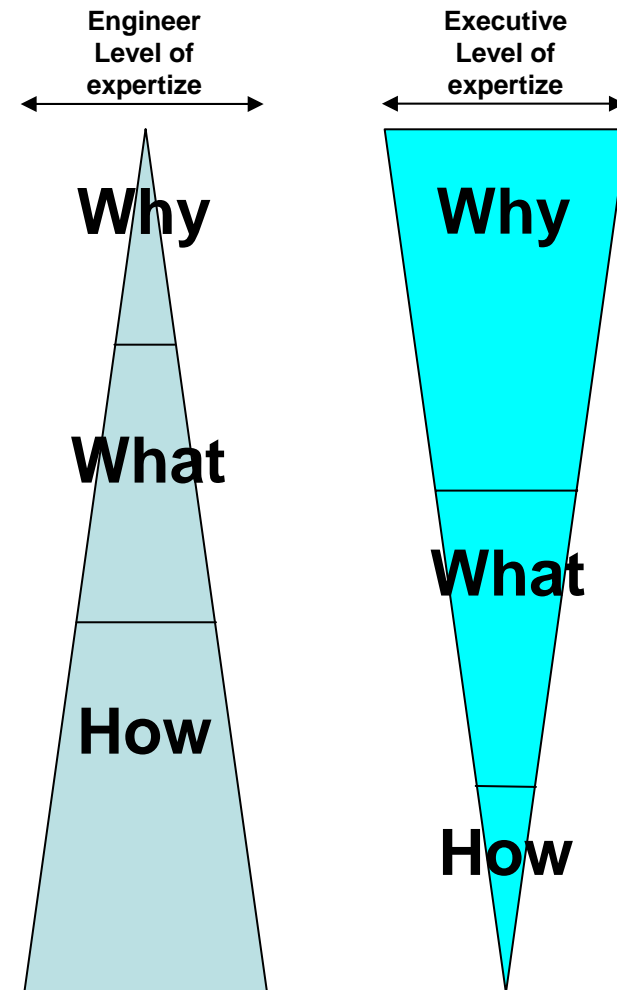
All of our process improvement programs that have been work streams that fall underneath a specific high priority business goal have succeeded.

E.g. a process improvement program to reduce product development cycle time by 20% in 3 years. **FAILURE.**

E.g. a set of specific operational efficiency gain projects to support a business goal to reduce development cycle time for lower cost differentiated products for developing international markets, and to support a specific 3 year market share growth goal. **SUCCESS.**

Why / What / How Framework

- Use the Why/What/How framework to ensure that you have a balanced proposal for process improvement.
- Executives are all about the “Why” and Engineers are all about the “How”.
- Many failed process improvements at Welch Allyn have been extremely heavy on the “How” part but executives did not get it.
- Also, many process improvements have failed because the “Why” was clear, but the ability to execute was not there – we did not know “How”. These can be very costly mistakes.



Key Message 2

Use the company's strategic plan for context

- If you are going to position process improvement as a strategic priority then it must be complementary to the strategic plan.
- Within a strategic plan, there are usually a number significant risks involved. Some of those risks are related to Operational Efficiency.
- Identify all of these operational efficiency risks, and focus on the biggest impacts related to the operating plan.
- For example, a company may see strategic advantage to growing its market share in China, but currently has little local presence. There will be significant operational efficiency risks such as:
 - Complying with regional regulatory requirements.
 - Establishing a cost effective supply chain.
 - etc
- Addressing these risks should give rise to process improvement programs that become essential to the strategic success of the business.

Key Message 2 continued

Use the company's strategic plan for context

Use your company's standard formats to articulate your process improvement proposal. The process improvement investment needs to be integrated with the specific market/customer strategy that it will be supporting, e.g.:

<h3>Market Opportunity</h3> <p>What is the opportunity to differentiate and to gain market share?</p> <p>Market Analysis Stats – current/projected</p> <p>Customer Profiles</p> <p>Why is this strategically attractive to Welch Allyn?</p>	<h3>Asset Strengths / Gaps</h3> <p>What assets can Welch Allyn leverage in order to win in this space?</p> <p>What does Welch Allyn lack that is necessary to win in this space?</p> <p>What are the key actions necessary to be able to leverage assets or gain needed assets?</p>
<h3>Competitive Landscape</h3> <p>Who are the competitors in this space?</p> <p>Current market share profile and recent growth/decline vectors.</p> <p>What are the key barriers to gaining market share in this space?</p>	<h3>Investment Profile</h3> <p>Define 2 different growth scenarios – conservative and aggressive.</p> <p>For each scenarios define:</p> <p>The investment profile – i.e. major categories of investment and size of investments.</p> <p>The risk profile – i.e. the key risk factors and probabilities for success.</p>

Key Message 2 continued

Use the company's strategic plan for context

Business Case Tool at Welch Allyn.

Reference : Managing a portfolio of process improvement projects. Presentation 1317 SEPG 2008. Frazer and Stearns.

Welch Allyn Project Rationalization Data Collection Spreadsheet

Please fill out the following data elements about your particular project. There are three others sheets where data is requested. If you follow this sheet from left to right you will be directed as to when to complete those sheets.

Please complete the worksheet below this line

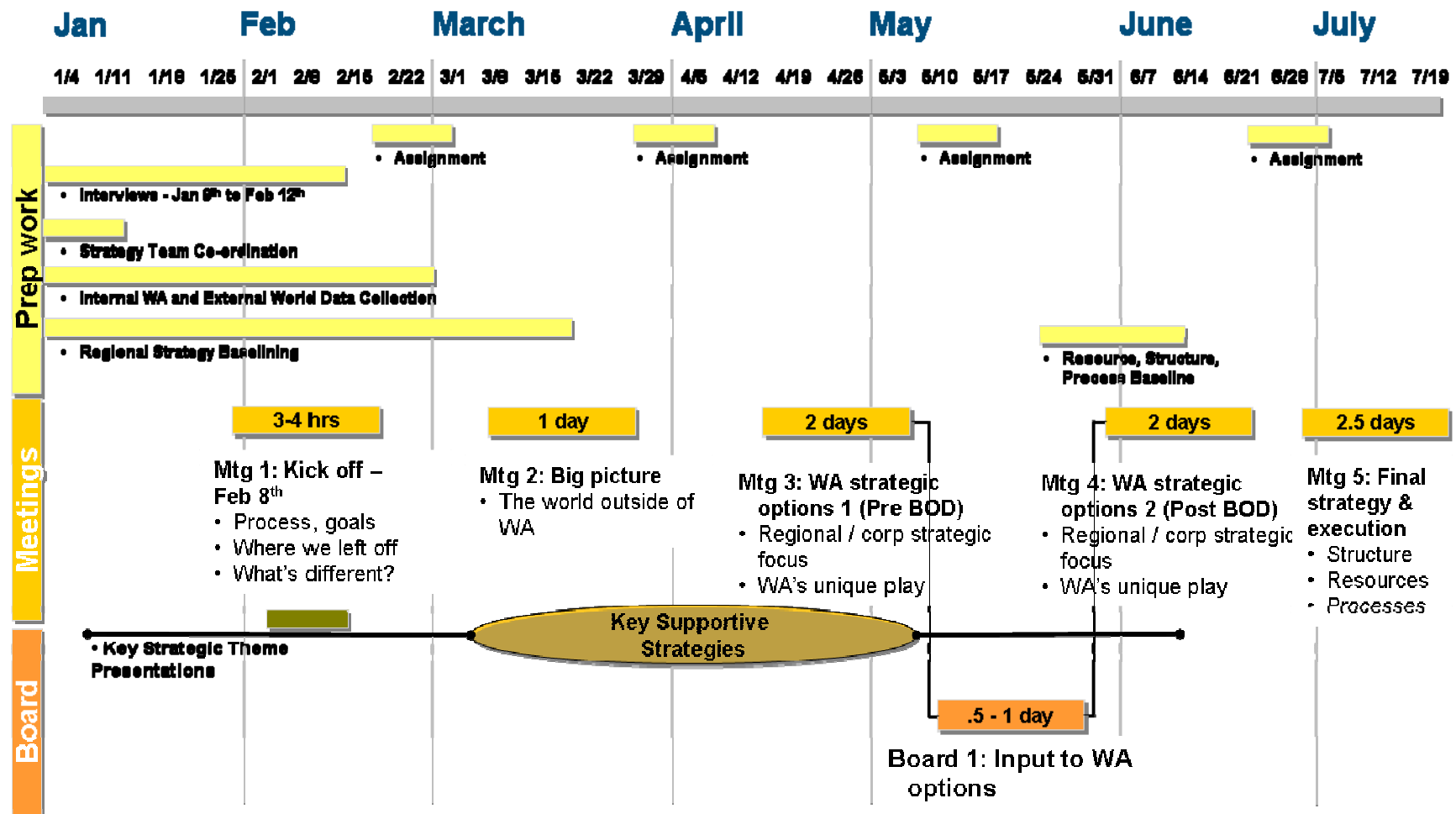
Data Type	Project Information					Project Schedule			
Data Element	Project Name	Project Description	Owner	Stakeholders	Input/Alignment	Duration (Number of Days)	Earliest Start Date	Latest Finish Date	Prerequisite/ Concurrent Projects
Description of Data Element	Project name, code, and/or acronyms (please define the acronyms) used to describe the project at Welch Allyn.	This data element should describe the functionality delivered, the rationale for initiative, and the desired outcome.	Person(s) or Functional Organization accountable for the project (e.g. R&D, Finance, or Marketing)	Please provide a list of person(s) and functional organizations that are approvers of this project. This is the group of people the "owners" report to.	Please provide a list of person(s) and functional organizations that provide significant input into this project and/or whose activities this project must be aligned with.	Provide information on the current estimate of duration of the project from beginning to end (in days)	Please provide the earliest possible start date; if in flight, provide the actual start date of the project	Please provide the latest possible finish date for this project in order for an overrun to not hinder Welch Allyn's strategic goals	Provide a list of projects that are prerequisites or must be conducted concurrently to this project. Indicate if the project is prerequisite or concurrent
Welch Allyn									
Please fill out the following this sheet									
Please complete the									
Data Type	Strategic Alignment								
Data Element	Enabling Core and Non Core Capabilities	Foundational	Business Need to Meet Competitors Performance	Creating Advantage or Differentiation	Business Type	Sustainable			
Description of Data Element	1= This project will strengthen Welch Allyn's position in core capabilities which show a presence in the market place 3= This project will strengthen Welch Allyn's position in non core capabilities that allow core capabilities to improve 5= This project will not strengthen Welch Allyn's position in core or non core capabilities	Is this project required to maintain the basic operations of Welch Allyn (e.g. HR payrolls, Finance closing books, Site services and leasing; the project's purpose is not to capture revenue), to fix any significant cash flow losses, or meet the requirements of any governing body?	Is this project needed meet competitors current offerings in the marketplace? Does Welch Allyn need to implement this project in order to stay on pace with industry peers?	Does this project create an advantage or a differentiation above what competitors are able to offer in the marketplace? Additional, does this project enable another project that creates an advantage or a differentiation for Welch Allyn in the marketplace?	What type of business or product line will this project support at Welch Allyn? 1 = An existing business or product line 3 = A new business or product line that Welch Allyn will enter in the short term (< 3 years) 5 = An emerging business or product line that Welch Allyn will enter in the longer term (> 3 years)	If this project provides a competitive advantage or differentiation for Welch Allyn how long with this be sustained for? 1= Less than 1 Year 3= Between 1 and 5 Years 5= Greater than 5 Years			
Answer Form	1	No	Yes	Yes	1	3			
Please complete the									

Key Message 3

Fit in with your company's strategic planning & budgeting cycle

- Many companies will have a fixed, periodic strategic planning cycle. At Welch Allyn we do a strategic plan refresh every year, prior to the budgeting cycle, and then a major strategic re-baseline every 3 years.
- You must know how strategic options and priorities are created, reviewed and agreed at your company.
- Your key actions will be to:
 - Gain access to strategic options as soon as possible so that you can position your process improvement proposals early enough. Depending on your position in the company and its size, this may require going up through a number of line management levels.
 - Highlight the business risks related to operational efficiency.
 - Ensure that you work closely with the authoring teams of strategic options so that you fully understand them, and start to sell your process improvement proposals.

Example Strategic Planning Timeline



* All specific dates are indicated as blocks of time pending scheduling

** This plan assumes background work conducted throughout the process by non-executive participants

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Key Message 4

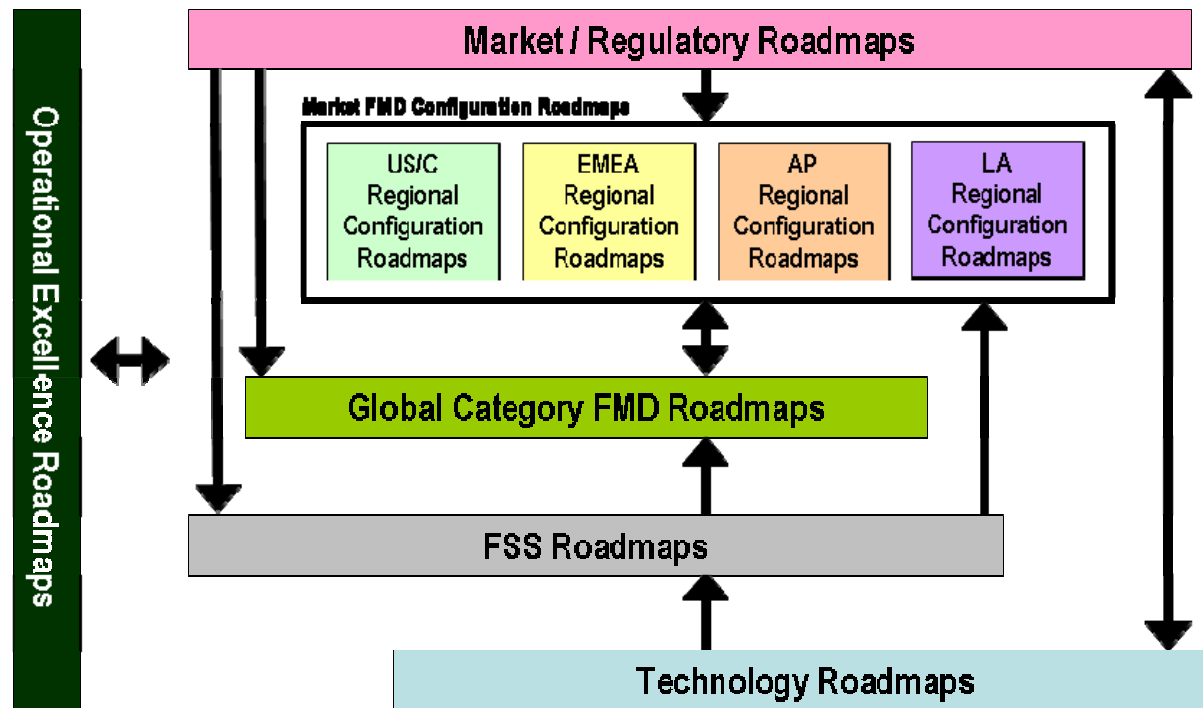
Speak about the right things with executives

- Executives care little about “how” you will achieve the necessary process improvement - other than it’s using a proven method with supporting data.
 - Giving details of models like CMMI or various Lean Six Sigma tools will turn them off.
- Speak about the risks related to executing on their strategic options, and use a data driven approach to highlight the necessary process improvements.
 - Be very specific about the risks with specific financial, market, customer strategies.
 - Highlight the process improvements needed with data to show the risks to the operating plan.
 - E.g. If a specific 3-5 year \$100m growth strategy is at risk due to key operational efficiency gaps, and you can clearly show how to mitigate those risks then your will get a lot of attention.
- Getting your case together takes time and input from many different people.
 - Do not speak about it to executives until you have some facts and figures.

Key Message 5

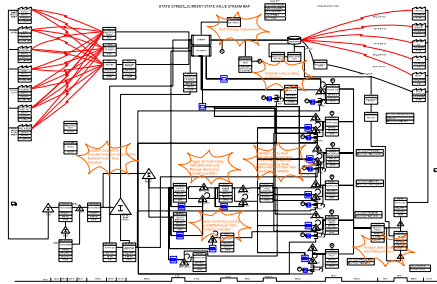
Integrate Process Improvement into your Strategic Roadmap

- If you company has a strategic integrated roadmapping capability then use it to integrate operational efficiency improvement with your product roadmap.
 - This will enable you to show explicit dependencies between delivering products and successfully completing process improvements.



Process Improvement Operating Model at Welch Allyn

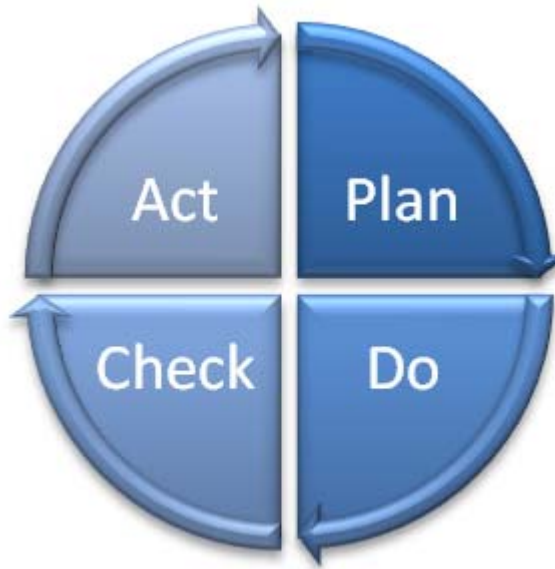
Welch Allyn Process Improvement Operating Model



Value Stream Maps

1. Cut OEE & Capacity Improvement
2. Supplier Delivery/Quality Performance Improvement
3. Fabrication OEE & Capacity Planning
4. FA Cell Measures, Performance, Levelling, Escalation, and Support Network
5. Improve Mail Handling Ownership w/ focus on Inventory Accuracy
6. Improve Large Order Process (primarily International, Outside)
7. DVP Safety Initiative
8. Facilities Expansion Project
9. Probe Cover OEE & Capacity Improvement
10. Improve ISOP Process
11. Line Redesign (target 2-4 cells)

Strategic Objectives



PLANNING Write S.M.A.R.T. Objectives for upcoming year.	MID-YEAR CHECK-IN Discuss and document progress against your objectives. Make course corrections as needed.	YEAR-END PERFORMANCE REVIEW Measure success against the plan you set at the beginning of the year.
ONGOING FEEDBACK: Discuss performance against objectives with manager. Make course corrections as needed.		

Performance Management

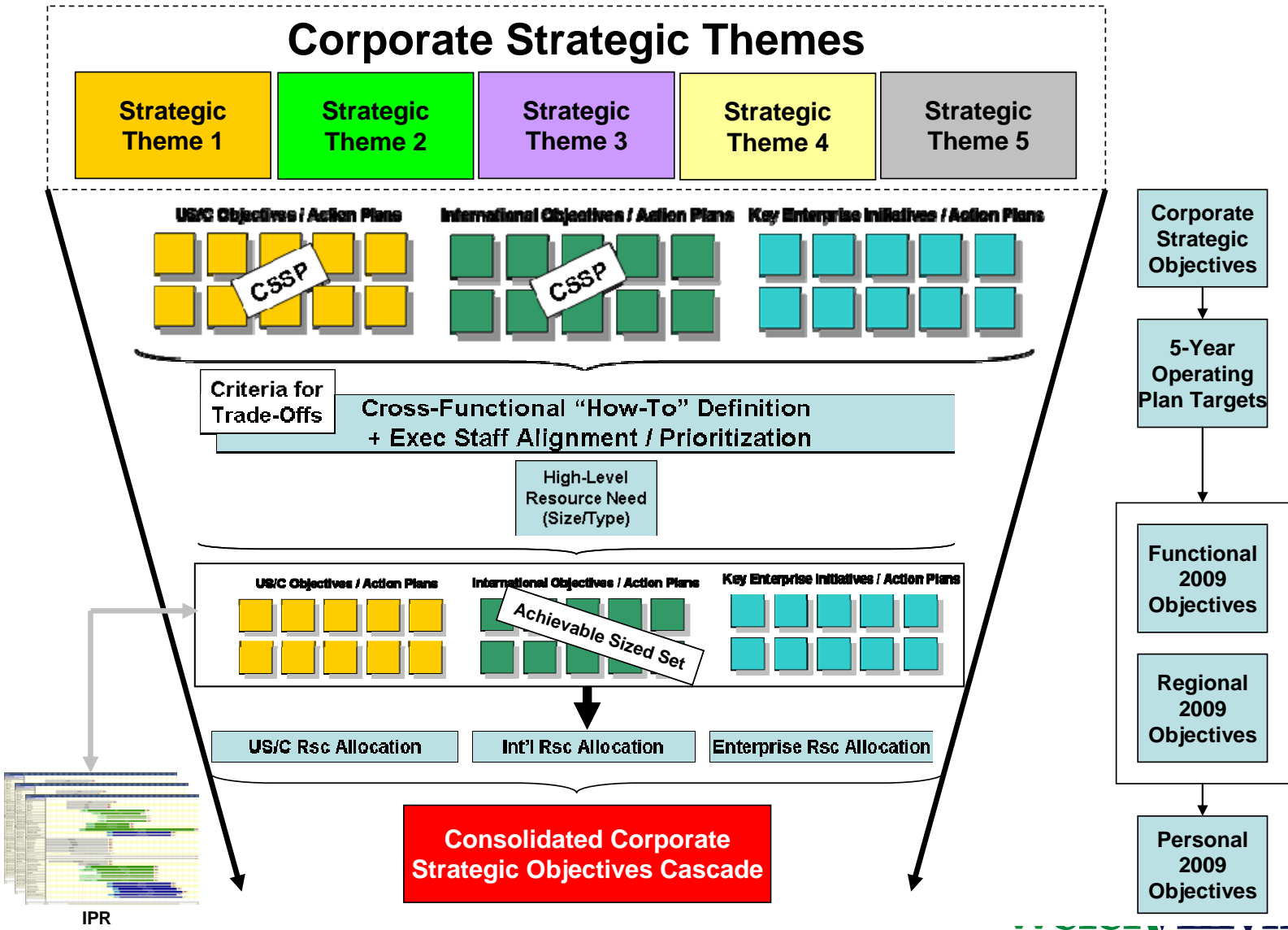
Project Charters

Resource Plans

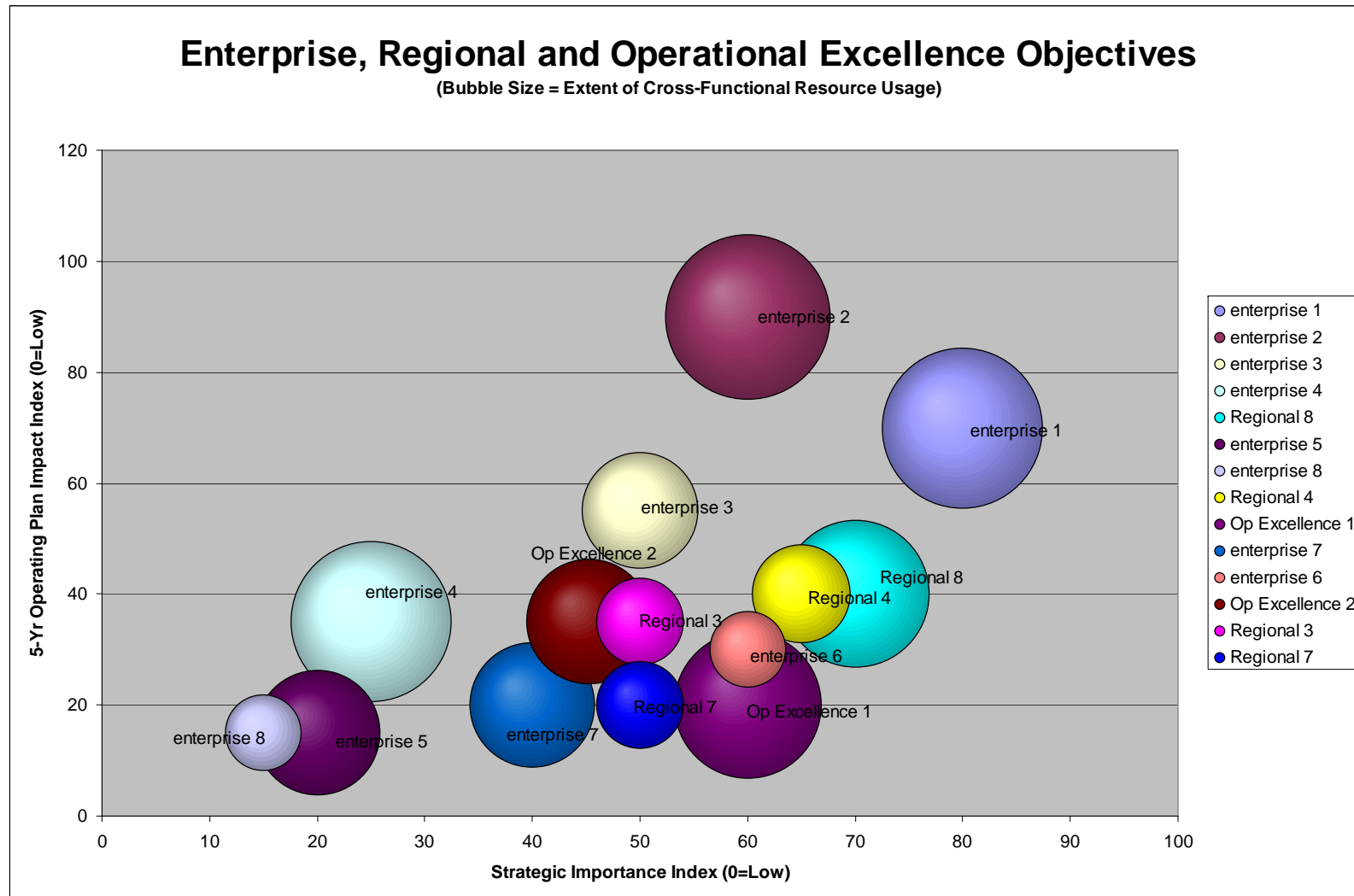
Dashboards

Individual Annual Work Plans

Strategic Alignment Process



Managing the integrated portfolio



Lean Project Charter



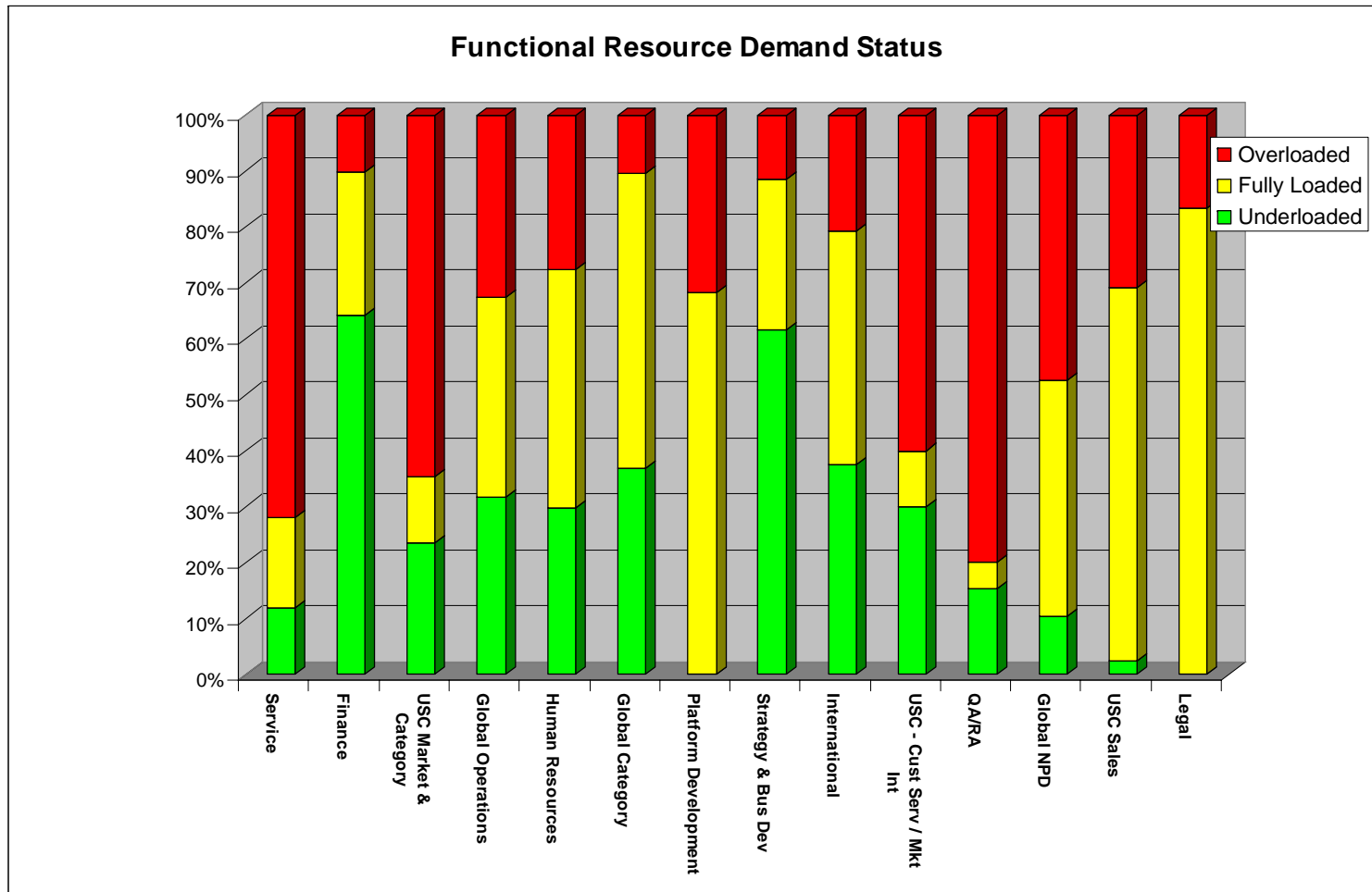
Common Operational Excellence Charter

At Welch Allyn we use Lean as an overarching approach to process improvement.

Once process improvement has become a funded program, teams are chartered using this format.

Project Name		Organization/Division/Unit				
Manager Responsible		Financial Reviewer				
Site Strategic Initiative		Performance Metric to improve				
Project Leader		Target Start and Completion Dates				
Element	Description	Team Charter				
1. Definition:	Describe the process in which the opportunity exists. Attach a value stream map of the process current state					
2. Project Description:	Describe the project's purpose, scope and linkage to the Welch Allyn's strategic initiatives. Indicate how the performance metric will be improved.					
3. Objectives:	What improvement is targeted and what will be the impact	Improvement Indicators	Baseline	Goal	Change	\$ Estimate
4. Team members:	Who are the key members and their current positions? Estimated hrs/days required. Who else or which functions may be asked to supply expertise?					
5. Benefit to Customers:	Who are the customers? Identify both the internal and the external customers. What are their most critical requirements? What benefits will they experience?					
6. Schedule:	Estimate the key milestones...	Project Start				
		Current State VSM				
		Future State VSM				
		Analyze alternative and recommended solutions				
		Project Implementation				
Project completion						
7. Support Required:	Do you anticipate the need for any special capabilities:					

Balancing resources



Conclusions

Conclusions

1. Process improvement will attract investment if it is positioned as strategically important for achieving strategic goals and operating plan targets.
2. Focus on “why” process improvement is critical with respect to achieving a specific market/customer strategy.
 - Process Improvement is not important unless you succeed here.
3. Establish the process improvement proposal within the strategic planning framework that your company uses.
 - Process improvement must be integrated with achieving the critical business goals – not a separate program.
 - Know the strategic planning timeline and milestones and act accordingly.
4. When you are selling your process improvement proposal, always speak about the business risks and not about the details of the models you intend to use.
5. Make process improvement part of your strategic integrated roadmap.
 - Setting up explicit dependencies between process improvements and product releases reinforces the integrated role of process improvement for the business.

Contact Information

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