

Key Models, Templates and Frameworks

*Celebrating 20 Years
1991-2011*



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FROM OK TO GREAT
Creative Engaged Leadership
Strategic Improvement Vision
Baseline Performance and Opportunities Assessment
Goals, Objectives, Feasibility, Approach
Education and Skills Development Strategy



WHAT, HOW, WHEN, WHO, WHERE

- Leadership Infrastructure
- Project Selection/Scoping
- Team Development
- Project Management
- Financial Benefits
- Customized Education
- Key Metrics
- Improvement Methodologies
 - Six Sigma
 - Lean
 - Kaizen
 - Enabling IT/Infotech
- Awareness and Communication

MAKE IT HAPPEN

- Daily Management
- Leadership Mentoring
- Progress Reporting
- Business Process Knowledge
- Technical Improvement Expertise
- Experience and Track Record
- Project, Team Mentoring
- Change Management
- Cultural Alignment
- Projects Closure and Results
- Performance Measurement

- GROWTH
- MARKET SHARE
- INNOVATION
- PERFECT PROCESS QUALITY
- COST REDUCTION
- ELIMINATION OF WASTE
- VELOCITY IMPROVEMENT
- CUSTOMER SERVICE
- SUPPLY CHAIN INTEGRATION
- CULTURAL TRANSFORMATION

Improvement Excellence™ Infrastructure



Improvement Excellence

*Operations and
Technology Excellence*

*Transactional Business
Process Excellence*

Improvement Projects - Integrate Quick-Strike, Lean, Six Sigma

KAIZEN

*Basic Improvement
Quick Strike
No Brainer
Containment
Incremental Steps*

LEAN

*Value Stream Management
Speed, Velocity
Cycle Time
Waste Elimination
Flow, Balance
Synchronization
Standardization*

SIX SIGMA

*Quality
Process Perfection
Statistical Engineering
Variation Reduction
KPIV/KPOV Controls
Complex Variation*

Basic Improvement

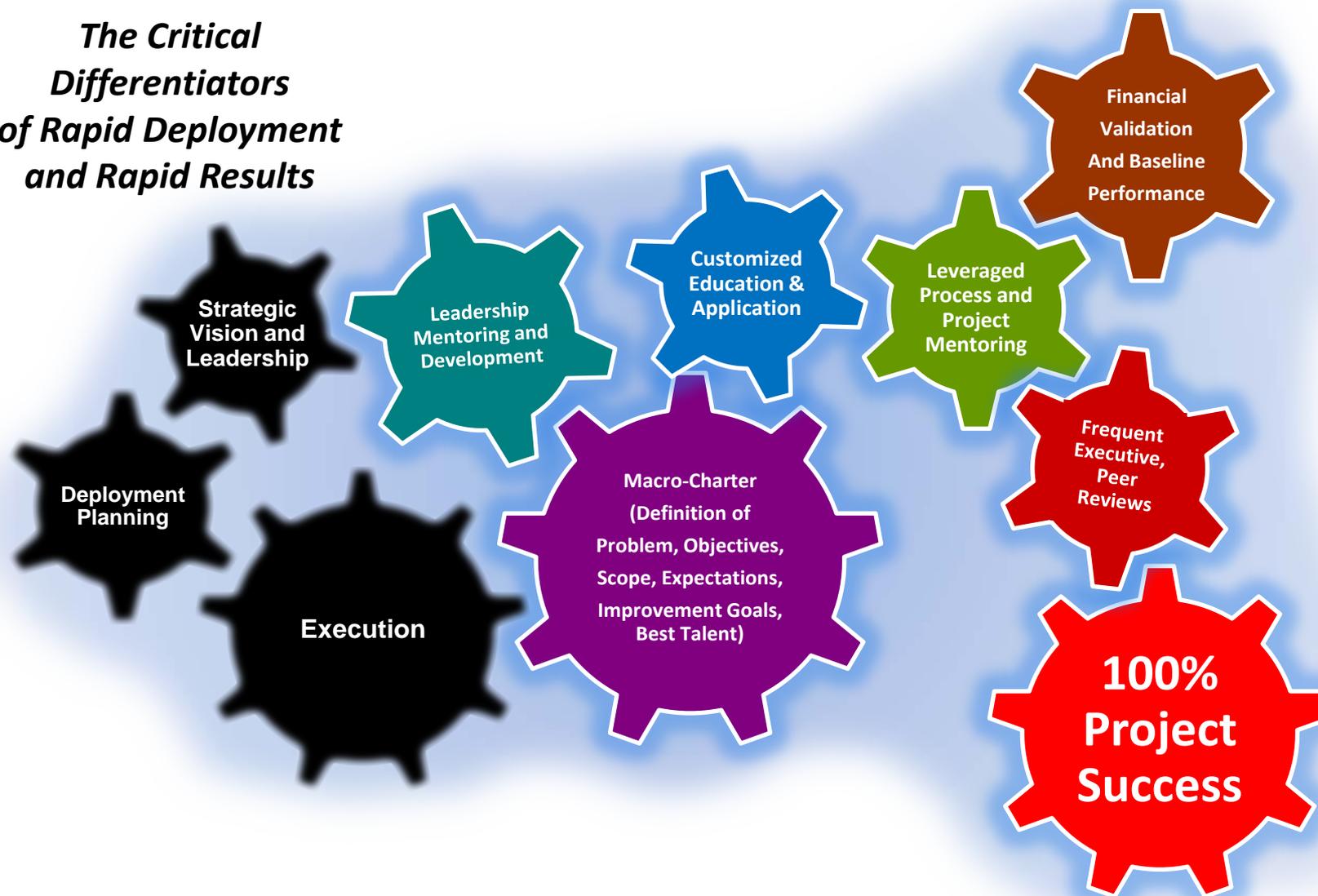
*"The Foundation":
DMAIC Methodology
Leadership and Infrastructure*

Improvement Excellence™

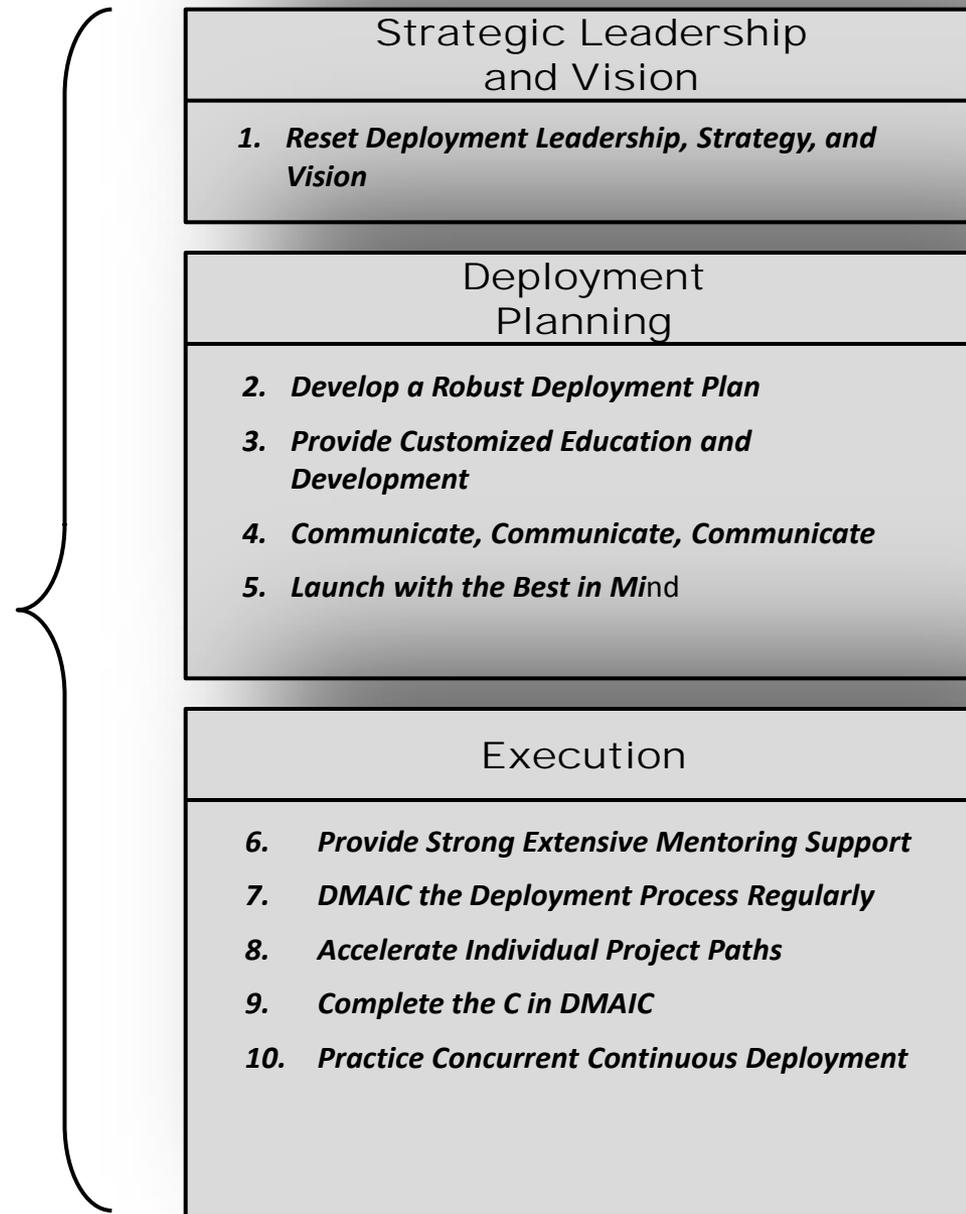
Integrating Kaizen, Lean, Six Sigma, and Enabling IT



The Critical Differentiators of Rapid Deployment and Rapid Results



Scalable Lean/Six Sigma™ Model Characteristics



- | |
|---|
| Strategic Leadership
and Vision |
| 1. <i>Reset Deployment Leadership, Strategy, and Vision</i> |
| Deployment
Planning |
| 2. <i>Develop a Robust Deployment Plan</i>
3. <i>Provide Customized Education and Development</i>
4. <i>Communicate, Communicate, Communicate</i>
5. <i>Launch with the Best in Mind</i> |
| Execution |
| 6. <i>Provide Strong Extensive Mentoring Support</i>
7. <i>DMAIC the Deployment Process Regularly</i>
8. <i>Accelerate Individual Project Paths</i>
9. <i>Complete the C in DMAIC</i>
10. <i>Practice Concurrent Continuous Deployment</i> |

Figure 3.3 Accelerators of Lean Six Sigma Results

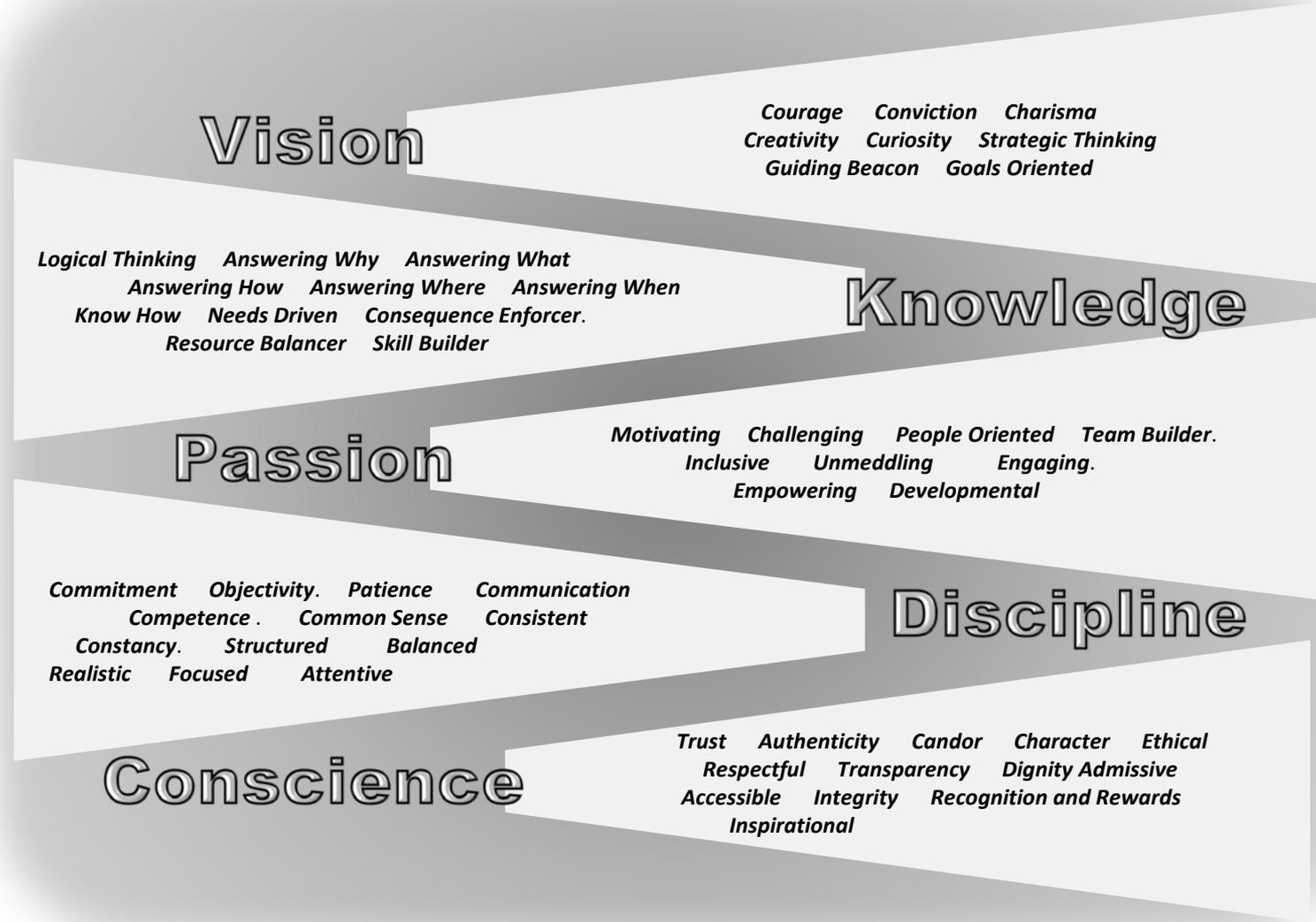


Figure 4.8 Best Practice Leadership Behaviors

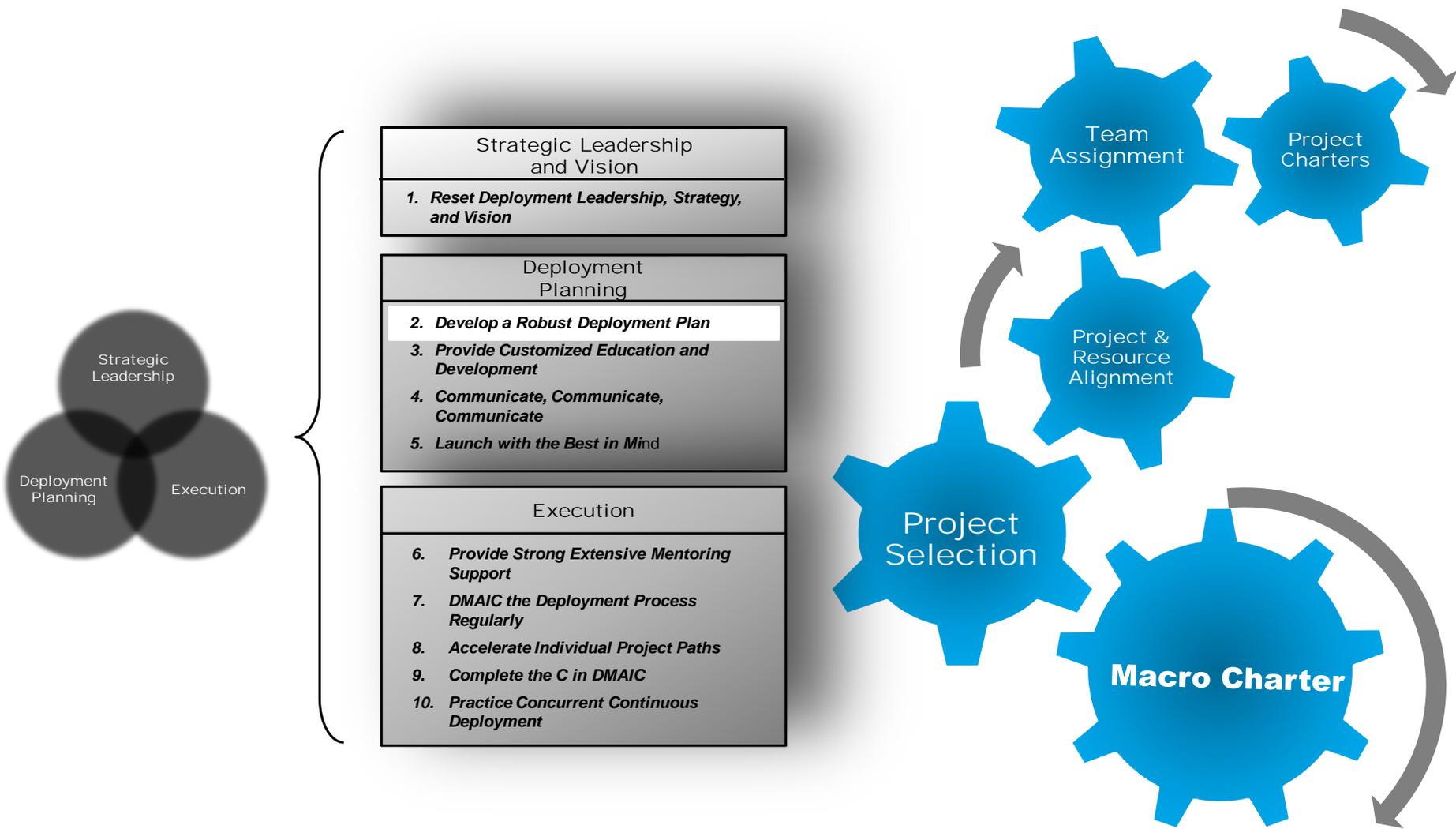


Figure 5.1 Elements of Deployment Planning

Business Diagnostic Summary

Business Unit	Primary Functional Area	Problem Discussion Summary	Effect on Business	Probable Root Causes	Key Business Processes Affected
Consumer Products	Sales & Operations Planning (focus PURELY on demand forecasting)	Low forecast accuracy leading to premium freight, inventory, OTD and customer service issues; Europe 70% of Sales - Can better manage variation than US with 30% of orders with wider variation; Don't access sell-through info, access sell-to info to dealers; Don't know sell-through to ultimate customers (Media Market in Europe, like XXXXX); Not getting (any or reliable) sales forecasts from regions; Not a priority for the Sales group, not measured for performance; Handle everything the same, proliferation of products and SKUs; Sales does not recognize problems - Top \$ forecast is accurate; COnstant changes throughout month especially last week;	More of a pareto relationship in Europe than US with lower volumes; Priority, lack of process (evolving); Frequency of review, Dropping in requirements without impact on whole; Revenue-driven; Way too much manual intervention	Forecast, Master Schedule, MRP but can't handle multi-whse, SAP process will be automated by April ; Currently analyzing product data to clarify root causes, where to focus to get largest quickest improvement, etc.	same
Aerospace Products	Quality	Warranty and non-warranty returns are growing significantly; Some returns have been in system for as much as 268 days; Many "No Problem Found" returns - Send back to customer and fails again; Rev updates not getting done; Customers are unhappy because we are not turning these around fast enough; Customers applying their own billing adjustments causing wast in invoicing and collections; Non warranty returns in queue represent \$8.2M in incremental revenue'	Lost revenue opportunities, customer complaints, potential catastrophe at customer, excessive costs of on site repair, airline costs, expedited freight, disruptions, etc. when products fail and customer has no spares;	Warrantee and non warranty turnaround not a priority, Sales talks customers into buying more new products, giving deep concessions when there is a warranty problem, probably giving away new products; Product documentation weak on rev level change dates, difficult to tell what configuration customer purchased, may have sat in warehouse for 6 months before purchase;	Sales, Warehouse, Quality, Customer Service, Finance (Returns and Billing processes)
Consumer Products	Operations	Poor On Time Delivery; Sales sells and the organization falls down; Customers angry, complaining about OTD and availability of stock, threatening to cancel orders; Don't order enough inventory, vendor quality issues, designs failing in field; Shipping department	Losing market share, one of our largest retailers threatening to throw us out; Lots of , crisis m	Consumer market moves fast, customers will buy competitors product if ours not available CHINA manuf	

Figure 5.2: Macro Charter, Tab 1

Project Definition and Scoping										
Problem Statement	Project Name	Project Objectives and Scope	Key Performance Metrics	Baseline Performance	Improvement Goal	Benefits Statement	Quantified Benefits	Savings Category	Project Deliverables	Barriers to Success
Forecast Accuracy is extremely low; Not enough effort is put into S&OP process to tie Sales, Supply Chain, and Finance together; All products treated equally; Measure and report out forecast error monthly, no corrective actions or accountability;	S&OP Improvement	Improve Forecast Accuracy (the combo of forecast and MPS that drives MRP)	Forecast Accuracy; Forecast Error; By product, category, region, sales associate, customer, distributor. etc.	Current US is 40%-50%; EMEA is 60%-70%	Shoot for 80%-90%+	Forecast accuracy will improve OTD and F/G turnover	\$784K	A, B, D	Accurate Forecasting Process with proven best practices and metrics	Sales not interested, want to sell and hit \$ goals; New forecasting process will expose waste and accountability
There is no distinction of customers; Treat a \$100 customer exactly as a \$150M customer, often at expense of premier customers; Invoicing cost more to apply individual discount agreements and collect receivables than the value of the order; Obvious negative margins on too many orders. 14 customers represent over 90% of US sales, sell to 3874 customers	Customer Rationalization	Develop more targeted sales, customer service and fulfillment practices that recognize distinctions between customers; Eliminate excess hidden costs to service low volume, unprofitable market segments; Look for other options to smooth out selling cycle. Might consider new policy for small customers to deal direct with dealers but determine based on data	\$ revenue by market, region, distributor, customer; P&L \$ by same	Billing employs 6 fte people (\$238K) to deal with errors on orders under \$250; Sales spending too much time on same (COPQ being determined);	Work with Product Rationalization Team; Reduce low and negative margin orders, including cost of quality to sell and service smaller customers	Significant COPQ reductions and waste from handling low and negative margin customers; Sales will have more time and resources to focus more on top 50 customers, tall pole selling	This project will reduce COPQ by \$370K - \$438K	A, B, C, D, E	Recommended actions to reduce, realign customers to appropriate channels;	Sales does not want to lose the flexibility of selling to these customers;
Too many products, many with low and negative margins, especially the disruption and expediting costs; Sales meets \$ goals but XYZ falls short on P&L, Asset Mgmt goals	Product Rationalization and Pruning	Reduce the number of SKUs through data driven logic and analytical science; Also develop a formal ongoing process to evaluate and phase out old SKUs	Number of SKUs, Profitability by Category, Product, SKU	Current 876 SKUs	Reduce the number of active SKUs by at least 25%;	40% of order entry time is spent on orders under \$250. Estimate a P/N reduction of over 6000 R/M components; Many products with negative margins	Eliminate negative margins on \$170M revenues (\$18M drain to profits); Improve ave. profit margin by 6 points	A, B, C, D, E	Recommended SKU reductions with justification; Ongoing SKU Rationalization process with metrics	Sales will not give up SKUs, will complain that they can not sell x without offering Y; Some customers prefer older products;
Spending \$25M/year on premium freight from suppliers; 36% of F/G receipts to Denver warehouse are premium freight, then excess inventory next months. Sales instructing warehouse to ship premium freight. Premium freight is a free for all, everyone using as a security blanket, no process or controls.	Premium Freight Reduction	Define best practice to control and reduce premium freight by 75%; To be at goal by year end;	Premium freight \$; Look at premium freight by supplier, category, product, by time of month, etc.	Current \$25M	Reduce by 75%	Defining root causes of premium freight will identify future projects; These savings are hard \$, bottom line savings	This project should reduce premium freight by \$15M-\$18M	A, D	Premium freight procedure, controls, and ongoing metrics; Visibility to root causes (who, when, why, approved, etc.)	Will need to do a much better job in S&OP to enable this; Engineering and Supply Chain groups will argue they need this to get products out on time;

Figure 5.3: Macro Charter, Tab 2

Project Chartering									
Project Name	Project Objectives and Scope	Executive Sponsor	Process Owner	Team Leader	Team Participants	Extended Team Resources	Standard Team Meeting Schedule	Next 4-6 Week Plan Complete	Initial Mining Data
SOP Improvement	Improve Forecast Accuracy (the combo of forecast and MPS that drives MRP)	Steve Boeder	Dave Johnson	Christine Williams	John McKrill, Scott Claywell, Larry Bonner, Amanda Griggs	Jeffrey Spands, William Heidke	Monday, 11AM-1PM, Executive Conference Room	Y	Pareto analysis by revenue \$, customer, dealer, distributor, region; Prior pareto forecast accuracy by product line;
Customer Rationalization	Develop more targeted sales, customer service and fulfillment practices that recognize distinctions between customers; Eliminate excess hidden costs to service low volume, unprofitable market segments; Look for other options to smooth out selling cycle. Might consider new policy for small customers to deal direct with dealers but determine based on data	Sandra Smith	William Trask	Steve Miller	Ben Burton, Sandra White, Tim Hardwig	Marc Flint	Tuesday, 1PM-3PM, Conference Room 1	Y	Pareto analysis of Revenue \$ by customer, gross margin by customer & by product;
Product Rationalization and Pruning	Reduce the number of SKUs through data driven logic and analytical science; Also develop a formal ongoing process to evaluate and phase out old SKUs	Bradley Jones	Brenda Rooks	John Bender	John Lawson, Craig Allen, Roger Marconi, Richard Caldwell	Sales - TBD	Wednesday, 10AM-12PM, Conference Room A-2	Y	Analysis of products and revenues, volumes, gross margins;
Premiun Freight Reduction	Define best practice to control and reduce premium freight by 75%; To be at goal by year end;	John Moore	Melanie Shafer	Richard Hertz	David Arthur, Robert Mondavi, Katherine Hall, Raymond Partridge	Kelly Quigley, Tammy Lamborne, Randy Rodregas	Thursday, 9AM-11AM	Y	Premium freight dollars by month;

Figure 5.4: Macro Charter, Tab 3

Project Prioritization Matrix		[Redacted]												
*-Reverse Scoring, High Score=Low Cost, Low Difficulty		9	10	9	7	5	6	4	6	5	7	9	Weights	
SOP Improvement	Improve Forecast Accuracy (the combo of forecast and MPS that drives MRP)	7	9	9	7	8	8	8	9	7	8	9		629
Customer Rationalization	Develop more targeted sales, customer service and fulfillment practices that recognize distinctions between customers; Eliminate excess hidden costs to service low volume, unprofitable market segments; Look for other options to	4	9	7	6	6	5	7	7	7	6	8		510
Product Rationalization and Pruning	Reduce the number of SKUs through data driven logic and analytical science; Also develop a formal ongoing process to evaluate and phase out old SKUs	6	9	9	6	7	7	7	8	7	6	8		569
Premium Freight Reduction	Define best practice to control and reduce premium freight by 75%; To be at goal by year end;	5	10	8	8	9	9	9	9	9	9	9		651

Figure 5.5: Macro Charter, Tab 4

PROJECT CHARTER

Project Name:	<i>Billing Errors</i>	Annual Savings	\$ 6.7M cash flow, \$70K avoidance		
Green Belt:	Gretchen Hancock	Champion	Mike Hall		
Team Members:	Robin Hood Sandy Ramsey	Business Unit	All		
Start Date	6/6/2009	Target Completion	12/10/2009		
Problem Statement:	<p><i>* Billing errors are caused somewhere in the quote through invoice process. (wrong price, incorrect quantity, RMAs, manual NRE billings, etc.)</i></p> <p><i>* Extend A/R, creates NVA in reconciling invoices and correcting errors before we can collect our money.</i></p>				
Project Objectives:	What improvement is targeted and what will be the impact on Critical Business Metrics?	Projects Y's	Baseline	Goal	units
	Primary Metric	Reduce Billing Errors	3 2.5	1.5 1.25	% Qty % \$
	Secondary Metric	Education	unknown	100%	
	Other Metrics				
	Counterbalance				
	Financial Impact				
Benefits and Improvement Goals:	<p><i>* Reduction in payment delays</i></p> <p><i>* Reduce manual corrections/transactions</i></p> <p><i>* Accurate cash availability</i></p> <p><i>* Improves monthly revenue projections (accurate baseline)</i></p> <p><i>* Enhance Business Control Processes</i></p>				
Baseline Performance:	<p><i>* Perception of high percentage of errors</i></p> <p><i>* Actuals Mar-May 2009</i></p> <p><i>- 3% credit transactions (non RMA)</i></p> <p><i>- 2.5% of revenue</i></p> <p><i>* Delays in payments</i></p>				
Current Performance:		% credit transactions	% credit of dollars	Comments	
	Mar-May	3.03%	2.50%		
	June	1.30%	0.41%		
	July	1.61%	1.40%		
	Aug	3.26%	1.21%	MPO Contract Closure	
	Sept	1.21%	0.59%		
	Oct	1.58%	0.86%		
	Nov	1.88%	0.24%		
Support Required	<i>IT for SAP reporting only (minimal \$)</i>				

Figure 5.6: Project Charter



Effective Communications Strategy



Low Medium High



High

Extensive experience with various improvement methodologies and tools, and how to deploy the right methodologies to the highest impact opportunities.

High

Experience and knowledge about IT architectures and functional capabilities, and key business processes, practices, and controls.

High

Executive leadership expertise in transforming a variety of executives and organizations in many with their strategic improvement initiatives, particularly in achieving breakthrough results and superior competitive position.

High

Knowledge of industry best practices through benchmarking, networking, and direct experiences creating best practices in previous consulting and/or career assignments.

Leveraged Mentoring