



A HASHTAG CONSULTING SOLUTIONS INC WHITE PAPER

Operational Excellence and Strategy

Intersection to Convergence

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Operational Excellence Management Systems (OEMS) differ in most organizations and so does their ownership and reporting hierarchies. With a multitude of methodologies and frameworks in the OEMS space, each with its strong proponents, there is no unified definition, nor is there an international standard in place. This lack of structure provides flexibility and room to innovate and we see plenty of that. We look at the common challenges and present our recommendations:

- How to align operational excellence with strategy?
- How to embed operational excellence within the corporate culture?
- Why effective OEMS and strategy governance is critical for success?

Aligning OEMS with organizational strategy

OEMS resides and is typically owned by the functional heads, with little interaction and, in some cases, no interdependence. Strategy execution on the other hand is driven by executive management or a dedicated office. So what is the best way to align OEMS to organizational strategy? Chevron (see sidebar) has adopted the classic approach, with a clear commitment from the Chairman and CEO.

The Balanced Scorecard internal perspective is where operational excellence priorities would logically reside. So why is alignment with the organizational strategy a challenge? Here are some reasons why:

Fragmented OEMS ownership; by its very nature, OEMS initiatives intersect multiple organizational disciplines and are driven by multiple silos. *Recommendation: establish a single point of accountability (Programme Management Office, Office of Strategy Management, Center of Excellence) with empowered to act, improve and adapt to change*

In-effective OEMS governance; OEMS is not a single all-encompassing project, instead it comprises of multiple concurrent streams, making effective governance a challenge. *Recommendation: ensure that individual projects are monitored via metrics and aligned to the overall OEMS programme dashboard with clear linkages to strategy*

Lack of OEMS buy-in (what's in it for me); unless the stakeholders can see a benefit in implementing change, for their individual function the buy-in becomes very difficult to achieve. *Recommendation: link OEMS to personal rewards/recognition, communicate why OEMS is being implemented, engage and collaborate (cross-functional theme teams)*

In-ability to see the "big picture" (poor cascading); change is generally disliked, especially when there is no visibility of the "big picture". *Recommendation: create OE mission aligned to the corporate vision, mission and values, develop operational plans aligned to the organizational strategic plan, measure and celebrate achievements*

"Our Chevron Way values place the highest priority on the health and safety of our workforce and protection of our assets and the environment. The Operational Excellence Management System (OEMS) translates this priority into world-class performance, providing Chevron with a competitive advantage and driving business results.

I am committed to meeting our OE Objectives. I ask you to join me. ..."

John Watson Chairman and CEO of Chevron Corporation, March 2012



OEMS and organizational culture

OEMS cannot be effective unless it is linked to the organizational vision, mission and values. Implemented in isolation, the benefits are localized and usually not holistic. How do we ensure that OEMS is visible, measurable and recognized as an effective tool in achieving the strategic objectives? It starts with leadership, not just executive management but at all levels. Leaders need to “walk the talk”, see DuPont approach which centers around leadership by example (sidebar left).

Robert Kaplan and David Norton the creators of the Balanced Scorecard noted that, “Companies generally fail at implementing a strategy or managing operations because they lack an overarching management system to integrate and align these two vital processes.” Leadership role is critical in embedding excellence in the organizational DNA. Operational excellence must not be perceived as the “other person’s job.” Leadership needs to reinforce their commitment to excellence and work towards integrating excellence with business-as-usual.

The Balanced Scorecard management system is a powerful tool to align OEMS to strategy. Here are typical challenges to look out for:

Un-clear linkage to organizational values; it is rare to find organizational core values which lend more than lip service. *Recommendation: review your organizational core values and establish an integrated link to OEMS, exhibit visible executive management commitment and communicate the need for achieving agreed objectives, at every opportunity and at all organizational levels*

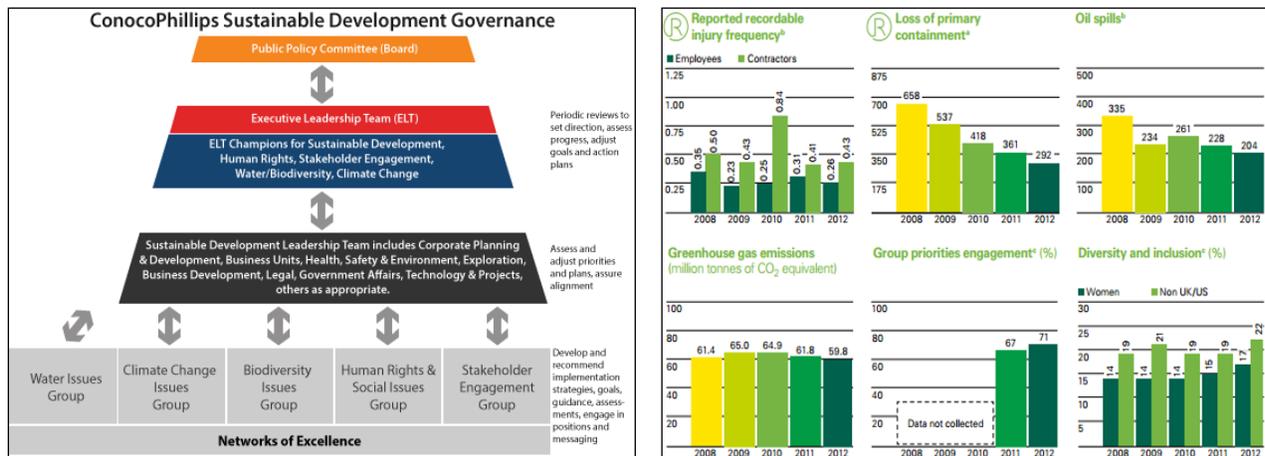
In-effective management role modelling; unless the executive management acts as an effective role model and reinforces the value of OEMS, their sub-ordinates will treat it as “yet another initiative” and there will be minimal benefits. *Recommendation: Make a concerted effort to engage executive management in exhibiting their support and to “walk the talk”*

Lack of accountability; as the old adage goes “if you cannot measure it you cannot improve it.” With multiple initiatives and ownership points, OEMS accountability is a challenge. *Recommendation: establish an effective OEMS performance management system in alignment with the organizational performance management system, monitor results and adjust as needed*

Organization within an organization; OEMS organization, its reporting hierarchy, its brand, its achievements and its visibility needs to be carefully evaluated to avoid creating a parallel organization. *Recommendation: position OEMS within the organization prudently, after careful consideration of all aspects to ensure overall alignment and appropriate visibility*

Governance

Governance is an important measure of ensuring effective implementation. This is applicable at the organizational strategy level as well as the OEMS level. ConocoPhillips Sustainable Development Governance framework (see figure below) ensures engagement of the Board of Directors, executive management team and cascades down to the functional groups. Performance measures (KPIs') are generally reported on corporate scorecards which show the performance trends over time, see British Petroleum groups performance data on a wide range of KPIs', like safety, environmental and social responsibility, trust and value (illustration right side below).



In the ideal scenario implementation of effective governance can be straight forward. But in the real world, this is a challenging task partly due to conflicting priorities but mostly due to resistance to change and accountability. Here is a simple recipe for establishing a good governance framework provided, there is unwavering executive management commitment:

Organizational performance management; unless strategic and operational (OEMS) metrics are measured and corrective actions implemented, overall performance gains cannot be realized. *Recommendation: establish an organizational performance management system linked to the strategy maps, with defined accountabilities and monitoring frequencies*

Dashboards and scorecards; performance scorecards at divisional and organizational level must be aligned to the overall strategy, budget and resources for effective monitoring. *Recommendation: develop scorecards with strategic objectives, KPIs, initiatives, budgets and resources aligned to the strategy and monitor the performance via dashboards*

Stakeholder collaboration; understanding the stakeholder value-chain and its impact on the overall service/product delivery to the customer can ensure continued business success. *Recommendation: engage cross-functional stakeholders (internal and external) to agree on weightings and inter-dependencies for ensuring effective strategy implementation*

Transparency and engagement; sharing information, successes and failures with the stakeholders generates empathy. *Recommendation: share the performance data with all stakeholders, including poor performance data and mitigation plans to get buy-in, collective ownership and commitment to achieve the common goals and corporate aspirations*

Operational excellence intersection and convergence with strategy

Operational excellence initiatives intersect with strategy as the intent is the same, to improve. However, both OEMS and strategy must converge to achieve great results. How do we achieve this equilibrium, where OEMS initiatives deliver measureable results which contribute to the attainment of organizational strategic goals? Here are parting thoughts:

- Operational excellence team within the organization must be able to see the “big picture” and connect the dots between OEMS and corporate strategic objectives
- Team responsible for strategy execution in the company should likewise understand the relevance, importance and contribution of OEMS in the attainment of overall goals
- Ideally there should be a single point of accountability at the executive management level for both OEMS and strategy, perhaps via theme teams, to ensure effective governance
- Organizational performance management system should be cascaded at all levels, with a clear and transparent linkage to OEMS and visible contribution to the corporate strategy
- OEMS toolkit must be carefully selected, internalized and deployed in order to avoid “death by initiatives” i.e., overkill and to ensure overall buy-in and visibility of benefits
- Executive management must demonstrate their commitment, walk the talk, reward/recognize excellence, install effective governance systems and share outcomes

About Hashtag Consulting Solutions Inc.

Founded by Zillay A. Nawab, Hashtag Consulting Solutions Inc., is a Toronto based one-stop boutique practice dedicated to helping clients realize maximum value and achieve organizational excellence. We have extensive experience within multiple business segments, both in the Public and Private sectors. Our expertise is in implementing organizational excellence and managing complex transformation programs, with an effective blend of leadership, facilitation and collaboration.

Hashtag Consulting Solutions interventions deliver measurable cost savings, enhanced stakeholder satisfaction, waste reduction, risk mitigation and strategic alignment.

We have the depth of experience to delve in and dissect business challenges and deliver practical solutions.

Contact us to arrange a preliminary discussion and realize measurable benefits.

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