

CHECKLIST

**5 signs that you need to
take action to improve
operational efficiency**



INTRO

Many businesses have outgrown their work processes, and their operational efficiencies are too weak. There are also no structures established to ensure that organisations improve either. Do you recognise yourself in this? If your answer is yes, it may be time to take action.

There are significant similarities in the businesses that achieve success - similarities that distinguish them from comparable companies that do not achieve success. Jim Collins has been studying this for more than 25 years.

What did Collins and his team find? That the companies that achieve an outstanding status have indeed established concrete mechanisms for development. The continuous, targeted work to improve the business is, therefore, vital.

What is the status of your business? Is your assumption that you should do something about operational efficiency? Do you constantly receive complaints from customers about delayed deliveries, or maybe even defective deliveries? Do your employees spend too much time on "fire extinguishing" in relation to value-adding activities? Then it may be time to take action.

We have created a checklist that addresses five common symptoms that operational efficiency needs to be improved. The purpose of this is to help you describe the situation and form a basis for discussion with management about the way forward towards outstanding results.

Best of luck!

Best regards,

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A continuous need for change and improvement

In a situation of ambitious demands from owners and ever-increasing dynamics of the market and the environment, there is a continuous need for improvement. It is, therefore, crucial for competitiveness that businesses have established predictable mechanisms to ensure that the necessary changes are actually made.

Without such mechanisms, it should not be a surprise that the operational efficiency of the business, and often also financial results, is too poor.

The world-renowned author Jim Collins has for more than 25 years studied what sets the best businesses apart from the average - and the worst. Collins and his team found, among other things, that outstanding companies have established specific, targeted mechanisms for business development. The continuous improvement work is central to this.

Nevertheless, many companies do not have a standardised approach to implementing improvement projects or patterned structures that involve everyone in their daily work on continuous improvement.

The strategic plans in these businesses usually contain little or nothing about the targeted development of the structures necessary to ensure profitable growth.

Lean and Six Sigma are two complementary management initiatives that create more satisfied customers, employees and owners. The management initiatives include proposals for structures that can meet the company's improvement needs, i.e. the need for change. A prerequisite for success is that these structures are integrated and adapted practically and pragmatically.

Also, it is a prerequisite that the implementation of the structures involves everyone in the business, is run by the managers themselves and implemented purposefully as an accelerated evolution - not a revolution. Such an evolution grows from the company's understood needs and the current situation—a situation that must also be characterised by facts about operational performance.

In other words, Lean and Six Sigma comprise of critical mechanisms in the work on internal business development. Appropriately integrated and implemented, they form a whole that meets the improvement needs of most businesses.

As managers and employees implement these structures over time, a results-oriented improvement culture will slowly but surely emerge.

Is your business in a situation where one should raise operational performance to a new and better level? The checklist below can give you an indication of whether it's time to get started.



CHECKLIST

5 signs that the business should take action to improve operational performance

1. The finance manager says that operational efficiency is much weaker than budgeted - and that the situation has been so for a long time

The authorities have made sure that we have a standardised way of describing the financial side of operational performance. These figures thus indicate the harsh reality and are the fact-based symptom of poor performance in the processes.

2. Customers complain

The business creates value for its customers through its processes. Customer complaints are a sure sign that the company is not creating expected value. The causes are typically in one or more of the business processes. Therefore, without making concrete, lasting improvement measures, the danger is the same mistakes repeating. Customer complaints about the same type of problem are a sure indicator that one must take action.

3. Employees and managers spend way too much time on "fire extinguishing"

Lack of control in and between processes will almost legally lead to a lot of reactive work, often called "fire extinguishing". The reactive work goes beyond the planned value-added work and thus the operational performance. Unnecessary overtime work, cost overruns and high-stress levels among employees are sure indicators that one must take action.

4. Constant delays in the development of new products and services

Tomorrow's competitiveness depends on the targeted development of existing and new products and services, and most companies have plans for this. Delays in starting up and executing this development work can be an indicator of severe problems in the business operation. These issues that relate, among other things, to over-reactive participation of development resources in the operational processes (market, sales, customer support, service, production and delivery). Again: a sign that one should take control of the operational situation.

5. The business has deficient or absent structures that ensure improvement

The company's strategic goals are changing, and so is the market and its surroundings. It is therefore almost certainly a legal issue if today's processes do not meet tomorrow's demands.

A reactive approach to improving and changing the organisation will be like running a radio car in the blind. You constantly run into obstacles, stop and have to adjust. The alternative to the radio car approach is to be proactive, planned and business-oriented in the improvement work.

That is, to have specific internal mechanisms that proactively ensure that the business processes meet new demands given by strategic goals as well as by observed and expected changes in the environment.

If you do not have such holistic and proper mechanisms in place, you have a sure indicator that you should now take action.

The solution? Establish holistic structures for improvement

If the business already has operational challenges or is facing a planned ambitious growth, a comprehensive approach is required to ensure targeted development of the processes. This development should be based on facts and insights and be holistic because "everything is related to everything". This means that the causes of existing and future operational problems lie not only within individual processes but in multiple processes and the interfaces between them.

Review the checklist and describe the current situation in your business. Discuss the need with other key employees and executives and then build a decision basis for management.

Such a basis should include the company's goals, the current operational situation, the need to take action and suggestions for starting an improvement initiative. The guiding principle for such an effort is that the company chooses the right people to implement, that the implementation should be through the line management in the organisation, that everyone should be involved, and that the development of competence should take place before the construction of the structure.



Do you want to learn more about how to improve operational efficiency?

Then you can download our guide:
How to Implement a Business Improvement System

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